



UNIL | Université de Lausanne

Unicentre

CH-1015 Lausanne

<http://serval.unil.ch>

---

Year : 2019

## Swiss Economic and Political Relations with Israël, Egypt and Syria During the Arab-Israeli Conflicts (1967-1983)

Meister Magnus

Meister Magnus, 2019, Swiss Economic and Political Relations with Israël, Egypt and Syria During the Arab-Israeli Conflicts (1967-1983)

Originally published at : Thesis, University of Lausanne

Posted at the University of Lausanne Open Archive <http://serval.unil.ch>

Document URN : urn:nbn:ch:serval-BIB\_81D4609CF0645

### **Droits d'auteur**

L'Université de Lausanne attire expressément l'attention des utilisateurs sur le fait que tous les documents publiés dans l'Archive SERVAL sont protégés par le droit d'auteur, conformément à la loi fédérale sur le droit d'auteur et les droits voisins (LDA). A ce titre, il est indispensable d'obtenir le consentement préalable de l'auteur et/ou de l'éditeur avant toute utilisation d'une oeuvre ou d'une partie d'une oeuvre ne relevant pas d'une utilisation à des fins personnelles au sens de la LDA (art. 19, al. 1 lettre a). A défaut, tout contrevenant s'expose aux sanctions prévues par cette loi. Nous déclinons toute responsabilité en la matière.

### **Copyright**

The University of Lausanne expressly draws the attention of users to the fact that all documents published in the SERVAL Archive are protected by copyright in accordance with federal law on copyright and similar rights (LDA). Accordingly it is indispensable to obtain prior consent from the author and/or publisher before any use of a work or part of a work for purposes other than personal use within the meaning of LDA (art. 19, para. 1 letter a). Failure to do so will expose offenders to the sanctions laid down by this law. We accept no liability in this respect.



UNIL | Université de Lausanne

FACULTÉ DES SCIENCES SOCIALES ET POLITIQUE  
INSTITUT D'ÉTUDES POLITIQUES, HISTORIQUES ET INTERNATIONALE

**Swiss Economic and Political Relations with Israel, Egypt and Syria During the  
Arab-Israeli Conflicts (1967-1983)**

THÈSE DE DOCTORAT

présentée à la  
Faculté des sciences sociales et politiques de l'Université de Lausanne

pour l'obtention du grade de  
Docteur ès science politique

par  
Magnus Meister

Directrice de thèse

Prof. Janick Marina Schaufelbuehl, Université de Lausanne

Jury

Dr. François Allisson, Université de Lausanne  
Dr. Sandra Bott, Université de Lausanne  
Dr. Guy Laron, Université hébraïque de Jérusalem  
Prof. Sacha Zala, Université de Berne

LAUSANNE  
2019





UNIL | Université de Lausanne

FACULTÉ DES SCIENCES SOCIALES ET POLITIQUE  
INSTITUT D'ÉTUDES POLITIQUES, HISTORIQUES ET INTERNATIONALE

**Swiss Economic and Political Relations with Israel, Egypt and Syria During the  
Arab-Israeli Conflicts (1967-1983)**

THÈSE DE DOCTORAT

présentée à la  
Faculté des sciences sociales et politiques de l'Université de Lausanne

pour l'obtention du grade de  
Docteur ès science politique

par  
Magnus Meister

Directrice de thèse

Prof. Janick Marina Schaufelbuehl, Université de Lausanne

Jury

Dr. François Allisson, Université de Lausanne  
Dr. Sandra Bott, Université de Lausanne  
Dr. Guy Laron, Université hébraïque de Jérusalem  
Prof. Sacha Zala, Université de Berne

LAUSANNE  
2019



UNIL | Université de Lausanne

Faculté des sciences  
sociales et politiques

#### IMPRIMATUR

Le Décanat de la Faculté des sciences sociales et politiques de l'Université de Lausanne, au nom du Conseil et sur proposition d'un jury formé des professeurs

- Janick SCHAUFELBUEHL, directrice de thèse, Professeure à l'Université de Lausanne
- François ALLISSON, Maître d'enseignement et de recherche à l'Université de Lausanne
- Sandra BOTT, Maître d'enseignement et de recherche suppléante à l'Université de Lausanne
- Guy LARON, Lecturer à la Hebrew University of Jerusalem
- Sacha ZALA, Professeur à l'Université de Berne

autorise, sans se prononcer sur les opinions de la candidate, l'impression de la thèse de Monsieur Magnus MEISTER, intitulée :

**« Swiss economic and political relations with Israel, Egypt and Syria during the Arab-Israeli conflicts (1967-1983) »**

Marie SANTIAGO DELEFOSSE  
Doyenne



Lausanne, le 2 octobre 2019

## **Abstract**

This dissertation analyzes Swiss economic and political relations with the major parties of the Arab-Israeli conflict, Israel, Egypt and Syria, from 1967 to 1983. It does so from a Swiss perspective, combining public and private archival sources with descriptive data on trade and financial relations. It assesses the importance of foreign markets for the Swiss economy and of economic interests' influence on foreign policy. The study evaluates how the national, regional, and international constraints of the 'long 1970s' shaped these relations – including but not limited to: the Arab-Israeli wars of 1967 and 1973; the oil price hikes and international economic crisis; superpower involvement in the region; the emerging North-South divide; contradictions in local economic development and power structures; and the Third World debt crisis of the early 1980s. Despite the risks surrounding the Arab-Israeli conflict, Swiss involvement in the region increased substantially. But it was not equally distributed; growing engagement in the Arab world corresponded to estrangement from Israel. The thesis demonstrates that this was the result of coordinated efforts between the Swiss state and business. Economic interests – maintaining macro-economic stability amidst oil price hikes and mitigating international economic crisis by securing new markets for Swiss companies – were a key factor in developing foreign policy. Situated within Middle Eastern political and economic antagonisms, this shift could not be sustained through 'market forces' alone; it required state support. Swiss neutrality policy proved helpful, yet insufficient in this context. By selectively becoming financially involved, the state played a crucial role in substantiating or dampening Swiss companies' prospects in foreign markets. This study therefore demonstrates how Swiss foreign policy in a politically sensitive Third World region, although not totally subservient to corporate interests, was heavily influenced by the private sector.

## **Résumé**

Cette thèse analyse les relations économiques et politiques de la Suisse avec les principaux participants au conflit israélo-arabe, Israël, l'Égypte et la Syrie, de 1967 à 1983. Elle le fait d'une perspective suisse, en combinant des sources d'archives publiques et privées avec des données descriptives sur les relations économiques bilatérales. Elle évalue l'importance des marchés étrangers pour l'économie suisse et l'influence des intérêts économiques sur la politique étrangère. L'étude montre comment des contraintes nationales, régionales et internationales des 'longues années 1970' ont façonné ces relations. Elles incluent entre-autre les guerres arabo-israéliennes de 1967 et 1973; la hausse des prix du pétrole et la crise économique internationale; l'implication des superpuissances; l'émergence des fractures Nord-Sud; les contradictions du développement économique et des structures de pouvoir local; et la crise de la dette du tiers monde du début des années 1980. Malgré ces risques se manifestant autour du conflit israélo-arabe, l'engagement de la Suisse dans la région s'est continuellement accru. Mais il n'était pas équitablement réparti. L'engagement croissant dans le monde arabe correspondait à une dissociation d'Israël. La thèse démontre que c'est le résultat d'efforts coordonnés entre l'État et l'économie suisse. Les intérêts économiques – le maintien de stabilité macro-économique pour affronter la hausse des prix du pétrole et l'atténuation de la crise économique internationale par la conquête de nouveaux marchés – ont joué un rôle essentiel dans le développement de cette politique étrangère. Située dans les antagonismes politiques et économiques du Moyen-Orient, cette évolution ne pouvait être soutenue par les seules 'forces du marché', elle nécessitait le soutien de l'État. La politique de neutralité suisse s'est avérée utile, mais insuffisante dans ce contexte. En s'engageant de manière sélective sur le plan financier, l'État a joué un rôle crucial dans la promotion ou la modération des opportunités d'entreprises suisses sur des marchés étrangers. Cette étude montre alors comment la politique étrangère de la Suisse dans une région politiquement sensible du tiers monde, bien qu'elle ne soit pas totalement subordonnée aux intérêts des entreprises, a été fortement influencée par le secteur privé.



## Table of Contents

<b>Graphs and Tables .....</b>	<b>4</b>
<b>Acknowledgements.....</b>	<b>7</b>
<b>Abbreviations.....</b>	<b>9</b>
<b>Maps .....</b>	<b>11</b>
<b>Introduction .....</b>	<b>13</b>
<i>Main Themes and Historiography.....</i>	<i>16</i>
Swiss Foreign Policy: The Weight of Economic Relations and Neutrality.....	16
The ‘long 1970s’ and the Swiss turn towards the Middle East .....	23
Historiographical Overview of Swiss-Middle Eastern Relations.....	26
The Risky Middle Eastern Context and the Scope for Swiss Presence.....	30
<i>Approach and Sources.....</i>	<i>38</i>
<i>Structure .....</i>	<i>41</i>
<b>1. Growing Economic Internationalization and Shifting to the Third World: Swiss Economic Relations with the Near East.....</b>	<b>45</b>
1.1 <i>The Swiss Economy and its Foreign Relations.....</i>	<i>46</i>
Swiss Economic Openness during the “Golden Years” of the Post-war Boom (1950-1973).....	47
The 1970s Crisis in Switzerland as a Push Towards Internationalization.....	51
Increased Swiss Involvement in the Third World .....	55
Switzerland’s Position in the World Economy.....	61
1.2 <i>Middle Eastern Economies in the 1970s and Patterns in their Foreign Economic Relations .....</i>	<i>64</i>
An Unequal Economic Outset Before the October War (1965-1973).....	65
A New Balance in the Middle East. Evolution of National Income and Foreign Trade (1973-1983).....	70
Overcoming Foreign Currency Shortages .....	73
1.3 <i>Swiss Relations with the Middle Eastern Economies .....</i>	<i>75</i>
Declining Swiss Trade With Israel.....	75
A Swiss Exports Boom to Egypt .....	89
Erratic Trade With Syria.....	104
A Shift in Swiss Trade to the Arab World.....	109
<i>Conclusion.....</i>	<i>114</i>
<b>2. Forget the Three-Act Drama. Switzerland’s Changing Outlook in the Arab-Israeli Conflict under the Sign of the Six-Day War and Palestinian Terrorism (1967-1973).....</b>	<b>117</b>
2.1 <i>Six-Days that Set the Stage. The Six-Day War and the Limits of Swiss Conciliation .....</i>	<i>117</i>
An Official Declaration That Churned Arab Resentment .....	119
The Solidarity Supplement to Neutrality Policy.....	121
Economic Fallouts of the Six Day War .....	124
2.2 <i>Mutual Interest in Maintaining Contact Amidst Palestinian Terrorism .....</i>	<i>130</i>
Inadvertently Drawn into a Conflict. Palestinian Terrorism and Swiss-Arab Relations.....	131
An Easy Means to Appease Arab Governments: Countering Israeli Military-Industrial Espionage in Switzerland .....	136
Conducting Business in a Sensitive Third-World Region Haunted by Foreign Currency Shortages .....	141
2.3 <i>Neither Fish nor Fowl. Swiss Skepticism towards Arab Overtures Amidst Growing Alienation from Israel.....</i>	<i>144</i>
Regime Change in Cairo and Damascus in the Context of the Continuing Arab-Israeli Conflict .....	145

Swiss Distrust towards Beginning Arab Economic Liberalization .....	147
Israeli Economic Ambitions Attack Swiss Commercial Interests .....	152
2.4 <i>À la recherche d'une politique. Mapping out Swiss Political and Economic Possibilities in the Middle East (1973)</i> .....	156
Graber Travels to Cairo and Tel Aviv. Explaining or Applying Neutrality? .....	157
Announces Economic Rapprochement to the West. A Precursory Swiss-Egyptian Investment Protection Treaty .....	165
<i>Conclusion</i> .....	170
<b>3. The October 1973 War: A Trigger in the Disintegration of the International Post-War Order (1973-1974)</b> .....	<b>173</b>
3.1 <i>Each According to their Means – Each According to their Interests. Swiss Public and Private Involvement in the October War</i> .....	174
A Disinterested Logistical and Humanitarian Swiss Involvement? .....	175
New Opportunities or an Inhibited Potential for Swiss Business in the Middle East?.....	185
3.2 <i>The Oil Crisis, an Unhinged World Economy and New Promises in the Middle East</i> .....	191
Turning the Oil Price Hikes into an Opportunity .....	192
Infitah, the Official Act of Nasser's Death.....	209
<i>Conclusion</i> .....	217
<b>4. A Conscious Turn to Arab Economies Amid International Economic and Political Crisis (1974-1975)</b> .....	<b>221</b>
4.1 <i>Multilateralism: a Burden on Bilateral Relations with Arab States</i> .....	221
An Arab Campaign Against Switzerland at UNESCO.....	222
A New Type of Cold War With the Third World?.....	227
4.2 <i>Dwindling Swiss Business Interest in Israel</i> .....	234
Reciprocity in Unilateral Swiss Trade Preferences for Israel.....	234
A Difficult Context for Swiss Business Interest in Israel.....	236
Reasons Not to Enter Into a Free Trade Agreement With Israel.....	240
4.3 <i>Reorienting the Swiss Economic Stance in the Middle East After Economic Crisis in the North</i> .....	244
Substantiating Business Interest in Egypt via a Private Sector Goodwill Mission .....	245
The Watch Industry's Interest .....	248
Pushing Business to Arab Markets Without Official Financial Support.....	250
The Primacy of Political Precariousness in Syria.....	255
<i>Conclusion</i> .....	257
<b>5. All Eyes on Egypt. Setting Straight Swiss Economic Priorities in the Middle East (1976-1978)</b> .....	<b>259</b>
5.1 <i>Confusing Israeli Policies Amidst Economic Crisis and Government Change</i> .....	260
Unexpected Israeli Tariff Concessions in Growing International Isolation .....	261
Reluctant Negotiations on a Social Security Treaty with Cautioned Military Cooperation.....	268
5.2 <i>The Limits of Economic Treaties and Political Goodwill for Market Promotion in Syria</i> .....	270
Constraints of the Syrian Intervention in Lebanon on Swiss Economic Diplomacy .....	271
Finalizing the Bilateral Investment Protection Treaty.....	276
The Limits of Symbolic Bilateral Agreements. Syrian Insistence on Preferential Credits .....	278
5.3 <i>Fierce Economic Competition for Egyptian Market Share. A Swiss Industrial Exposition in Cairo and a Mixed Private-Public Loan to Egypt</i> .....	283
The Swiss Expo in Cairo and the Limits of Traditional Commercial Promotion .....	284

Commercial Promotion or Development Aid? Common Ground for a Soft Loan to Egypt.....	290
Negotiating the First Swiss Mixed Credit to Egypt.....	296
<i>Conclusion</i> .....	300
<b>6. Reaping the Benefits of an Egyptian-Israeli Agreement? Peace Treaty in a Powder Keg (1977-1981).....</b>	<b>303</b>
6.1 <i>Geneva, Jerusalem, Camp David. Switzerland Meanders through the Peace Process</i> .....	304
A Historic Meeting Between Carter and Assad in Geneva. Opportunities for the Swiss .....	304
Sadat's Trip to Jerusalem Forestalls Another Geneva Conference .....	307
A First-Hand Account of the Peace Process. Moshe Dayan's Visit to Bern.....	309
6.2 <i>Swiss Political Reserve and Economic Constraints Despite a Peace Agreement</i> .....	314
The Limits of Peace: The Inner-Arab Conflict and Economic Difficulties in Israel.....	314
Maintaining A Balanced Approach on the Palestinian Question. ....	317
The Question of Israeli Territoriality Takes the Upper Hand.....	320
6.3 <i>The Functioning of the Mixed Loan in Egypt and its Effect on Business Relations</i> .....	325
Putting the Mixed Credit to Use .....	325
Access to Egyptian Economic Policymakers. The 1981 Aswan Conference.....	328
First Evaluations of the Mixed Credit and Its Possible Renewal .....	330
An Increasingly Worrisome Private Financial Involvement .....	333
Swiss Arms Companies Explore Possible Military Exports.....	335
6.4 <i>Fire or Smokescreen? Syria's Exclusion from Swiss Economic Diplomacy</i> .....	338
Too Transparent a Smokescreen to Advance Swiss Economic Interests .....	338
Swiss Interests in a Divided Arab World. Stalling Business with Syria .....	344
<i>Conclusion</i> .....	348
<b>7. Renewed Lines of Conflict and Growing Economic Difficulties in the Middle East (1981-1983)</b>	<b>351</b>
7.1 <i>Business Confidence in Egypt Despite Change in Political Leadership and Unsustainable Debt</i>	351
From Sadat to Mubarak. Assuring Continuity Amidst Leadership Change.....	352
Close Swiss-Egyptian Contacts Despite Financial Risks in the Third World.....	356
Emerging Swiss Skepticism Towards Egypt's Financial Situation.....	362
Fruitless Political Talks .....	370
7.2 <i>Small-scale Swiss Economic Diplomacy and Renewed Business Interest in Syria. Reciprocal Visits and Swiss-Syrian Joint Ventures</i> .....	373
Establishing Swiss-Syrian Joint Ventures .....	374
A Swiss Delegation to the 'Gates of the Orient' in Mounting Economic Difficulties .....	376
7.3 <i>Israel skepticism of Swiss Foreign Policy after the Lebanon Invasion</i> .....	382
A State Like No Other. Sensitive Swiss-Israeli Military Cooperation.....	383
The Watershed Moment of the Israeli Invasion of Lebanon. ....	387
Rising Swiss Business Interest in Israel Amidst Economic Crisis at Home .....	390
<i>Conclusion</i> .....	394
<b>Conclusion</b> .....	<b>397</b>
<b>Annexe</b> .....	<b>411</b>
<b>Bibliography</b> .....	<b>423</b>
<i>Unpublished Sources</i> .....	423
<i>Published Sources</i> .....	426
<i>Literature</i> .....	428

## Graphs and Tables

Graph 1: Real Swiss GDP, exports and imports (million constant 1990 Swiss francs). 1950-1985	48
Graph 2: Swiss exports and imports (in percent of GDP). 1950-1985	48
Graph 3: Main categories of Swiss exports (million constant 1970 Swiss francs). 1966-1983	54
Graph 4: Share of Swiss exports going to the Third World and to the regions of the Middle East and North Africa (in percent of total value). 1950-1990	56
Graph 5: Swiss exports and their destination (million constant 1970 Swiss francs). 1970-1983	57
Graph 6: Share of Swiss export values in total world export values (in percent). 1960-1983	61
Graph 7: Real GDP of Egypt, Israel and Syria (million constant 2005 US\$). 1960-1990	66
Graph 8: Israeli exports and imports (million constant Israeli Pounds). 1960-1986	67
Graph 9: Israeli exports and imports (percent of GDP). 1961-1990	68
Graph 10: Egyptian exports and imports (million constant Egyptian Pounds). 1965-1986	68
Graph 11: Egyptian exports and imports (percent of GDP). 1965-1990	69
Graph 12: Syrian exports and imports (million constant Syrian Pounds). 1960-1986	69
Graph 13: Syrian exports and imports (percent of GDP). 1965-1990	70
Graph 14: Swiss trade with Israel (million constant 1970 Swiss francs). 1950-1983	76
Graph 15: Main categories of Swiss exports to Israel (million constant 1970 Swiss francs), 1967-1983	78
Graph 16: Main subcategories of Swiss exports to Israel (million constant 1970 Swiss francs). 1967-1983	79
Graph 17: Main categories of Swiss imports from Israel (million constant 1970 Swiss francs). 1967-1983	80
Graph 18: Part of Israeli imports from Switzerland (in percent). 1970-1983	81
Graph 19: Swiss Bank Assets in Israel (Million Swiss Francs). 1974-1983	85
Graph 20: Swiss export to and import from Egypt (million constant 1970 Swiss francs), 1949-1990	89
Graph 21: Main categories of Swiss exports to Egypt (million constant 1970 Swiss francs), 1967-1983	90
Graph 22: Main subcategories of Swiss exports to Egypt (million constant 1970 Swiss francs). 1967-1983	91
Graph 23: Main subcategories of Swiss imports from Egypt (million constant 1970 Swiss francs), 1966-1983	92
Graph 24: Part of Egyptian imports from Switzerland (in percent). 1970-1983	93
Graph 25: Swiss imports from and exports to Syria (million constant 1970 Swiss francs), 1949-1990	104
Graph 26: Main categories of Swiss exports to Syria (million constant 1970 Swiss francs), 1966-1983	105
Graph 27: Main subcategories of Swiss exports to Syria (million constant 1970 Swiss francs), 1967-1983	106
Graph 28: Part of Syrian imports from Switzerland (in percent). 1970-1983	107
Graph 29: Swiss exports to Israel, Egypt, Syria and their Total (million constant 1970 Swiss francs). 1960-1983	109
Graph 30: Swiss exports to selected Middle Eastern countries (million constant 1970 Swiss francs). 1960-1983	114
Graph 33: Swiss watch exports to Egypt (million constant 1970 Swiss francs). 1967-1983.	249

Table 1: Estimates of stock of Swiss direct investment abroad and of direct foreign investment in Switzerland (billion current Swiss francs and GDP intensity in percentage). 1965-1985	50
Table 2: Estimates of Swiss direct investment in the Third World (billion current Swiss francs) and their share in total Swiss FDI (in percent). 1965-1980	60
Table 3: Largest worldwide exporters and their market share in world exports. Selected years	62
Table 4: Largest worldwide direct foreign investors ranked according to their share in total FDI. 1983	63
Table 5: Annual average real GDP Growth	71
Table 7: Top ten destinations of Israeli exports (annual average, in percent). 1970-1983	82
Table 8: Bonds issued by the State of Israel placed in Switzerland (value in million current US\$). 1959-1981	84
Table 9: Swiss banking credits to Israel (value in current million US\$).	87
Table 10: Swiss banking credits to Egypt (value in million current US\$). 1972-1982	95
Table 11: Swiss investment in Egypt (value in million current US\$). 1962-1981	99
Table 12: Top Ten Destinations of Israeli Imports (annual average in %) and their Rank. 1970-1983	411
Table 13: Top Ten Destinations of Egyptian Imports (annual average in %) and their Rank. 1970-1983	414
Table 14: Top Ten Destinations of Syrian Imports (annual average in %) and their Rank. 1970-1983	418



## **Acknowledgements**

The lengthy process leading to the conclusion of this work was intense in many ways. Despite the occasional loneliness, thinking back on it reminds me more of the support that so many people lent me throughout the years. They are crucial to the merits this study may have (although I hold full responsibility for the work submitted here and its shortcomings).

First, my deep gratitude goes to my thesis supervisor Janick Schaufelbuehl. I walked out of every meeting with her feeling relieved and heartened. She demanded rigor and challenged me when necessary. But most importantly, she always encouraged me in my periods of doubt. She gave me the freedom to write the thesis I thought interesting, supporting me in my decisions. This gave me the confidence needed to focus on what I considered important and to push through the challenges. Even though I left my employment with the University of Lausanne halfway through this thesis, I remain attached to the approaches to Swiss history cultivated there and, so I hope, close to her in spirit.

Beyond her support as supervisor, Janick Schaufelbuehl, together with Sandra Bott and Marco Wyss, enabled this research on a material level. Conscious of the promising research field, they launched the Swiss National Science Foundation project: "Switzerland and the Cold War in the Third World. Switzerland's Political and Economic Role in the Main Armed Conflicts and Crises in Sub-Saharan Africa and the Middle East, 1973-1983." I am extremely thankful that they welcomed me in this research project. Their knowledge of Swiss relations with the Third World, among other things, allowed me to profit from the collaboration in the best possible way. Sabina Widmer, who covered Sub-Saharan Africa in this project, was a superb colleague. I look fondly back at her moral support; our exchanges were always thought-provoking and often amusing.

This final version of my work benefited greatly from my thesis jury's thoughtful remarks, for which I am forever grateful. Besides my supervisor, Sandra Bott was a particularly attentive reader. She pinpointed inconsistencies in the first manuscript, as she had so fastidiously done on earlier versions of chapters. François Allisson was likewise a thorough reader, reflecting in part his pointing out of calculus errors; I am humbled that my work merited such meticulous fact checking. Sacha Zala, with his fine grasp of priorities and hierarchies in Swiss foreign policy, reassured me of the pertinence of my focus on the role of economic interests. Guy Laron did something similar on the Middle Eastern side of the story: his comments forced me to go back to my archival sources for this final version; this return reminded me of the great pleasure the archival work gave me. I am happy I had the occasion to again marvel over the original sources at the end of my work.

I would like to thank Mary O'Sullivan from the Paul Bairoch Institute of Economic History at the University of Geneva. Along with other professors and colleagues, she welcomed me warmly as a teaching assistant. Beyond offering me a livelihood for the

last years of my research, she led an extremely stimulating intellectual environment, setting standards for me to excel in my own research. My thanks also go to Michel Oris and Claude Lützel Schwab, with whom I collaborated on teaching in Geneva and who both reassured me that thoroughness and lenience are compatible. In Geneva and Lausanne, exchanges with PhD students, past and current, helped me take the sometimes necessary distance from my research. Contact with them deepened my interest in the broad set of subjects they all treat creatively. It encouraged me to see how we advance collectively in our understanding of history, despite the varieties of approaches and objects analyzed. They bestowed their best advice when I struggled and confirmed in intuitions I had. Beyond that, they somehow normalized the experience of writing a thesis – that solidarity gives invaluable confidence and helps tackle the seemingly unsurmountable obstacles.

Beyond the financial support for my first years in Lausanne, the Swiss National Science Foundation generously granted me funding for a research stay abroad. I had the honor of being hosted by Georgetown University's History Department. I thank my sponsor, David S. Painter, for the opportunity and for his support in helping me understand the history of the international oil market. My work also benefited from the occasions I could present my research *intra* or *extra muros* to an informed public – the comments I received as well as the presentations on Swiss economic history I could learn from.

I am indebted to the logistical support of the countless employees in the archives and libraries in Switzerland and abroad. I especially thank the people who brought me box after box after box in the Swiss Federal Archives, as well as the helpful and welcoming attitude encountered in most other institutions. During my archival research years, I could always count on having a friend's couch to sleep on and a dinner to share, especially in Bern. They gave me a home away from home. I am also beholden to the comradely support from friends throughout Switzerland, who would listen to anecdotes from the archives and push me to reflect on the relevance of my work.

The most important support I received on this journey was the confidence that my family placed in my perseverance. My sibling, Anna Meister, and my parents, Margrit Gautschi and Reto Meister, and my aunt Barbara Gautschi, all in their own way, have influenced me throughout my life. Despite the geographic distance, their unwavering care, sincere interest and pride in what I was doing, means the world to me.

The person whose support I am most grateful for, is my partner Codi Trigger. She closely accompanied me through the larger part of this research, physically and emotionally. She not only saw the bright sides but lived through the hardest parts of this process with me. She always showed enthusiasm for my work, which strengthened me. Even when she took the heavy burden on herself to edit this entire thesis, her support never wavered. For this, for her company and patience, and for so much more, I thank her with all my heart.

## Abbreviations

AAD	Access to Archival Databases
ACH	Archives for Contemporary History
ARABB	Arab Contractors Company for Electrical Products
BBC	Brown, Boveri & Cie.
CASCI	Swiss-Arab Chamber of Commerce and Industry
CETP	Compagnie d'Études et de Travaux Publics
CG	World Bank Consultative Group
CHF	Swiss franc
CSCE	Commission on Security and Cooperation in Europe
CSO	Central Selling Organization
DDS	Diplomatic Document of Switzerland
ECB	Egyptian Central Bank
EEC	European Economic Community
EFTA	European Free Trade Association
ERG	Export-risk Guarantee
FDEA	Federal Department for Economic Affairs
FDFA	Federal Department of Foreign Affairs
FDI	Foreign Direct Investment
FDJP	Federal Department of Justice and Police
FH	Federation of the Swiss Watch Industry
FMD	Federal Military Department
FOFEA	Federal Office for Foreign Economic Affairs
FOSS	Federal Office of Social Security
FPD	Federal Political Department
FTA	Free Trade Agreement
GATT	General Agreement on Tariffs and Trade
GDP	Gross Domestic Product
GODE	Gulf Organization for the Development of Egypt
GOFI	General Organization for Industrialization
GSP	Generalized System of Preferences
HSSO	Historical Statistics of Switzerland Online
IAI	Israel Aerospace Industries
ICB	International Credit Bank
ICRC	International Committee of the Red Cross
IDF	Israel Defense Forces
IEA	International Energy Agency
IEP	International Energy Program
ICME	International Consulting Management Engineering
IFI	International Financial Institutions

IMF	International Monetary Fund
IPT	Investment Protection Treaty
IRG	Investment Risk Guarantee
ISI	Import-substitution Industrialization
JTA	Jewish Telegraphic Agency
MENA	Middle East and North Africa
MFN	Most Favored Nation
NARA	National Archives and Records Administration
NCA	Novartis Company Archives
NPL	Nixon Presidential Library
NZZ	Neue Zürcher Zeitung
OAPEC	Organization of Arab Petroleum Exporting Countries
OECD	Organization for Economic Co-operation and Development
OPEC	Organization of the Petroleum Exporting Countries
OSEC	Swiss Office for Commercial Expansion
PFLP	Popular Front for the Liberation of Palestine
PLO	Palestine Liberation Organization
POW	Prisoner of War
SIG	Swiss Federations of Jewish Communities
SIP	Société genevoise d'instruments de physique
SNB	Swiss National Bank
UBS	Union Bank of Switzerland
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNCTAD	United Nations Conference on Trade and Development
USSI	Association of Swiss Consulting Engineering
VSIHG	Vereinigung schweizerischer Industrie-Holding Gesellschaften
VSM	Swiss Association of Machinery Manufacturers
WBGA	World Bank Group Archives
WEF	World Economic Forum

## Maps



**Map 1: The Modern Middle East (2000)**

Source: Fred Halliday, *The Middle East in International Relations: Power, Politics and Ideology* (Cambridge University Press, 2005), p. 330-331.



**Map 2: The Arab-Israeli Arena**

Source William B. Quandt, *Peace Process: American Diplomacy and the Arab-Israeli Conflict since 1967*, (Washington, D.C.: Brookings Institution Press, 2005), p. xii.



## Introduction

The 1970s stand out as a period of upheaval for the international system, constantly shifting in reaction to a multiplication of crises. Economically, these years were marked by the unraveling of the stability of international exchanges based on the Bretton Woods system; and in the developed capitalist world, by the end of the post-war economic boom. Politically, the newly independent states of the Third World became increasingly self-assertive – nearly simultaneously –,<sup>1</sup> over control of resources and newfound political weight in international fora. This did not, however, usher in stability to those countries; on the contrary, many of them remained crises-ridden. Situated within persisting Cold War antagonisms, this gave way to numerous and overlapping fault lines in international relations, if not outright conflicts and wars. As such, and with increasing historical distance, this decade of the 1970s has begun to attract growing interest among contemporary historians as one of far-reaching watershed moments, or as a ‘turning point’.<sup>2</sup> This study will argue that indeed, the 1970s was such a turning point.

The region that contributed unlike any other to this sense of perpetual economic and political crisis during the 1970s is the Middle East.<sup>3</sup> It was, and to a certain extent still is, a striking arena of conflict constellations. Between 1967 and 1983, the period covered by this study, no fewer than three interstate wars occurred in the Middle East: the two larger Arab-Israeli wars, i.e., the June 1967 Six Day War and the October War of 1973, as well as the Israeli invasion of Lebanon in 1982. Three wars within 15 years. These wars were compounded by additional conflicts such as the outbreak of the Lebanese civil war in 1976, the 1978/79 Iranian revolution, the Iran-Iraq war from 1980 to 1988 and recurrent animosities between the Arab states themselves. In addition to this harsh constellation, the 1973/74 oil crisis, largely piloted by the Middle Eastern oil producers, added volatility to the region. The superlative description of this process as the “greatest and swiftest transfer of wealth in all history” in *TIME* magazine in 1975<sup>4</sup> was indeed reflective of its contemporary perception and its substantial effect on international capital flows. It not only caused considerable concern in the developed capitalist world; it caused serious dislocations in the crumbling post-war and post-colonial international economic order.

---

<sup>1</sup> This follows the understanding of the Third World as an expression of the struggles, dreams and aspirations by the people of Africa, Asia and Latin America, however flawed they might have been. See the introduction in: Vijay Prashad, *The Darker Nations: A People's History of the Third World* (New York: The New Press, 2007).

<sup>2</sup> A particularly valuable starting point has been given by the contributions in: Niall Ferguson, Charles S. Maier, Erez Manela, and Daniel J. Sargent, eds., *The Shock of the Global: The 1970s in Perspective* (Cambridge: Belknap Press of Harvard University Press, 2010).

<sup>3</sup> Note that the denomination of this world region finds its roots in British colonial history, has been subject to changes over time, and often has an unclear scope. For an Anglo-Saxon discussion on this issue, see: Karen Culcasi, ‘Constructing and Naturalizing the Middle East’, *Geographical Review*, 100.4 (2010), p. 583-97. For a francophone point of view, see: Vincent Capdepuuy, ‘Proche ou Moyen-Orient ? Géohistoire de la notion de Middle East’, *L'Espace géographique*, Tome 37.3 (2008), p. 225-38. This study opts for a large understanding of the Middle East, reaching from Morocco to Iran and from Turkey to Sudan.

<sup>4</sup> “Faisal and the Oil Driving Toward A New World Order,” in *Time*, 06.01.1975.

Given the region's geographic, historic, economic and political proximity to Europe, ongoing in the Middle East were certainly a cause for concern among Europeans. As will become clear in this thesis, this was also the case for Switzerland. A series of events, domestic and international, led the Swiss authorities and Swiss companies to scale-up their involvement in the Middle East throughout the 1970s. At the turn of the decade, they increased their attention to the region because of the internationalization of the Palestinian struggle. However, the economic crisis in the developed capitalist world and the accumulation of wealth in the Middle East lay the ground for Swiss involvement in the region that was differentiated and heavily driven by economic interests. The Egyptian-Israeli peace process, culminating in the peace treaty of 1979, only partially alleviated political precariousness in the region – yet Swiss presence continued unabated into the beginning of the 1980s.

This thesis's main objective, therefore, is to examine Switzerland's economic and political relations with a set of Middle Eastern countries between 1967 and 1983. Its vantage point is Swiss foreign economic relations during the 1970s and the government's role in promoting and supporting them. The Middle East focus centers around the main protagonists of the Arab-Israeli conflict: Egypt, Syria and Israel. It seeks to better understand competing influences within overlapping conflicts at play in the Middle East and in Switzerland, and the effect those interests had in shaping bilateral economic and political relations. As this thesis will show, it was precisely the destabilizing effects these Middle Eastern crises had on the world system that can explain growing Swiss engagement.

The interest in such a thesis, and I hope readers will agree, goes beyond its value as a simple historical investigation. Indeed, many elements here can seem familiar from a contemporary viewpoint, or engage us in a reflection on our present condition. Ever since the outbreak of the crisis in 2007/2008, world economic relations have remained tense to say the least. While each caesura seems to break out under new constraints and contradictions, they often show recurrent mechanisms. This applies to their roots, to how we make sense of them and respond to the challenges they present. Crises are not singular events; they are the most acute expression of a lengthy process. Like in Greek tragedies, the crisis is embedded in the plot but reveals itself only as the conflict comes to a head. It is up to the spectator to make sense of the events and understand their mechanisms. In real life, understanding crises is obviously more difficult. The supposed dissonance between the process and the acute symptoms often leads to an externalized perception, as something somewhat imposed from the outside on an otherwise seemingly smooth and harmonious system. This does not safeguard consequences, resulting in protracted periods of disorientation and gradual reorientation. Attempts in reestablishing past crises-episodes can therefore contribute to our current day interpretation and response to them.

The worth of historicizing crises for our contemporary outlook goes beyond its simple historical or theoretical value. This particular history can offer at least two main insights. First, the outcomes of crises, in the 1970s and in the recent decade, are not

premeditated. What conclusions are drawn and policies applied results from the play of social forces and are conditioned on the weight of a set of conflicting or coinciding interests, domestically and internationally. To put it simply: we are actors and not simple spectators in the real-life drama unfolding around us. Second, viewing crises as a historical phenomenon precisely allows for an understanding of contingencies at play. It helps us discern how the contemporary state of society is the result of the decisions made by actors in the past. Historical analysis therefore earns its place in our society today as a powerful explanatory and practical tool.

Beyond the broader periodic comparison, the specific political antagonisms studied here – the fate of Middle Eastern societies – equally rings a bell with our current world situation. It seems safe to say that today, the Middle East is the region most heavily touched by conflicts, with all its cruel consequences for the people of the region. As in the 1970s, events in the region today are a highly destabilizing, yet integrated aspect of international relations. As this thesis will show, much of the conflict there is in fact an expression of a cascade: one conflict lays the ground for the next ones. In the meantime, Western governments deplore the tense situation on the ground, while having at least in part contributed it. For me, someone who came to age in the first decade of the 21st century, the US-led invasion of Iraq in 2003 is an intuitive starting point to see how interest-driven foreign policies have substantially contributed to disintegration of and durable escalations in the Middle East.

This pattern is again nothing new. As a recent Call for Papers put it: “From the First World War and the imposition of the League of Nations mandates, to the United Nations partition of Palestine, through the Cold War efforts to contain Arab anticolonialism, the War on Terror, and the post-2011 chain of uprisings, civil wars, and military interventions, Western policy is a basic factor in shaping Arab politics.”<sup>5</sup> This thesis therefore hopes to engage the reader in a reflection on the role that foreign interests have in the region. It does not want to provoke a defeatist and cynical understanding of the Middle East as a naturalized source of eternal conflict. Just as it is an area of concern, the Middle East and its people are also a source of hope. Nothing has made this clearer than the revolutionary process opened in 2010/2011. The social, political and economic contradictions they faced, and in which these movements originated, can be traced back to the economic liberalization that started in the 1970s. These economic policy changes responded primarily to local elite and foreign economic interests, but it was the people of the region who had to bear the consequences. During the so-called Arab spring revolution, however, the people became conscious actors of their own destiny. Again, from a historical point of view, this process cannot be viewed as complete. To be sure, any serious historian’s work does not intend to provide simplified continuities, let alone analogies to the present, even though we always reflect on past experiences under the scrutiny of our contemporary horizons. Many aspects

---

<sup>5</sup> Susann Kassem, “Call for Papers: Western Intervention in the Wake of the Arab Uprisings: Political Containment, Neoliberalism, and Imperial Legacies”, 11.10.2019, <https://www.mes.ox.ac.uk/article/call-for-papers-western-intervention-in-the-wake-of-the-arab-uprisings-political-containment> (consulted on 13.10.2019).

fundamentally differ. Yet, an avid reading of the past can prove highly informative and compelling for our present lives.

## Main Themes and Historiography

### *Swiss Foreign Policy: The Weight of Economic Relations and Neutrality*

Despite the overwhelming importance of foreign markets for the Swiss economy, one that has a narrow home market and high degree of specialization, their interlocking has remained remarkably understudied.<sup>6</sup> This is surprising from the standpoint of the history of Swiss foreign policy as well as its economic history. Not only have foreign economic relations been central to Swiss foreign policy;<sup>7</sup> a sizable part of Swiss economic policy has consisted in foreign economic policy.<sup>8</sup> While notable contributions quantifying the Swiss economy's foreign imbrication and the way in which firms and sectors reacted to changing economic environments do exist,<sup>9</sup> they often do not refer to larger shifts in the international environment, simply taking these as exogenous. To better our grasp of both the history of Swiss foreign policy and of its economy, in-depth analyses on how these two interacted are necessary. Understanding foreign trade and financial relations is only possible when taking a holistic approach. It should include the state of world economic relations, but also the political conditions – domestic and international – in which they articulate themselves.<sup>10</sup> This is indispensable, as this study intends to demonstrate, particularly when examining the relations between economies with historically unequal levels of development.

Swiss economic policymaking and management were characterized by what political scientists have labeled free-market neo-corporatism, integrating business in the elaboration and execution of economic policy.<sup>11</sup> Swiss foreign economic policy, as has been shown, was indeed very sensitive to corporatist decision-making processes,

---

<sup>6</sup> Little has changed since the writing of the historiographic overview given by: Marc Perrenoud, 'Politique économique et relations extérieures', *Traverse. Revue d'histoire*, 17.1 (2010), p. 171-83.

<sup>7</sup> This is highlighted by: Cédric Humair, 'Commerce extérieur et politique commerciale aux 19e et 20e Siècles', *Traverse. Revue d'histoire*, 17.1 (2010), p. 184-202. For an overview of Swiss foreign policy that focuses on foreign economic relations during the post-war period, see: Peter Hug, 'Vom Neutralismus zur Westintegration. Zur schweizerischen Aussenpolitik in der Nachkriegszeit', in *Goldene Jahre: zur Geschichte der Schweiz seit 1945*, ed. by Walter Leimgruber and Werner Fischer (Zürich: Chronos, 1999), p. 59-100.

<sup>8</sup> See especially: Hans Vogel, 'Das Verhältnis von Staat und Wirtschaft in den Schweizerischen Aussenbeziehungen', *Schweizerisches Jahrbuch für politische Wissenschaft*, 16 (1976), p. 245-64.

<sup>9</sup> This has been done by Margrit Müller in numerous publications, see for instance: Margrit Müller, 'Internationale Verflechtung', in *Wirtschaftsgeschichte der Schweiz im 20. Jahrhundert*, ed. by Patrick Halbeisen, Margrit Müller, and Béatrice Veyrassat (Basel: Schwabe Verlag, 2012), p. 339-465 and Margrit Müller, 'From Protectionism to Market Liberalization: Patterns of Internationalisation in the Main Swiss Export Sectors', in *Pathbreakers: Small European Countries Responding to Globalisation and Deglobalisation*, ed. by Margrit Müller (Bern: P. Lang, 2008), p. 113-43.

<sup>10</sup> Such an approach to Swiss foreign economic relations has been proposed by: Janick Marina Schaufelbuehl, *La France et la Suisse ou la force du petit: Evasion fiscale, relations commerciales et financières* (Paris: Les Presses de Sciences Po, 2009).

<sup>11</sup> Precursory to these studies was: Peter J. Katzenstein, *Corporatism and Change* (Cornell University Press: Ithaca; London, 1984) p. 70-71. For another good introduction, see: Thomas David, Bernard Degen, André Mach, and Brigitte Studer, 'Die Schweizerische Variante des Kapitalismus: Einleitung', in *Wirtschaftsgeschichte der Schweiz im 20. Jahrhundert* (Basel: Schwabe, 2012), p. 824-29.

particularly striking in bilateral negotiations. This was reinforced in times of growing international crises: an attempt to insulate the Swiss economy and social fabric from any adverse effects its international economic integration might have.<sup>12</sup> The consideration of foreign economic relations in foreign policy, therefore, and the centrality of business interests in economic policy formulation, including business interests, becomes crucial. Such coordination is not simply a consensual process; it can also identify conflicting interests between state and business interests as well as between the actors themselves. This thesis will show how the interest of the Swiss state and the main representatives of its business community tended to be synonymous, or at least converging, in the Middle East during the long 1970s. It does so without ignoring the instances where opposing positions and interests did emerge, with the ultimate outcome reflecting power relations between the actors involved.

Any research on the history of Swiss foreign relations, including economic ones, encounters the issue of neutrality. Broadly speaking, two historical schools can be recognized for qualifying Swiss neutrality.<sup>13</sup> While both agree that neutrality induced a noted distinction between ‘high’ and ‘low’ politics, with timid Swiss diplomacy contrasting with an active foreign economic policy,<sup>14</sup> their analysis of the precise role of neutrality differs.

For the first school, Swiss foreign policy is seen as largely subordinate to neutrality.<sup>15</sup> Here, neutrality helps shape a political self-conception of uniqueness, constituting an “end in itself” for the Swiss state.<sup>16</sup> Such a view is strengthened by this school’s focus on security policy. This leads to the conclusion that the only recognizable finality of neutrality is an enhancement of its credibility, and thus respectability, to avoid being drawn into armed conflict.<sup>17</sup>

---

<sup>12</sup> Cf. Thomas Gees, *Aussenpolitische Delegationen des Bundesrates- eine Akteuranalyse 1937-1976* (Universität Bern/Institut für Politikwissenschaft: Bern, 1998). Thomas Gees, ‘Interessenclearing und innere Absicherung. Zur Zusammenarbeit zwischen Verwaltung und Privatverbänden in der schweizerischen Aussenwirtschaftspolitik, 1930-1960’, in Peter Hug and Martin Kloter, eds., *Aufstieg und Niedergang des Bilateralismus: schweizerische Aussen- und Aussenwirtschaftspolitik 1930-1960: Rahmenbedingungen, Entscheidungsstrukturen, Fallstudien* (Payot; Chronos: Lausanne: Zürich, 1999).

<sup>13</sup> Note that one of the most renowned contributors to recent debates on Swiss neutrality, Hans Ulrich Jost, prefers classifying the approaches chronologically, according to the specific foreign policy objectives of the time, see: Hans Ulrich Jost, ‘A rebours d’une neutralité suisse improbable’, *Traverse. Revue d’histoire*, 20.1 (2013), p. 200-214.

<sup>14</sup> On this dualism, see for example: Andreas Wenger, and Christian Nuenlist, ‘A “Special Case” between Independence and Interdependence: Cold War Studies and Cold War Politics in Post-Cold War Switzerland’, *Cold War History*, 8.2 (2008), p. 214.

<sup>15</sup> See for example: Jürg Martin Gabriel and Sandra Hedinger, *Schweizer Aussenpolitik 1970-1997: eine Bilanz*, (Zürich: ETH Zürich - Forschungsstelle für Internationale Beziehungen, 1998).

<sup>16</sup> Jürg Martin Gabriel (ed.), *Swiss Foreign Policy, 1945-2002* (Basingstoke: Palgrave Macmillan, 2003), p. 7.

<sup>17</sup> Jon A. Fanzun and Patrick Lehmann, *Die Schweiz und die Welt. Aussen- und sicherheitspolitische Beiträge der Schweiz zu Frieden, Sicherheit und Stabilität, 1945-2000*, ed. by Kurt R. Spillmann and Andreas Wenger (Zürich: Forschungsstelle für Sicherheitspolitik und Konfliktanalyse der ETH, 2000).

By contrast, the second school sees neutrality as a means to pursue specific aims in foreign policy, particularly economic ones.<sup>18</sup> Central to this view is the research by Hans Ulrich Jost that concentrates on the consolidation of this foreign policy concept from the First World War through the early post-Second World War period. He emphasizes the contradictory features of neutrality,<sup>19</sup> describing it as an “extremely versatile diplomatic tool” that was “the best means of preparing the way for commercial and financial expansion.”<sup>20</sup> Through the abstentious nature of neutrality, the Swiss government aimed to carve out more room to maneuver for Swiss industrial and financial interests.<sup>21</sup> Neutrality, along with the absence of a colonial past, provided an advantage as the Swiss sought to deepen their economic presence in the Third World.<sup>22</sup>

Swiss neutrality is not the core preoccupation of this thesis. Yet, from the findings here, it becomes clear that Swiss neutrality can be both a *means* and an *end*. In the context of the Arab-Israeli conflict, the Swiss authorities (at least officially) stuck to their neutrality policy. They avoided taking sides in the conflicts, even though this was not always the perception from the Middle East. It was thus hard for the Arab-Israeli conflict parties to mobilize the Swiss for the regional or international interests. The Swiss remained a politically rather negligible actor in the region – perhaps all the more insignificant considering Swiss integration into the Western bloc during the Cold War.<sup>23</sup> But this did not preclude the perceived necessity to enhance the credibility of Swiss neutrality policy. As will be seen, neutrality was regularly questioned – mostly by Arab governmental and non-governmental actors – as whispers of Switzerland’s pro-Israeli stance arose again and again. In bilateral consultations with any given Middle Eastern state, the Swiss authorities referred to their neutrality policy in what became a ritualized restitution of their foreign policy doctrine.

This study wants to avoid falling into the circular explanation that a neutral policy explains itself by neutrality and the aim of defending its credibility. Hence, the focus here lies more on instances when the issue of Swiss neutrality had a potential or real impact on developing material ties. In the early post-war period, the Swiss policy of

---

<sup>18</sup> See for example: Marc Perrenoud, ‘L’économie suisse et la neutralité à géométrie variable’, *Matériaux pour l’histoire de notre temps*, 93.1 (2009) p. 77–86.

<sup>19</sup> For the Second World War see: Hans Ulrich Jost, *Le salaire des neutres* (Denoël: Paris, 1999). For a long-term discussion of neutrality, see cf: Hans Ulrich Jost, ‘Origines, interprétations et usages de la «neutralité helvétique»’, *Matériaux pour l’histoire de notre temps*, 93.1 (2009) p. 5–12.

<sup>20</sup> Hans Ulrich Jost, ‘Switzerland’s Atlantic Perspectives’, in *Swiss Neutrality and Security: Armed Forces, National Defence and Foreign Policy*, ed. by Marko Milivojević and Pierre Maurer (New York; Oxford: Berg, 1990), p. 112-113.

<sup>21</sup> Hans Ulrich Jost, *Europa und die Schweiz 1945-1950* (Lausanne; Zürich: Payot; Chronos, 1999:) p. 144-158.

<sup>22</sup> For a contribution on the utility of Swiss neutrality in promoting foreign economic relations, see: Ursina Bentle, and Sacha Zala, ‘Neutrality as a Business Strategy. Switzerland and Latin America in the Cold War’, in *Neutrality and Neutralism in the Global Cold War: Between or Within the Blocs?*, ed. by Sandra Bott, Jussi M. Hanhimaki, Janick Schaufelbuehl, and Marco Wyss (London; New York: Routledge, 2015), p. 178-95. This has also been presented as an advantage for Swiss firms vis-à-vis international competition, see: Michael E. Porter, *The Competitive Advantage of Nations* (Basingstoke; London: Macmillan, 1994) p. 327-328.

<sup>23</sup> Jussi M. Hanhimaki, ‘Non-Aligned to What? European Neutrality and the Cold War’, in *Neutrality and Neutralism in the Global Cold War: Between or Within the Blocs?*, ed. by Sandra Bott, Jussi M. Hanhimaki, Janick Schaufelbuehl, and Marco Wyss (London; New York: Routledge, 2015), p. 22-26.

neutrality had received a ‘solidarity’ supplement. It included the provision of good offices and humanitarian aid, aimed at countering the allied powers’ view of Swiss indifference or egoist abstention in times of conflict.<sup>24</sup> However, past Swiss attempts in applying neutrality via mediation efforts in the Middle East had miserably failed. This was notably the case, as will be seen, during the 1956 Suez Crisis. One of the ‘solidarity supplement’ components therefore remained unsubstantiated during the Arab-Israeli wars treated in this study. Other components did not go unused. First, the close association and occasional cooperation with the International Committee of the Red Cross (ICRC) operations in the Middle East earned wide recognition for the Swiss authorities in the region. Second, its role as a host country for the UN and the importance of Geneva as a convening center occasionally gave the Swiss access, albeit limited, to important foreign policymakers. These elements, rooted in its neutrality policy, allowed the Swiss government to substantiate its goodwill and interest in peaceful world relations while avoiding entanglement in conflicts on the ground. This was no trivial coincidence. As will be seen, such inconspicuous Swiss involvement would yield, at the least, the potential for economic benefits.

The relative political insignificance of Swiss involvement in the Middle East leads us to the alleged smallness of Switzerland in international relations. Straumann has conceptualized Switzerland as a small open economy when studying the history of its monetary policy. For him, the definition of states as small is largely subjective, i.e. “because their inhabitants are convinced that they are small and therefore enjoy only limited power in international relations.”<sup>25</sup> He argues that the monetary policy of small states tends to be reactive to policy changes in larger states. Different authors, however, conclude that Swiss economic and political power has been deliberately understated in order to help the business community dodge political animosities from other states. The aforementioned subjectivity is not a coincidence, nor does it do justice to the actual weight of the Swiss economy in the world economy.<sup>26</sup> These two views do not necessarily contradict, as the smallness can be an asset in Swiss foreign economic relations, rather than a vulnerability, as has been proposed.<sup>27</sup> Even if the designation of Switzerland as a small state can be plausible, Swiss economists in the 1960s were

---

<sup>24</sup> For a brief overview of this, see: Walter Kälin, and Alois Riklin, ‘Ziele, Mittel und Strategien der schweizerischen Aussenpolitik’, in *Neues Handbuch der schweizerischen Aussenpolitik*, ed. by Alois Riklin, Hans Haug, and Raymond Probst, (Bern; Stuttgart: P. Haupt, 1992), p. 174-176. For a critical, post-colonial view on this supplement, see: Daniel Speich Chassé, ‘Verflechtung durch Neutralität. Wirkung einer Schweizer Maxime im Zeitalter der Dekolonialisierung’, in *Postkoloniale Schweiz. Formen und Folgen eines Kolonialismus ohne Kolonien*, ed. by Patricia Purtschert, Barbara Lüthi, and Francesca Falk (Bielefeld: Transcript Verlag, 2012), p. 232.

<sup>25</sup> Tobias Straumann, *Fixed Ideas of Money: Small States and Exchange Rate Regimes in Twentieth Century Europe* (New York: Cambridge University Press, 2010), p. 5.

<sup>26</sup> See notably: Sébastien Guex, ‘Introduction. De la Suisse comme petit État faible. Jalons pour sortir d’une image en trompe-l’œil’, in *La Suisse et les grandes puissances, 1914-1945: relations économiques avec les Etats-Unis, la Grande-Bretagne, l’Allemagne et la France*, ed. by Sébastien Guex (Genève: Droz, 1999), p. 7–29. See also: Antoine Fleury, ‘La Suisse: petite ou moyenne puissance’, in Jean-Claude Allain, ed., *La moyenne puissance au XXème siècle: recherche d’une définition* (FEDN-IHCC: Paris, 1989) p. 217–230.

<sup>27</sup> See the final report of a research project assessing Swiss margins in foreign economic policy: Oliver Landmann, and Rolf Kappel, *La Suisse dans un monde en mutation. Économie extérieure et politique du développement: défis et perspectives* (Fribourg Suisse: Ed. universitaires, 1997), p. 15.

already enumerating countervailing tendencies that allowed the Swiss industry to “hold her own in the long run among the industrial countries.”<sup>28</sup> In addition to neutrality and stability in Swiss foreign relations, they looked at internal political stability, multinationalization of Swiss business, export orientation and flexibility in its foreign economic orientation.<sup>29</sup> How the Swiss authorities and Swiss companies used these assets to stand their ground as they interacted with Middle Eastern economies will therefore be a central aspect of this study.

This discussion on Swiss smallness also inserts itself in an open discussion on how to characterize long-term Swiss foreign economic expansion and its relations with the Third World. While there have been attempts to venture into post-colonial analysis of Swiss foreign relations, focusing on Swiss representations and discourses of colonial and post-colonial relations,<sup>30</sup> such studies have earned considerable criticism.<sup>31</sup> While racialized representations of the Middle East, particularly the ‘Arabs’, do appear in Swiss discourse of the period examined here, they cannot be dissociated from Swiss efforts to increase its industries’ economic presence in the region. Hence, the analytical framework of theories on imperialism appears to be a more suitable base to understand the unequal relations of power and how they were brought to fruition.

In a seminal contribution reopening the issue of imperialism in Swiss relations with the Third World, David and Etemad underscore that Switzerland compensated for its small political and military power with its economic and financial strength. This was further supported by its neutrality policy and humanitarian diplomacy. While leaving open the question of how to characterize Swiss imperialism, they do point to the significance of what can be described as Swiss ‘financial capital.’<sup>32</sup> Other authors describe internal resources for Swiss commercial interests in international economic relations. Besides industrial specialization, they highlight the importance of the Swiss financial center and its credit activities.<sup>33</sup> In the vein of Hilferding’s classic analysis of the intimate relations between banks and industries,<sup>34</sup> this points to a basic element of many classical theories of economic imperialism. If we view the degree of centralization as essential, the links between finance and industry, as well as the weight different forms of capital export

---

<sup>28</sup> Walter A. Jöhr, and Francesco Kneschaurek, ‘Study of the Efficiency of a Small Nation: Switzerland’, in *Economic Consequences of the Size of Nations. Proceedings of a Conference Held by the International Economic Association*, ed. by Edward Austin Gossage Robinson (London; New York: Macmillan; St. Martin’s Press, 1963), p. 60.

<sup>29</sup> *Ibid.*, p. 60-71.

<sup>30</sup> See notably the various contributions in: Patricia Purtschert, Barbara Lüthi and Francesca Falk, eds., *Postkoloniale Schweiz. Formen und Folgen eines Kolonialismus ohne Kolonien* (Bielefeld: Transcript Verlag, 2012). For an English-speaking public, see contributions in: Patricia Purtschert, and Harald Fischer-Tiné, eds., *Colonial Switzerland: Rethinking Colonialism from the Margins* (Basingstoke: Palgrave Macmillan, 2015).

<sup>31</sup> For a critical discussion of these post-colonial approaches, see: Bouda Etemad, and Mathieu Humbert, ‘La Suisse est-elle soluble dans sa “postcolonialité”?’’, *Revue Suisse d’histoire*, 64.2 (2014), p. 279-91.

<sup>32</sup> They do provide a comparative typology of Swiss relations overseas, see: Thomas David, and Bouda Etemad, ‘Un imperialism suisse? Introduction’, *Traverse. Revue d’histoire*, 5.2 (1998), p. 7-27.

<sup>33</sup> Sébastien Guex, Dominique Dirlewanger, and Gian-Franco Pordenone, *La politique commerciale de la Suisse de la Deuxième Guerre mondiale à l’entrée au GATT (1945–1966)* (Zurich: Chronos, 2004), p. 20-22.

<sup>34</sup> Rudolf Hilferding, *Finance Capital. A Study of the Latest Phase of Capitalist Development* (London: Routledge & Kegan Paul, 1981), p. 223-226.

had,<sup>35</sup> Switzerland can certainly be understood as an imperialist economy – at least since the First World War and the emergence of the Swiss financial center.<sup>36</sup> In colonial times, Swiss commercial expansion in the Third World often appears as an annex to greater power colonialism, a sort of ‘secondary imperialism.’<sup>37</sup> As seen in Isabelle Lucas’s seminal study on Swiss economic presence in Argentina during the 20th century, the post-war period and the rise of the Cold War increased the maneuvering room for Swiss economic interests abroad. As she highlights, this did not mean that Swiss economic interests could not and did not take advantage of advances made by larger economies in the Third World. However, she shows how Swiss imperialism in Argentina was also intrinsically based on Swiss economic strength, its network among national elites and the deployment of neutrality, good offices and humanitarian policy to support Swiss private economic expansion. She therefore demonstrates that Swiss imperialism cannot be understood without taking into account the role of the state in coordinating and guiding action abroad.<sup>38</sup> This study also seeks to investigate the extent to which Swiss economic expansion in the Middle East during the 1970s can be understood with the framework of imperialism and determine how different characteristics might have facilitated a more specifically Swiss imperialism.

As has become clear from the discussion so far, the Cold War was a significant factor in Swiss foreign policymaking. Swiss post-war history, specifically its positioning during the early years of the Cold War, has attracted substantial research interest. Such literature has a marked focus on foreign policy, neutrality, security policy and relations with the developed world.<sup>39</sup> In recent years, historical research on the Cold War has broadened to international research on the so-called Global Cold War, i.e., the way bloc antagonisms influenced the history of the Third World, and vice-versa.<sup>40</sup> As an endeavor of further decentering this Global Cold War, the role of neutral and non-

---

<sup>35</sup> For a recent discussion on such a concept of imperialism, see: Satyaki Roy, ‘Imperialism, the “Old” and the “New”. Departures and Continuities’, in *The Changing Face of Imperialism. Colonialism to Contemporary Capitalism*, ed. by Sunada Sen and Maria Cristina Marcuzzo (London ; New York: Routledge, 2018), p. 15-36.

<sup>36</sup> On the emergence of the Swiss financial center and its growing influence on foreign policy, see: Marc Perrenoud, ‘La place financière suisse en tant qu’instrument de la politique étrangère helvétique.’, *Relations internationales*, 121.1 (2005), p. 25-42.

<sup>37</sup> This has been advanced by: Beat Witschi, *Schweizer auf imperialistischen Pfaden. Die schweizerischen Handelsbeziehungen mit der Levante 1848-1914* (Stuttgart: Steiner, 1986). See also: Guex, ‘Introduction. De la Suisse comme petit État faible...’, *ibid.*, p. 10.

<sup>38</sup> Isabelle Lucas, “‘La cime insubmersible de l’argent” et “la grande réserve de l’Occident”: un siècle de relations helvético-argentines’ (University of Lausanne, 2016).

<sup>39</sup> See the different historiographical articles: Wenger and Nuenlist, ‘A “Special Case” between Independence and Interdependence:..., *ibid.*, p. 213-40. Sacha Zala, ‘Historiografische Anmerkungen zur Geschichte der schweizerischen Aussenbeziehungen in der Nachkriegszeit’, *Traverse. Zeitschrift für Geschichte*, 20 (2013), p. 242-57. Sacha Zala, ‘Publications sur les relations internationales de la Suisse parues depuis la fin de la Guerre froide’, *Relations Internationales*, 113 (2003), p. 115-33. For a good overview, see the article: Thomas Fischer, and Daniel Möckli, ‘The Limits of Compensation: Swiss Neutrality Policy in the Cold War’, *Journal of Cold War Studies*, 18.4 (2016), p. 12-35.

<sup>40</sup> See the research by Odd Arne Westad: Odd Arne Westad, *The Global Cold War: Third World Interventions and the Making of Our Times*, (Cambridge; New York: Cambridge University Press, 2007). See further: Robert J. McMahon, ‘Introduction’, in *The Cold War in the Third World*, ed. by Robert J. McMahon, *Reinterpreting History: How Historical Assessments Change over Time* (Oxford; New York: Oxford University Press, 2013), p. 1-10.

aligned states in its setting has also attracted increasing attention.<sup>41</sup> The results of a series of case studies indicate that Israel, Syria and Egypt did have considerable room for maneuver in their foreign policy during the Cold War. They furthermore “were surprisingly active players,” particularly also in North-South relations.<sup>42</sup> Switzerland has not remained untouched by this growing interest in the scale and scope for neutral states’ involvement in the Third World during the Cold War. Now studies are more attentive to Swiss orientation to the Global South during decolonization as well as the economic aspects of Swiss foreign policy during the Cold War.<sup>43</sup> A growing number of case studies has emerged on Swiss relations with Third World countries or regions during the Cold War, mostly on Latin America,<sup>44</sup> Asia<sup>45</sup> and Africa.<sup>46</sup> This thesis originated in a Swiss National Science Foundation research project by Janick Schaufelbuehl, Sandra Bott and Marco Wyss on Swiss political and economic

---

<sup>41</sup> See notably the contributions in: Sandra Bott, Jussi M. Hanhimäki, Janick Schaufelbuehl, and Marco Wyss, eds., *Neutrality and Neutralism in the Global Cold War: Between or Within the Blocs?*, (London; New York: Routledge, 2015). Also see the special issue: ‘Beyond and Between the Cold War Blocs’, *International History Review*, 37.5, 2015 and notably its introduction: Janick Marina Schaufelbuehl, Sandra Bott, Jussi Hanhimäki, and Marco Wyss, ‘Non-Alignment, the Third Force, or Fence-Sitting: Independent Pathways in the Cold War’, *The International History Review*, 37.5 (2015), p. 901–911.

<sup>42</sup> See the conclusions in: Jussi M. Hanhimäki, ‘Conclusion. Neutrality and Non-Alignment during and beyond the Cold War’, in *Neutrality and Neutralism in the Global Cold War: Between or Within the Blocs?*, ed. by Sandra Bott, Jussi M. Hanhimäki, Janick Schaufelbuehl, and Marco Wyss (London; New York: Routledge, 2015), p. 214.

<sup>43</sup> This is reflected in the contributions to: ‘Suisse et Guerre froide dans le tiers-monde’, *Relations internationales*, 163.3 (2015). See notably its introduction: Sandra Bott, Jussi M. Hanhimäki, Janick Marina Schaufelbuehl, and Marco Wyss, ‘Le rôle international de la Suisse dans la Guerre froide globale: un équilibre précaire’, *Relations internationales*, 163.3 (2015), p. 3-14. Sandra Bott, Janick Marina Schaufelbuehl, and Sacha Zala, ‘Die internationale Schweiz in der Zeit des Kalten Krieges. Eine Zwischenbilanz’, in *Itinera. Die internationale Schweiz in der Zeit des Kalten Krieges*, ed. by Sandra Bott, Janick Marina Schaufelbuehl, and Sacha Zala (Basel: Schwabe Verlag, 2011), p. 5-15. This can also be noted in precursory contributions in: Hans Ulrich Jost, Monique Ceni, and Matthieu Leimgruber, eds., *Relations internationales et affaires étrangères suisses après 1945* (Lausanne: Antipodes, 2006).

<sup>44</sup> See for instance: Isabelle Lucas, ‘Des francs suisses pour soutenir une argentine libérale non péroniste - relations économique helvético-argentines durant les trois premières décennies de la Guerre froide’, in *Itinera. Die internationale Schweiz in der Zeit des Kalten Krieges, ibid.*, p. 101-15. See also her unpublished PhD thesis: Lucas, ‘“La cime insubmersible de l’argent” ...’. Virginie Fracheboud, ‘La Suisse au service des intérêts américains à Cuba ou le succès de la politique de neutralité et solidarité (1961-1963)’, *Relations internationales*, 163.3 (2015), p. 47-62. See also the unpublished PhD thesis: Manuel Klaus, ‘Märkte, Moral und Mitsprache. Die Politisierung des schweizerischen Aussenhandels mit den Militärdiktaturen Argentinien, Chiles und Perus 1968-1983’ (University of Basel, 2017).

<sup>45</sup> For Swiss recognition of divided states in Asia, see: Janick Marina Schaufelbuehl, Marco Wyss, and Sandra Bott, ‘Choosing Sides in the Global Cold War: Switzerland, Neutrality, and the Divided States of Korea and Vietnam’, *The International History Review*, 37.5 (2015), p. 1014-1036. On Swiss relations with China, see especially the works by Ariane Knüsel: Ariane Knüsel, ‘«Armée de la pensée de Mao Tsé-toung, on peut résoudre tous les problèmes» l’influence de la Révolution culturelle sur les relations entre la Suisse et la République populaire de Chine’, *Relations internationales*, 163.3 (2015), p. 29–46 and Ariane Knüsel, ‘Small Country – Great Importance: Switzerland and the Chinese Presence in Europe during the 1950s and 1960s’, in *Europe and China in the Cold War. Exchanges Beyond the Bloc Logic and the Sino-Soviet Split*, ed. by Janick Marina Schaufelbuehl, Marco Wyss, and Valeria Zanier (Leiden ; Boston: Brill, 2018), p. 42-61.

<sup>46</sup> For an overview of publications on Swiss-African relations during the Cold War and an astute contribution to the tensions the Swiss faced in a set of conflict-ridden countries, see the unpublished PhD dissertation: Sabina Widmer, ‘Switzerland, Regime Change, and Armed Conflict in Sub-Saharan Africa in the Global Cold War, 1967-1979’ (University of Lausanne, 2018).

involvement in the Third World during the Cold War.<sup>47</sup> It aims at contributing to this historiography, focusing more specifically on the considerably understudied Swiss-Middle Eastern relations during the Cold War. This gap perhaps stems from the fact that, similar to what has been noted for Swiss presence in post-independence Angola,<sup>48</sup> the Cold War was not the sole reference point for Swiss authorities, and even less so for Swiss business, in their relations with the Middle East during the 1970s. This is not to say that Cold War dynamics did not play a role for the Swiss. They did. However, as this thesis will attempt to posit, a heavier weight emanated from the global economic situation in the 1970s – and by default, Swiss business and economic policymaker interests – as well as from the regional and national economic and political dynamics in the Middle East itself.

### ***The ‘long 1970s’ and the Swiss turn towards the Middle East***

The importance of the economic context becomes evident when considering the periodization of this study. It largely focuses on what has been termed as the ‘long 1970s,’ stretching from the late 1960s to the early 1980s. This period stands out as one of transition and transformation in world relations.<sup>49</sup> As such, it constitutes a major turning point, possibly even “the most important [...] of the modern era.”<sup>50</sup> In contemporary vocabulary, the notion of global ‘interdependence’ between nation states and their economies, as a proto-term for globalization, was brought into the consciousness of world leaders by multiple crises. Daniel Sargent holds that in this respect, the 1973/4 oil crisis was a key moment. It showed “that greater levels of international economic activity [restricted] the capacity for autonomous national policies, political as well as economic.”<sup>51</sup> Together with the demise of the Bretton Woods system and the 1975/76 economic crisis, the 1973/74 oil crisis largely brought down post-war economic management, showing that “Keynesianism in one country”

---

<sup>47</sup> Swiss National Science Foundation Project 147020, *La Suisse et la Guerre froide dans le Tiers-Monde. Le rôle politique et économique de la suisse dans les principaux conflits armés et crises en Afrique subsaharienne et au Moyen-Orient, 1973-1983*. Applicants: Sandra Bott and Janick Marina Schaufelbuehl.

<sup>48</sup> Sabina Widmer, ‘Neutrality Challenged in a Cold War Conflict: Switzerland, the International Committee of the Red Cross, and the Angolan War’, *Cold War History*, 18.2 (2018), p. 203-20.

<sup>49</sup> Although this author disagrees with some of the conclusions drawn by the authors, a useful overview of the ‘long 1970s’ can be found in: Poul Villaume, Rasmus Mariager, and Helle Porsdam, ‘Introduction: The “Long 1970s”. New Perspectives on an Epoch-Making Decade’, in *The ‘Long 1970s’. Human Rights, East-West Détente and Transnational Relations*, ed. by Poul Villaume, Rasmus Mariager, and Helle Porsdam (London; New York: Routledge, 2016), p. 1-11.

<sup>50</sup> This is proposed by: Alan M. Taylor, ‘The Global 1970s and the Echo of the Great Depression’, in *The Shock of the Global: The 1970s in Perspective*, ed. by Niall Ferguson, Charles S. Maier, Erez Manela, and Daniel J. Sargent (Cambridge: Belknap Press of Harvard University Press, 2010), p. 97.

<sup>51</sup> Daniel J. Sargent, ‘The United States and Globalization in the 1970s’, in *The Shock of the Global: The 1970s in Perspective*, ed. by Niall Ferguson, Charles S. Maier, Erez Manela, and Daniel J. Sargent (Cambridge: Harvard University Press, 2010), p. 51. For a deeper overview of literature on the transformative crisis that the 1970s posed for global economic relations, see also: Daniel J. Sargent, ‘The Cold War and the International Political Economy in the 1970s’, *Cold War History*, 13.3 (2013), p. 393-425. For a world system perspective on the 1970s, focusing on the crisis of US hegemony, see: Giovanni Arrighi, ‘The World Economy and the Cold War, 1970-1990’, in *The Cambridge History of the Cold War*, ed. by Melvyn P. Leffler and Odd Arne Westad (Cambridge; New York: Cambridge University Press, 2010), III, p. 23-31.

was impossible, ushering in a new phase of what is now known as globalization.<sup>52</sup> Studying the 1970s is particularly vital, as such transitional periods show the connectivity of real historic process and shed light on the long-term dynamics of historical shifts.

Given the depth of global transformations in the 1970s, the decade also stood as a period of profound change in Switzerland and was recognized as such by the Swiss authorities. It left a mark on Swiss foreign policy. In reaction to détente and rapprochement between the US and the Soviet Union, the Swiss government opted for a more active foreign policy.<sup>53</sup> This movement was not limited to multilateral proceedings around the Commission for Security and Cooperation in Europe (CSCE), in which the Swiss participated to avoid international isolation. Quite crucially for this study, this movement also comprised a decisive Swiss insertion in North-South relations, a move accelerated by the Arab-Israeli war in 1973.<sup>54</sup>

As this thesis will show, the drive towards greater involvement in the Third World and particularly in the Middle East was hastened, if not determined, by the economic crisis that hit the developed capitalist world.<sup>55</sup> For Switzerland, severely marred by the economic crisis, 1975/76 also stands out as an economic turning point.<sup>56</sup> Yet in contrast to the 1930s crisis,<sup>57</sup> Swiss historiography on the economic crisis remains extremely sparse.<sup>58</sup> The historical studies that do exist tend to look at structural change in the

---

<sup>52</sup> Charles S. Maier, 'Two Sorts of Crisis? The "long" 1970s in the West and the East', in *Koordinaten deutscher Geschichte in der Epoche des Ost-West-Konflikts*, ed. by Hans Günter Hockerts (Berlin; Boston: De Gruyter, 2009) p. 55.

<sup>53</sup> Sandra Bott, and Janick Marina Schaufelbuehl, 'Switzerland and Détente: A Revised Foreign Policy Characterized by Distrust', in *Trust, but Verify: The Politics of Uncertainty and the Transformation of the Cold War Order, 1969-1991*, ed. by Martin Klimke, Reinhild Kreis, and Christian F. Ostermann (Stanford: Stanford University Press, 2016), p. 259-78. See also the 'personified' interpretation of this foreign policy drive, focusing on the role of Federal Council member Pierre Graber: Urs Altermatt, 'Vom Ende des Zweiten Weltkrieges bis zur Gegenwart (1945-1991)', in *Neues Handbuch der schweizerischen Aussenpolitik* (Bern; Stuttgart: P. Haupt, 1992), p. 70-74.

<sup>54</sup> See: Thomas Fischer, *Die Grenzen Der Neutralität. Schweizerisches KSZE-Engagement Und Gescheiterte UNO-Beitrittspolitik Im Kalten Krieg 1969-1986* (Zürich: Chronos, 2004), p. 116-132.

<sup>55</sup> This was highlighted by contemporary policymakers, see the contribution by the head of the Development Policy Service of the Division of Commerce: Eric Roethlisberger, 'Les relations de la Suisse avec les pays en développement: aspects commerciaux et financiers', in *La Suisse et la diplomatie multilatérale*, ed. by Jacques Freymond (Genève: Institut universitaire de Hautes études internationales, 1978), p. 125-144.

<sup>56</sup> See the conclusion in: Margrit Müller, and Ulrich Woitek, 'Wohlstand, Wachstum und Konjunktur', in *Wirtschaftsgeschichte der Schweiz im 20. Jahrhundert*, ed. by Patrick Halbeisen, Margrit Müller, and Béatrice Veyrassat (Basel: Schwabe Verlag, 2012), p. 129.

<sup>57</sup> See notably the in-depth study of the 1930s economic crisis in Switzerland: Philipp Müller, *La Suisse en crise (1929-1936). Les politiques monétaire, financière, économique et sociale de la Confédération helvétique* (Lausanne: Antipodes, 2010).

<sup>58</sup> This is evidenced by the fact that in a historiographical overview, only 2 studies by contemporary economists are cited, see: Margrit Müller, 'Die Exportindustrien im Verlauf des 20. Jahrhunderts', *Traverse. Zeitschrift für Geschichte*, 17.1 (2010), p. 127. For contemporary views on the crisis, see notably: Gottfried Bombach, Henner Kleinewefers, and Luc Weber, *Lage und Probleme der schweizerischen Wirtschaft, 1978/79* (Bern: Eidgenössische Drucksachen- und Materialzentrale, 1978). For an equally contemporary Marxist analysis of the 1975/76 crisis in Switzerland, see: Felix Müller, Hans Schaeppi, and Jakob Tanner, *Krise, Zufall oder Folge des Kapitalismus? Die Schweiz und die aktuelle Wirtschaftskrise: Eine Einführung aus marxistischer Sicht* (Zürich: Limmat Verlag Genossenschaft, 1976), p. 38-56.

Swiss economy and attempts to promote competitiveness.<sup>59</sup> While these attempts were certainly momentous changes, this literature falls short of recognizing the importance of situating them internationally, which is necessary to understand Swiss economic policy during the 1970s economic crisis.<sup>60</sup> The strategy adopted by many developed capitalist countries to dismantle the Keynesian post-war economic order was not an anti-crisis option in Switzerland. There was no significant demand-oriented economic policy in post-war Switzerland that could have been rolled back. While some significant social effects of the crisis could be averted via exporting unemployment,<sup>61</sup> notably on the labor market, the key to combating the crisis lay in market diversification and increasing export orientation.<sup>62</sup> This went so far as to lead one expert on the history of the Swiss export industry to conclude that the line between domestic and foreign oriented industries increasingly blurred since the 1970s.<sup>63</sup> Besides these structural changes, the underestimated long-term Swiss economic relations with the Third World<sup>64</sup> revealed their importance in the context of the largely simultaneous economic downturn in developed capitalist countries. A marked increase in Swiss sales, particularly in Third World countries during the 1970s, has been noted.<sup>65</sup> They have hardly, however, been studied against the backdrop of the economic crisis in Switzerland, an ambition that this thesis attempts to fulfill by analyzing the deepening Swiss economic relations with a crucial Third World region: the Middle East. This is all the more significant given that the growing sense of international political and economic crises was nourished by events in that very region. Dialectically, the source of volatility could set the ground for a new stability.

The effect of the economic crisis and attempts to counter them become crucial in understanding the basis for the Swiss foreign policy turn to the Third World during the 1970s. The growing importance of interdependence in world economic relations was also accompanied by a growth of multinational enterprises. With this also being the

---

<sup>59</sup> See the study focusing on 'Swiss competitiveness' as an economic policy goal: Silvan Lipp, *Standort Schweiz im Umbruch. Etappen der Wirtschaftspolitik im Zeichen der Wettbewerbsfähigkeit* (Zürich: Verlag Neue Zürcher Zeitung, 2012), p. 9-62. See also the unpublished master's thesis: Manuel Hiestand, 'Der Konjkturreinbruch 1975/76 in der Schweiz. Eine Ursachenanalyse auf Branchenebene' (University of Zürich, 2004).

<sup>60</sup> See the author's master's thesis arguing how Swiss economic policy during the 1970s crisis pushed for growing internationalization: Magnus Meister, 'Les Trente Glorieuses et la crise des années 1970 en Suisse. Une politique conjoncturelle et économique au service de l'internationalisation de l'économie suisse.' (University of Geneva, 2013).

<sup>61</sup> Sébastien Guex, 'L'Etat fédéral et les crises économiques du début du XXe siècle à nos jours: la Suisse, un bastion anti-keynésien', in *Crises. Causes, interprétations et conséquences* ed. by Jon Mathieu, Thomas David, Janick Marina Schaufelbuehl, and Tobias Straumann (Zürich: Chronos Verlag, 2012), p. 151-69.

<sup>62</sup> Cf. Müller, 'Internationale Verflechtung', *ibid.*, p. 433.

<sup>63</sup> Müller, 'Die Exportindustrien ...', *ibid.*, p. 129.

<sup>64</sup> Thomas David, and Bouda Etemad, 'L'expansion économique de la Suisse en outre-mer (XIXe-XXe siècles): un état de la question', *Revue suisse d'histoire*, 46.2 (1994), p. 226-31. For a study underestimating this importance, see the historical overview of Swiss foreign trade diversification in: Stephan Mumenthaler, *Die geographische Struktur des Schweizer Aussenhandels. Historischer Überblick, theoretische und empirische Analyse sowie Szenarien für die Zukunft* (Chur; Zürich: Rüegger, 1999), p. 15-30.

<sup>65</sup> This has been done for Swiss-Nigerian bilateral economic relations, see: Steve Page, *Le Nigeria et la Suisse, des affaires d'indépendance. Commerce, diplomatie et coopération 1930-1980* (Bern: Peter Lang, 2016), p. 321-339.

case for Switzerland, one might wonder whether the role of the state in foreign economic relations was not actually diminishing.<sup>66</sup> Yet, particularly in crisis-ridden and politically sensitive Third World regions, the part the state retained in establishing, sustaining and promoting economic relations, including through friendly political relations,<sup>67</sup> remains crucial. One of the aims of this thesis is, therefore, to explore the relationship between business interests and the state in foreign markets.

### ***Historiographical Overview of Swiss-Middle Eastern Relations***

The Middle East was important for nourishing the sentiment of international crisis that largely defined the 1970s. Although the history of Swiss-Middle Eastern relations has attracted some research interest, it is rarely for the period under consideration and even more rarely within a broader setting. While Swiss political and economic presence in the region from the end of the Second World War to the mid-1970s has yielded some descriptive overview articles,<sup>68</sup> most remain relatively narrow in their outlook, chronology, geography, thematic or sources used. Among the countries treated here, but also in overall historiography of Switzerland and the Middle East, bilateral relations with Egypt and Israel have attracted the most sustained interest. No studies on Swiss-Syrian relations exist.

The long-lasting Swiss presence in the Middle East has been acknowledged in studies concentrating on the late Ottoman and early colonial period. Despite lack of official Swiss diplomatic representation in the region, relations were deepened largely on a private level. Swiss traders and exporters relied on larger European powers to substantiate their interests.<sup>69</sup> Swiss companies also established significant presence in the region during this period.<sup>70</sup> By the end of the Second World War and the British and French mandates in the Middle East, large Swiss communities had settled in cosmopolitan, commercial cities of the region.<sup>71</sup> So there was a well-established Swiss

---

<sup>66</sup> An enterprise-oriented approach, as opposed to a nation-based one, has for example been proposed by: Harm G. Schröter, 'Swiss Multinational Enterprise in Historical Perspective', in *The Rise of Multinationals in Continental Europe*, ed. by Geoffrey Jones and Harm G. Schröter (Aldershot: E. Elgar, 1993), p. 53.

<sup>67</sup> This has recently been proposed by business historians, see: Christopher Kobrak, Per H. Hansen, and Christopher Kopper, 'Business, Political Risk, and Historians in the Twentieth Century', in *European Business, Dictatorship, and Political Risk, 1920-1945*, ed. by Christopher Kobrak and Per H. Hansen (New York, NY: Berghahn Books, 2004), p. 6. It has also been subject of discussion among political scientists. Although this author does not agree with the 'public choice' method applied, a good starting point for the relationship between politics and commercial relations is nonetheless: Brian M. Pollins, 'Conflict, Cooperation, and Commerce: The Effect of International Political Interactions on Bilateral Trade Flows', *American Journal of Political Science*, 33.3 (1989), p. 773-761.

<sup>68</sup> This has been done based on the published sources of the Diplomatic Documents of Switzerland, see: Yves Steiner, and Sacha Zala, 'La Suisse, le Moyen-Orient et le conflit israélo-arabe (1945-1975)', *Relations internationales*, 172.4 (2017), p. 67-80. And: Yves Steiner, and Sacha Zala, 'Die Schweizer Diplomatie auf dem Pulverfass des Nahen Ostens 1945-1975', *Saggi di Dodis*, 1.2 (2019).

<sup>69</sup> Witschi, *Schweizer auf imperialistischen Pfaden ...*, *ibid.*

<sup>70</sup> This has been shown for the Swiss multinational Nestlé, see: Yavuz Koese, 'Nestlé in the Ottoman Empire: Global Marketing with Local Flavor 1870-1927', *Enterprise & Society*, 9.4 (2008), p. 724-761.

<sup>71</sup> On the Swiss community in Alexandria, see: Anita Müller, *Schweizer in Alexandrien 1914-1963: zur ausländischen Präsenz in Ägypten* (Stuttgart: F. Steiner, 1992). For Swiss in Algeria, see: Damien Carron, *La Suisse et la guerre d'indépendance algérienne (1954-1962)*, (Lausanne: Antipodes, 2013).

presence in the region prior to the contemporary era, rooted largely in informal and private economic relations.

Initially, Swiss preoccupations in the post-war Middle East centered on dealing with the newly founded State of Israel. Significant economic relations with Arab states, and doubts around Israel's supposed socialist character and dreaded political orientation to the Eastern bloc, put a break on recognition and establishment of diplomatic relations. This only occurred in 1949 and 1951, after larger European powers did so. However, a firm sense of political distrust against the Jewish state and Zionist efforts persisted among Swiss authorities. These doubts only slowly started to dissipate after the 1956 Suez crisis, and by the early 1960s, had largely vanished. This has been explained by growing Israeli self-confidence, its clear integration into the Western camp, and its bettering economic situation, all which attracted Swiss business interest.<sup>72</sup>

These shifting Swiss sympathies were also affected by the radicalization in the Arab world during decolonization. Egypt was the main Arab state with which the Swiss authorities entertained substantial contacts. Significant Swiss economic interests had developed there after the First World War, along with important Swiss communities, which were heavily hit by decolonization, the 1952 Egyptian revolution and expropriations in 1961.<sup>73</sup> Swiss disenchantment with the region and doubts about its 'usefulness' in the larger world context emerged during the 1956 Suez crisis. The Swiss government had launched a public appeal to the conflict parties, offering its good services to seek a conflict resolution. Yet, the United States, French and British governments favored a UN-led mediation, making the Swiss offer obsolete.<sup>74</sup> This rejection would direct general Swiss foreign policy for the coming decades, characterized by a hesitation to offer mediation services.<sup>75</sup> As we will see, this hesitancy persisted during the following Arab-Israeli wars and was reflected in the Swiss positioning in them.

There therefore seems to have been a certain trade-off in the 1960s, with growing Swiss disengagement in the Arab countries and increasing sympathy with Israel. This did not, however, mean a full-blown deterioration of Swiss relations with Egypt. Despite the 'radicalization' of Egypt under Nasser, Swiss interest still retained a relatively

---

<sup>72</sup> On Swiss-Israeli relations until the Six Day War, see: Urs Pfenninger, and Barbara Schuler, 'Die Schweiz - ein früher Freund Israels? Ausbau und Festigung der bilateralen Beziehungen zwischen der Schweiz und Israel', in *Aufstieg und Niedergang des Bilateralismus: schweizerische Aussen- und Aussenwirtschaftspolitik 1930-1960: Rahmenbedingungen, Entscheidungsstrukturen, Fallstudien*, ed. by Peter Hug and Martin Kloter (Lausanne; Zürich: Payot; Chronos, 1999), p. 487-512.

<sup>73</sup> This has been shown in: Isabelle Paccaud, 'La proclamation de la République égyptienne en 1953: la fin d'un âge d'or pour les intérêts économiques en Egypte?', in *Suisse - Afrique (18e-20e siècles): de la traite des Noirs à la fin du régime de l'apartheid*, ed. by Sandra Bott, Thomas David, Claude Lützelshwab, and Janick Marina Schaufelbuehl (Münster: LIT, 2005), p. 73-84.

<sup>74</sup> Cf. Steiner, and Zala, 'La Suisse, le Moyen-Orient ...', *ibid.*, p. 70.

<sup>75</sup> See: Thomas Fischer, 'From Good Offices to an Active Policy of Peace: Switzerland's Contribution to International Conflict Resolution', in *Swiss Foreign Policy, 1945-2002*, ed. by Jürg Martin Gabriel and Thomas Fischer (Basingstoke: Palgrave Macmillan, 2003), p. 84-85. Note, however, that this did not apply to Swiss mandates protecting power for Western states, which increased in the Arab world following the Suez War, treated in: Eva Pfrter, 'La protection des intérêts britanniques en Égypte par la Suisse en 1956 : une stratégie de compensation', *Relations internationales*, 144.4 (2010), p. 65-71.

privileged position in Cairo. This is notably shown by the successful negotiation of a compensation treaty for expropriated Swiss assets in Egypt, concluded in 1964. Swiss neutrality and the absence of a Swiss colonial past, in addition to its financial strength and Egyptian interest in maintaining access to its capital market, largely explain this successful defense of Swiss economic interests.<sup>76</sup> This study attempts to illustrate how Swiss relations with Israel and Egypt evolved throughout initial conflict escalation in the two Arab-Israeli wars in 1967 and 1973. It will then examine the impact on Swiss foreign policy as tensions eased over the course of the peace process, culminating in the 1979 Egyptian-Israeli peace treaty. As Arnold Hottinger, a renowned Swiss journalist specialized in the region, has shown, the ‘image of Switzerland’ in the Middle East underwent significant changes since the establishment of the modern Middle East. Historically a neutral model state without a colonial past, by the new millennium Switzerland came to be viewed as another small state in the club of developed countries.<sup>77</sup> This thesis attempts in part to understand how Swiss positioning in the region during the turbulent 1970s influenced its overall standing on the international stage.<sup>78</sup>

While the June 1967 Six Day War has garnered considerable research in Switzerland, a gap exists for the rest of the period under the long 1970s. The year 1967 was the culmination of the shift to what has been described as ‘Israel-euphoria’ among the Swiss public, and sympathies from the Swiss state. Most studies treating this tend to have an ‘internalist’ outlook, focusing heavily on the dynamics inside Switzerland during the conflict. Research interest in Swiss-Middle Eastern relations during the Six Day War comes mostly from graduate students, with several master’s theses written in the early 2000s after the relevant archives were opened. They all follow similar narratives and come to similar conclusions, demonstrating how information was systematically gathered by Swiss policymakers and examining how official Swiss reactions to the conflict were compatible with its neutrality.<sup>79</sup> An article by editors of the *Diplomatic Documents of Switzerland* further treats Swiss relations with Middle Eastern states. Written in a rather descriptive tone, they compiled the main issues of Swiss involvement in the Six Day War as deduced from the diplomatic sources they published.<sup>80</sup> The ‘internalist’ view of Swiss-Israeli relations is clearest in the publications by Swiss historian Jonathan Kreutner on the history of Swiss-Israeli relations. They are based heavily on newspaper archives and sources from the Swiss Federations of Jewish Communities (SIG), of which he has become the General

---

<sup>76</sup> Paccaud, ‘La proclamation de la République égyptienne...’, *ibid.*, p. 81-84.

<sup>77</sup> Arnold Hottinger, ‘Das Bild der Schweiz in der arabischen und nahöstlichen Welt’, in *Schweiz – Naher Osten von der Nachkriegszeit bis zu den 1990er Jahren*, ed. by Schweizerisches Bundesarchiv (Zürich: Chronos, 2004), p. 13-18.

<sup>78</sup> An overview of Swiss positioning during these conflicts, based on published proceedings and Swiss parliament and government reports, is given in: Robert Christian van Ooyen, *Die schweizerische Neutralität in bewaffneten Konflikten nach 1945* (Frankfurt am Main; Bern: P. Lang, 1992), p. 168-215.

<sup>79</sup> See: Carol Mauerhofer, ‘Die Aussenpolitik der Schweiz im Sechstagekrieg: Analyse der Haltung und Rolle der schweizerischen Exekutive im dritten israelisch-arabischen Krieg vom Juni 1967’ (Fribourg: Universität Fribourg, 2006) and Christina Pfenniger, ‘La Guerre des Six Jours : un défi pour la neutralité suisse? : une analyse des relations bilatérales entre la Suisse et Israël (1967-1973)’ (Neuchâtel: Université de Neuchâtel, 2007).

<sup>80</sup> Steiner, and Zala, ‘La Suisse, le Moyen-Orient ...’, *ibid.*, p. 71-73.

Secretary.<sup>81</sup> Palestinian terrorist organizations' targeting of Swiss aviation after the war further led to a deterioration of the Arab world's image in Switzerland.<sup>82</sup> The positive perception of Israel in Switzerland, however, was not durable. Especially in the aftermath of the 1973 October War and most heavily after the 1982 invasion of Lebanon, skepticism towards Israel gradually increased in Switzerland. These individual events have not been studied in the larger setting of the Middle East or under consideration of North-South and Cold War dynamics.

The 'measuring' of public perception of Israel is problematic. After 1970, the SIG tasked an independent institute with conducting polls on public perception of Israel and the Middle Eastern conflict. As shown by Kreutner, the results of these surveys, coupled with a critical evaluation of press articles, indicate a tendency for Israel's good standing in Switzerland.<sup>83</sup> As this thesis will show, however, this gradual distancing, that began in the Swiss business community before moving to the state and lastly to the public, reflected itself in Swiss foreign policy. This process must be analyzed in the context of the oil crisis,<sup>84</sup> the economic crisis in Switzerland and the ensuing orientation on Arab export markets by Swiss business. Yet public resentment towards the Arab world persisted into the 1970s, precisely because of the oil crisis.<sup>85</sup> And also within the Swiss administration, countervailing tendencies existed throughout the period, particularly in its military and intelligence services.<sup>86</sup> After Palestinian terrorist organizations targeted Swiss aviation in 1969 and 1970,<sup>87</sup> close intelligence cooperation between an informal network of Western European countries and Israeli secret services began, in which the Swiss participated.<sup>88</sup> While such security policy concerns are not at the core of this

---

<sup>81</sup> Jonathan Kreutner, *Die Schweiz und Israel: auf dem Weg zu einem differenzierten historischen Bewusstsein* (Zürich: Chronos, 2013), p. 85-90. See also his contribution: Jonathan Kreutner, 'Euphorie, Kritik, Ablehnung. Israelbilder in der Schweiz', in *Dialog, Verständnis, Freundschaft: 50 Jahre Gesellschaft Schweiz-Israel*, ed. by Gesellschaft Schweiz-Israel (Zürich: Chronos, 2007), p. 113-35.

<sup>82</sup> Cf. Steiner, and Zala, 'La Suisse, le Moyen-Orient ...', *ibid.*, p. 75.

<sup>83</sup> This is based on the research conducted in: Kreutner, *Die Schweiz und Israel...*, p. 17-23.

<sup>84</sup> For a publication on the oil crisis in Switzerland, again from a largely internalist point of view, see: Daniele Ganser, 'Die Erdölkrise von 1973. Warum es damals in der Schweiz nicht an Erdöl mangelte', in *Krisen: Ursachen, Deutungen und Folgen*, ed. by Thomas David, Jon Mathieu, Janick Marina Schaufelbuehl, and Tobias Straumann (Zürich: Chronos, 2012), p. 207-27.

<sup>85</sup> Steiner, and Zala, 'La Suisse, le Moyen-Orient ...', *ibid.*, p. 76.

<sup>86</sup> These are among the conclusions of an unpublished master's thesis on Swiss-Israeli official and unofficial military collaboration between the Six Day War and the October War, see: Antoine Briod, 'Suisse-Israël: scandales et collaboration dans le domaine militaire, 1967-1973' (Université de Lausanne, 2015).

<sup>87</sup> These events have been discussed publicly in Switzerland in recent years, following the publication by a Swiss journalist: Marcel Gyr, *Schweizer Terrorjahre: das geheime Abkommen mit der PLO* (Zürich: Verlag Neue Zürcher Zeitung, 2016). A response from Swiss historians can be found in: Sacha Zala, Thomas Bürgisser, and Yves Steiner, 'Die Debatte zu einem «geheimen Abkommen» zwischen Bundesrat Graber und der PLO. Eine Zwischenbilanz', *Schweizerische Zeitschrift für Geschichte*, 66.1 (2016), p. 1-24. For the results of the public investigation into this matter, see the reports: Federal Department of Foreign Affairs, Federal Department of Justice and Police, and Federal Department of Defence, Civil Protection and Sports, eds., 'Interdepartementale Arbeitsgruppe «1970» Schlussbericht', 2016.

<sup>88</sup> This participation has been interpreted as one-sided Swiss support in the Arab-Israeli conflict, violating the 'universality' principle of Swiss neutrality policy. It also shows Swiss security policy integration into the Western bloc, see: Aviva Guttmann, 'Secret Wires Across the Mediterranean: The Club de Berne, Euro-Israeli Counterterrorism, and Swiss "Neutrality"', *The International History Review*, 40.4 (2018), p. 814-833. Aviva Guttmann *The Origins of International Counterterrorism Cooperation: Intelligence Sharing in the Club de Berne (1969-1977)* (Leiden; Boston: Brill, 2018), p. 27-56; 193-227.

study, the internal divisions in the Swiss administration, between foreign policy, foreign economic policy and the military/security apparatus actors, will be a recurring theme.

Based on this brief overview, an in-depth study of Swiss-Middle Eastern relations situated in the Arab-Israeli conflict during the long 1970s appears promising. On the one hand, there is certainly a historiographical gap that can be filled. On the other, Swiss foreign policy had to articulate itself to address a suite of conflicting pressures. Domestically, these pressures included the aforementioned diverging sets of sympathies within the region. This differentiation was largely molded by international influences, ranging from the East-West, to the North-South divide, the economic crisis unfolding in the developed world, and certainly the intraregional conflicts themselves. It therefore touches on if and how these conflicting interests could be integrated into a coherent foreign policy. Unlike the superpowers and larger European states, whose foreign policy had to square its business interest with political and strategic ambitions,<sup>89</sup> this was less the case for Switzerland. Studying the policies of a neutral state with no substantial geopolitical ambitions in the region can provide an illuminating view on the influence that various variables at play had on Swiss economic expansion in the Middle East.

### ***The Risky Middle Eastern Context and the Scope for Swiss Presence***

Studying Swiss economic and political relations with the Middle East does not only make sense in the context of internal dynamics for Switzerland. It can also prove a valuable case study for the larger history of the region, as heavily determined by the Arab-Israeli conflict. The roots and historical features that add to the depth of this conflict are numerous<sup>90</sup> and cannot be the focus of this study. While each of the wars fought in the region had their specificities, common patterns emerge. They all left profound marks on the involved societies, and contributed to making violence an all-encompassing phenomenon in the Middle East.<sup>91</sup> Among the antagonisms at play, this study concentrates on interstate conflicts between Israel and its Arab neighbors, instead of the inter-communal ones between Israel and the stateless Palestinians, or civil wars. It will focus on the main parties involved – Israel, Egypt and Syria – in two pivotal

---

<sup>89</sup> See for instance on the US: Westad, *The Global Cold War ...*, p. 28-30.

<sup>90</sup> In a textbook on the Arab-Israeli conflict, David Lesch lists “divergent nationalisms, imperialism, competition for the land, cold wars, socioeconomic development, nation-state building, demography, etc.” See: David W. Lesch, *The Arab-Israeli Conflict: A History*, (New York: Oxford University Press, 2007), p. 3. Others have opted to take this as a given and do not think that accumulation of facts can explain the conflict, see: Ian J. Bickerton, *The Arab-Israeli Conflict. A History* (London: Reaktion Books, 2009), p. 21. Other yet blame Western imperialism, see: Berberoglu, Berch, *Turmoil in the Middle East. Imperialism, War, and Political Instability* (Albany: SUNY Press, 1999), p. 95-110.

<sup>91</sup> From 1947 to 1982, 23 major crises took place in the region, including six wars. See: Hemda Ben-Yehuda, and Shmuel Sandler, *The Arab-Israeli Conflict Transformed: Fifty Years of Interstate and Ethnic Crises* (Albany: SUNY Press, 2002), p. 27-58. On the complexity of assessing the imprint that the long-lasting conflict left on the societies involved, see: Roger Owen, ‘The Cumulative Impact of Middle Eastern Wars’, in *War, Institutions, and Social Change in the Middle East*, ed. by Steven Heydemann (Berkeley: University of California Press, 2000), p. 325–334.

wars in the region, the June 1967 Six Day War<sup>92</sup> and the October War of 1973.<sup>93</sup> Both these wars were profoundly marked by the prevailing irredentism of several states in the Middle East. The Six Day War, with its territorial modifications, came as the prelude to the October War and the Egyptian-Israeli peace process that would follow.<sup>94</sup>

The contemporary Middle East and its conflicts have often been studied with the Cold War as an analytical framework. Given the all-encompassing character of the bipolar antagonisms,<sup>95</sup> this is certainly possible and fruitful. Yet, such approaches have also been met with disapproval. Critics have argued that the conflicts actually owed little if anything, to the Cold War. Notably Halliday has proposed that the Cold War contained an “exogenous rhetoric” that was superimposed on the Middle East leading to an “over-globalization of Middle Eastern politics.”<sup>96</sup> These critics put a heavier accent on regional actors’ rationales in the conflicts.<sup>97</sup> Indeed, there seem to be instances of oversimplified reduction of the Middle Eastern conflicts to superpower intervention.<sup>98</sup> Other accounts of the influence of the Cold War in the Middle East are more nuanced, emphasizing the often-contradictory interaction that the bipolar setting had with regional geopolitics. They find that superpower involvement in the region responded more to logics of alignment inherently linked to the Cold War and not to the evolution

---

<sup>92</sup> See the contributions in: Roger Louis, and Avi Shlaim, eds., *The 1967 Arab-Israeli War: Origins and Consequences* (Cambridge; New York: Cambridge University Press, 2012). For a detailed account of the conflict itself, see: Michael Oren, *Six Days of War: June 1967 and the Making of the Modern Middle East* (Oxford: Oxford University Press, 2002). For Israel’s territorial ambitions in this war, see: Avshalom Rubin, *The Limits of the Land: How the Struggle for the West Bank Shaped the Arab-Israeli Conflict* (Bloomington: Indiana University Press, 2017).

<sup>93</sup> To avoid religious overtones, the denomination of October War is used in this study instead of the ‘Yom Kippur War’ or ‘Ramadan War’ as designated in Israeli and Arab literature, respectively. On the conflict, see contributions in: Asaf Siniver, ed., *The Yom Kippur War: Politics, Legacy, Diplomacy* (Oxford; New York: Oxford University Press, 2013) and in: P. R. Kumaraswamy, ed., *Revisiting the Yom Kippur War*, (London; Portland: Routledge, 2000).

<sup>94</sup> For an overview of these conflicts, see: Mehran Kamrava, *The Modern Middle East: A Political History since the First World War*, (Berkeley: University of California Press, 2011), p. 109-139.

<sup>95</sup> Cf. Michael F. Hopkins, ‘Continuing Debate and New Approaches in Cold War History’, *The Historical Journal*, 50.4 (2007), p.913-934. See also the introduction in: Westad, *The Global Cold War ...*, p. 1-19.

<sup>96</sup> Fred Halliday, ‘The Middle East, the Great Powers, and the Cold War’, in *The Cold War and the Middle East*, ed. by Yezid Sayigh and Avi Shlaim, (Oxford: New York: Clarendon Press, 1997), p. 11.

<sup>97</sup> These arguments were particularly pervasive against the background of continued conflict in the Middle East after the Cold War, see: Efraim Karsh, ‘Cold War, Post-Cold War: Does It Make a Difference for the Middle East?’, *Review of International Studies*, 23.3 (1997), p. 271-291. Nikki R. Keddie, ‘The End of the Cold War and the Middle East’, *Diplomatic History*, 16.1 (1992), p. 95-103.

<sup>98</sup> Such tendencies can be noted in select Cold War diplomatic history on the Middle East, see: Jerome Slater, ‘The Superpowers and an Arab-Israeli Political Settlement: The Cold War Years’, *Political Science Quarterly*, 105.4 (1990), p. 557-577. For a more recent study, see: Craig Daigle, *The Limits of Détente: The United States, the Soviet Union, and the Arab-Israeli Conflict, 1969-1973* (New Haven: Yale University Press, 2012).

of the Arab-Israeli conflict itself. This would in return exacerbate the regional conflict.<sup>99</sup>

While evaluations of the relationship between the regional conflict and the Cold War do often appear more as a question of nuance than of substance, it is clear that the setting in the Middle East was unique. The superpowers certainly had a significant role in Middle Eastern conflicts and peacemaking during the 1970s.<sup>100</sup> However, this role also occasioned significant frictions among allies, notably in the Atlantic alliance. Among European states, but also between them and the US, divergences on how to handle the Middle East crises became particularly acute in the course of the October War and the oil price hikes.<sup>101</sup> The Middle Eastern conflict parties often successfully managed to exert pressure on their respective superpower ‘patron,’ in part reversing the unequal power relations.<sup>102</sup> To a greater extent than many Third World countries, the Middle Eastern states managed “to avoid being transformed from colonies [...] into pawns in the great game of the Cold War.”<sup>103</sup> This signals a considerable autonomy of regional actors within the regional conflicts and within Cold War antagonisms.

These nuances are significant for this study because they illustrate the margins for maneuver that a foreign actor could retain in the conflicted setting of the Middle East. Given that Cold War components were not as clear-cut in the conflicts under consideration as in other Third World wars, Swiss margins for an independent political and economic policy might have been larger. For the *de facto* Western aligned and vigorously anti-Communist Swiss authorities, Cold War logic was not simply superimposed on the Middle East. While this might have allowed for greater Swiss foreign policy autonomy, it also meant an increased complexity beyond Cold War antagonisms. To what extent this tension between regional autonomy and international influences shaped Swiss foreign policy will be submitted to further investigation in this thesis.

---

<sup>99</sup> See contributions in: Nigel John Ashton, ed., *The Cold War in the Middle East: Regional Conflict and the Superpowers, 1967-73*, (New York, NY: Routledge, 2007); see also: Yezid Sayigh, and Avi Shlaim, eds., *The Cold War and the Middle East*, (Oxford; New York: Clarendon Press, 1997), as well as: ‘Roundtable: Relocating the Cold War’, *International Journal of Middle East Studies*, 43.2 (2011), p. 313–325. Additional important insight can be found in: Rashid Khalidi, *Sowing Crisis: The Cold War and American Dominance in the Middle East* (Boston: Beacon Press, 2010); and Salim Yaqub, ‘The Cold War in The Middle East’, in *The Cold War in the Third World*, ed. by Robert J. McMahon, (Oxford; New York: Oxford University Press, 2013), p. 11-26.

<sup>100</sup> This has been well established. For the US’s role, see: Salim Yaqub, *Imperfect Strangers: Americans, Arabs, and U.S.–Middle East Relations in the 1970s* (Ithaca: Cornell University Press, 2016). For the USSR’s policy, see: Galia Golan, *Soviet Policies in the Middle East: From World War Two to Gorbachev* (Cambridge; New York: Cambridge University Press, 1990).

<sup>101</sup> For an overview of how European foreign policy was impacted by the October War and oil crisis, see: Daniel Mockli, *European Foreign Policy During the Cold War: Heath, Brandt, Pompidou and the Dream of Political Unity*, (London: I.B. Tauris, 2008), p. 184-300. For the French perspective, arguably viewed by Washington as the most significant ‘renegade’, see: Aurélie Elisa Gfeller, *Building a European Identity: France, the United States, and the Oil Shock, 1973-1974*, (New York: Berghahn Books, 2012).

<sup>102</sup> See: Raymond A. Hinnebusch, *The International Politics of the Middle East* (Manchester: Manchester University Press, 2003), p. 28-29.

<sup>103</sup> This was precisely the aim of the newly independent countries as stated in: Giuliano Garavini, *After Empires: European Integration, Decolonization, and the Challenge from the Global South 1957-1986* (Oxford: Oxford University Press, 2012), p. 12.

With the limitations of a simple Cold War framework recognized, there are studies that use a structuralist approach to analyze the history of the Middle Eastern conflict. Raymond Hinnebusch roots them in the regional system that emerged in the Middle East following the demise of the Ottoman Empire and decolonization. Unequal political and economic ‘core-periphery’ relations largely modeled this regional system. The core’s interests in the Middle East were largely rooted in the unique concentration of Western assets in the Middle East, i.e., oil, transportation routes and geostrategic location. Coupled with internal social stratification, power relations emerged in the newly founded states that institutionalized international and regional tensions. Such an approach is fruitful, as regional actors retain certain autonomy while core-periphery relations are considered dynamic.<sup>104</sup> This study draws inspiration from such an approach, as it allows a broadening view on the Middle Eastern conflicts. It moves the focus away from a simple East-West schema, to give more space to national and regional evolutions and how they ultimately wove themselves into the North-South divide and, therefore, issues relating to economic development. This work is thus a study on the actors and their respective material interests at stake in the Middle East, and how the actors influenced the ultimate foreign policy choices.

Indeed, there has been a growing genre of literature showing that economic aspects played a crucial role in the Cold War, and in its ultimate demise via the economic and political collapse of the Soviet Union. While these studies do often acknowledge the central role that the Third World, and particularly the Middle East via the Arab oil policy, played in respect to the economic Cold War,<sup>105</sup> those world regions have barely been subject to any in-depth study in this field, with few notable exceptions.<sup>106</sup> The existing political histories of the Middle East tend to underemphasize the economic aspects of regional conflicts and their international ramifications, except for issues

---

<sup>104</sup> Hinnebusch, *The International Politics of the Middle East* .... Note that similar approaches studying specific Middle Eastern conflicts against the backdrop of domestic power structure and international economic constraints in the realm of unequal exchange have proven robust, see: Guy Laron, *The Six-Day War: The Breaking of the Middle East* (New Haven; London: Yale University Press, 2019).

<sup>105</sup> For an overview, see: Sargent, ‘The Cold War and the International Political Economy ...’, *ibid.* For a narrow Cold War lens on economic policies of the superpowers, see: Richard N. Cooper, ‘Economic Aspects of the Cold War, 1962–1975’, in *The Cambridge History of the Cold War*, ed. by Melvyn P. Leffler and Odd Arne Westad (Cambridge; New York: Cambridge University Press, 2010), II, p. 44-64. For an approach focusing on the hegemonic relations between the superpowers in the world economy, see: Arrighi, ‘The World Economy and the Cold War...’, *ibid.* Emphasizing, among other elements, the competing models of economic development during the Cold War, see: David C. Engerman, ‘The Romance of Economic Development and New Histories of the Cold War’, *Diplomatic History*, 28.1 (2004), p. 23-54. For a focus on military spending as well as ideology and domestic conflict, see: Robert Higgs, *Depression, War, and Cold War: Studies in Political Economy*, (Oakland: Oxford University Press, 2006), p. 124-144. On the role of oil in Cold War confrontations, see: David S. Painter, ‘Oil and Geopolitics: The Oil Crises of the 1970s and the Cold War’, *Historical Social Research / Historische Sozialforschung*, 39.4 (2014), p. 186-208. Finally, see the seminal book on US foreign economic relations within the Cold War framework: Diane B. Kunz, *Butter and Guns. America’s Cold War Economic Diplomacy* (New York: Free Press, 1997).

<sup>106</sup> Note this history of the Suez crisis, integrating economic aspects of international actors and Egypt: Guy Laron, *Origins of the Suez Crisis: Postwar Development Diplomacy and the Struggle over Third World Industrialization, 1945–1956* (Washington, D.C.: Woodrow Wilson Center Press / Johns Hopkins University Press, 2013). See also relevant sections in: Samir Amin, *Maldevelopment: Anatomy of a Global Failure*, (Cape Town: Pambazuka Press, 2011), p. 205-219.

relating to oil. In return, economic histories and studies of the political economy of the Middle East barely integrate the local and global conflicts into their framework.<sup>107</sup>

This mutual negligence is not only regrettable but can be puzzling on multiple levels. First, there has been a growing interest among business historians on the influence of political risks, including wars and expropriations, for private, often multinational corporations. Similar to institutionalist approaches of economic development, they tend to treat political aspects as exogenous ‘non-market conditions,’ instead of seeing them as constitutive elements of market relations. Furthermore, they are interested chiefly in firm-level organizational changes stemming from political risk perception.<sup>108</sup> In the post-war period, political risks for business were certainly highest in the Third World, and firm strategies to mitigate risks consisted of political interference or adaptation to the new realities via continuous negotiations.<sup>109</sup>

Studying the influence of political risks on companies entering into business relations in the Middle East is promising, as the Middle East was a region where political risks in the post-war period were large. Indeed, as Rodney Wilson argues: “politically determined shocks associated with war and revolution [...] have had far-reaching economic implications, not only for the [Middle East], but also for the rest of the world.”<sup>110</sup> Economic and political variables were inextricably and often contradictorily connected in Middle Eastern history, perhaps more than in any other world region in the post-war period.<sup>111</sup> This certainly also applied to the relations of Middle Eastern economies with the developed capitalist world.<sup>112</sup> It has nonetheless still largely

---

<sup>107</sup> Although it focuses on the pre-modern Middle East, a seminal study on the economic history of the region does not treat the Arab-Israeli conflict in any noticeable way, see: Charles Issawi, *An Economic History of the Middle East and North Africa* (London: Methuen, 1982). Nor does the more recent: Roger Owen, and Şevket Pamuk, *A History of Middle East Economies in the Twentieth Century* (Cambridge: Harvard University Press, 1998). In political economy literature, interest is limited to the effect of military rule and defense spending on economic development, see for instance: Alan Richards, John Waterbury, Melani Cammett, and Ishac Diwan, *A Political Economy of the Middle East*, (Boulder: Westview Press, 2008), p. 344-361. A sole, yet superficial exception, is: Amer S. Abu-Qarn, ‘Six Decades of the Israeli-Arab Conflict: An Assessment of the Economic Aspects’, *The Economics of Peace and Security Journal*, 3.2 (2008), p. 7-15.

<sup>108</sup> See the introduction to: Neil Forbes, Takafumi Kurosawa, and Ben Wubs, *Multinational Enterprise, Political Risk and Organisational Change. From Total War to Cold War* (New York: Routledge, 2019). A useful discussion of strategies mitigating political risks can be found in: Mark Casson, and Teresa da Silva Lopes, ‘Foreign Direct Investment in High-Risk Environments: An Historical Perspective’, *Business History*, 55.3 (2013), p. 375-404.

<sup>109</sup> For a discussion of these strategies, see: Geoffrey Jones, and Rachael Comunale, ‘Business, Governments and Political Risk in South Asia and Latin America since 1970’, *Australian Economic History Review*, 58.3 (2018), p. 233-237.

<sup>110</sup> Rodney Wilson, *Economic Development in the Middle East* (London; New York: Routledge, 1995), p. 18.

<sup>111</sup> This has been put forward by: Fred Halliday, *The Middle East in International Relations: Power, Politics and Ideology* (Cambridge University Press, 2005), p. 261-287.

<sup>112</sup> The lending policy of international financial institutions to Middle Eastern countries largely responded to this, see: Jane Harrigan, and Hamed El-Said, *Aid and Power in the Arab World: IMF and World Bank Policy-Based Lending in the Middle East and North Africa* (Basingstoke; New York: Palgrave Macmillan, 2009), p. 10-36.

remained unaffected by business historians' turn towards political risks.<sup>113</sup> A study of the political risks that Swiss business encountered in the Middle East and how they attempted to overcome them is therefore very promising. However, considering the largely 'politicized' economic relations in the Middle East, a firm-level analysis has its limits, and the role of the Swiss state in risk evaluation and management must be considered.

If one were to more narrowly examine the most important Swiss export markets during the 1970s in the Middle East, or in the Third World for that matter, Saudi Arabia and Iran would certainly have to be analyzed. While Swiss-Iranian bilateral relations until the 1978/79 revolution have attracted some interest,<sup>114</sup> Swiss-Saudi relations have to my knowledge not attracted any research interest. This study will devote some attention to the Swiss reactions to 1973/74 oil crisis and hence to these major oil producers, given that it is so closely linked to the regional conflicts and international convulsions of the 1970s.<sup>115</sup> The ambition at the outset of the research for this thesis was indeed to include a second part focusing on Swiss-Iranian relations. However, so as not to overload the scope of this thesis, this focus had to be narrowed down. Given the interest in the common articulation of political and economic risks in a conflicted region, an in-depth treatment of Israel, Egypt and Syria, the countries directly involved militarily in the Arab-Israeli conflict, is certainly valid. Such risks were highest in these countries. They were, furthermore, key players in the regional and, by association international, balance of forces. Examining them can therefore be instructive to see whether their significant political importance gave them assets that they could mobilize in their foreign relations. Finally, a focus on three non-oil-producing Third World countries can reveal the difficulties stemming from their subordinate integration into world economic relations and hence, allow for a sharper comparison with other Third World regions – especially given that the oil-producing economies of the Third World are often treated as distinct cases.

Swiss business was, to varying degrees, willing to engage in Egypt, Syria and Israel, despite the high political risks. Consequently, economic opportunities, i.e. potential profits, must have been substantial. The 1970s were a period of significant, albeit

---

<sup>113</sup> The sole exception seems to be an older, special section in *Enterprise & Society*, see: Andrew Godley, and Relli Shechter, 'Editors' Introduction: Business History and the Middle East: Local Contexts, Multinational Responses—A Special Section of *Enterprise & Society*', *Enterprise & Society*, 9.4 (2008), p. 631-636.

<sup>114</sup> For an overview, see: Daniela Meier, *Helvetias guter Draht zum Pfauenthron: die Beziehungen der Schweiz zu Iran (1946-1978)*, (Zürich: O. Füssli, 2002). On Swiss arms exports to Iran in the 1970s, see: Magnus Meister, 'Des supposées restrictions. Les exportations d'armement suisse en Iran et la loi sur le matériel de guerre, 1969-1974', in *Itinera. Kriegsmaterial im Kalten Krieg. Rüstungsgüter in der Schweiz zwischen Militär, Industrie, Politik und Öffentlichkeit*, forthcoming, 2019.

<sup>115</sup> The oil crisis has attracted substantial research, see contributions in: Elisabetta Bini, Giuliano Garavini, and Federico Romero, eds., *Oil Shock: The 1973 Crisis and Its Economic Legacy* (London: I.B. Tauris, 2016); Bösch, Frank, and Rüdiger Graf, eds., 'Special Issue: The Energy Crises of the 1970s: Anticipations and Reactions in the Industrialized World', *Historical Social Research / Historische Sozialforschung*, 39.4 (2014). See also: Venn, Fiona, *The Oil Crisis* (London: Longman, 2002).

unequal, economic growth in the region.<sup>116</sup> Overall conditions for accruing profits in the Middle East were a given. The countries treated in this study, however, displayed significant differences in pace of economic growth and economic regimes. While these characteristics and their evolution will be examined in depth in the following chapter, some preliminary comments must be made. As we will see, Cold War alignments played a role in political risk evaluations made by the Swiss. But they were by no means exhaustive explanatory considerations in and of themselves.

Integration into the Western bloc, operated notably by Egypt under Anwar Sadat's presidency, was not solely a political phenomenon.<sup>117</sup> In the Egyptian case, it was not even primarily political; it responded to efforts to attract foreign capital by adopting accommodating economic policies known as *infitah*. This in turn was also based on concerns of regime stability.<sup>118</sup> The reintegration process of Egypt, the most industrially developed country in the region and by virtue the historic leader of the Arab world, into capitalist world markets contrasted heavily to the Egypt under Nasser as a champion of Third World 'radicalism.' This spurred a series of Arab intellectuals to view this process as the essential part of an actual 're-colonization' or 're-compradorization' of the Arab world by the US.<sup>119</sup> While this might seem excessive, it does reflect the fundamental reversal of fates for Third World 'radicalism' and Arab 'socialism' operated in Egypt under Sadat. Egyptian integration into the Western bloc, via increased reliance on the US, reassured Swiss authorities and companies that their economic interests would be safeguarded by Cairo. At the same time, such an economic opening also increased competition on the Egyptian market, requiring more substantial market promotion efforts and official Swiss support for its corporations.

While this retreat from Arab 'socialism' was a region-wide tendency, it did not have the same depth in all Arab states. For the first time since independence, Syria

---

<sup>116</sup> Growth rates were, however, unequal in intensity throughout the region, see: Şevket Pamuk, 'Estimating Economic Growth in the Middle East since 1820', *The Journal of Economic History*, 66.3 (2006), p. 824-826.

<sup>117</sup> For modern Egyptian political history under Nasser and Mubarak, see: Steven A. Cook, *The Struggle for Egypt: From Nasser to Tahrir Square* (Oxford; New York: Oxford University Press, 2012), p. 56-209. For a book focusing on Sadat's role, see: Thomas W. Lippman, *Hero of the Crossing: How Anwar Sadat and the 1973 War Changed the World* (Lincoln: Potomac Books, 2016).

<sup>118</sup> On Egyptian economic liberalization under Sadat, see: John Waterbury, *The Egypt of Nasser and Sadat: The Political Economy of Two Regimes*, Princeton Studies on the Near East (Princeton: Princeton University Press, 1983), p. 123-157. See also: Khalid Ikram, *The Political Economy of Reforms in Egypt: Issues and Policymaking since 1952* (Cairo, New York: The American University in Cairo Press, 2018), p. 205-270; and: Ali E. Hillal Dessouki, 'Regional Leadership: Balancing off Costs and Dividends in the Foreign Policy of Egypt', in *The Foreign Policies of Arab States: The Challenge of Globalization*, ed. by Bahgat Korany and Ali E. Hillal Dessouki (Cairo; New York: American University in Cairo Press, 2008), p. 167-194. For a publication linking economic liberalization to domestic social pressures, see: Adel Abdel Ghafar, *Egyptians in Revolt: The Political Economy of Labor and Student Mobilizations 1919-2011* (London; New York: Routledge, 2017), p. 84-113; Nadia Ramsis Farah, *Egypt's Political Economy: Power Relations in Development*, (Cairo; New York: The American University in Cairo Press, 2009).

<sup>119</sup> See: Samir Amin, 'The Arab World: Re-Compradorization', *Africa Development / Afrique et Développement*, 21.2 (1996), p. 235-243. Naseer H. Aruri, 'The Recolonization of the Arab World', *Arab Studies Quarterly*, 11.2 (1989), p. 273-286. Feroz Ahmad, 'Arab Nationalism, Radicalism, and the Specter of Neocolonialism', *Monthly Review*, 42.9, 1991, p. 30-37. Faysal Yachir, 'Wither the Arab World?', *Social Justice*, 23.1/2 (63-64) (1996), p. 184-202.

experienced considerable regime stability under the presidency of Hafez al-Assad.<sup>120</sup> Syria under Assad also introduced a more accommodating economic policy towards private capital, in attempts to assure regime stability.<sup>121</sup> Enthusiasm from developed capitalist economies was not, however, comparable to Egypt. This happened precisely because political risks were considered too large against the backdrop of Syria's role in the regional setting, and to a lesser extent, risk perception linked to Cold War logic.<sup>122</sup> When Syria and Egypt faced periods of domestic instability or leadership change, Swiss concerns on the prospects of stable economic relations rose.

By 1967 at the latest, Israel was a solid partner of the Western bloc, rooted in close, yet not untroubled, relations with the US.<sup>123</sup> Likely because of the full subordination of such alignments to Israel's own security interests and domestic politics, these alliances could not fully deploy foreign political and economic benefits to the Jewish state.<sup>124</sup> Ironically, political risks associated with doing business in Israel were highest in the regional context of the 1970s. This did not link necessarily to the country itself, but to adverse secondary effects that a stronger economic engagement in Israel might have on deepening Arab markets during their economic strengthening via the oil price increase. This economic estrangement from Israel, as detailed later, was further reinforced by the serious difficulties the Israeli economy faced after the October War.<sup>125</sup>

This thesis will trace how Swiss authorities and business evaluated political and economic risks in the Middle East. It will assess whether they detained foreign policy assets that could mitigate these risks, or whether Swiss foreign policy principles were poorly adapted to the conflict-ridden and politicized Middle East economic realities. The study will demonstrate how concrete involvement and interventions by the Swiss authorities in regional conflicts, but also the peace process, interacted with the aim of promoting foreign economic relations. However, as this study will also show, political

---

<sup>120</sup> Much of the literature on Syria's contemporary history has hence focused on Assad himself, see: Patrick Seale, *Assad of Syria: The Struggle for the Middle East* (Berkeley: University of California Press, 1995); Eyal Zisser, *Asad's Legacy: Syria in Transition* (New York: New York University Press, 2001); Moshe Ma'oz, *Asad: The Sphinx of Damascus: A Political Biography* (New York: Grove Weidenfeld, 1989). For an overview of regime stability and internal social relations in Syria, see: Raymond A. Hinnebusch, *Syria: Revolution from Above*, (London; New York: Routledge, 2002).

<sup>121</sup> On Syrian economic liberalization, see various publications by Volker Perthes, especially: Volker Perthes, *The Political Economy of Syria under Asad* (London: I.B. Tauris, 1995), p. 41-53.

<sup>122</sup> See the relevant section in: Raymond A. Hinnebusch, 'The Politics of Economic Liberalization: Comparing Egypt and Syria', in *The State and Global Change: The Political Economy of Transition in the Middle East and North Africa*, ed. by Hassan Hakimian and Ziba Moshaver (Richmond: Cruzon, 2001), p. 111-133.

<sup>123</sup> See for instance: Herbert Druks, *The Uncertain Alliance: The U.S. and Israel from Kennedy to the Peace Process* (Westport: Greenwood Press, 2001). For an overview of the history of Israel, see: Anita Shapira, *Israel: A History* (Waltham: Brandeis University Press, 2012) and Colin Shindler, *A History of Modern Israel*, (Cambridge; New York: Cambridge University Press, 2013).

<sup>124</sup> This subordination of policies has been put forward by: Efraim Karsh, 'Israel', in *The Cold War and the Middle East*, ed. by Yezid Sayigh and Avi Shlaim, (Oxford England: New York: Clarendon Press, 1997), p. 156-185.

<sup>125</sup> Interestingly, Israeli economist research on the influence of wars on the Israeli economy has been growing recently, see: Andrew Schein, 'The Economic Consequences of Wars in the Land of Israel in the Last Hundred Years, 1914-2014', *Israel Affairs*, 23.4 (2017), p. 650-668. See further: Zilberfarb, Ben-Zion, 'The Short- and Long-Term Effects of the Six Day War on the Israeli Economy', *Israel Affairs*, 24.5 (2018), p. 785-798.

risks rooted in Cold War considerations, regional conflicts or domestic instability, were not the only variables influencing Swiss economic orientation in the region. There also remained purely economic opportunities, risks and impediments.

None of the countries treated here had substantial oil reserves. Their difficulties stemmed, similar to other Third World economies, from chronic balance of payments deficits, foreign currency shortages and difficulties in honoring their international payments.<sup>126</sup> This made international supplier credits, as well as economic and financial aid, a *sine qua no* for promoting commercial relations with Syria, Israel and Egypt. Hence, Swiss commercial and financial involvement here went hand-in-hand. The policies adopted by the Swiss authorities, but also the practices developed by Swiss banks, had a crucial impact on the evolution of trade relations. The different growth records of each country during this period certainly impacted the consistency of Swiss trade promotion. Yet political considerations, i.e. attempts to assure regime stability, also occasionally influenced the scope of economic promotion measures adopted by the Swiss. This thesis will raise the question as to what extent efforts promoting economic relations could also have responded to efforts intervening ‘politically’ in the region.

### **Approach and Sources**

This dissertation is a source-based historical account focusing on the specificities of Swiss Middle Eastern economic and political relations during the long 1970s. It bases itself on multiple archival holdings and a quantitative assessment of Swiss-Middle Eastern economic interactions. These relations are set in their larger context, including accounts of prevailing economic and political conditions both in Switzerland and in the participants in the Arab-Israeli inter-state conflicts during the 1970s. Given the international significance of the region in this period, the study incorporates this level of analysis, marked by the Cold War and North-South antagonisms, in as much as they influenced the development of bilateral relations. That said, it attempts to extract these relations as far as possible from a solely bilateral perspective by including the regional dynamics at play.

Its focus lies on the Swiss government’s involvement in the Middle East vis-à-vis Swiss business interests. Considering the aforementioned intertwining of political and economic factors in the Middle East and Swiss foreign policy, the set of actors considered therefore includes the Swiss state as well as private companies and their business associations. It traces the assembling and dismantling of economic and political relations over the course of the Arab-Israeli conflict during the long 1970s. It does not have the assumption of deriving any generalized assumptions and favors a view of historical specificity. It will nonetheless allow for a discussion on a set of issues relating to the relationship between politics and business in foreign relations, the role of political risks in the Third World for Western economic interests, and the relationship between the Cold War and historical inequality in economic development.

---

<sup>126</sup> Cf. Wilson, *Economic Development in the Middle East ...*, p. 152. See also: Harrigan, and El-Said, *Aid and Power in the Arab World ...*, p. 18-19.

Aware of the pitfalls of a Western-centered historical study of relations with Third World regions, and particularly the Middle East,<sup>127</sup> this thesis nonetheless adopts a resolutely Swiss perspective. While not ignoring the prevalent representations by contemporaries of the Middle East, which did indeed give way to recurrent anti-Arab and occasional anti-Semitic prejudices, it does not accord them more space than the actual influence they had on material interactions. This ‘Northern’ perspective does not only owe itself to the author’s background. It also replies to the view that relations between developed capitalist and developing countries were interest-driven, fundamentally unequal and that they cannot simply be relegated to post-structuralist representations.<sup>128</sup> Assessing the history of Swiss economic and political relations with Middle Eastern states reflects a desire increasingly common among historians “to take the material side of life seriously” again, as recently put by a US historian.<sup>129</sup> Furthermore, as has become increasingly popular in international relations studies, this thesis holds the view that the interactions between societies of unequal levels of historical economic and social development are not unilinear. Relations between different societies are unequal yet reciprocal and give way to particular social patterns precisely based on these interactions.<sup>130</sup>

Adopting a Swiss perspective is also due to material reasons and the author’s limitations. Although it is possible to access Israeli foreign ministry archives, the author does not read Hebrew or Arabic. Access to the archives of Arab Foreign ministries is heavily restricted. This thesis therefore resorts to what has been described as “side-door” techniques to studying the policies of the states involved, i.e. doing so via archives available abroad.<sup>131</sup> Existing literature on the Arab-Israeli conflict, the domestic economic and political situation of the countries involved and the role of the Cold War in the region, is often based on archival sources or first-hand accounts. This literature is substantial and provides at least a partial bridge to these deficiencies.

---

<sup>127</sup> See this defining book: Edward W. Said, *Orientalism* (London: Penguin Books, 2003). On the actual fluidity of social and economic relations in the Arab world, consult: Maxime Rodinson, *Islam and Capitalism* (London: Saqi Books, 2007). For a more contemporary view that focuses on the politics of knowledge and oriental representations in US Middle Eastern studies, see: Zachary Lockman, *Contending Visions of the Middle East: The History and Politics of Orientalism* (Cambridge; New York: Cambridge University Press, 2010). For a thematic overview on how orientalism shaped US foreign policy in the Middle East, see: Douglas Little, *American Orientalism: The United States and the Middle East since 1945* (University of North Carolina Press, 2008).

<sup>128</sup> For a broad critique of post-structuralism and post-modernism as analytical methods, and an argument for a materialist approach, see: Vivek Chibber, *Postcolonial Theory and the Specter of Capital*, (London: Verso, 2013). For a specific critique of Said’s orientalism, see the work by Fred Halliday reproduced in: Fred Halliday, “‘Orientalism’ and Its Critics”, *British Journal of Middle Eastern Studies*, 20.2 (1993), p. 145-163.

<sup>129</sup> See the essay review by Kenneth Lipartito, ‘Reassembling the Economic: New Departures in Historical Materialism’, *The American Historical Review*, 121.1 (2016), p. 101.

<sup>130</sup> See the contributions in the edited volume, in particular: Justin Rosenberg, ‘Uneven and Combined Development: “The International” in Theory and History’, in *Historical Sociology and World History: Uneven and Combined Development Over the Longue Duree*, ed. by Alexander Anievas and Kamran Matin (Lanham: Rowman & Littlefield International, 2016), p. 17-30.

<sup>131</sup> See Guy Laron, ‘Surveying the Revolutionary Arc’, *International Journal of Middle East Studies*, 43.2 (2011), p. 324.

This study therefore relies heavily, albeit not exclusively, on Swiss archives. Sources on Swiss foreign policy for the period covered were readily available in the Swiss Federal Archives (SFA). The extensive volume of sources available required a focus on mostly two collections of the SFA: the Division for Political Affairs of the Federal Political Department (FPD) and the Division of Commerce from the Federal Department for Economic Affairs (FDEA).<sup>132</sup> While occasionally using other holdings of the SFA and very valuable sources published by the Diplomatic Documents of Switzerland (DDS), focusing on these two divisions makes sense, as they were the central official actors for Swiss foreign policy in the period under consideration. Swiss foreign policy during the post-war period was indeed not so much articulated at the highest level of government, i.e. the Federal Council, but at the level of senior officials and business associations.<sup>133</sup> In addition to these official holdings, the papers of Paul Rudolf Jolles, often referred to as the ‘eighth Federal Council member,’ who in his role as Director of the Division of Commerce heavily influenced Swiss foreign policy, were consulted in the Archives for Contemporary History (ACH) in Zürich. And finally, on the level of the Swiss authorities, the holdings of the Swiss National Bank (SNB) were used, particularly to obtain information on Swiss credit activities.

Given the importance of business actors in Swiss foreign policy, this study also incorporates sources from the main Swiss business association of the time, the Swiss Federation of Commerce and Industry, held at the ACH in Zürich. The business association level is completed by a set of important company archives, notably from the pharmaceutical and chemical company *Ciba-Geigy*, today known as Novartis, and the machinery company *Brown Boveri & Cie.*, today known as ABB. Attempts to gain access to archives of other Swiss firms heavily engaged in the Middle East, notably *Sulzer* and *Bührle*, but also banking archives, were unsuccessful.<sup>134</sup> This restricted access to firm-level sources certainly had an influence on the final results of this study. There is indeed the risk of over-emphasizing the role of the Swiss state in promoting business relations abroad, which can be mitigated by a critical approach to the sources used.

Considering the increasing US involvement in the Middle East during the 1970s, an attempt to obtain an external evaluation of the activity of the Swiss in Middle East focused on sources from US archives. This included research in the National Archives and Records Administration (NARA) holdings in Maryland, as well as the Nixon and Carter Presidential Libraries in Yorba Linda and Atlanta. Relevant findings proved rather difficult to locate, as such ‘triangular’ evaluations by US officials are not easy to trace in the holdings. Overall, the few relevant sources found do point to a relatively low importance attributed to Swiss presence in the Middle East across US

---

<sup>132</sup> Note that the names of these divisions change during the period studied here. In 1979, the Federal Political Department became the Federal Department of Foreign Affairs and the Division of Commerce became the Federal Office for Foreign Economic Affairs.

<sup>133</sup> Hug, ‘Vom Neutralismus zur Westintegration...’, *ibid.*, p. 62.

<sup>134</sup> Note that access to Swiss company and banking archives is often heavily restricted by the firms themselves, as specified by the head archivist of the Geneva private bank Pictet: Laurent Christeller, ‘L’accès aux archives d’entreprises en Suisse. Conserver et communiquer un patrimoine entre secret et transparence’, *Informationswissenschaft: Theorie, Methode und Praxis*, 2.1 (2012), p. 87-104.

administrations. However, some interesting evaluations have been found. The most useful US sources for this study were located in the NARA's Access to Archival Database (AAD), with electronic telegrams of the State Department available online for much of the 1970s. Finally, holdings at the World Bank Group Archives in Washington, DC, were consulted. The World Bank played a significant role as a financial backer of Egypt, where Swiss officials and firms became closely involved.

Besides the sources published by DDS and AAD, further collection of published Swiss archives included the parliamentary proceedings and Federal Council messages, as well as annual reports by the SNB, all readily available. Besides the press clippings and translations found in the Swiss diplomatic correspondences, digitized newspaper archives were periodically used, including the very useful *Jewish Telegraphic Agency* (JTA) and the Swiss *Neue Zürcher Zeitung* (NZZ) online holdings.

Given that this thesis is interested in Swiss foreign economic relations with a set of Middle Eastern states, a quantitative evaluation of commercial and financial exchanges is indispensable. Based on historical data published in the *Historical Statistics of Switzerland Online* (HSSO) and on published annual reports on Swiss foreign trade statistics by the Directorate General of Customs (*Oberzolldirektion*), a detailed account of Swiss foreign trade can be easily established. As will be seen, the same did not apply to Swiss financial involvement in the Middle East, notably via credits and foreign direct investment (FDI). This data had to be painstakingly assembled from available qualitative sources, which does not allow for a great deal of confidence into their actual accuracy. The only figures available on credits are partially available via the data published by the SNB on Swiss banks' assets held abroad. They were not, however, systematically published and are on an aggregate level, which does not allow for a greater qualification. Nonetheless, the data found provides a valuable indicator of the general evolution of financial relations. For an international comparison of these historical Swiss economic statistics, the International Monetary Funds' *Direction of Trade statistics*, available online, proved valuable. It allows for an assessment of the relative importance of the Swiss position on global commodity markets, as well as in the Middle Eastern economies treated. And finally, the World Bank's *World Development Indicators* give an overview of macroeconomic conditions in Egypt, Syria and Israel. The largely descriptive quantitative evaluation of Swiss economic relations with the selected Middle Eastern countries will build an understanding of the priorities and successes of commercial promotion policies pursued by Swiss authorities and firms.

## **Structure**

This study follows for the most part a chronological approach reflecting the rhythm of conflicts and crises as they evolved. There is occasional chronological overlap between chapters, which allows for the necessary thematic coherence. It is separated into seven chapters, which are further divided into sub-chapters and sections. It starts with the 1967 Six Day War, which sets the stage for subsequent conflicts as well as partial resolutions. It ends in 1983: after the assassination of Sadat and Hosni Mubarak's ascent

to power in Egypt in 1981 and after the Israeli invasion of Lebanon in 1982. For the remainder of the 1980s, the tensions in the regional and international arenas would differ from the ones at the core of the study presented here. Economically, the 1982 Third World debt crisis substantially modified North-South relations and the scope for developed capitalist countries to deepen their economic presence. Politically, a cold peace concluded between Egypt and Israel largely froze the regional balance of power. The Israeli-Palestinian conflict took center stage, preoccupying regional and international attention. The venture into the early 1980s, going beyond the Egyptian-Israeli peace agreement of 1979 and regional change in leadership, precisely demonstrates how contradictions persisted in the region, as new antagonisms arose.

The study starts with an overarching chapter that gives an overview of the evolution of the post-war Swiss business cycle and Swiss-Middle Eastern economic relations. It argues that this crisis pushed a greater internationalization of the Swiss economy and that Middle Eastern markets were particularly important in this respect following the outbreak of the economic crisis in the mid-1970s. It gives a cursory description of the economic development of Israel, Egypt and Syria, before showing the evolution of bilateral economic relations with Switzerland, and gives a first account of possible explanations.

Chapter two starts with the outbreak of the 1967 Six Day War and ends just before the eruption of the October War in 1973. It shows how, right from the start, the Arab states exerted political pressure on Swiss foreign policy in the Middle East. It illustrates how official Swiss positioning in the Arab-Israeli conflict could have serious blowback, notably via its targeting by Palestinian terrorist organizations. The regime changes in Cairo and Damascus during this period yielded significant economic and foreign policy changes; the Swiss reacted by having federal authorities engage in a more active foreign policy in the Arab states via Cairo.

Public and private reactions to the October War of 1973 are at the core of the third chapter. Low official involvement on the part of the Swiss authorities was partially compensated by the 'solidarity supplement' of its neutrality policy. It shows how the October War already had a substantial effect on the Swiss evaluation of economic opportunities in the involved countries. The 1973/74 oil crisis obviously had significant economic impact. This chapter will accord a considerable attention to the Swiss position in this oil crisis, both by public and private actors. Finally, this chapter demonstrates how the October War was a means for Egypt to adopt an open-door economic policy. This gave way to a scramble for the Egyptian market, to which the Swiss initially responded rather timidly.

Eyeing economic potential in Egypt, a decisive Swiss attitude towards that market occurred after the outbreak of the economic crisis in 1974/75, as seen in chapter four. Bern saw the Middle East as destabilizing, leading to a blowback of Swiss multilateral involvement. An overall political questioning of the scale and scope of Swiss foreign policy followed, which ended in a reaffirmation of its efforts in the Third World. In

bilateral economic relations, distancing from Israel became more pronounced, as did increased sales efforts in the Arab markets. This chapter will enumerate the reasons for such differentiation.

Chapter five shows focuses on the effect of regional situations on Swiss presence before the conclusion of an Egyptian-Israeli peace treaty. First, as the Israeli economic crisis deepened and the government's political line hardened, Swiss political engagement cooled. The Syrian intervention in the Lebanese civil war from mid-1976 onwards temporarily stalled Swiss economic diplomacy efforts in Damascus. Thereafter, rapprochement via bilateral economic treaties was sought to improve exchanges, in vain. In Egypt, the Swiss export industry, with support of the Swiss diplomatic service, was becoming increasingly involved amid international competition. However, in both Egypt in Syria, 'traditional' private export promotion measures were insufficient to deepen Swiss sales. This conclusion led to an official Swiss financial involvement in Egypt, despite domestic instability.

Chapter six demonstrates the Swiss role in the Egyptian-Israeli peace process. Beyond hosting high-level meetings in Switzerland, this role was restricted. The long-fostered Swiss hopes that a peace agreement would lead to a more sustained economic development in the Middle East was only partially realized. Instead of growing opportunities for Swiss business, new restrictions emerged in the Arab world and in Israel. Despite beginning doubts about Egyptian creditworthiness, Swiss orientation towards that market continued unabated. In parallel, attempts to deepen Swiss commercial standing picked up again in Syria largely on the initiative of the ambassador posted in Damascus and the interest of individual Swiss firms, sometimes with dubious means. However, the lack of support from Bern precluded any substantiated effort.

The seventh and final chapter constitutes an opening. It shows how Third World economic difficulties emerged in the early 1980s and changed Swiss foreign economic policy orientation. First it covers how substantial economic relations with Egypt remained unaffected by Sadat's assassination and the change in political leadership in 1981. Even though Egyptian creditworthiness was falling, official Swiss financial support grew. In Syria, Swiss economic diplomacy tried to insert its companies into the five-year development plans with limited success. Finally, the increasingly distant relations with Israel reached a peak after the 1982 invasion of Lebanon. Ironically, Swiss corporations now again displayed interest in entering the Israeli market amid fear of recession at home. Overall, this final chapter will show how new lines of conflict in the region emerged and old ones persisted beyond the Egyptian-Israeli peace agreement.



## 1. Growing Economic Internationalization and Shifting to the Third World: Swiss Economic Relations with the Near East

After a prolonged period of economic growth, the developed capitalist world entered into a protracted downturn from 1973 onwards. This marked a watershed moment in the long-term business cycle evolution of the advanced capitalist economies.<sup>1</sup> Switzerland, as will be seen, formed no exception. By contrast, the Third World as a bloc appeared to strengthen its ambition of economic development during this period. Notably the oil price increase after 1973 demonstrated the potential economic power of the non-industrial countries on world markets.<sup>2</sup> In the Middle East, real economic growth rates still progressed during the 1970s,<sup>3</sup> also when compared to other Third World regions.<sup>4</sup> As noted by Cooper, the developing world had by 1973 already become an important sphere of “competition for influence [...] through trade, financial and technical aid, and military assistance.”<sup>5</sup> While political factors certainly also accounted for this turn to the Third World, this chapter analyzes how the 1970s economic crisis of industrial economies and the supposedly more dynamic development in the Third World reinforced the capitalist world’s economic orientation towards the former colonies.

The chapter treats the macroeconomic conditions and developments first in Switzerland, and then in Israel, Egypt and Syria. Changes in the economic growth patterns in Switzerland, and also the economic situation in the Middle East, influenced their bilateral economic relations. The analysis bases itself primarily on GDP and trade data as well as statistics on foreign direct investment; additionally, it integrates secondary literature, archival material and published sources. While mostly concerned with the long 1970s, the chapter includes brief recapitulations of preexisting and succeeding conditions to attempt distinguishing cyclical from structural changes.

First, it examines the Swiss economy and its international integration through trade and foreign direct investment. This international integration had already been growing during the post-war period (1950-1973) but did so at an accelerated pace after the 1970s world economic crisis. Not only did the international orientation of Swiss business increase *per se*, but specifically in its relationship with Middle Eastern economies. By contrast, this phenomenon only partially occurred with Swiss foreign direct investment.

---

<sup>1</sup> While the crisis had a strong international character and worldwide implications, it obviously displayed particular national forms. For an interpretation of this crisis situating it in the more long-term, uneven development of the major postwar economies, see: Robert Brenner, *The Economics of Global Turbulence: The Advanced Capitalist Economies from Long Boom to Long Downturn, 1945-2005* (London: Verso, 2006), p. 145-186.

<sup>2</sup> See for example: Giuliano Garavini, ‘Completing Decolonization: The 1973 “Oil Shock” and the Struggle for Economic Rights,’ *The International History Review*, 33 (2011), p. 473–487.

<sup>3</sup> Economic growth rates were, however, unequal throughout the region, see: Pamuk, ‘Estimating Economic Growth ...’, *ibid.*, p. 824-826.

<sup>4</sup> Shown in: Melani Cammett, ‘Development and Underdevelopment in the Middle East and North Africa’, in *The Oxford Handbook of the Politics of Development Online*, ed. by Carol Lancaster and Nicolas van de Walle, 2018

<<https://www.oxfordhandbooks.com/view/10.1093/oxfordhb/9780199845156.001.0001/oxfordhb-9780199845156-e-25>> [accessed 2 July 2019], p. 3

<sup>5</sup> Cooper, ‘Economic Aspects of the Cold War, 1962–1975’, *ibid.*, p. 64.

After showing the domestic factors that encouraged Swiss business to take this path, we turn to the Middle Eastern countries' economies in the following subchapter. The section illustrates how the general economic development of Israel, Egypt, and Syria related with their varying degree of integration with the global and the Swiss economy. This quantitative assessment of Swiss economic ties to the Middle East during the long 1970s will later allow for crossing them with qualitative findings ; specifically, how these economic relations were sustained and what shape they assumed in one of the most politically explosive hotspots in the post-war period.

### 1.1 The Swiss Economy and its Foreign Relations

Although there are numerous studies detailing the history of Switzerland's economic structure in the twentieth century, few synthetic works exist.<sup>6</sup> Existing literature often classifies the Swiss economy as a “small open economy” when referring to its position in the global economy. This openness is attributed to an early industrialization, advanced specialization and narrow domestic market. Economic historians and political scientists frequently describe the Swiss economy as “liberal corporatism” regarding its internal organization of production relations. In this form of economic policymaking, decisions were based largely on self-regulating market forces. Economic policy goals are therefore often reached through the integration of private business interests.<sup>7</sup>

The following demonstration of Swiss economic development during the post-war period and the crisis of the 1970s will help assess the degree of openness and alleged smallness of the Swiss economy. It will allow controlling in later chapters, how and to what extent the model of liberal corporatism applied to foreign economic policy. Both economic indicators highlighting international integration – trade and international investment – point towards a vigorous foreign economic orientation during the 1970s. In the context economic crisis, shifts in both domestic and foreign economic conditions influenced the outlook of Swiss business towards foreign markets. As will be shown, the Third World and the Middle East was crucial in these increasing foreign economic relations. Aside from this evaluation of economic openness, the alleged smallness of the Swiss economy will be put in perspective by determining its relative importance in world trade and investment.

---

<sup>6</sup> A comprehensive overview of Swiss economic history during the twentieth century can be found in: Patrick Halbeisen, Margrit Müller, and Béatrice Veyrassat, eds., *Wirtschaftsgeschichte der Schweiz im 20. Jahrhundert* (Basel: Schwabe Verlag, 2012). Another important introduction, more focused on the long-term emergence of industrial Switzerland, is given by: Jean-François Bergier, *Histoire économique de la Suisse* (Paris: A. Colin, 1983).

<sup>7</sup> For an example of the Swiss economy treated as small open economy, see the following work on monetary history: Straumann, *Fixed Ideas of Money ...* For a comparative study of Swiss liberal capitalism, see: Katzenstein, *Corporatism and Change...* For a synthesis of and long-term approach to Swiss economic development, consult the article: Michael Bernegger, ‘Die Schweiz und die Weltwirtschaft: Etappen der Integration im 19. und 20. Jahrhundert’, in *Die Schweiz in der Weltwirtschaft (15.-20. Jh.)*, ed. by Paul Bairoch and Martin Körner (Zürich: Chronos, 1990), p. 429–464.

### ***Swiss Economic Openness during the “Golden Years” of the Post-war Boom (1950-1973)***

During the post-war period, the Swiss economy almost continuously grew. Even though its average growth rates were below those of other Western European countries between 1950 and 1973, Switzerland had by far the highest GDP per capita among western European states.<sup>8</sup> The post-war boom had strong effects on Swiss labor and consumer markets – namely, it raised real wage increases and changed consumption behavior.<sup>9</sup>

Besides high levels of domestic investment in post-war reconstruction, an upturn in international trade also marked the world economic boom.<sup>10</sup> Post-war Switzerland was no exception. Real Swiss GDP (see Graph 1) grew at an average rate of 4.6% every year between 1950 and 1973. Annual real values of exports and imports grew at an astonishing rate of 7% and 7.5% respectively. With trade expanding stronger than GDP, the export and import quotas continuously increased – reaching nearly a quarter of Swiss GDP in 1973 for exports and doubling to over 20% for imports (cf. Graph 2). The international integration of the Swiss economy when measured in trade openness already substantially grew in Switzerland during the post-war boom and was consistently higher than world trade openness.<sup>11</sup>

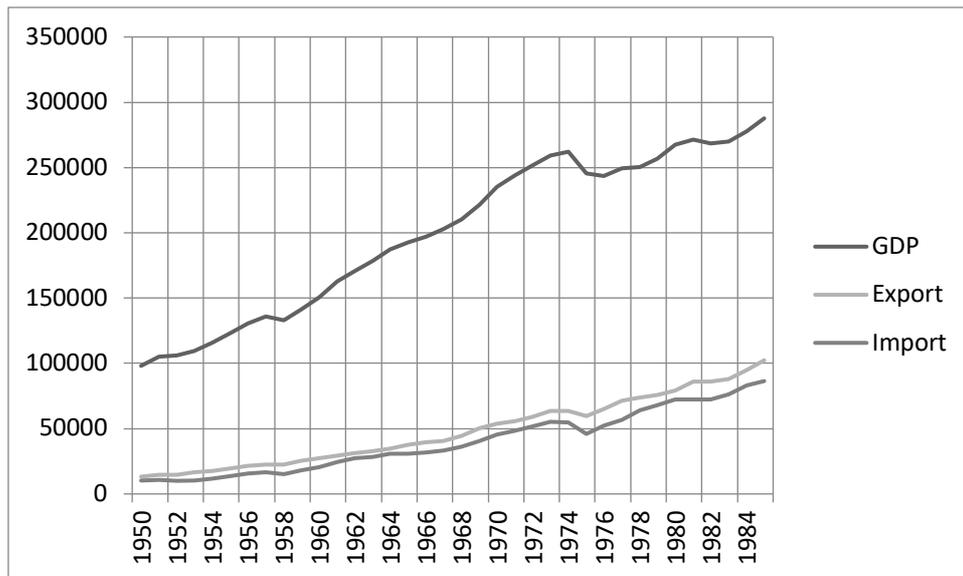
---

<sup>8</sup> Cf. Bart van Ark, and Nicholas Crafts, ‘Catch-up, Convergence and the Sources of Post-War European Growth: Introduction and Overview’, in *Quantitative Aspects of Post-War European Economic Growth*, ed. by Bart van Ark and Nicholas Crafts (Cambridge; New York: Cambridge University Press, 1996), p. 3.

<sup>9</sup> For social and demographic developments in postwar Switzerland, consult: Walter Leimgruber, and Werner Fischer, eds., *Goldene Jahre: Zur Geschichte der Schweiz seit 1945* (Zürich: Chronos, 1999).

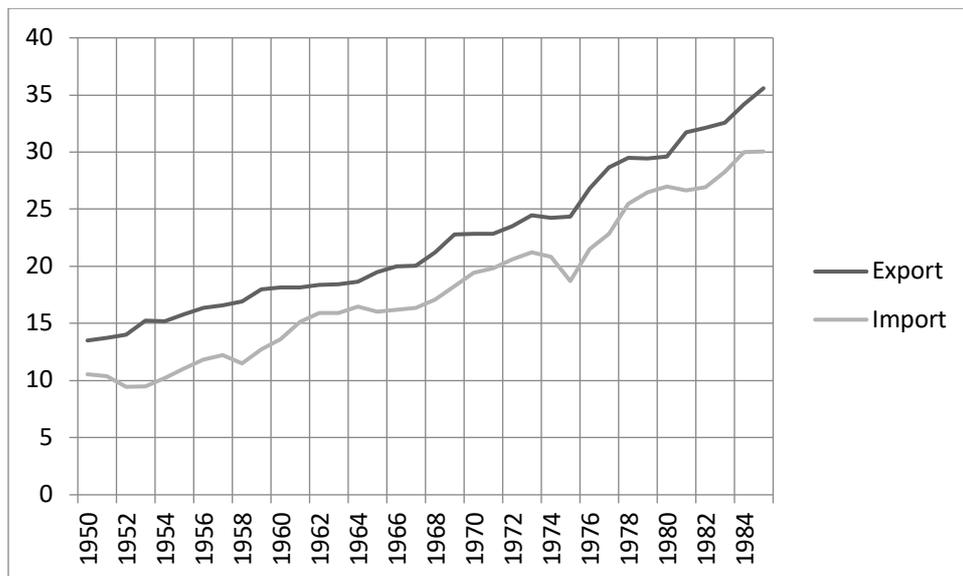
<sup>10</sup> See for example: Andrew Glyn, Alan Hughes, Alain Lipietz, and Ajit Singh, ‘The Rise and Fall of the Golden Age,’ in *The Golden Age of Capitalism: Reinterpreting the Postwar Experience*, ed. by Stephen A. Marglin and Juliet Schor (Oxford; New York: Clarendon Press; Oxford University Press, 1990), p. 42-43.

<sup>11</sup> Cf. figure 2 on trade globalization in: Christopher Chase-Dunn, Yukio Kawano, and Benjamin D. Brewer, ‘Trade Globalization since 1795: Waves of Integration in the World-System’, *American Sociological Review*, 65.1 (2000), p. 83



**Graph 1 Real Swiss GDP, exports and imports (million constant 1990 Swiss francs). 1950-1985**

Source: Patrick Kammerer, Margrit Müller, Jakob Tanner and Ulrich Woitek, “Q.16b Gross domestic product (expenditure approach) in real 1990 prices and nominal, 1945-2005 in Million Swiss Francs (Economic history of Switzerland during the 20th century),” in *Historical Statistics of Switzerland Online (HSSO)*: <http://www.hssso.ch>.



**Graph 2: Swiss exports and imports (in percent of GDP). 1950-1985**

Source: Author’s calculations based on: Kammerer, et al., “Q.16b Gross domestic product (expenditure approach) in real 1990 prices and nominal, 1945-2005 in Million Swiss Francs (Economic history of Switzerland during the 20th century),” in *Historical Statistics of Switzerland Online (HSSO)*: <http://www.hssso.ch>.

While Swiss foreign trade data is easily accessible, an analysis of the second vector of international integration, FDI, has its constraints. Continuous data on foreign direct investment flows to and from Switzerland are only available from 1983 onwards, when

the Swiss National Bank introduced systematic data collection.<sup>12</sup> As noted by an economist working on Swiss direct investment abroad, this poor quality of statistics for the post-war period actually correlates negatively to the economic importance of Swiss investment abroad.<sup>13</sup> This lack of reliable data reflects the strong reluctance of Swiss multinational companies and banks to publish figures on their activities, at home or abroad. The limited data available for the period before 1983 must therefore be treated as heavily flawed estimates. They are based on surveys conducted by the Union Bank of Switzerland among the largest Swiss multinational companies, therefore relying on the voluntary provision of figures by these corporations.<sup>14</sup> During the postwar period, domestic criticism stipulating that FDI undermined production in Switzerland and hence its industrial workforce was not yet very strong.<sup>15</sup> It is nonetheless unlikely that the questioned multinational companies provided the actual data, precisely to avoid potential criticism. And finally, comparing the limited data available on FDI over time is also difficult, mainly due to normalization issues, as stocks were estimated and not flux.

This said, the limited information available nonetheless points towards an ascending tendency of Swiss FDI stocks from 1965 to 1973. As shown in Table 1, the data provided increased from CHF 8.1 billion in 1965, to CHF 21.5 billion in 1973. Comparing these figures to current GDP places them in a larger picture of Swiss economic development. FDI intensity also increased overall from 12.3% in 1965, to 15.3% in 1973. However, its growth was more uneven than the continuous growth of the available data of Swiss FDI stock. Despite these shortcomings, a marked internationalization can equally be noted. It is worth noting, furthermore, that the underestimated Swiss outward FDI was always, and increasingly, higher than inward FDI, pointing towards the financial strength of Swiss companies.

As the Swiss economy participated fully in the post-war boom, it became more integrated into the global economy. Trade with the industrial world largely was at the root of this growing post-war internationalization. As with other developed capitalist

---

<sup>12</sup> During the first decade of FDI data publication, it was still seriously flawed, see: Sébastien Guex and Janick Marina Schaufelbuehl, 'Les vertus de l'ignorance. Enjeux et conflits autour des statistiques sociales et économiques en Suisse au XXe siècle,' *Economies & Sociétés* 44.9 (2011), p. 1555–1574.

<sup>13</sup> See the dissertation: Josef Behofsics, *Globalisierungstendenzen intermediärer Dienstleistungen* (Wiesbaden: Gabler Verlag, 1998), p. 153.

<sup>14</sup> The estimates in table 1 are based on: Henry Krägenau, *Internationale Direktinvestitionen*, (Hamburg: Verlag Weltarchiv, 1987), p. 516. In earlier editions of his surveys on FDI, Krägenau uses data, including FDI, collected by companies located in Switzerland but under foreign control. The figures given here include only companies under Swiss majority control. Reinvestment and transfers from foreign branches of Swiss companies are, however, not included. Another approach to approximating the stock of Swiss FDI is to cumulate the annual variations of the external account balance. This macro-economic approach, qualified by the author as an approximation that likely underestimates the true extent of Swiss FDI, is undertaken by: Beat Bürgenmeier, *Théorie et pratique des investissements suisses à l'étranger*, (Genève: Droz, 1981), p. 22-25. Other methods to estimate Swiss corporate engagement abroad have focused on the employment figures, see for example: Silvio Borner, *Internationalization of Industry: An Assessment in the Light of a Small Open Economy (Switzerland)* (Berlin: New York: Springer-Verlag, 1986), p. 121-123.

<sup>15</sup> On these debates, see the unpublished PhD thesis : Sabine Pitteloud, '«Les invisibles deviennent visibles». Le rôle politique des multinationales et les débats sur l'internationalisation en Suisse [1942-1993]' (University of Geneva, 2019), p. 134-167.

countries, this general trend of growing economic openness was not historically unprecedented.<sup>16</sup> The Swiss economy's international integration, high until the First World War, had dropped sharply during the interwar period, until the end of World War II.<sup>17</sup> Post-war foreign economic relations, however, began a renewed internationalization, or globalization, in a new global economic and political context, marked particularly by the emergence of new sovereign states and the Cold War.<sup>18</sup> While this phenomenon can therefore not be considered historically unique, it does neither constitute a mere repetition of past experiences.<sup>19</sup>

**Table 1: Estimates of stock of Swiss direct investment abroad and of direct foreign investment in Switzerland (billion current Swiss francs and GDP intensity in percentage). 1965-1985**

Year	Stocks of Swiss Direct Investment Abroad		Stocks of Direct Investment in Switzerland	
	Billion Swiss Francs	GDP-Intensity	Billion Swiss Francs	GDP-Intensity
1965	8.1	12.3	2.0	3.0
1966	8.8	12.5	2.2	3.1
1967	10.0	13.2	2.4	3.2
1968	11.4	14.0	3.2	3.9
1969	13.0	14.8	4.2	4.8
1970	15.7	16.0	5.1	5.2
1971	17.6	15.8	6.7	6.0
1972	19.5	15.5	7.0	5.5
1973	21.5	15.3	8.6	6.1
1974	25.4	16.7	9.6	6.3
1975	27.3	18.0	10.7	7.1
1976	29.5	19.2	11.5	7.5
1977	29.7	18.9	12.2	7.7
1978	29.4	17.9	12.5	7.6
1979	32.1	18.7	13.5	7.9
1980	37.9	20.6	15.0	8.1

<sup>16</sup> For a discussion of the different phases of globalization, focusing mostly on the effect of globalization on convergence, see: Jeffrey G. Williamson, 'Globalization, Convergence, and History', *The Journal of Economic History*, 56.2 (1996), p. 277-306.

<sup>17</sup> See: Müller, 'Internationale Verflechtung,' *ibid.*, p. 347.

<sup>18</sup> See in particular: Hyung-Gu Lynn, 'Globalization and the Cold War', in *The Oxford Handbook of the Politics of Development Online*, ed. by Rhichard H. Immerman and Petra Goedde, 2013 <<https://www.oxfordhandbooks.com/view/10.1093/oxfordhb/9780199236961.001.0001/oxfordhb-9780199236961-e-33>> [accessed 2 July 2019]

<sup>19</sup> For an overview of the changes induced by the post-war globalization from a global history perspective, see notably: Peter N. Stearns, *Globalization in World History*, (London; New York: Routledge, 2009), p. 124-157.

1981	38.7	19.6	16.6	8.4
1982	39.0	18.6	16.7	8.0
1983	41.0	19.0	17.5	8.1
1984	46.1	20.0	19.8	8.6
1985	52.1	21.3	21.0	8.6

Source: Kammerer, et al., “Q.9. Stocks of Direct Investment in Switzerland and Stocks of Swiss Direct Investment Abroad 1965-2006 (in billion Swiss francs)” in *Historical Statistics of Switzerland Online* (HSSO): <http://www.hssso.ch>. The author calculated the GDP Intensity using: *ibid.* “Q.16b Gross domestic product (expenditure approach) in real 1990 prices and nominal, 1945-2005 in Million Swiss Francs (Economic history of Switzerland during the 20th century).”

### ***The 1970s Crisis in Switzerland as a Push Towards Internationalization***

The effects of this slump were particularly marked in Switzerland. In 1977, a group of economic experts mandated by the federal government, found that Swiss growth rates dropped sharper in the 1970s than they had during the 1930s crisis.<sup>20</sup> Falling by over 7% in 1975, the GDP drop in Switzerland was not only historically unprecedented; it also was the most dramatic among all industrial countries. Industrial production, aggregate demand and employment all dropped at record rates.<sup>21</sup> The drop marked a structural change,<sup>22</sup> that was already conceived as such by contemporary economists.<sup>23</sup> The economic crisis in Switzerland was undeniably deep and its social effects considerable. This subchapter cannot address the roots of the economic crisis in Switzerland,<sup>24</sup> but illustrates basic features of the Swiss business cycle during this decade – and how they affected Switzerland’s foreign economic relations. The analysis shows that, apart from some dramatic shifts in the domestic economy, important changes in the 1970s occurred in the realm of foreign economic relations. Finally, towards the end of the period covered in this thesis, another international economic crisis occurred, ignited by the Third World debt crisis.<sup>25</sup> In the early 1980s, the Swiss export industry suffered from a new slump in demand. While it has been considered as no more than a lag for continued growth thereafter,<sup>26</sup> it did lead to a renewed questioning of the foreign economic strategies by contemporaries.

<sup>20</sup> The Federal Department of Economic Affairs (FDEA) and the SNB installed this expert group tasked to studying the recent Swiss economic experience and its perspectives for after the crisis. See: Bombach, Kleinewefers, and Weber, *Lage und Probleme der schweizerischen Wirtschaft ...*, *ibid.*, p. 104.

<sup>21</sup> For a sum-up of different crisis indicators, see: Jakob Tanner, *Geschichte der Schweiz im 20. Jahrhundert* (München: C. H. Beck, 2015), p. 419-420.

<sup>22</sup> See: Halbeisen, and Straumann, ‘Die Wirtschaftspolitik im internationalen Kontext,’ *ibid.*, p. 1053. See also: Müller, and Woitek, ‘Wohlstand, Wachstum und Konjunktur,’ *ibid.*, p. 112-114.

<sup>23</sup> Francesco Kneschaurek, *Der “Trendbruch” der Siebziger Jahre und seine wirtschaftlichen Konsequenzen* (Diessenhofen: Rügger, 1980), p. 16.

<sup>24</sup> There are two basic schools addressing the crises of the Swiss economy: one that emphasizes the influence of the global economy, and the other, domestic problems. For a discussion of these different approaches, cf: Müller, and Woitek, ‘Wohlstand, Wachstum und Konjunktur,’ *ibid.*, p. 131-132.

<sup>25</sup> On the debt crisis, compared to the management of the Great Depression, see: José Antonio Ocampo, ‘The Latin American Debt Crisis in Historical Perspective’, in *Life After Debt: The Origins and Resolutions of Debt Crisis*, ed. by J. Stiglitz and D. Heymann, 201 (Basingstoke; New York: Palgrave Macmillan, 2014), p. 87-115

<sup>26</sup> Müller, and Woitek, ‘Wohlstand, Wachstum und Konjunktur’, *ibid.*, p. 158-161.

Two factors strongly affected Swiss industries during the crisis of the 1970s: the drop in domestic investment and the revaluation of the Swiss franc. After the demise of the Bretton Woods system, the Swiss National Bank (SNB) was the only central bank in a small open economy that, from early 1973 onwards, floated its currency.<sup>27</sup> In its annual report for 1975, it noticed negative impacts of this revaluation on the sales of Swiss export sectors<sup>28</sup> – their goods and services suddenly became more expensive on world markets. According to economic historian Margrit Müller, the floating currency and relatively high wages in international comparison were “an important constraint for the export-oriented firms” during the 1970s.<sup>29</sup> Yet, the high internal reserves accumulated during the post-war boom allowed Swiss companies to cover up and compensate for losses on foreign markets and therefore to support the continuation of exports. The high degree of specialization of exported goods and an already considerable degree of internationalization actually made leading Swiss export industries less sensitive to the floating of the Swiss franc.<sup>30</sup> Ultimately, the rapid revaluation of the Swiss currency, because of the cheapening of imports and stronger foreign competition in Switzerland itself, seems to have affected industries oriented towards the domestic market much stronger than the export industries.<sup>31</sup> Industries previously focusing on the domestic market now at least in part sought economic opportunities abroad.<sup>32</sup> And finally, due to the prevailing crisis in the entire industrial world, these Swiss industries increasingly looked for markets outside the countries of the Organisation for Economic Co-operation and Development (OECD).<sup>33</sup>

As mentioned, the plummeting of Swiss GDP linked strongly to a massive fall in domestic investment.<sup>34</sup> Total domestic investment dropped by over 25% between 1973 and 1976, and only reached the pre-crisis levels again in 1985. The drop in investments in capital equipment was even more pronounced, falling by almost 30% until 1976.<sup>35</sup> The Swiss machinery industry therefore also faced a narrowing domestic market and began searching for outlets abroad with growing urgency. Other sectors hitherto predominantly oriented towards domestic markets, such as construction, also began turning abroad, including to the Third World.<sup>36</sup> Swiss business, in sum, searched to export itself out of the crisis.

---

<sup>27</sup> For a detailed account of this policy by the SNB, see: Straumann, *Fixed Ideas of Money ...*, p.276-307.

<sup>28</sup> Swiss National Bank, ed., 68. *Geschäftsbericht der Schweizerischen Nationalbank, 1975* (Bern: Schweizerische Nationalbank, 1975), p. 5.

<sup>29</sup> Margrit Müller, ‘The Role of Firms in Overcoming Major Economic Crises: Switzerland in the 1930s and in the 1970s’, *Entreprises et Histoire*, 69 (2012), p. 73.

<sup>30</sup> Müller, ‘Die Schweiz in der internationalen Arbeitsteilung. Einleitung’, *ibid.*, p. 334-335.

<sup>31</sup> Michael Bernegger, *L'économie Suisse sous le régime des changes flottants*, (Genève: Georg, 1988), p. 109.

<sup>32</sup> Francesco Kneschaurek, and Peter Meier, *Der sektorale Strukturwandel in der Schweiz von 1960 bis 1980* (Diessenhofen: Rüegger, 1983), p. 75.

<sup>33</sup> Bombach, Kleinewefers, and Weber, *Lage und Probleme der schweizerischen Wirtschaft ...*, *ibid.*, p. 136-138.

<sup>34</sup> Müller, and Woitek, ‘Wohlstand, Wachstum und Konjunktur’, *ibid.*, p. 165.

<sup>35</sup> The author’s calculations, based on: Kammerer, et al., ‘R.3. Formation de capital fixe, de 1948 à 1990 (en millions de francs), au prix de 1970,’ in *Historical Statistics of Switzerland Online* (HSSO): <http://www.hssso.ch>.

<sup>36</sup> Müller, ‘The Role of Firms in Overcoming ...’, *ibid.*, p. 75.

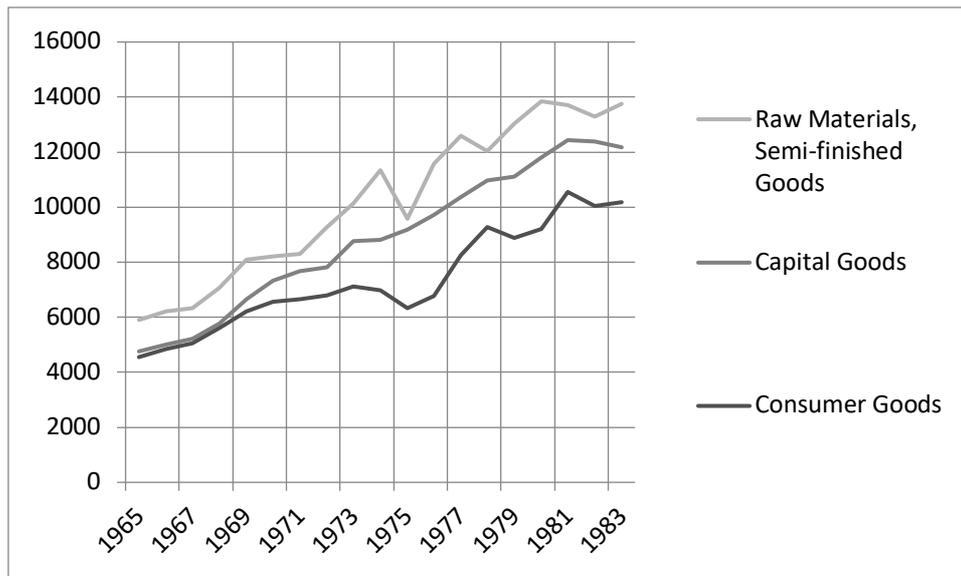
As Graph 1 illustrates, this was at the least a partial success. Swiss exports were only temporarily affected by the economic crisis. The real value of Swiss exports fell by 6% in 1975, but the following year they had already reached higher levels than those of 1974 and continued to grow. GDP, however, only exceeded its 1974 level in 1980 again. Swiss trade openness slightly fell in 1975, but it logically increased again from 1976 onwards. The percentage of exports in GDP did not fall at all during the crisis. We can conclude that the Swiss business orientation on markets abroad markedly grew in this crisis period as the importance of foreign trade when measured in relation to GDP increased strongly. Companies from other smaller European countries also reacted to the crisis by increasing their international orientation during the 1970s.<sup>37</sup> However, a 1978 OECD study on the consequences of the crisis on the Swiss economy precisely highlights specifically how it deepened Swiss export dependence.<sup>38</sup> As will be seen, increasing sales abroad was a conscious and central anti-crisis strategy adopted by the main Swiss business association and the state. Nonetheless, judging from the overall slow recovery, growing foreign trade stabilized the Swiss economy, but did not fully compensate for the increasing difficulties the industries encountered on their home market.

Before turning to the geographic distribution of this trade, a brief examination of its composition can show us the crisis impact on different sectors of the Swiss export industries. Graph 3 shows the breakdown of Swiss exports between raw materials/semi-finished goods, capital goods and consumer goods. While raw materials/semi-finished goods, consisting chiefly of chemical products, were consistently the most important category of real Swiss exports, they were hit hardest by the mid-1970s crisis. Consumer goods, which were already showing signs of stagnation, also dropped during the crisis. Capital goods, meanwhile, did not fall at all during 1975. These findings indicate that capital goods exports proved more long-term in their maturity and therefore reacted less sensitively than the other two categories. All three, however, contributed to the overall growth of exports from 1976 onwards, while tending to phase out in the early 1980s.

---

<sup>37</sup> See two contributions of a special issue of *Business History*: Martin Jes Iversen, and Mats Larsson, 'Strategic Transformations in Danish and Swedish Big Business in an Era of Globalisation, 1973–2008', *Business History*, 53.1 (2011), p. 119–43 and Abe de Jong, Keetie Sluyterman, and Gerarda Westerhuis, 'Strategic and Structural Responses to International Dynamics in the Open Dutch Economy, 1963–2003', *ibid.*

<sup>38</sup> *Suisse* (Paris: OECD, 1978), p. 36.



**Graph 3: Main categories of Swiss exports (million constant 1970 Swiss francs). 1966-1983**

Source: Eidgenössische Oberzolldirektion (ed.), *Schweizerische Aussenhandelsstatistik*, (Eidgenössische Oberzolldirektion: Bern, 1966-1984). Values deflated by the author, using an import and export price index calculated based on: Kammerer, et al., “Q.16b Gross domestic product (expenditure approach) in real 1990 prices and nominal, 1945-2005 in Million Swiss Francs (Economic history of Switzerland during the 20th century)”, in *Historical Statistics of Switzerland Online (HSSO)*: <http://www.hssso.ch>.

While Swiss foreign trade was gaining importance during the 1970s, so did FDI. We have already noted the deep drop in Swiss domestic investment during the crisis of the 1970s, while FDI continued to advance (cf. Table 1). Between 1973 and 1983, according the flawed data, the stock of reported Swiss FDI abroad almost doubled. With a slowed GDP growth, FDI intensity climbed from 15% to over 19% during that period. Inward FDI also continued growing but remained lower than FDI. This synchronous drop of domestic investment and increase in FDI is striking but it remains to be established if foreign investment occurred at the expense of domestic investment during this period. Note that the economic crisis in Switzerland likely led to even stronger underreporting of FDI by the concerned multinationals, as to avoid spurring the already growing political and academic discussions precisely on the effects of increased investment abroad on employment in Switzerland.<sup>39</sup>

We thus see that while the international crisis affected the Swiss economy in the long-run, both measurements of international economic integration – trade and FDI – continued rising. This increasing international orientation of Swiss business was, at the least partially, by default. With the domestic market narrowing and penetrated by foreign competition, Swiss business turned to foreign markets to compensate for lost competitiveness at home. And finally, the real value of Swiss exports grew stronger

<sup>39</sup> In the context of economic crisis, this increase of FDI spurred political and academic discussions concerning the effects of increased investment abroad on employment in Switzerland. See for example: Silvio Borner, ‘Schicksal oder Politikversagen? Kritische Betrachtungen zum Verlauf der schweizerischen Wirtschaftspolitik in den Siebziger Jahren,’ *Revue Suisse d’économie politique et de statistique*, 115 (1979), p. 21–34.

than those of imports, making its balance of trade increasingly positive. When compared to the essentially stagnating economy, the relative importance of foreign economic relations rose.

### ***Increased Swiss Involvement in the Third World***

The growing internationalization of developed economies during the post-war boom largely occurred among those countries. Swiss trading partners consisted mainly of developed capitalist countries.<sup>40</sup> In the economic crisis, the burgeoning drive for outlets and investment opportunities in Third World countries contributed to the growing role of the often newly independent countries as foreign markets for Western goods.<sup>41</sup> As will be seen, this quite remarkably applied to Swiss direction of trade. And in this stronger orientation on Third World markets, Middle Eastern markets played a central role.

The relative importance of Third World markets for Swiss exports, illustrated in Graph 4, had dropped almost continuously after the Second World War.<sup>42</sup> After 1973, it advanced again considerably, reaching a new high point of over 23% of all exports in 1982, before decreasing once more. Exports to the non-industrialized world jumped precisely during the crisis-ridden 1970s. This turn to new – or rather, renewed – outlets for Swiss goods shows parallels with the 1930s economic crisis, which yielded efforts to find new outlets for Swiss goods in Latin America.<sup>43</sup> Historically, Third World markets share in Swiss exports largely follows the changing growth episodes of the Swiss economy.<sup>44</sup> This trend clearly mirrors itself in the developments of the 1970s.

---

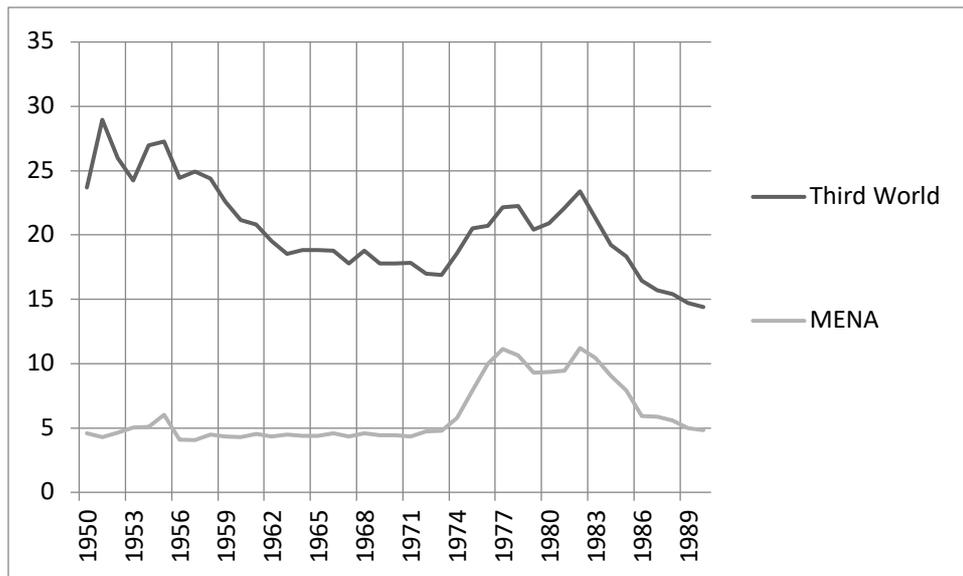
<sup>40</sup> Guex, Dirlewanger, and Pordenone, *La politique commerciale de la Suisse ...*, p. 38-45.

<sup>41</sup> On post-war international trade, see: A. G. Kenwood, and A. L. Lougheed, *Growth of the International Economy 1820-2000: An Introductory Text*, (London ; New York: Routledge, 1999), p. 299-307.

<sup>42</sup> 'Third World' comprises all countries except Western and Eastern Europe, the former Soviet Union, the USA, Canada, Japan, Australia and New Zealand.

<sup>43</sup> Peter Marbet, 'Die schweizerische Handelspolitik gegenüber Brasilien in der Krise der 30er Jahre: Auf der Suche nach neuen Absatzmärkten,' *Traverse. Zeitschrift für Geschichte*, 4 (1997), p. 117-127.

<sup>44</sup> David, and Etemad, 'L'expansion économique de la Suisse e...', *ibid.*, p. 227. This is still a major theme of Swiss foreign economic relations in the context of the contemporary crisis and shifts in international trade relations, see for instance: Ronald Indergand, Stefan Leist, and Kornel Mahlstein, 'Wie konjunkturell abhängig ist sie Schweiz vom Ausland', *Die Volkswirtschaft*, 1.2 (2013), p. 4-9



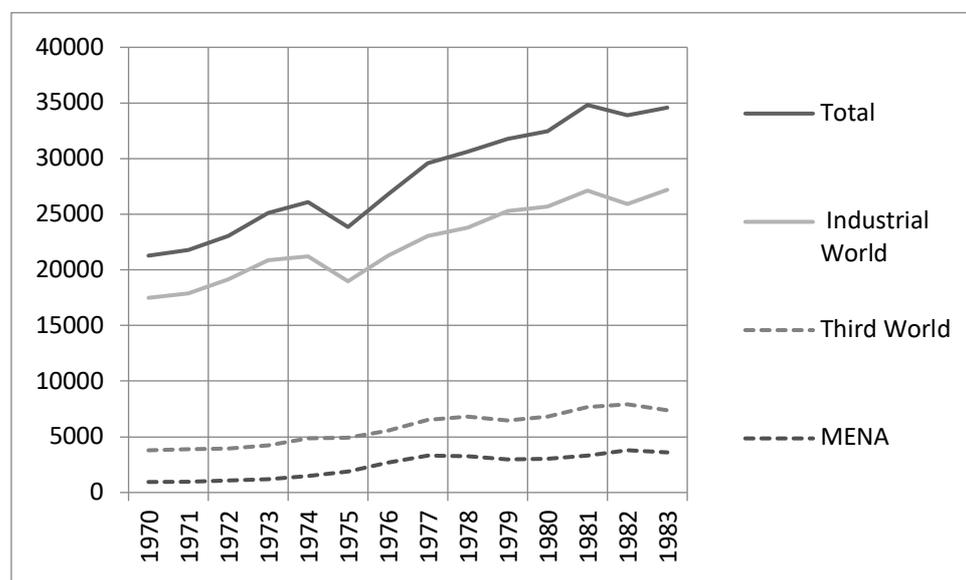
**Graph 4: Share of Swiss exports going to the Third World and to the regions of the Middle East and North Africa (in percent of total value). 1950-1990**

Source: Author's calculations based on: Kammerer, et al., "L.22. Ausfuhrwerte nach Verbrauchsländern 1920-1992 (in Millionen Franken): Europa", "L.23. Ausfuhrwerte nach Verbrauchsländern 1920-1992 (in Millionen Franken): Amerika", "L.24. Ausfuhrwerte nach Verbrauchsländern 1920-1992 (in Millionen Franken): Afrika," and "L.25. Ausfuhrwerte nach Verbrauchsländern 1920-1992 (in Millionen Franken): Asien" in *Historical Statistics of Switzerland Online*, <http://www.hssso.ch>. Values deflated using an import and export price index calculated by the author based on: "Q.16b Gross domestic product (expenditure approach) in real 1990 prices and nominal, 1945-2005 in Million Swiss Francs (Economic history of Switzerland during the 20th century)", *ibid*.

Reactivating the Third World as an outlet in a crisis period was not new. But the growing importance of exports to the Middle East, also shown in Graph 3, was a new phenomenon. The share of exports to these countries tended to stagnate under the 5% mark for most of the post-war period. After 1973, this share climbed strongly, reaching a peak of over 11% of total Swiss exports in 1982. As the Graph indicates, the rise of Swiss exports to the Third World was largely determined by this growth of exports to the Middle East. Undeniably, this region became a crucial outlet for Swiss goods during the economic crisis. The oil price increase and growing revenues of the Arab oil states were crucial factors accounting for this focus of the Swiss export industry. However, later chapters will show that large markets in the Middle East without significant oil revenues equally became important importers of Swiss goods. What stands out from this data is that Swiss exports to the Third World would have, at best, stagnated between 1970 and 1983 without the Middle Eastern outlets.

Even as Swiss exports to the industrial world recovered after 1975, the relative importance of exports to the Third World continued to rise. Despite such renewed growth, the fraction of total exports going to Middle East and the wider Third World remained high. Therefore, the expansion of the share Swiss exports to the Third World was not merely a consequence of declining exports to the industrial world. The share of Third World exports outpaced those to developed economies between 1973 and

1982. But, again, it was chiefly the Middle East that accounted for this, with average annual growth of export values almost three times higher than overall to the Third World and five times stronger than to the industrial world. The Middle East was undoubtedly the region where markets grew strongest.



**Graph 5: Swiss exports and their destination (million constant 1970 Swiss francs). 1970-1983**

Source: Eidgenössische Oberzolldirektion (ed.), *Schweizerische Aussenhandelsstatistik*, (Eidgenössische Oberzolldirektion: Bern, 1966-1984). Values deflated by the author, using an import and export price index calculated based on: Kammerer, et al. “Q.16b Gross domestic product (expenditure approach) in real 1990 prices and nominal, 1945-2005 in Million Swiss Francs (Economic history of Switzerland during the 20th century)” in *Historical Statistics of Switzerland Online*, <http://www.hssso.ch>.

Surely the advanced industrial world, still absorbing more than three quarters of all exports, remained the most important market for Swiss business. However, the opening towards the Third World and especially the Middle East, even if temporary, was highly significant during a period of crisis in the developed world. As we will see in later chapters, this resulted from a deliberate trade promotion policy towards a region perceived as a promising outlet as oil revenues skyrocketed and their economic policies accommodated Western companies.

This penetration of Third World markets during economic crisis was by no means a uniquely Swiss phenomenon.<sup>45</sup> The overall exports from industrial countries to the Third World increased during the 1970s, as did their relative importance. They rose at a higher rate globally than both industrial output and total exports from developed economies. This trend was not limited to the Organization of the Petroleum Exporting Countries (OPEC), as non-oil exporters of the Third World also increased their imports. These imports were mostly financed through increased foreign borrowing, which will

<sup>45</sup> A brief comparison with the IMF’s Direction of Trade Statistics shows that the share of exports from advanced economies to the developing world in overall exports were slightly higher than the Swiss shares, see: Author’s calculations based on: IMF, Exports, FOB to Partner Countries, “Advanced Economies,” in *Direction of Trade Statistics*, [www.data.imf.org/dot](http://www.data.imf.org/dot).

be examined in subsequent subchapters. The relations of exchange, as a World Bank economist remarked, “benefited the industrial countries in a situation of underutilized capacity.”<sup>46</sup> In the words of the second report of the Swiss-funded<sup>47</sup> *Independent Commission on International Development Issues*, often referred to as Brandt Commission, after its head former West German Chancellor Willy Brandt, these growing exports to the Third World, “partly financed by their commercial borrowing, helped to prevent the recession in the industrial countries from getting worse, sustaining their production and employment.”<sup>48</sup> As was clear to contemporary economists and politicians, the Third World offered an important substitute market for the advanced economies in crisis. However, with the outbreak of the international debt crisis in 1982, Third World imports from the developed capitalist countries dropped again significantly,<sup>49</sup> thus closing this debt fueled expansion of the 1970s.

In addition to increased trade, available data shows that Swiss FDI to the Third World was also growing. Although Swiss policymakers did not publish data on FDI until the mid-1980s, German economist and pioneer in international FDI data, Henry Krägenau, obtained data from the Federal Office for Foreign Economic Affairs (FOFEA) for the years 1970-1980. This data was again based on figures collected by the association of large and internationally oriented Swiss industrial companies, the *Vereinigung schweizerischer Industrie-Holding Gesellschaften* (VSIHG). As early as 1960, the association made surveys among its member companies on FDI in Third World countries.<sup>50</sup> Since the risk associated with Third World investment can be perceived as higher than in industrial countries, we can assume that bigger companies with foreign market experience accounted for the larger part of Swiss FDI in the Third World. The panel of surveyed companies hence makes sense. However, FDI towards the Third World could not only arouse criticism regarding its effect on industrial employment in Switzerland, but also regarding the unequal North-South framework it occurred in. Therefore, these figures again likely underestimate the actual scope of investments in the Third World even more than overall Swiss FDI.<sup>51</sup> As the VSHIG stated in its first request for FDI data from its member companies, the submissions did not need be “too

---

<sup>46</sup> See: Bela A. Balassa, *Trends in International Trade in Manufactured Goods and Structural Change in the Industrial Countries* (World Bank, 1984), p. 14.

<sup>47</sup> Highlighted by former the former British Prime Minister Edward Heath, who was a member of this commission, see: Edward Heath, ‘North-South: A Programme for Survival’, *The Geographical Journal*, 147.3 (1981), p. 298.

<sup>48</sup> Independent Commission on International Development Issues, *Common Crisis North-South: Cooperation for World Recovery* (Cambridge; MIT Press, 1983), p. 25.

<sup>49</sup> For a brief introduction to the OECD countries trading interest during the debt crisis, see: David F. Lomax, *The Developing Country Debt Crisis* (New York: Palgrave Macmillan, 1986), p. 207-209

<sup>50</sup> Letter from the Vereinigung der industriellen Holdinggesellschaften to all member companies, 09.07.1960. Archive for Contemporary History [ACH], IB Vorort-Archiv, 463.2.2. Switzerland included FDI data in its figures relative to development assistance, boosting the values of Swiss assistance efforts declared to the OECD Development Assistance Committee (DAC), of which it was a member since 1968. See: the annual report: Vereinigung schweizerischer Industrie-Holdinggesellschaften, 27. *Jahresbericht 1969 zuhanden der Generalversammlung vom 20. März 1970*, p. 8-9, Swiss Federal Archives [SFA], E6302B#2003/1#843\*, 629

<sup>51</sup> While these surveys were undertaken amongst the roughly 20 member companies of the VSIHG, Borner finds that overall some 50 multinational with headquarters in Switzerland account “almost entirely” for Swiss FDI. Borner, *Internationalization of Industry ...*, p.121.

precise; rough values and estimations [were] sufficient.”<sup>52</sup> We must, therefore, again treat them as very rough approximations.

As shown in Table 2, the reported stock of Swiss FDI towards developing countries increased from CHF 2.8 to 3.6 billion between 1965 and 1970. It made a near-continuous ascent, reaching over 6.1 billion in 1980. Despite this significant increase of FDI stock in the Third World during the 1970s, its share in total Swiss FDI tended to decrease. Still accounting for values over one third in 1965, its share hovered between 15 and 18% of total Swiss FDI from 1973 onwards. Since the 1960s, state support for FDI in the Third World increased substantially. This reflected Swiss business sectors, mostly multinational companies, growing interest in securing their investment in the course of the decolonization process. The state responded positively, as they attempted to camouflage low official development assistance by including FDI as ‘private development aid’. These interests substantiated in increasing conclusion of bilateral investment protection treaties (IPT) with newly independent states. Swiss parliament also introduced a public guarantee system, the Investment Risk Guarantee (IRG), in 1971. This IRG would precisely cover FDI against political risks, i.e., nationalizations.<sup>53</sup> Despite an apparent increase in direct investments in the Third World after these growing official guarantees, the expansion of Swiss FDI during the 1970s occurred foremost in industrial countries and only later grew again more significantly in the Third World.<sup>54</sup> This dichotomy indicates that while Swiss business sought to increase sales in the Third World, it showed reluctance to engage directly in more substantial economic engagement through FDI. The widespread policies of nationalization and other forms of expropriation of foreign capital in the newly independent countries of the Third World certainly did not reassure large Swiss companies. Such expropriations peaked precisely during the long 1970s, with estimates of as much as 12% of FDI stocks nationalized between 1967 and 1976.<sup>55</sup>

Available data on FDI in the Third World does not yield any deeper insight into Swiss investment in specific countries, nor in the Middle East as a region, as geographical subdivision only exists by continent. Figures on the value of FDI stock, again provided by Krägenau, as well as employment figures from Borner and Wehrle, both indicate that the bulk of Swiss FDI was located in South America and Southeast Asia.<sup>56</sup> Middle

---

<sup>52</sup> Vereinigung der industriellen Holdinggesellschaften to all member companies, *Erhebung der OECE über Wirtschaftshilfe an Entwicklungsländer*, 09.07.1960, ACH, IB Vorort-Archiv, 463.2.2

<sup>53</sup> On the Swiss debates surrounding the introduction of the IRG, see notably: Pitteloud, ‘«Les invisibles deviennent visibles». ...’, p. 201-235. See further: Meister, ‘Les Trente Glorieuses ...’, p. 76-91.

<sup>54</sup> See: John H. Dunning, ‘The Changing Geography of Foreign Direct Investment’, in *Globalization, Foreign Direct Investment and Technology Transfers: Impacts on and Prospects for Developing Countries*, ed. by Nagesh Kumar (London ; New York: Routledge, 1998), p. 43-89.

<sup>55</sup> For an empirical record of these nationalizations, see: Thomas Andersson, *Multinational Investment in Developing Countries : A Study of Taxation and Nationalization* (London: Routledge, 2002), p. 117-123.

<sup>56</sup> Henry Krägenau, *Internationale Direktinvestitionen, ...*, p. 309. Confronted with a lack of data, the use of employment figures has often been used as a proxy for FDI, see: Felix Wehrle, ‘Die sechste Schweiz Bestandsaufnahme und Analyse der Dritt-Welt-Aktivitäten der Schweizer Industriemultis,’ *Schweizerisches Jahrbuch für Entwicklungspolitik*, 1984, p. 161–162. According to Wehrle, half of Swiss productive activity abroad, measured in employment figures, was concentrated in Brazil, Mexico and Argentina, as well as Hong Kong, Taiwan, South Korea and Singapore.

Eastern economies were not among the most significant recipients of overall Swiss FDI. This likely can be explained with the abundant capital resources many of these countries had after the oil price hikes. They were, therefore, neither dependent on, nor interested in, attracting big FDI. Any further assessment of Swiss FDI to the specific countries treated in this dissertation must, however, base itself on archival evidence, as will be done subsequently.

**Table 2: Estimates of Swiss direct investment in the Third World (billion current Swiss francs) and their share in total Swiss FDI (in percent). 1965-1980**

Year	Stock of Swiss FDI towards the Third World	Share of total FDI (%)
1965	2.800	34.6
1967	3.212	32.1
1970	3.607	23.0
1971	3.840	21.9
1972	3.759	19.3
1973	3.927	18.3
1974	4.029	15.9
1975	4.645	17.0
1976	4.750	16.1
1977	4.563	15.4
1978	4.565	15.5
1979	5.148	16.0
1980	6.136	16.2

Source: Author's calculations based on data from: cf. Table 1. Swiss Federal Archives [SFA], E6302B#2003/1#843\*, 629, Vereinigung schweizerischer Industrie-Holdinggesellschaften, 27. *Jahresbericht 1969 zuhanden der Generalversammlung vom 20. März 1970*, p. 8. Krägenau, Henry, *Internationale Direktinvestitionen*, (Hamburg: Verlag Weltarchiv, 1987), p. 309.

In conclusion, foreign economic relations, especially with the Third World, became more important for Swiss business during the 1970s. The timing of this shift was certainly no accident. Even though it was decidedly temporary, it nonetheless must raise a set of questions regarding the driving forces behind this economic reorientation and how this foremost commercial expansion was materially and politically substantiated. Re-establishing these mechanisms becomes all the more relevant when situated in the politically unstable region of the Middle East, with weak economic ties to Switzerland in the post-war period. The available data does not allow for any definitive conclusions on FDI trends. While it seems fair to assume that FDI towards the Third World did not outmatch its expansion in the industrialized world, the reported figures nonetheless grew and, on the same ground as trade relations, also warrants a thorough analysis.

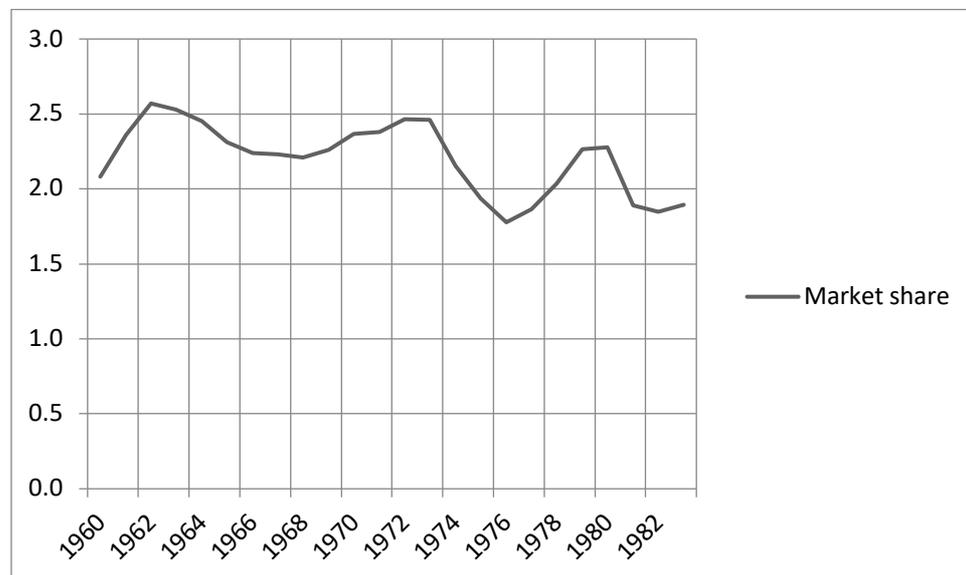
The noted unevenness of Swiss economic interactions with the Third World, i.e., over-average commercial and lower capital involvement, was in part certainly dictated by a differential time horizon. While trade can be relatively short-term and temporary, direct investment requires long-term commitments. The astounding expansion of trade and the timid FDI activity therefore confirm the transitory character of the economic shift to the Third World. Indeed, economic and political risks of nationalization of investments in Third World countries were higher than in the industrialized world. But it contrasted with high willingness to increase trade relations when confronting depleted

markets in the developed world. Immediate gains through exploiting foreign markets outweighed the commitment of Swiss companies to participate in the industrial build-up of the Third World.

### ***Switzerland's Position in the World Economy***

With the significance of world markets was certainly rising in the early 1970s, how did the relative importance of the Swiss economy on a global level evolve? Investigating Swiss share in world markets will allow to evaluate briefly the alleged smallness of the Swiss economy. But mostly it will help compare with the relative position Swiss business managed to gain in Middle Eastern markets. To do so, we will continue tracking the two measures if internationalization treated until now.

Unsurprisingly, Swiss market share of world exports at a first glance does not seem large. As Graph 6 shows, it hovered between 1.8 and 2.6% from 1960 to 1983. Despite this rather small share, it ranked consistently among the top twelve most important world exporters, as displayed for selected years in Table 3. Until 1973, Swiss sales among world exports was on an overall higher level. Thereafter, it was less stable and tended to be lower. This also reflects in a relatively diminishing rank among the most important exporters.



**Graph 6: Share of Swiss export values in total world export values (in percent). 1960-1983**

Source: Author's calculations based on: IMF, External Trade by Counterpart, "World," in *Direction of Trade Statistics*, [www.data.imf.org/dot](http://www.data.imf.org/dot).

Unsurprisingly, given the relatively small share of Swiss exports, the influence of Switzerland's export performance on the evolution of its market share is not

straightforward. Certainly, the first drop coincided with the stagnation of its export from 1973 to 1975. (cf. Graph 1). However, the declining market share after 1980 occurred during a phase of strong Swiss export growth. Given that primary exports are included in the data used here, the evolution of oil prices likely played a role in the two dips, coinciding with the oil price hikes of 1973 and 1979. And of course, exports from its competitors heavily influenced Switzerland's relative position. The countries that exported more than Switzerland remain the same between 1970 and 1974. After 1975, as Table 3 illustrates, Sweden and the Soviet Union surpassed Switzerland. When the Swiss rank improved thereafter, it was at the expense of these two countries. Despite its declining market share and ranking, Switzerland did remain among the major exporters throughout the period.

**Table 3: Largest worldwide exporters and their market share in world exports. Selected years**

1970			1975			1983		
Rank	Country	Market Share	Rank	Country	Market Share	Rank	Country	Market Share
1	United States	13.70	1	United States	11.46	1	United States	14.90
2	Federal Republic of Germany	9.25	2	Federal Republic of Germany	8.31	2	Federal Republic of Germany	7.88
3	United Kingdom	6.37	3	France	5.93	3	Japan	6.38
4	France	5.97	4	United Kingdom	5.78	4	France	5.97
5	Netherlands	5.07	5	Japan	5.29	5	United Kingdom	5.40
6	Italy	4.83	6	Netherlands	4.84	6	Netherlands	4.33
7	Japan	4.72	7	Italy	4.07	7	Italy	4.15
8	Canada	4.48	8	Canada	3.96	8	Canada	3.14
9	Belgium-Luxembourg	3.96	9	Belgium-Luxembourg	3.68	9	Belgium-Luxembourg	3.14
10	Switzerland	2.37	10	U.S.S.R.	2.91	10	U.S.S.R.	2.50
11	U.S.S.R.	2.24	11	Sweden	1.95	11	Saudi Arabia	2.12
12	Sweden	2.18	12	Switzerland	1.94	12	Switzerland	1.89

Source: Author's calculations based on: IMF, External Trade by Counterpart, "World," in *Direction of Trade Statistics*, [www.data.imf.org/dot](http://www.data.imf.org/dot).

As such, the Swiss economy was among the most important international exporters during the 1970s. If only merchandise exports were considered and raw materials excluded, the Swiss position and market share would further increase. Yet, the strength of the Swiss export industry becomes more striking when put into perspective. In terms of GDP, the Swiss economy ranked between the 18<sup>th</sup> and 22<sup>nd</sup> positions during the long 1970s.<sup>57</sup> Switzerland certainly also had the smallest population size among the countries figuring in Table 3. In fact, Switzerland did not even reach the top 70 most-

<sup>57</sup> United Nations, Statistics Division, National Accounts Main Aggregates Database, *GDP and its breakdown at current prices in US Dollars*, 2015, <http://unstats.un.org/unsd/snaama/dnlList.asp>.

populated countries of the time.<sup>58</sup> The relative importance of Swiss exports clearly and consistently outperforms other economic and demographic indicators, pointing towards a highly competitive Swiss economy.

Likewise, Swiss FDI also was among the most significant worldwide. Data from the UN Conference on Trade and Development (UNCTAD) on outward FDI stocks, as displayed in Table 4, is only available for Switzerland after 1983, the year the SNB first published such data.<sup>59</sup> While it accounted for almost 2.3% of all FDI, it ranked as the ninth most important foreign investor worldwide. When weighed with population size or GDP, Swiss FDI again clearly exceeded its relative size, only surpassed by the Netherlands. This highlights the financial strength and high degree of Swiss business' foreign activities.

**Table 4: Largest worldwide direct foreign investors ranked according to their share in total FDI. 1983**

Rank	Country	Share in Total FDI (stock in %)	FDI p.c.	FDI/GDP (%)
1	United States	32.81	1.16	7.54
2	United Kingdom	10.03	1.49	17.13
3	Federal Republic of Germany	5.42	0.58	5.91
4	Netherlands	5.38	3.14	29.71
5	Canada	4.29	1.42	10.53
6	France	4.12	0.63	6.13
7	Japan	3.85	0.27	2.64
8	Switzerland	2.29	3.00	17.22
9	Italy	1.05	0.15	1.98
10	Sweden	0.79	0.80	6.40

Source: Author's calculations based on: United Nations Conference on Trade and Development [UNCTAD], *Foreign direct investment: Inward and outward flows and stock, annual, 1980-2014*, <http://unctadstat.unctad.org/wds/>. United Nations, Statistics Division, National Accounts Main Aggregates Database, *GDP and its breakdown at current prices in US Dollars, 2015*, <http://unstats.un.org/unsd/snaama/dnlList.asp>. United Nations, Department of Economic and Social Affairs, Population Division. *World Population Prospects: The 2015 Revision*, <http://esa.un.org/unpd/wpp/Download/Standard/Population>.

When looking at the size of the Swiss economy in terms of absolute GDP, it can surely be characterized as a smaller national economy in the developed capitalist world. However, when foreign economic relations in terms of exports and FDI are taken into account, it emerges as a major economy active in foreign markets. It is precisely the contrast between its demographic smallness and its heavy foreign economic involvement that makes it a relative giant in the world economy. Or as a Swiss sociologist put it in a late 1970s study on Swiss business activities abroad, "Switzerland

<sup>58</sup> United Nations, Department of Economic and Social Affairs, Population Division. *World Population Prospects: The 2015 Revision*, <http://esa.un.org/unpd/wpp/Download/Standard/Population>.

<sup>59</sup> As we have noted earlier on, viable data on Swiss FDI is not readily available. For the sake of homogeneity, we are only displaying the data of international FDI available for 1983, the first year the UNCTAD obtained figures from Switzerland.

is only a dwarf compared to the USA or to the other major industrial nations, but a dwarf who plays a much larger role in the global economy than its actual size.”<sup>60</sup>

As seen in this section, Switzerland’s degree of integration into the world economy grew at an accelerating pace during the 1970s. Hence, the importance of foreign markets for the entire Swiss economy continuously increased. This reflected the domestic economic crisis, prompting Swiss business to search for outlets and investment opportunities abroad. Given the particular international context, marked by the simultaneous crisis in the developed capitalist countries, export expansion occurred foremost in the Third World. And, as seen, the Middle East had the central position in Swiss foreign market expansion. Despite being a cyclical, i.e., temporary phenomenon of roughly one decade, this commercial expansion in the Middle East expressed structural difficulties not only of the Swiss economy, but also of the post-war economic system of the advanced capitalist world as a whole.

The descriptive figures provided thus far indicate that Middle Eastern markets became important if not to say crucial outlets for Swiss companies . Studying how this commercial expansion was concretely undertaken and how it matched an apparent reluctance of directly getting a foothold in manufacturing in this Third World region, becomes highly relevant not only to understand Swiss business crisis strategy. Given the non-negligible part Swiss capitalism held in the world economy, it is also relevant for a larger image of international economic relations during the 1970s. While factors inherent to the Swiss economy pushed towards Middle Eastern markets, they do not explain exhaustively how these were met by the targeted region itself. Swiss efforts had match favorable circumstances in the Middle Eastern economies in order to actually materialize. This following section will therefore examine the local conditions enhancing or undermining Swiss business presence in selected Middle Eastern economies during the 1970s.

## **1.2 Middle Eastern Economies in the 1970s and Patterns in their Foreign Economic Relations**

Although the economies of Israel, Egypt, and Syria comprised of individual historical, demographic, structural, geological features, they shared a number of common traits. Despite differing ideological schools on economic policy formulation, each went through phases of state-led import-substituting industrialization (ISI) from the 1950s to the 1970s, and through periods when this development model reached limits.<sup>61</sup> The World Bank labelled them all as middle-income developing economies, and all boasted historically significant interactions with the world economy.<sup>62</sup> Despite such similarities, the three economies directly involved in the October War differed in many ways. As

---

<sup>60</sup> Cf. François Höpflinger, *L’empire suisse* (Genève: Gronauer, 1978), p. 15.

<sup>61</sup> For a brief discussion on ISI strategies in the Middle East and the contradictions it generated, see: Richards, Waterbury, Cammett, and Diwan, *A Political Economy of the Middle East*, ..., p. 24-27.

<sup>62</sup> During the time period examined, Egypt and Syria were considered lower middle-income, and Israel upper middle-income. See: *World Development Report 1983* (World Bank Publications, 1983), p. 148-159.

seen in Graph 7, real Israeli GDP had always been higher than those of Egypt and Syria. When comparing GDP per capita, this gap widened even more. Economic openness, measured as the share of trade in GDP, had also consistently been higher in Israel, than in both Egypt and Syria.

This section will provide a broad overview of economic developments in Israel, Egypt, and Syria. The analysis limits itself to the general variables of economic growth, foreign trade, and capital flows from the mid-1960s until 1983.<sup>63</sup> Subsequent chapters will pay more attention political and social conditions of these national economies. Again, this description will be the basis on which we can analyze Swiss economic interactions with these markets and its relative position within them in the following sub-chapter. Treating the three economies together allows us to detect possible shifts in foreign economic relations within the setting of the Arab-Israeli conflict. First, this section summarily reviews the domestic and foreign economic development of all three countries between 1965 and 1973. Then, the period after 1973 is examined in greater detail – GDP levels and factors accounting for its evolution, as well as trade data and international financial ties. Indeed, as will be seen, 1973 marked a watershed year for the economic development trends of the treated countries.

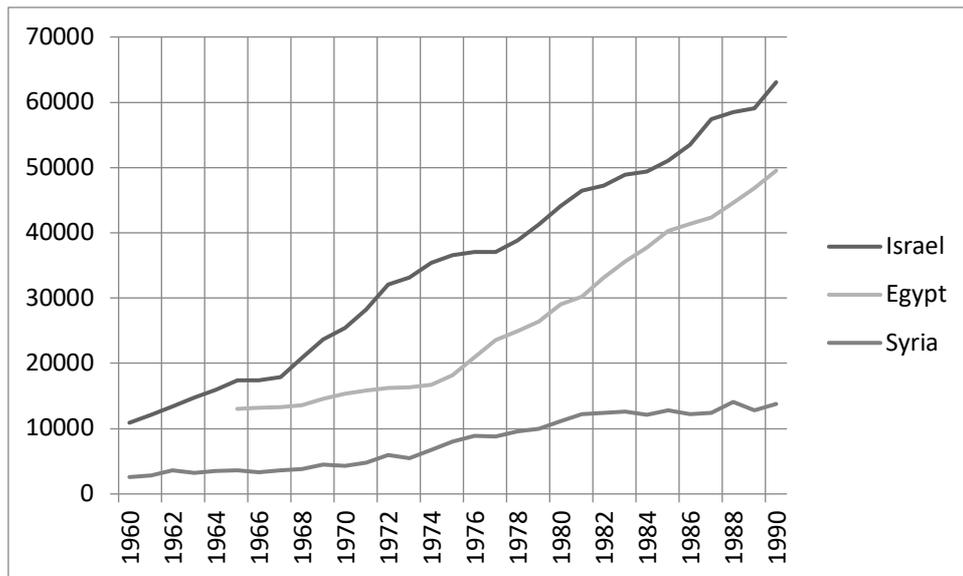
### ***An Unequal Economic Outset Before the October War (1965-1973)***

As shown in Graph 7, the evolution of real GDP for Israel, Egypt and Syria varied considerably between 1960/65 and 1990.<sup>64</sup> Until 1973, Israel experienced a period of strong growth, while Egyptian GDP progressed modestly. Starting from a low level, high Syrian GDP growth figures did not close the gap with Israeli GDP, and only marginally with Egyptian GDP.

---

<sup>63</sup> A quantitative assessment of economic growth in the Middle East raises the question of statistical source reliability. As Perthes argues in regards to Syria, official government statistics are to be treated with caution, since they also serve political goals. The same applies also for data provided by international institutions such as the IMF. They are also, by nature, partially policy-dictated, and most of their data comes from reporting governments. See: Perthes, *The Political Economy of Syria ...*, p. 13-14. The set of statistical material contributing to this analysis cannot be considered an accurate description of these countries' 'real' economic performance, but rather as approximations reflecting general economic trends.

<sup>64</sup> For Egypt, data is only available after 1965.



**Graph 7: Real GDP of Egypt, Israel and Syria (million constant 2005 US\$). 1960-1990**

Source: World Bank, Country table Egypt, “GDP at market prices (constant 2005 US\$), NY.GDP.MKTP.KD,” in *World Development Indicators*, 2016. *Ibid*, Country table Israel, “GDP at market prices (constant 2005 US\$), NY.GDP.MKTP.KD.” *Ibid*, Country table Syria, “GDP at market prices (constant 2005 US\$), NY.GDP.MKTP.KD.”

Israel’s strong economic growth during the first decades of its existence owed to immigration, foreign funded investment and particularly also the significant growth of defense-related industries. Already towards the late 1960s, the public sector and corporatist organizations largely dominating the Israeli economy, were, however, put under increasing political pressure.<sup>65</sup> Real Israeli GDP grew at an annual average of over 8% between 1965 and 1973 (cf. Table 5). This growth was so impressive that scholars have compared the Israeli growth experience to the East Asian miracles, with strong ‘developmental states’ increasingly nurturing private enterprise.<sup>66</sup> In contrast, economic development planning under Nasserite Egyptian state capitalism after independence was marked by an *ad hoc* and impressionistic attitude. Initially, land reforms and nationalization of industries and the ISI policies led to some economic advances.<sup>67</sup> However, from 1967 to 1974, Egypt suffered through what Waterbury describes as “seven lean years”. Reflecting the difficulties of ISI policies to generate sufficient foreign revenues to fund still necessary industrial imports, this period was characterized by foreign exchange shortages and low levels of investment.<sup>68</sup> Its annual average real GDP growth between 1965 and 1973 was slightly under 3%, allowing the gap between Egyptian and Israeli GDP to widen. In Syria, the state-led ISI development

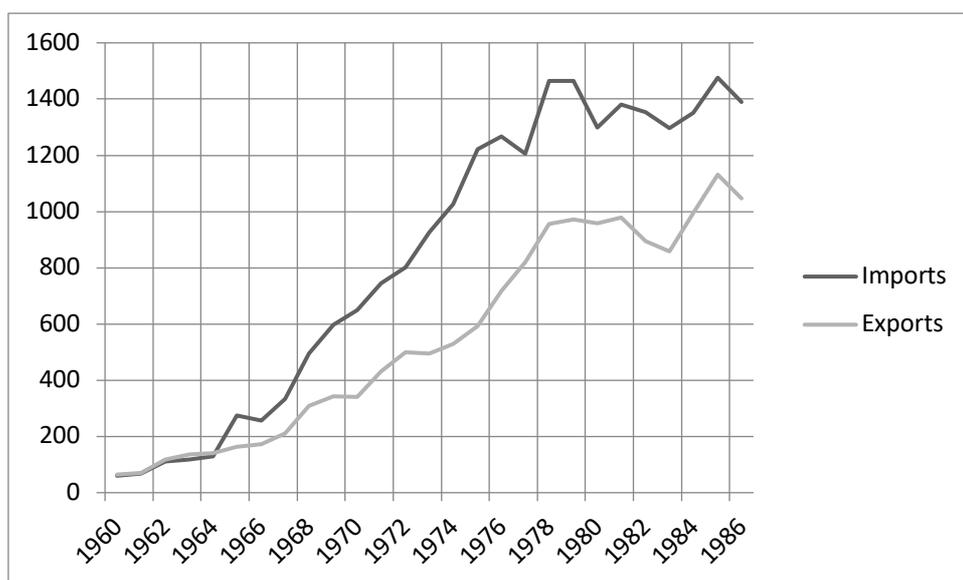
<sup>65</sup> For a good overview of Israel’s economic development since its independence, see: Yair Aharoni, *The Israeli Economy: Dreams and Realities* (London ; New York: Routledge, 1991), p. 71-82.

<sup>66</sup> David Levi-Faur, ‘The Developmental State: Israel, South Korea, and Taiwan Compared’, *Studies in Comparative International Development*, 33.1 (1998), p. 65-93.

<sup>67</sup> For an introduction to Nasser’s economic policies after independence, see: Ghafar, *Egyptians in Revolt: ...*, p. 51-57.

<sup>68</sup> Waterbury, *The Egypt of Nasser and Sadat ...*, p. 112-117.

strategy had markedly accelerated since the early 1960s.<sup>69</sup> After an initial phase of ‘free market economy’, the Baath came to power in 1963 via a coup and radicalized its economic policy with extensive nationalization and the establishment of a state capitalist economic model of what could be labeled self-centered development.<sup>70</sup> This led to a real GDP growth higher than Egypt’s, averaging 5.1% on an annual basis from 1965 until 1973. Despite Syria’s robust growth, the gap between Israel and the two Arab economies steepened until Israeli GDP attained a level in 1973 higher than that of Egypt and Syria combined.



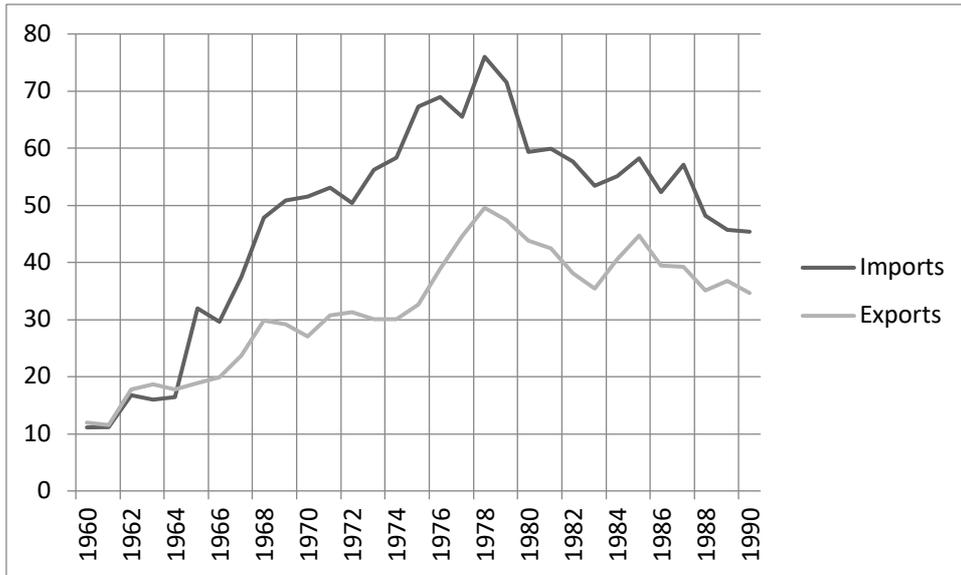
**Graph 8: Israeli exports and imports (million constant Israeli Pounds). 1960-1986**

Source: Author’s calculation using: World Bank, Country table Israel, "Imports of goods and services (current LCU), NE.IMP.GNFS.CN," and "Exports of goods and services (current LCU), NE.EXP.GNFS.CN," deflated with the "GDP deflator," NY.GDP.DEFL.ZS, in *World Development Indicators*, 2016.

In this period, the Israeli economy not only grew, but became increasingly open to foreign trade, with imports increasing every year between 1966 and 1973 (Graph 8). Import growth exceeded GDP growth and as a result, its share in GDP rose from approximately 16% in 1965, up to 56% in 1973. In the meantime, Israeli exports grew at a lower rate, so that the overall trade deficit increased. After 1969, the share of exports in GDP began to stagnate at around 30%.

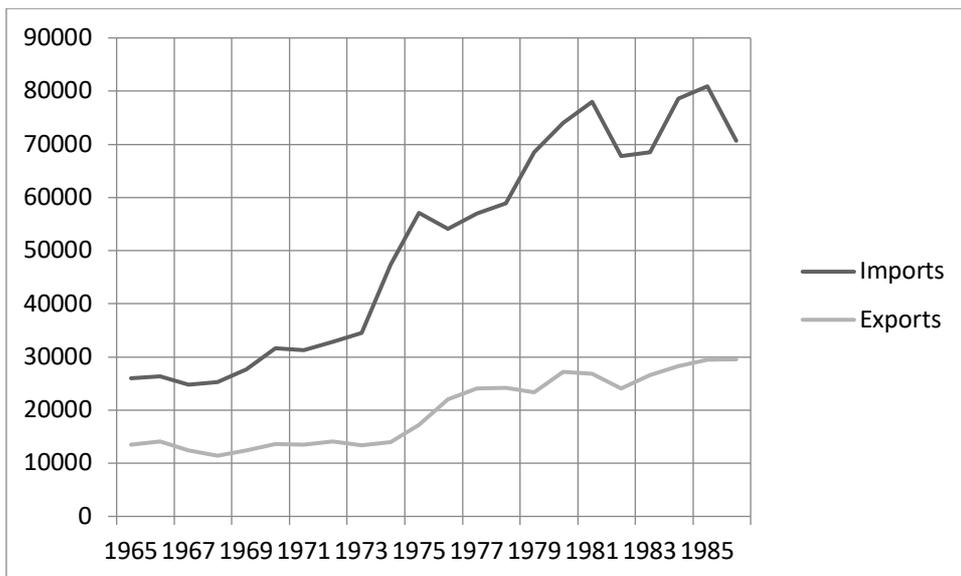
<sup>69</sup> Syed Aziz-al Ahsan, ‘Economic Policy and Class Structure in Syria: 1958-1980,’ *International Journal of Middle East Studies*, 16 (1984), p. 312-315.

<sup>70</sup> For a good overview of Syrian economic policies under Baath party rule, see: Linda Matar, *The Political Economy of Investment in Syria* (London: Palgrave Macmillan UK, 2016), p. 82-99.



**Graph 9: Israeli exports and imports (percent of GDP). 1961-1990**

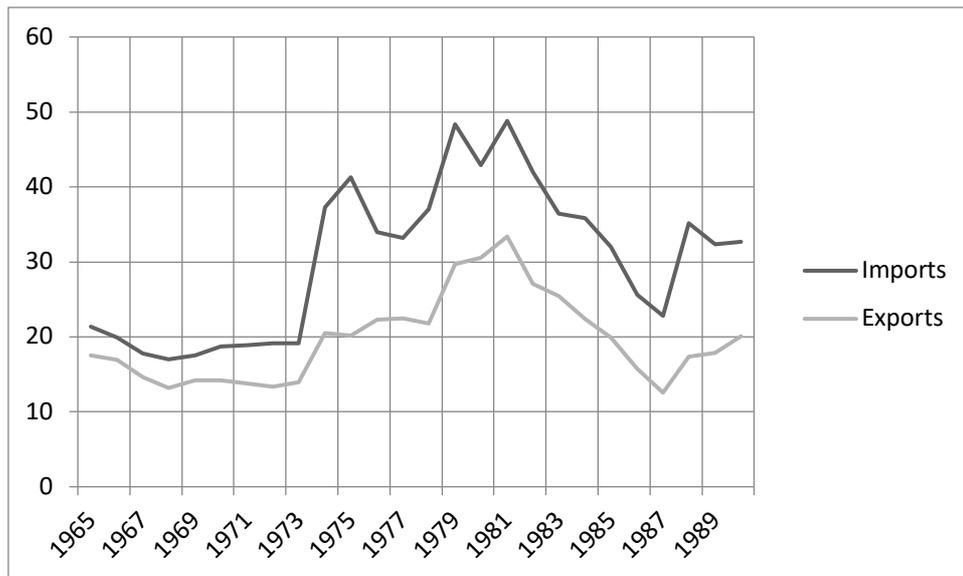
Source: World Bank, Country table Israel, “Imports of goods and services (% of GDP), NE.IMP.GNFS.ZS,” “Exports of goods and services (% of GDP), NE.EXP.GNFS.ZS,” in *World Development Indicators*, 2016.



**Graph 10: Egyptian exports and imports (million constant Egyptian Pounds). 1965-1986**

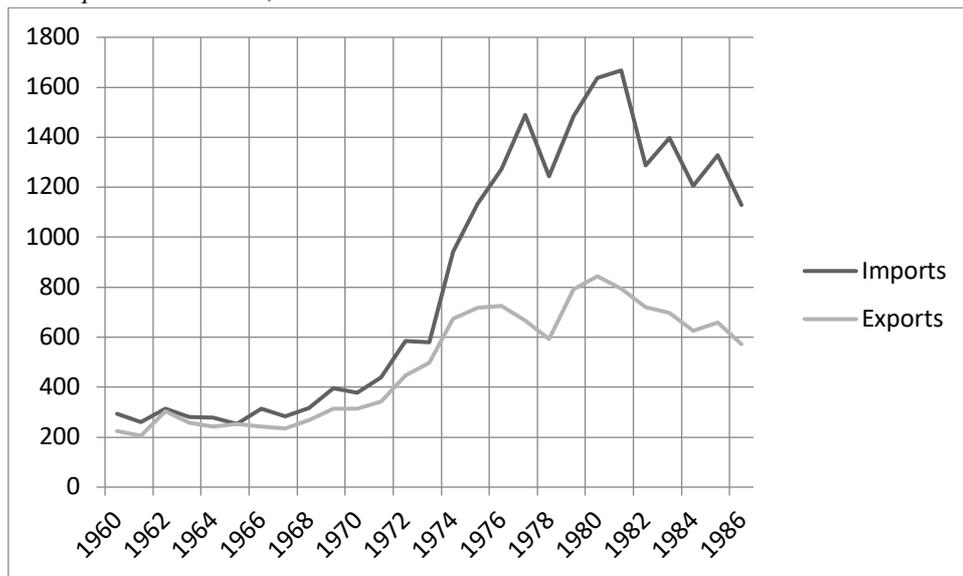
Source: World Bank, Country table Egypt, “Imports of goods and services (Million constant LCU), NE.IMP.GNFS.KN,” “Exports of goods and services (Million constant LCU), NE.EXP.GNFS.KN,” in *World Development Indicators*, 2016.

With the Egyptian economy’s slow growth, its foreign trade stagnated between 1965 and 1973, as illustrated in Graph 10. Measured as the percentage of GDP, the Egyptian economy’s openness to imports dropped to under 20%. As exports stagnated, their share in GDP dropped to less than 14% in 1973.



**Graph 11: Egyptian exports and imports (percent of GDP). 1965-1990**

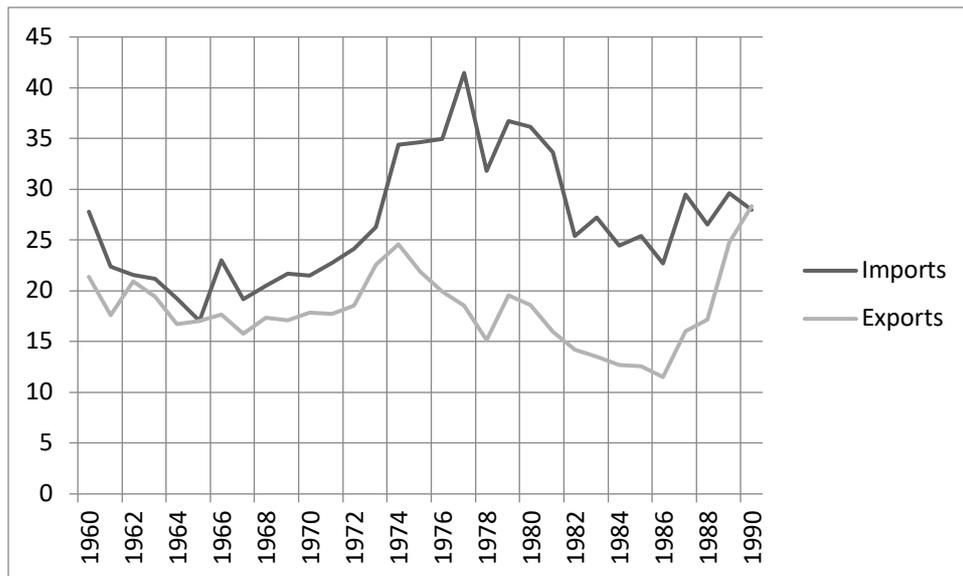
Source: World Bank, Country table Egypt, "Imports of goods and services (% of GDP), NE.IMP.GNFS.ZS," "Exports of goods and services (% of GDP), NE.EXP.GNFS.ZS," in *World Development Indicators*, 2016.



**Graph 12: Syrian exports and imports (million constant Syrian Pounds). 1960-1986**

Source: Calculated using: World Bank, Country table Syria, "Imports of goods and services (current LCU), NE.IMP.GNFS.CN," "Exports of goods and services (current LCU), NE.EXP.GNFS.CN," deflated with the "GDP deflator," NY.GDP.DEFL.ZS, in *World Development Indicators*, 2016.

Along with steady economic growth spurred by investment, Syrian trade, as Graph 12 depicts, expanded at an accelerated rate between 1965 and 1973. Measured in relation to GDP (Graph 13), imports grew from 17% to 26%, while the percentage of exports mildly increased from 17% to 22%. Overall trade growth, therefore, exceeded GDP growth.



**Graph 13: Syrian exports and imports (percent of GDP). 1965-1990**

Source: World Bank, Country table Syria, “Imports of goods and services (% of GDP), NE.IMP.GNFS.ZS,” “Exports of goods and services (% of GDP), NE.EXP.GNFS.ZS,” in *World Development Indicators*, 2016.

We can highlight three general observations from this brief overview. First, the performance of the three diverged significantly. While the Egyptian economy showed signs of stagnation between 1965 and 1973, the Syrian and Israeli economies grew strongly. Second, foreign trade relations were largely determined by the general economic performance of the three countries. While Israel and Syria both increased their trade, Egyptian trade stalled. And finally, when qualifying the composition of growing trade from Israel and Syria, it appears that imports grew stronger than exports, which in turn expanded trade deficits.

### ***A New Balance in the Middle East. Evolution of National Income and Foreign Trade (1973-1983)***

From 1973 onwards, important changes in the growth patterns of Egypt, Israel and Syria occurred. Egypt left its “lean years” behind and while the Syrian economy continued to grow, Israel’s economic miracle ended giving way to what many economists refer to as a “lost decade.”<sup>71</sup> Israeli real GDP growth rates dropped to 3.7% between 1974 and 1983 (cf. Table 5). By contrast, the Syrian economy underwent a “drastic transformation” during this same period, with industrial build-up accelerating even further under the new regime of Hafez Assad.<sup>72</sup> GDP average growth per year rose to 7.2%. Egyptian real GDP burgeoned rapidly, reaching average annual growth rates

<sup>71</sup> See for example: Michael Bruno, *Crisis, Stabilization, and Economic Reform: Therapy by Consensus* (Oxford: New York: Clarendon Press; Oxford University Press, 1993), p. 24.

<sup>72</sup> See for example, Michel Chatelus, ‘La croissance économique : Mutation des structures et dynamisme du déséquilibre,’ in *La Syrie d’aujourd’hui*, ed. by André Raymond (Paris: Éditions du Centre national de la recherche scientifique, 1980), p. 225.

of 8.8% between 1974 and 1983. The economic dynamics and balance in the region were therefore profoundly altered.

**Table 5: Annual average real GDP Growth**

	1965-1973	1974-1983
Israel	8.4	3.7
Egypt	2.9	8.8
Syria	5.1	7.2

Source: Author’s calculations based on: World Bank, Country table Egypt, “GDP at market prices (constant 2005 US\$), NY.GDP.MKTP.KD,” in *World Development Indicators*, 2016. *Ibid*, Country table Israel, “GDP at market prices (constant 2005 US\$), NY.GDP.MKTP.KD.” *Ibid*, Country table Syria, “GDP at market prices (constant 2005 US\$), NY.GDP.MKTP.KD.”

Israel, similar to developed Western economies, experienced a period of stagflation during the 1970s, defined by low growth and accelerating inflation. Economists see the Israeli crisis as stemming from a combination of structural and cyclical factors. Reasons included, but were not limited to, the oil price hikes, the end of economic benefits from the occupation of Gaza, the West Bank, and the Sinai, as well as the drying up of immigration and foreign aid.<sup>73</sup>

Egypt, on the other hand, displayed higher economic growth rates than ever before in the twentieth century. These record growth rates between 1974 and 1983 are associated chiefly with an increase in investment,<sup>74</sup> triggered by renewed sources of income. Economic aid by oil-exporting Arab states to Egypt surged after the 1973 oil price hikes.<sup>75</sup> During the Egyptian-Israeli peace process, the US, along with other Western countries and international financial institutions (IFIs) also started granting substantial aid and credits to Egypt.<sup>76</sup> But mostly, new sources of invisible transfers emerged throughout the peace process with Israel. The so-called gang of four – workers’ remittances, revenues from the reopened Suez Canal, tourism and petroleum exports – generated substantial foreign earnings.<sup>77</sup>

<sup>73</sup> There are numerous discussions on the Israeli economy crisis during the 1970s. Economists have undertaken most of the research on this topic, making subsequent analysis largely dependent on the economic policy prescriptions they advocated, sometimes as government advisers. For a critical political economy approach, see: Jonathan Nitzan, and Shimshon Bichler, *The Global Political Economy of Israel* (London; Sterling, Va: Pluto Press, 2002), p. 132-197. For a brief Keynesian discussion, see: Paul Rivlin, *The Israeli Economy from the Foundation of the State Through the 21st Century* (Cambridge; New York: Cambridge University Press, 2011), p. 46-56. For a neo-classical approach, of which numerous proponents exist, see for example: Bruno, *Crisis, Stabilization, and Economic Reform...*, p. 22-41.

<sup>74</sup> Khalid Ikram, *The Egyptian Economy, 1952-2000: Performance, Policies, and Issues*, Routledge Studies in Middle Eastern Economies, 1 (London; New York: Routledge, 2006), p. 100-101.

<sup>75</sup> On the emergence of aid from the Arab OPEC states, see: Robert Everett Wood, *From Marshall Plan to Debt Crisis: Foreign Aid and Development Choices in the World Economy*, (Berkeley: University of California Press, 1986), p. 76-79.

<sup>76</sup> See: Marvin G. Weinbaum, ‘Egypt’s “Infitah” and the Politics of US Economic Assistance,’ *Middle Eastern Studies*, 21 (1985), p. 210.

<sup>77</sup> Hélène Cottenet, ‘Ressources exogènes et croissance industrielle : le cas de l’Égypte,’ *Tiers-Monde*, 41 (2000), p. 523–546.

Similar to Egypt, the Syrian economy grew considerably during this period, largely owing to the continuation of massive investment programs. Launched in the 1960s, government industrial build-up scaled up further after 1973. It, too, received external financing through the aid of Arab oil-exporting states and later Iran – however, to a far lesser degree than Egypt from Western states and IFIs. Workers’ remittances and considerable oil earnings made up further sources of revenues.<sup>78</sup>

Israel’s period of crisis, vis-à-vis the Syrian and Egyptian economies’ impressive expansion between 1974 and 1983, was an important shift in the pattern of economic growth in the region. It diminished the strong economic lead of Israel. These changing growth dynamics obviously also had a significant impact on the volume and structure of these states’ foreign trade. Albeit already showing signs of stagnation between 1975 and 1977, Israeli imports still tended to grow until they reached a peak in 1978/79 (Graph 8). But until 1983, they fell to levels just one quarter higher than in 1974. Israeli exports grew strongly between 1974 and 1978 but then also stagnated. When measured as a share of GDP (Graph 9), Israeli trade saw a peak in both imports and exports in 1978. Exports valued 76% of GDP and imports at 50%. From these remarkable levels of openness to foreign trade, they lowered again. By 1983, imports to GDP dropped to 53%, and exports to 35%. Therefore, Israeli trade leveled off in both real and relative terms.

Graph 10 shows that Egyptian foreign trade also displayed uneven patterns between 1973 and 1983. Despite varied import growth, the overall trend clearly pointed upward. Towards the early 1980s, imports more than doubled 1973 levels. Alongside this pronounced export growth, the gap with imports clearly broadened. When compared to GDP (Graph 11), Egyptian import growth appears even more substantial. Import openness rose from 20% in 1973 to 50% in 1981, before falling again. Exports as a share of GDP climbed from 14% in 1973 to 33% in 1981. Afterwards, their share in GDP also decreased. But at its peak in 1981, Egyptian trade openness was as high as 80% of GDP. The 1970s therefore mark a clear watershed moment in Egyptian foreign trade relations, overall increasingly open.

Graph 12 illustrates an explosive growth of Syrian imports. Between 1973 and 1980, they tripled before leveling off. Syrian exports, meanwhile, also reached a peak value in 1980, 70% higher than in 1973, before dropping again. Imports as a share of GDP (Graph 13) reached a peak of over 41% in 1977, before falling again. Exports to GDP, however, spiked several years earlier, in 1974, before falling to lower levels than in the 1960s. These patterns demonstrate that Syrian export lagged compared to both GDP growth and imports.

We can make several observations on the period between 1973 and 1983. The evolution of foreign trade to a large extent still matched national income. As the Israeli economy lay in relative crisis, its foreign trade displayed signs of stagnation. The Egyptian and Syrian economies integrated strongly into world trade. However, this integration owed

---

<sup>78</sup> Perthes, *The Political Economy of Syria* ..., p. 29-45.

more to imports than to exports, and proved to be a temporary phenomenon. There were already signs of stagnation in the first half of the 1980s – and in the Syrian case, signs of decreased real trade values. These findings, as following sections will show, mirrored in Swiss economic relations with the countries concerned.

### ***Overcoming Foreign Currency Shortages***

No matter how their foreign trade relations evolved during the 1970s, Israel, Egypt and Syria all experienced rising deficits in their balance of trade. This posed the risk of severe foreign currency shortages and subsequently, difficulties in financing imports for consumption or industrial development. They basically had two options: increase foreign revenues through export growth or stronger reliance on foreign aid and/or credits; or, ultimately, to restrict imports. Facing these choices, each state employed different strategies.

The Israeli authorities, aware of the growing trade deficit, started to actively promote exports from the mid-1960s onwards,<sup>79</sup> while not abandoning nascent industry protection. The export promotion aimed mostly to penetrate Western markets with Israeli goods. But this happened at the cost of equally opening the Israeli economy to imports. The strategy continued into the 1970s, most notably through the conclusion of a Free Trade Agreement (FTA) with the *European Economic Community* (EEC) in 1975.<sup>80</sup> Despite export growth throughout the 1970s, they did not outpace imports; the trade deficit continued to rise. Consequently, Israel remained dependent on foreign financial transfers. Next to US governmental aid and private transfers through the Jewish Agency, foreign capital was raised through the placing of State of Israel bonds in foreign capital markets.<sup>81</sup> Israel's public and private net foreign liabilities increased strongly, from \$2.8 billion in 1970, up to \$21.9 billion in 1983.<sup>82</sup> Apart from raising foreign capital, austerity measures on public spending, aimed at reducing imports and the balance of payments deficit, were taken in 1975-1976 and again in 1979-1980. According to the former governor of the Israeli Central Bank, Stanley Fischer, such efforts strove not only to diminish debt burdens, but also to reduce vulnerability to foreign political pressure linked to financial dependency.<sup>83</sup> Facing an increasingly negative trade balance, the Israeli government responded by promoting exports, increasing foreign borrowing, as well as dependency on US aid and, ultimately, applying austerity measures to reduce imports. As seen in Graph 8, the austerity measures matched the phases of falling import, hence being a success in this respect.

---

<sup>79</sup> Rivlin, *The Israeli Economy ...*, p. 94-95.

<sup>80</sup> Yoram Gabai and Rafael Rob, 'The Import-Liberalization and Abolition of Devaluation Substitutes: Implications for the Israeli Economy,' in *The Israeli economy, 1985-1998: from Government Intervention to Market Economics*, ed. by Avi Ben-Basat (Cambridge; MIT Press; [Jerusalem]: The Maurice Falk Institute for Economic Research in Israel, 2002), p. 282.

<sup>81</sup> Nadav Halevi, 'A Brief Economic History of Modern Israel', ed. by Robert Whalpes, *EH-Net Encyclopedia*, 2008 <<https://eh.net/encyclopedia/a-brief-economic-history-of-modern-israel/>> [accessed 8 July 2019]

<sup>82</sup> Israeli Central Bureau of Statistics, "7.5 Israel's Foreign Liabilities" in *Statistical Abstract of Israel*, Vol. 47, 1996, <http://www.cbs.gov.il/archive/shnaton47/shnatone.htm>.

<sup>83</sup> Stanley Fischer, 'The Economy of Israel,' *Carnegie-Rochester Conference Series on Public Policy*, 20 (1983), p. 21-22.

Egypt and Syria also faced deepening trade balance deficits. Both governments attempted to attract foreign capital through open door economic policies, referred to as *infitah*.<sup>84</sup> Initially, Egyptian *infitah* under Sadat aimed at attracting FDI to ease balance of payments problems. In the second half of the 1970s, shifting away from ISI to the development of an export industry became a bigger emphasis of this lenient policy towards foreign capital.<sup>85</sup> But the policies did neither attract substantial FDI, nor did exports ever outpace imports. FDI towards Egypt was marginal when compared to overall investment; when it did occur, it aimed mostly at increasing sales in the Egyptian market. Furthermore, the de facto abolishment of the state foreign trade monopoly in 1975, and measures liberalizing the foreign exchange market, made importing easier.<sup>86</sup> Combined with overall economic growth, these measures boosted Egyptian imports before foreign exchange earnings grew. This situation led to growing foreign debt and debt servicing, provoking in return ever-higher foreign resource requirements.<sup>87</sup> Despite the increased invisible earnings mentioned above and its growing national economy, total Egyptian foreign debt rose from 43% of GDP in 1970, to 141% in 1981.<sup>88</sup> Neither the new sources of foreign exchange earnings, nor the substantial volumes of foreign economic aid, halted the rising Egyptian reliance on short- and mid-term credits.

The Syrian economic opening, self-labeled ‘corrective revolution’, was initiated before Sadat would implement his policy turn in Egypt. However, it was also less far-reaching. From 1971 onwards, the government hoped attracting foreign investment among others by removing restrictions on foreign trade.<sup>89</sup> Syrian economic policy continued to build an industrial base through the import of turn-key factories, basically purchasing all goods and services linked to the industrial build-up from a foreign company.<sup>90</sup> This required massive investment and led to a marked growth in capital goods imports. Foreign aid, which came mostly from oil exporting Arab states, and, from 1981 onwards, Iran, funded these imports.<sup>91</sup> The granters always linked foreign aid to Syria to political considerations.<sup>92</sup> With the exception of the petroleum sector, literally no

---

<sup>84</sup> In Egypt steps towards liberalizing the economy were already taken under Nasser following the defeat in the Six-Day war, see: Mark Cooper, ‘Egyptian State Capitalism in Crisis: Economic Policies and Political Interests, 1967-1971’, *International Journal of Middle East Studies*, 10.4 (1979), p. 481-516.

<sup>85</sup> Waterbury, *The Egypt of Nasser and Sadat* ..., p. 133.

<sup>86</sup> For these measures of trade liberalization, see for example: Gouda Abdel-Khalek, ‘Looking Outside, or Turning Northwest? On the Meaning and External Dimension of Egypt’s Infitah 1971-1980,’ *Social Problems*, 28 (1981), p. 398-406.

<sup>87</sup> Ikram, *The Egyptian Economy* ..., p. 117.

<sup>88</sup> On the evolution of Egyptian foreign debt, see: Galal A. Amin, *Egypt’s Economic Predicament: a Study in the Interaction of External Pressure, Political Folly, and Social Tension in Egypt, 1960-1990*, (Leiden; New York: E.J. Brill, 1995), p. 5-13.

<sup>89</sup> Owen, and Pamuk, *A History of Middle East Economies* ..., p. 153.

<sup>90</sup> Perthes, *The Political Economy of Syria* ..., p. 41-42.

<sup>91</sup> Eliyahu Kanovsky, ‘What’s Behind Syria’s Current Economic Problems?’ in *Middle East Contemporary Survey, Vol. 8, 1983-84*, ed. by Haim Shaked and Daniel Dishon (The Moshe Dayan Center), p. 299-301.

<sup>92</sup> The capital inflows have been analyzed as strategic rents or war dividend, rewarding Syria for its belligerent position in the Arab-Israeli war. See: Volker Perthes, ‘Kriegsdividende und Friedensrisiken: Überlegungen zu Rente und Politik in Syrien,’ in *Staat, Markt und Rente in der internationalen Politik*, ed. by Andreas Boeckh and Peter Pawelka (Springer-Verlag, 2013), p. 260-261.

FDI occurred in Syria during the 1970s.<sup>93</sup> Because of balance of payment difficulties, the Syrian government introduced new restrictions on imports and austerity policies first in 1977 and with incremental increases after 1981.<sup>94</sup> As Graph 12 shows, these combined factors led to a drop in Syrian imports in the early 1980s.

Hence, all three participants in the October War increasingly depended on foreign financial inflows during the 1970s. This dependency eventually led to the reintroduction of foreign trade restrictions and austerity measures in Syria and Israel, while Egypt continued to rely on accruing foreign debt on international financial markets to finance its imports. This foreign financial involvement was often politically motivated. While Egypt and Syria tried to exploit this by obtaining strategic rents, Israel sought to decrease its dependency on such politically sensitive capital flows.

The 1970s not only stood out as a time significant economic changes in the developed capitalist world, but also in the Middle East. While Syria economic development was more continuous, the tendencies in Israel and Egypt reversed in the first half of the 1970s. The Israeli economy entered a phase of relative crisis that lasted until the mid-1980s, while the Egyptian economy propelled itself into a boom. This differential evolution reflected in foreign trade relations, with Egypt and Syria becoming more interesting export markets amidst their economic growth. Political circumstances certainly interfered in the course taken by these national economies. And despite all three countries adopting measures aiming at reducing foreign capital requirements, they became increasingly reliant on foreign financial transfers. These capital transfers increased their foreign economic dependence and was linked to political prerequisites in the context of the Arab-Israeli conflict.

### **1.3 Swiss Relations with the Middle Eastern Economies**

This subchapter turns to bilateral Swiss-Middle Eastern economic relations. It gives a quantitative assessment of these interactions, for now largely putting aside both possible political factors in these relations and how they concretely developed. It aims at getting a first glance of the possible impact the different economic developments of Israel, Egypt and Syria could have on their commercial and financial relations with Switzerland. It shows that while economic relations with the two Arab states rose considerably, relations with Israel showed signs of exhaustion during the 1970s. As will be seen, Swiss trade and financial relations with the Middle Eastern economies – be they growing or declining – were largely concurrent. And finally, the relative position of Swiss business in the Middle Eastern economies in international comparison will be assessed.

#### ***Declining Swiss Trade With Israel***

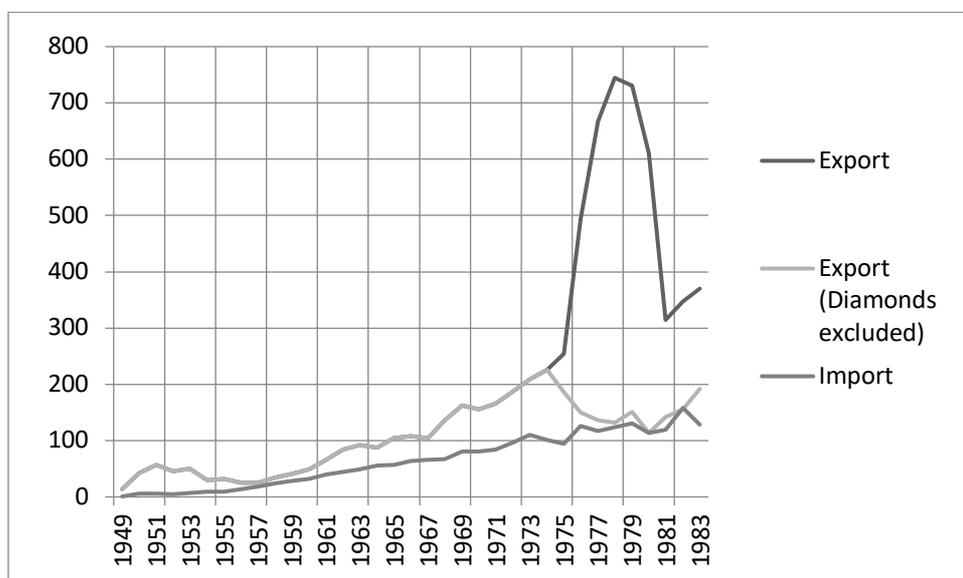
Real trade data with post-World War II Israel showed an accelerated expansion of Swiss exports to Israel until the mid-1970s (Graph 14). Exports always exceeded

---

<sup>93</sup> Volker Perthes, 'The Syrian Economy in the 1980s,' *Middle East Journal*, 46 (1992), p. 50.

<sup>94</sup> Perthes, *The Political Economy of Syria ...*, p. 52.

imports, and the trade balance increasingly favored Switzerland. From a low point in 1956, Swiss exports grew at an average of approximately 13% annually until 1975, heavily outpacing the growth of overall Swiss exports during that period (Graph 1). Between 1975 and 1978/79, however, yearly export figures almost tripled before dropping down to a level 25% higher than in 1975. Imports from Israel to Switzerland became discontinuous after 1970, with growth and decline alternating.



**Graph 14: Swiss trade with Israel (million constant 1970 Swiss francs). 1950-1983**

Source: Kammerer, et al., “L.21. Einfuhrwerte nach Ursprungsländern 1920-1992 (in Millionen Franken): Asien” and “L.25. Ausfuhrwerte nach Verbrauchsländern 1920-1992 (in Millionen Franken): Asien,” in *Historical Statistics of Switzerland Online (HSSO)*: <http://www.hssso.ch>. And: Eidgenössische Oberzolldirektion (ed.), *Schweizerische Aussenhandelsstatistik*, (Eidgenössische Oberzolldirektion: Bern, 1966-1984). Values deflated by the author, using an import and export price index calculated based on: Kammerer, et al., “Q.16b Gross domestic product (expenditure approach) in real 1990 prices and nominal, 1945-2005 in Million Swiss Francs (Economic history of Switzerland during the 20th century)”, in *Historical Statistics of Switzerland Online (HSSO)*: <http://www.hssso.ch>.

This stunning explosion of Swiss exports to Israel in the mid-1970s took place because of one particular good: diamonds. Graph 14 also indicates Swiss exports when diamonds are excluded. In Graph 15, exports are further grouped by the categories of capital goods, raw materials/semi-finished goods, consumer goods and diamonds. While hovering around 3% before, diamond exports jumped drastically from 1976 on and began to account for up to 80% of all Swiss exports towards Israel. This explosion of Swiss-Israeli diamond trade coincided with the 1975 opening of a sorting and sales center in Switzerland by the South African diamond trading giant De Beers,<sup>95</sup> shifting part of the activities of its Central Selling Organization (CSO) from London to Lucerne.<sup>96</sup> This led to the growth of Swiss diamond exports to Israel, given that the buyers from the latter were the Swiss CSO branch’s main client.<sup>97</sup> The explosion of

<sup>95</sup> „Die Diamantenmärkte im Konjunkturablauf“, *NZZ*, 22.10.1975.

<sup>96</sup> See: Bott, *La Suisse et l’Afrique du Sud...*, p. 268-269.

<sup>97</sup> Cf. “Diamantenhandel während der Apartheid”, *NZZ*, 12.02.2002.

diamond export values was supported by a more than threefold increase in diamond prices during the 1970s.<sup>98</sup> This price increase was rooted amongst other in asset speculation by Israeli diamond dealers and safe haven investments amidst high inflation.<sup>99</sup>

The fall of Swiss diamond exports back to lower levels in 1981 reflected a crisis of the Israeli diamond industry.<sup>100</sup> Despite the historic significance of Jewish merchants for the international diamond industry,<sup>101</sup> and despite the central place Israeli diamantaires held in the international market,<sup>102</sup> they were often excluded from Israeli statistics when assessing its foreign trade. In their statistics, Swiss government officials also subtracted diamonds when calculating export figures to Israel. As a senior Swiss foreign economic official noted, “rough diamonds cannot be equated with export goods of Swiss production.”<sup>103</sup> The diamonds exported through Switzerland were polished in Israel and then re-exported. While it certainly would be interesting to evaluate the interest of De Beers in opening a CSO branch in Switzerland and the effect of 1970s diamond frenzy on the diamond industry, it does not seem relevant for Swiss-Israeli bilateral relations. Even if this trade was registered by Swiss customs in their yearly statistics, the diamonds at best passed through duty free warehouses in Switzerland, but often did not physically transit through the country.<sup>104</sup> Diamonds did not appear at any moment in the consulted sources on Swiss-Israeli relations, except to dismiss them as not being an actual Swiss export. There is hence no evidence that the Swiss presence in Israel was significantly influenced by De Beers activities via Switzerland. It therefore seems reasonable, just like the federal authorities at the time, to exclude diamonds when evaluating overall Swiss-Israeli trade relations. Including them in aggregate Swiss export figures (Graph 14) mask actual decreasing levels of Swiss exports to Israel from 1974 onwards. Excluding diamonds becomes important, as it shows how Israel, at least until 1980, was a less and less interesting market for Swiss exporters.

---

<sup>98</sup> Aharoni, *The Israeli Economy ...*, p. 289.

<sup>99</sup> Mentionned in: Debora L. Spar, ‘Markets: Continuity and Change in the International Diamond Market’, in *The Global Diamond Industry: Economics and Development Volume I*, ed. by Roman Grynberg and Letsema Mbayi (Basingstoke; New York: Palgrave Macmillan, 2015), p. 11–26

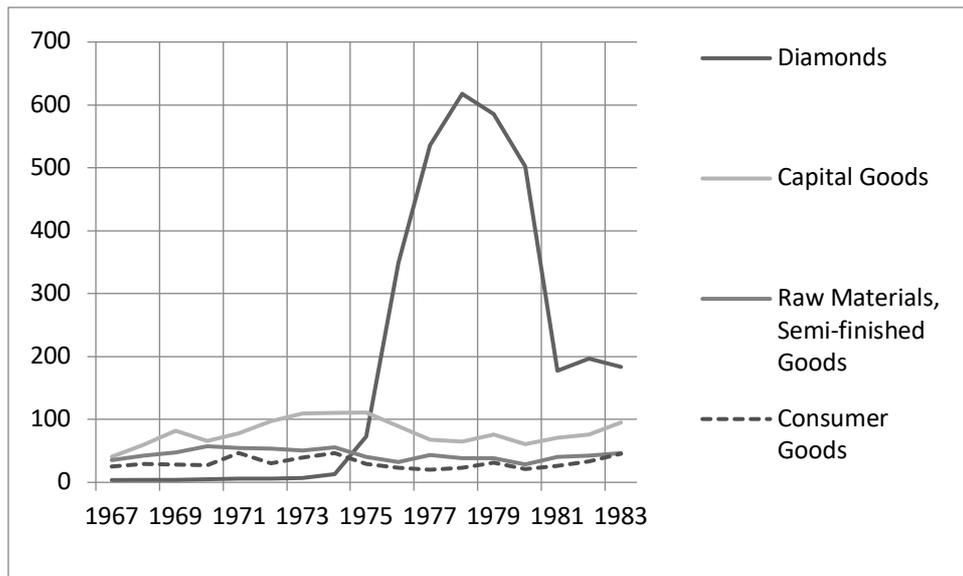
<sup>100</sup> Esther Howard, ‘Israel: The Sorcerer’s Apprentice’, *MERIP Reports*, 112, 1983, p. 19.

<sup>101</sup> On the history of Jewish communities in the diamond industry and trade, see especially: Barak D. Richman, ‘How Community Institutions Create Economic Advantage: Jewish Diamond Merchants in New York’, in *The Global Diamond Industry: Economics and Development Volume II*, ed. by Roman Grynberg and Letsema Mbayi (Basingstoke; New York: Palgrave Macmillan, 2015), p. 44–86.

<sup>102</sup> On the different stages of the Israeli diamond industry’s development, and a generally useful overview of the diamond industry more generally, see: Ron Berger, and Yossi Gavish, ‘A Gem in a Hostile World: An Evolutionary Analysis of the Diamonds Industry: The Case of the Israeli Diamond Industry’, *International Journal of Strategic Change Management*, 6.3/4 (2015), p. 268–91.

<sup>103</sup> Note from Emilio Moser, Division of Commerce, Swiss Federal Department of Economic Affairs (FDEA), to Federal Councilor Fritz Honegger, Head of the FDEA, 31.03.1980, SFA, E7115A#1990/142#2574\*, 870

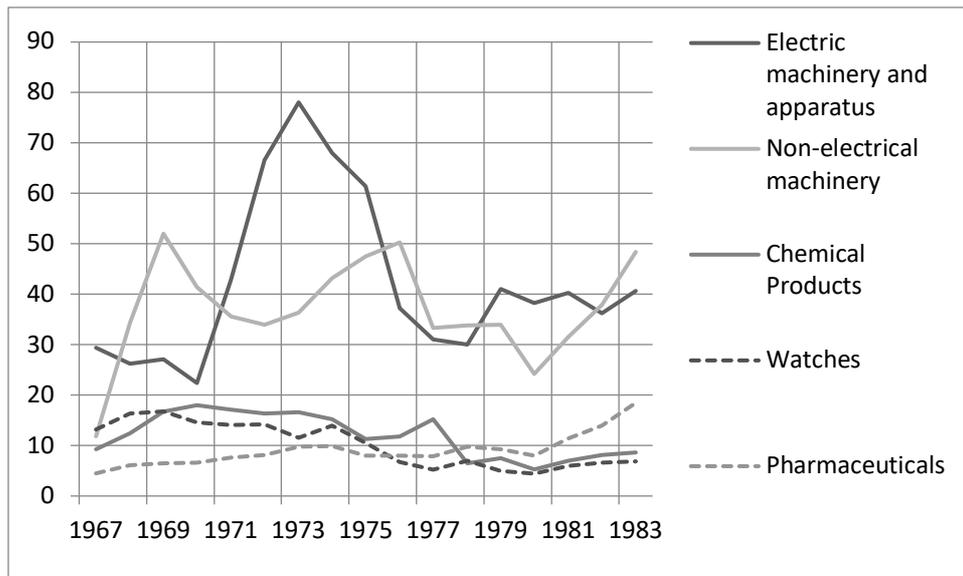
<sup>104</sup> See again: “Diamantenhandel während der Apartheid”, *NZZ*, 12.02.2002.



**Graph 15: Main categories of Swiss exports to Israel (million constant 1970 Swiss francs), 1967-1983**

Source: Eidgenössische Oberzolldirektion (ed.), *Schweizerische Aussenhandelsstatistik*, (Eidgenössische Oberzolldirektion: Bern, 1966-1984). Values deflated by the author, using an import and export price index calculated based on: Kammerer, et al., “Q.16b Gross domestic product (expenditure approach) in real 1990 prices and nominal, 1945-2005 in Million Swiss Francs (Economic history of Switzerland during the 20th century)”, in *Historical Statistics of Switzerland Online (HSSO)*: <http://www.hssso.ch>.

When looking at the remaining composition of Swiss exports, displayed in Graph 15, they markedly diverge from the overall structure of sales abroad. Notably, capital goods were the most important category throughout the period. They were also chiefly responsible for the drop in Swiss exports after 1975. While the export of capital goods still tended to rise until 1973/74, consumer goods and raw materials/semi-finished goods already stagnated. From 1973/74 until 1980, all three types of commodity exports decreased, oscillating on levels lower than a decade earlier.

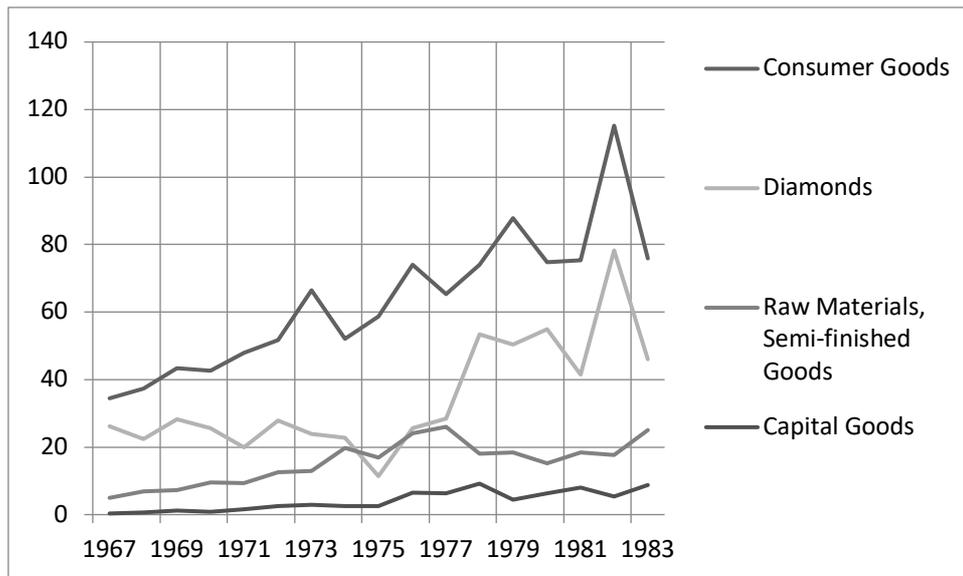


**Graph 16: Main subcategories of Swiss exports to Israel (million constant 1970 Swiss francs). 1967-1983**

Source: Eidgenössische Oberzolldirektion (ed.), *Schweizerische Aussenhandelsstatistik*, (Eidgenössische Oberzolldirektion: Bern, 1966-1984). Values deflated by the author, using an import and export price index calculated based on: Kammerer, et al., “Q.16b Gross domestic product (expenditure approach) in real 1990 prices and nominal, 1945-2005 in Million Swiss Francs (Economic history of Switzerland during the 20th century)”, in *Historical Statistics of Switzerland Online (HSSO)*: <http://www.hssso.ch>.

A more detailed breakdown of Swiss exports in Graph 16 shows the evolution of the five main Swiss export products: electric machinery and apparatus, non-electrical machinery, chemical products, watches and pharmaceuticals. The progression confirms the overwhelming importance of capital goods in determining the evolution of all Swiss exports. Until the early 1980s, albeit at different moments and at different rates, the export values of each product fell. The renewed export growth of the early 1980s began as sales of non-electrical machinery and pharmaceuticals increased.

Swiss imports from Israel consisted mainly of agricultural consumer goods, mostly citrus fruit (see Graph 17). The increase in diamond imports from Israel coincided largely with the boom in diamond exports from Switzerland. If diamonds are excluded from the data, imports equally showed signs of stagnation during the 1970s.



**Graph 17: Main categories of Swiss imports from Israel (million constant 1970 Swiss francs). 1967-1983**

Source: Eidgenössische Oberzolldirektion (ed.), *Schweizerische Aussenhandelsstatistik*, (Eidgenössische Oberzolldirektion: Bern, 1966-1984). Values deflated by the author, using an import and export price index calculated based on: Kammerer, et al., “Q.16b Gross domestic product (expenditure approach) in real 1990 prices and nominal, 1945-2005 in Million Swiss Francs (Economic history of Switzerland during the 20th century)”, in *Historical Statistics of Switzerland Online (HSSO)*: <http://www.hssso.ch>.

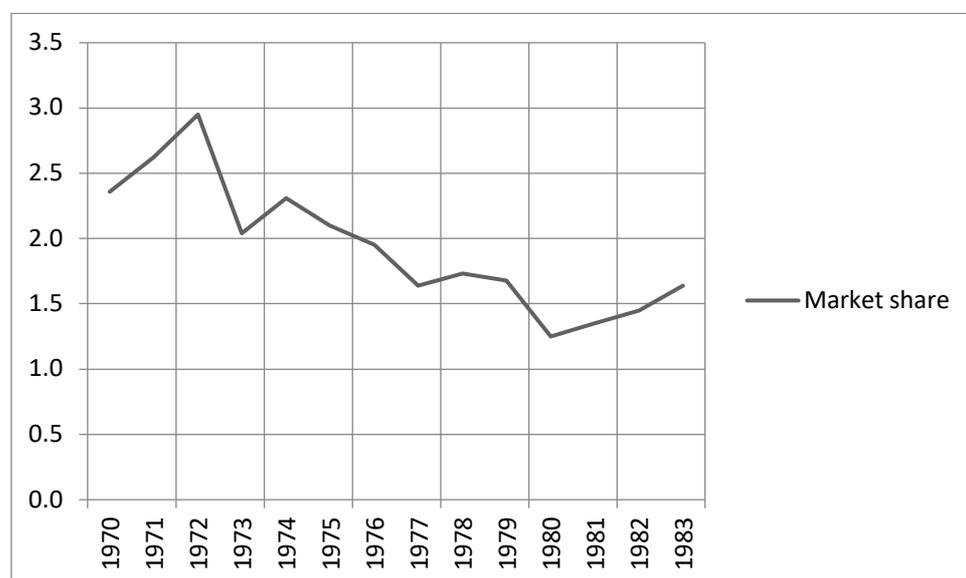
The decreasing values of Swiss exports to Israel stood in stark contrast with the general evolution of Swiss exports, which were, as we have seen, growing throughout most of the 1970s. We can posit several hypotheses for diminishing Swiss exports to Israel. First, the drop in Swiss exports mirrored the stagnant tendencies of Israeli imports in the course of its economic crisis. Second, the aforementioned FTA, with the EEC, introduced discriminatory Israeli trade practices against Swiss products. Third, Switzerland shifted away from Israel towards Arab states under the oil price hikes and/or boycott threats.

The decreasing importance of Israel as an export market for Swiss products showed in dropping Swiss market share during the 1970s. In the 1960s, Israeli imports from Switzerland had still been quite significant. During that decade, Switzerland supplied between 3.5% and 4% of all Israeli imports, ranking between the sixth and eighth most important source of supply.<sup>105</sup> From 1970 onwards, the Swiss position changed somewhat dramatically. Graph 18 shows Switzerland’s market share among Israeli imports for the period 1970-1983. There was a clear drop in the share of Israeli imports coming from Switzerland between 1972 and 1980, falling from 3%, to 1.25%. As seen

<sup>105</sup> See Table 12 (annexed). Author’s calculations based on: IMF, External Trade by Counterpart, “Israel,” in *Direction of Trade Statistics*, [www.data.imf.org/dot](http://www.data.imf.org/dot). Note, however, that a significantly different image emerges when Swiss diamond exports are included in the data. Switzerland would hold a market share of 6.24% for the period 1976-1983 and therefore would be the fourth most important supplier to Israel. In 1978, Switzerland would have a market share of nearly 9%, a share only exceeded by the US. Also, given the importance of Antwerp in the international diamond trade, the market share of Belgium-Luxemburg would likely also decrease when this special good is excluded.

in Table 12 (annexed), Switzerland still ranked between eighth and ninth among the most important Israeli suppliers throughout the 1970s, despite falling market share. Hence, the decline in Swiss exports preceded the stagnating tendencies of Israeli imports that began to take hold in 1975, as seen previously. This in return entailed a rapid loss of Swiss market share. However, when Swiss exports picked up again after 1980, the market share among Israeli supply increased again. So the evolution of Swiss exports to Israel only partially mirrored its prevailing economic crisis.

Table 12 (annexed) situates Switzerland in the evolution of market share and rank for the ten most important suppliers of the Israeli economy. The US persistently was by far the single most important source of supply for Israel. This underlines the special political, but also economic, relations between the two countries that were reinforced during the 1970s.<sup>106</sup> Despite the aforementioned FTA with the EEC in 1975, the cumulated market share of the major European exporters to Israel diminished throughout the period. The share of smaller European economies rose slightly, but did not compensate for the overall drop of European suppliers. As the US only partially made good for the gap left by the drop in European market share, it seems that the Israeli economy was diversifying its sources for supply. The second hypothesis on declining Swiss exports to Israel, i.e., discrimination on the Israelis' part to the expense of European competitors, does not withstand to the evolution of these countries trade relations with Israel. When Switzerland's rank improved or declined, it was always in relation to Japan. For now, this does, however, not permit us to draw any conclusions on direct competition between Switzerland and Japan for market share in Israel.



**Graph 18: Part of Israeli imports from Switzerland (in percent). 1970-1983**

Source: Author's calculations based on: IMF, External Trade by Counterpart, "Israel," in *Direction of Trade Statistics*, [www.data.imf.org/dot](http://www.data.imf.org/dot).

<sup>106</sup> See for example: Charles Lipson, 'American Support for Israel: History, Sources, Limits,' *Israel Affairs*, 2 (1996), p. 128–146.

As an export market for Israeli goods, Switzerland remained important throughout the period, although it also declined. As Table 6 highlights, Switzerland the fourth most important outlet for Israeli products between 1960 and 1964, and still remained significant between 1965 and 1969. Despite a relative reduction in importance of Israeli exports to Switzerland, it continued to be among the eight most important destinations for Israeli products until 1983, absorbing nearly 4% of Israeli exports.<sup>107</sup> The US, the UK and Germany remained the three single most important importers of Israeli goods throughout the period. The countries prominently exporting to Israel were also among the most important destinations for Israeli merchandise, which indicates that trade relations went both ways.

1960-1964			1965-1969		
Rank	Country	Market Share	Rank	Country	Market Share
1	United States	14.62	1	United States	16.73
2	United Kingdom	14.29	2	United Kingdom	11.67
3	Germany	10.60	3	Germany	9.48
4	<b>Switzerland</b>	<b>6.39</b>	4	Belgium-Luxembourg	6.20
5	Netherlands	6.18	5	Netherlands	6.18
6	Belgium-Luxembourg	5.80	6	<b>Switzerland</b>	<b>5.21</b>
7	Hong Kong	3.42	7	France	4.34
8	Turkey	2.84	8	Hong Kong	4.13
9	France	2.84	9	Japan	3.88
10	Italy	2.78	10	Iran	2.03
<b>Total</b>		69.76	<b>Total</b>		53.11

Source: Author's calculations based on: IMF, External Trade by Counterpart, "Israel," in *Direction of Trade Statistics*, [www.data.imf.org/dot](http://www.data.imf.org/dot)

**Table 6: Top ten destinations of Israeli exports (annual average, in percent). 1970-1983**

1970-1975			1976-1983		
Rank	Country	Market Share	Rank	Country	Market Share
1	United States	18.13	1	United States	19.41
2	United Kingdom	13.82	2	Germany	8.16
3	Germany	9.56	3	United Kingdom	7.87
4	Netherlands	8.64	4	France	5.39
5	Hong Kong	6.39	5	Hong Kong	4.91
6	<b>Switzerland</b>	<b>5.62</b>	6	Netherlands	4.86
7	Japan	5.12	7	Belgium-Luxembourg	4.54
8	France	5.01	8	<b>Switzerland</b>	<b>3.97</b>
9	Belgium-Luxembourg	4.94	9	Japan	3.86
10	Iran	4.67	10	Italy	3.61

Source: Author's calculations based on: IMF, External Trade by Counterpart, "Israel," in *Direction of Trade Statistics*, [www.data.imf.org/dot](http://www.data.imf.org/dot)

<sup>107</sup> Note that the share of Israeli exports to Switzerland is lower if diamonds are excluded, as in Graph 15. While it does reduce the proportion of exports going to Switzerland, it only marginally affects the overall ranking of Switzerland among Israeli outlets.

The figures on the relative importance of Israeli imports from and exports to Switzerland indicate that Israel at least potentially had higher stakes in the Swiss market than vice versa. As will be seen in the following chapters, this indeed seems to be the case. While overall Swiss imports from Israel did rise in real terms (cf. Graph 14) during these years, the relative importance of the Swiss market as a destination for Israeli exports declined. Swiss exports towards Israel, on the other hand, fell in real terms during the 1970s, as did their relative importance for Israeli supply. This drop in Swiss exports was stronger than the stagnation, and decrease, in Israeli imports from 1975 onwards; hence the loss in overall Swiss market share in Israel. It does not seem that the increased competition from the EEC led to decreasing Israeli imports from Switzerland. The remaining third hypothesis of a trade-off between trade with Israel and trade with Arab countries under increased revenues after the oil price hikes and the Arab boycott will be tested in subsequent chapters.

These declining trade relations contrasted with increasing Swiss financial involvement in Israel throughout the 1970s. As seen earlier, the Israeli government and economy heavily depended on foreign capital transfers. The Swiss financial market was among those solicited for raising capital abroad. Issuing bonds in Switzerland and larger capital exports required an authorization by the SNB, thus allowing to find at least partial archival evidence of such placements on the Swiss financial market.<sup>108</sup> Furthermore, from 1974 on, the SNB started publishing data on Swiss banks' assets abroad divided by a selection of countries, including Israel.<sup>109</sup> These two complementary sources allow for an assessment of Swiss financial involvement in Israel.

Between 1959 and 1981, State Bonds of Israel, at a value of approximately CHF 125 million, were placed on Swiss capital markets. This amounted to \$81.2 million, according to the exchange rates of the respective years of emission (Table 8). Mostly underwritten by *Crédit Suisse*, they were issued with low publicity, organized by a Bonds office of the State of Israel in Zurich, and held chiefly by Jewish or pro-Israeli milieus in Switzerland.<sup>110</sup> The placement of these bonds was particularly successful in wartime. Already during the Six-Day War the limit authorized by the SNB had been increased,<sup>111</sup> and its placement was again particularly successful during the October war of 1973. In November of that year alone, \$450,000 was raised in Switzerland through such bonds.<sup>112</sup> The Arab-Israeli wars therefore increased Israeli bond

---

<sup>108</sup> On the policy of authorizing capital exports by the SNB, see: Swiss National Bank, ed., *75 Jahre Schweizerische Nationalbank: die Zeit von 1957 bis 1982* (Zürich: Verlag Neue Zürcher Zeitung, 1981), p. 197-203.

<sup>109</sup> Swiss National Bank, *Das Schweizerische Bankwesen im Jahre 1974* (Zürich: Orell Füssli Verlag, 1975)

<sup>110</sup> See the letter from Louis Rochat, Financial and Economic Service of the DPF to the Swiss Embassy in Tel Aviv, 03.08.1972, SFA, E2001E-01#1991/17#8561\*, C.41.Isr.152.0

<sup>111</sup> Cf. Letter from SNB to the Federal Department of Finance, 11.03.1971, SFA, E2001E-01#1991/17#8561\*, C.41.Isr.152.0

<sup>112</sup> Shown in the letter from *Crédit Suisse* to SNB, 21.12.1973, SFA E2001E-01#1991/17#8561\*, C.41.Isr.152.0

placements in Switzerland, indicating that they were not primarily profit-driven investments by the Swiss public.

Compared to their overall sales, the share of State of Israel bonds underwritten in Switzerland between 1971 and 1981 was rather low. From a total of almost 3.9 billion bonds sold, less than 2% were underwritten in Switzerland. In 1978, when two important placements were undertaken by the Zurich Branch of the Rotschild Bank and the Compagnie de Banque et de Crédit of Lausanne, that share rose to as much as 15%.<sup>113</sup> Without these two very important issuances the overall share of the Swiss capital market would have been lower yet.<sup>114</sup> Established in 1951, the Development Corporation for Israel issued these bonds. They intended to target the Jewish population outside of Israel, principally in the US.<sup>115</sup> We have not found data on the values of these bonds placed in the US. However, when comparing the small Jewish population in Switzerland, some 18,000,<sup>116</sup> with the massive population in the US – nearly six million<sup>117</sup> – we can deduce that, proportionally, Swiss participation in the issued bonds was indeed high. Forming less than 0.2% of the total Jewish population,<sup>118</sup> they appear to make up a share of up to ten times higher than their proportion would suggest.

**Table 7: Bonds issued by the State of Israel placed in Switzerland (value in million current US\$). 1959-1981**

Year	Underwriter	Issuer	Value	Term	Interest rate
1959 - 1971	Credit Suisse	State of Israel (First - Fourth Development Issue)	8.1	15 years	4%
1971	Credit Suisse	State of Israel (Fifth Development Issue)	2.5	15 years	4%
1972	Credit Suisse	State of Israel (Fifth Development Issue)	1.3	15 years	4%
1974	Credit Suisse	State of Israel (Reconstruction and Development Issue)	3.4	15 years	4%

<sup>113</sup> For general information on the history of the State of Israel Bonds and a statistical appendix, see: Yehiel Rehavi, and Asher Weingarten, *Fifty Years of External Finance via State of Israel Non-Negotiable Bonds*, Foreign Exchange Activity Department, Assets and Liabilities Unit (Bank of Israel, 2004).

<sup>114</sup> Note that the Swiss figures only regard the values authorized to place on Swiss capital markets and not their actual sales, as reported for Israeli data. We do not have any evidence of the success of their placement. The real share thus has to be placed at a somewhat lower level.

<sup>115</sup> See: Duhas Ketkar, and Dilip Ratha, 'Development Finance via Diaspora Bonds,' in *Innovative financing for development*, ed. by Suhas Ketkar and Dilip Ratha (Washington, DC: World Bank, 2009), p. 64.

<sup>116</sup> Data from: Kammerer, et al., 'B.26. Wohnbevölkerung nach Heimat und Konfession (Religion) 1850-1990,' in *Historical Statistics of Switzerland Online* (HSSO): <http://www.hssso.ch>.

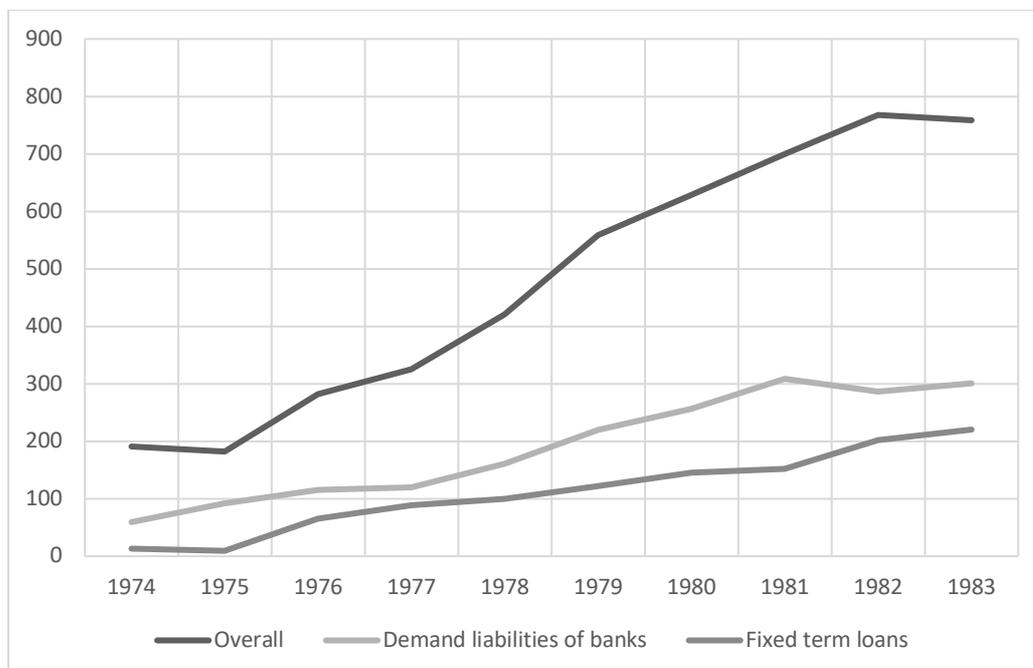
<sup>117</sup> See: Alvin Chenkin, and Maynars Miran, 'Jewish Population in the United States, 1980,' in *American Jewish Year Book (1981)*, ed. by Jewish Publication Society of America (New York: American Jewish Committee and by the Jewish Publication Society, 1980), p 170.

<sup>118</sup> According to the Statistical Abstract of Israel, the Jewish population outside Israel in 1980 was around 9.5 million: Israeli Central Bureau of Statistics, "2.27 Jewish Population in the World and in Israel" in *Statistical Abstract of Israel*, Vol. 62, 2011, [http://cbs.gov.il/reader/shnaton/shnatone\\_new.htm?CYear=2011&Vol=62&CSubject=2](http://cbs.gov.il/reader/shnaton/shnatone_new.htm?CYear=2011&Vol=62&CSubject=2).

1978	Rotschild Bank Zürich	Industrial Development Bank of Israel (Notes)	28.6	5 years	5 %
1978	Compagnie de Banque et de Crédit SA, Lausanne	State of Israel	28.6	5-6 years	4.75%
1979	Credit Suisse	State of Israel (Sixth Development Issue)	6.2		
1981	Credit Suisse	State of Israel (Sixth Development Issue)	2.6		
<b>Total</b>			<b>81.2</b>		

Source: SNB to the Federal Department of Finance, 11.03.1971, SFA, E2001E-01#1991/17#8561\*, C.41.Isr.152.0. Rudolf Bieri, Head of the Federal Department of Finance to the SNB, 28.07.1972, *ibid.* Edwin Stopper, Director-General and John Lademann, Director, SNB to General Directorate, Crédit Suisse, 08.02.1974, *ibid.* George-André Chevallaz, Head of the Federal Department of Finance to SNB, 05.04.1978, *ibid.* Gilbert de Botton, Generaldirektor and Elgin H. Joos, Director, Rotschild Bank Zürich to the SNB, 11.09.1978, *ibid.* Federal Department of Finance to SNB, 09.07.1981, *ibid.* Federal Department of Finance to SNB, 09.07.1981, *ibid.* Values transformed from CHF into US\$ millions by the author using: Swiss National Bank, *G3 Forward exchange rates of the USD in CHF* (annually), Monthly Statistical Bulletin, August 2015, [https://www.snb.ch/de/iabout/stat/statpub/statmon/stats/statmon/statmon\\_G3](https://www.snb.ch/de/iabout/stat/statpub/statmon/stats/statmon/statmon_G3).

Swiss bank assets in Israel were insignificant when compared to their overall foreign assets. However, a clear ascendant tendency appears between 1974, the year the SNB published this data for the first time, and 1983 (cf. Graph 19). The Swiss banks' assets in Israel more than quadrupled after 1975, to reach over CHF 750 million by 1983. The most important items on the Swiss banks' balance sheets, making up for roughly two thirds of overall assets, were long-term liabilities by Israeli banks, so-called demand liabilities, and unspecified fixed term loans. This data therefore shows a significant Swiss banks credit activity towards Israeli banks.



**Graph 19: Swiss Bank Assets in Israel (Million Swiss Francs). 1974-1983**

Source: Swiss National Bank, *Das Schweizerische Bankwesen im Jahre 1974* (Zürich: Orell Füssli Verlag, 1975) through Swiss National Bank, *Das Schweizerische Bankwesen im Jahre 1983* (Zürich: Orell Füssli Verlag, 1984)

Archival evidence on authorized Swiss capital export towards Israel can substantiate this impression. Traces of \$114 million private short- and mid-term credits raised in Swiss capital markets from 1973 to 1982 (see Table 9) have been found. While these sources underestimate the true scope of Swiss financial involvement in Israel, they can show us a more refined image of the creditors, debtors and purpose of credits. Only a fraction of these credits consisted of export credits, the rest being loans to private corporations or banks. These low levels of suppliers' credits accompanied stalling levels of Swiss-Israeli trade. As noted by the representative of the Zurich branch of Bank Leumi Le-Israel, Swiss banks barely accorded any supplier credits for exports to Israel.<sup>119</sup> But on the financial side, collaboration seemed to be fruitful. More than two thirds of the credits authorized by the SNB for Israel went to Israeli banks. The public and parastatal sectors, through the Industrial Development Bank of Israel, the Ministry of Finance, the public health insurance company and cooperatives, were the final beneficiaries of almost half the value of all credits. Even the Israeli Trade Union Federation, the Histadrut, took up a credit of some \$5.7 million in Switzerland. Furthermore, many Israeli bank subsidiaries in Switzerland figured as creditors. Swiss branches of Israeli banks, particularly the Histadrut owned Hapoalim bank,<sup>120</sup> raised large amounts of capital in Swiss markets. After two years of lobbying, this bank gained authorization to open a Zurich branch in 1975.<sup>121</sup> Four years later, Hapoalim began to provide credits to state and parastatal institutions in Israel. According to the archival evidence of Swiss credit activity to Israel, Hapoalim's Swiss branch was responsible for nearly 40% of the total short- and mid-term credit to Israel raised in Switzerland. Although it placed advertisements in the leading Swiss business paper proposing trade promotion services with Israel,<sup>122</sup> the bank did not report a single exporter credit throughout the period examined. In 1980, the share of credits to Israel made up 8% of total claims of Hapoalim's Swiss branch.<sup>123</sup> Raising capital for Israel was an important component of this Israeli banks' business in Switzerland, not funding trade.

The role of the Swiss capital market in economic relations with Israel therefore did not lie primarily in supporting trade relations. Credits to Israel foremost benefited current expenditure of Israel and the Israeli banking system. However, credit values raised in Switzerland were a very small fraction of overall Israeli foreign liabilities. The Swiss

---

<sup>119</sup> Minutes of the Board of Directors, No. 809, p. 1291, 09.09.1976, Archives of the Swiss National Bank [ASNB]

<sup>120</sup> Established in 1921 by the Histadrut, its name means *Workers' Bank* in Hebrew. For a brief commentary on Hapoalim, see: Nitzan and Bichler, *The Global Political Economy of Israel ...*, p. 126-127.

<sup>121</sup> Note by Jean Rochat, Financial and Economic Service of the DPF to the Political Division II of the DPF, "Délégation de parlementaires suisses en Israël," 27.01.1975, SFA, E2001E-01#1988/16#3959\*, C.41.111.9

<sup>122</sup> See: NZZ, 08.07.1975 and 25.05.1978. The advertisements clearly display the Israeli character of the bank.

<sup>123</sup> See: 'Bank Hapoalim Schweiz AG, Kurzbericht über das Geschäftsjahr 1979', in NZZ, 23.01.1980. 'Bank Hapoalim Schweiz AG, Kurzbericht über das Geschäftsjahr 1980', in NZZ, 11.02.1981.

banks' assets in 1983 represented roughly 1.4% of overall Israeli foreign liabilities in 1983, bonds excluded.<sup>124</sup>

**Table 8: Swiss banking credits to Israel (value in current million US\$).**

Year	Creditor	Debtor	Value	Term (semesters)	Interest Rate	Exporter	Financial credit
1973	Noreco Finanz AG, Zürich	Mekoroth Water Co. Ltd., Tel Aviv	1.4	6	open	Sulzer	
1976	Bank Leumi Le-Israel (Switzerland)	Israel Electric Corporation	1.8			Sprecher & Schuh	
1977	INGEBA, Internationale Genossenschaftsbank, Basel,	NIR Ltd. Tel Aviv	5				x
1978	Bank Hapoalim (Switzerland)	ZIM Israel Navigation Ltd.	5	10		x	
1978	Bank Hapoalim (Switzerland)	Keren Hashomer Hatzair Cooperative	7	8			x
1978	Union Bank of Switzerland	Histadrut	5.7	12	5		x
1979	Swiss Bank Corporation	Bank Leumi Le-Israel	10	10	LIBOR plus 5/8%		x
1979	Swiss Bank Corporation	Bank Hapoalim (Israel)	10	10	LIBOR plus 5/8%		x
1979	Swiss Bank Corporation	Israel Discount Bank Ltd.	10	10	LIBOR plus 5/8%		x
1979	Bank Hapoalim (Switzerland)	Keren Hasomer Hatzair, Tel Aviv	7	8			x
1979	Swiss Bank Corporation	Industrial Development Bank of Israel	6.2	4-10		x	
1980	Bank Hapoalim (Switzerland)	United Development Inc. Tel Aviv	7.1	6	LIBOR plus 1.25%		x
1980	Soditic SA Geneve	Industrial Development Bank of Israel	9.1	10	LIBOR plus 3/4%		x
1980	Swiss Bank Corporation	Bank Leumi Le-Israel	6.1	4-10		x	

<sup>124</sup> Author's calculation based on Table 19 and Israeli Central Bureau of Statistics, "7.5 Israel's Foreign Liabilities" in *Statistical Abstract of Israel*, Vol. 47, 1996, <http://www.cbs.gov.il/archive/shnaton47/shnatone.htm> and Swiss National Bank, *Das Schweizerische Bankwesen im Jahre 1983* (Zürich: Orell Füssli Verlag, 1984)

1981	Bank Hapoalim (Switzerland)	Ministry of Finance of the State of Israel	5	10			x
1981	Bank Hapoalim (Switzerland)	Kupat-Holim, Israel (Health Insurance)	6.6	12			x
1982	Bank Hapoalim (Switzerland)	Bank Hapoalim (Israel)	6	4			x
1982	Swiss Bank Corporation	Bank Leumi Le-Israel	5	1			x
<b>Total</b>			114.1				

Source: Minutes of the Board of Directors, 1973, ASNB. SNB to G.F. Wiesskopf, Delegate of the Board of Directors, Bank Leumi Le-Israel (Switzerland), 02.07.1976, ASNB 2.6/2662, 264.291. SNB Note "Kapitalexport nach Israel", 15.11.1978, ASNB 2.6/2206, 261.322.1. SNB to Bank Hapoalim (Switzerland), 31.01.1978, SFA, E2001E-01#1991/17#8561\*, C.41.Isr.152.0. Bank Hapoalim (Switzerland) to SNB, 27.07.1978, *ibid.* P. Huber and F. Bucher, Union Bank of Switzerland to SNB, 07.09.1978, *ibid.* Minutes of the Board of Directors, 1979, ASNB. Minutes of the Board of Directors, 1980, ASNB. Minutes of the Board of Directors, 1981, ASNB. Minutes of the Board of Directors, 1982, ASNB. Values transformed from CHF into million US \$ by the author using: Swiss National Bank, *G3 Forward exchange rates of the USD in CHF* (annually), Monthly Statistical Bulletin, August 2015, [https://www.snb.ch/de/iabout/stat/statpub/statmon/stats/statmon/statmon\\_G3](https://www.snb.ch/de/iabout/stat/statpub/statmon/stats/statmon/statmon_G3).

Little Swiss FDI went to Israel during the 1970s. In 1980, not even the Swiss Ambassador in Tel Aviv, Ernest Bauermeister, had any knowledge of Swiss investments in Israel. He insisted that "given the particular political situation of Israel and notably the Arab boycott, it is unfortunately not possible to obtain any information" regarding Swiss FDI in Israel. If Swiss companies were to invest in Israel, they would not be willing to publicize in midst of the Arab boycott. But he does note, "there is not much Swiss investment in Israel. However, exchanges of know-how must be fairly frequent."<sup>125</sup> Such technology transfers via license agreements were also a form of business relations with Israel in the eyes of the Arab boycott bureau,<sup>126</sup> yet, they were more discreet and did therefore not necessarily get detected by the Arab states. Because of Swiss discretion in business with Israel, obtain more detailed accounts of such license agreements is difficult to. The FPD notes in 1975, that Israeli companies producing water and electric counters as well as cable works did sunder Swiss licenses. The caution of Swiss firms was so high that not even the authorities were aware of the companies involved.<sup>127</sup>

Despite important financial transactions and an impressive increase in diamond trade, the overall economic relations between Switzerland and Israel reached a low point during the 1970s. This remained especially true for trade relations, as the value of real Swiss exports in 1980 was lower than in 1968. Even though they resumed growth in

<sup>125</sup> Letter from Ernest Bauermeister, Swiss Ambassador in Tel Aviv to the FOFEA, 29.04.1980, SFA E7115A#1990/142#2577\*, 877.3

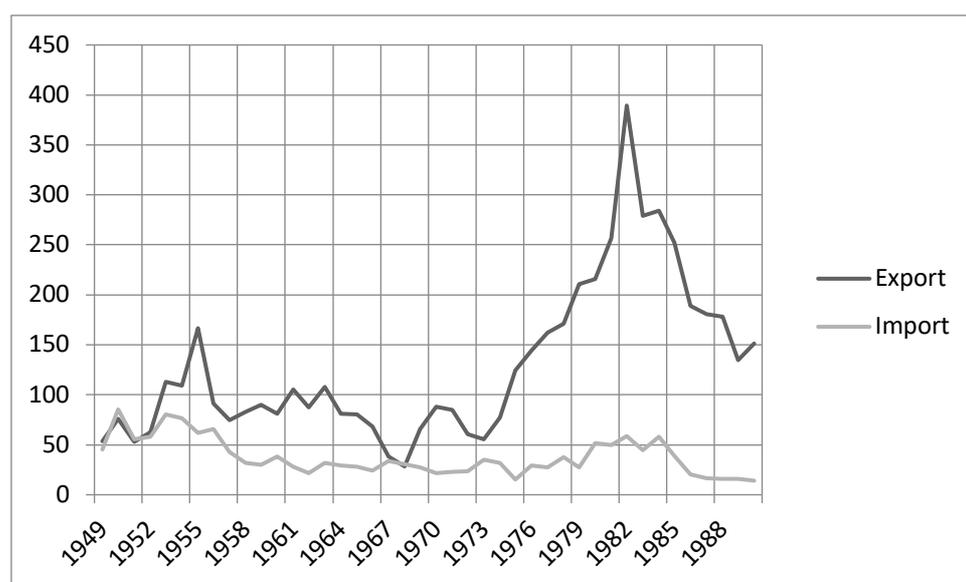
<sup>126</sup> Letter from Hansjakob Kaufmann, Deputy at the Political Division II of the DPF to Alois Heuberger, Staff member of the Division of Commerce, 19.09.1975, SFA, E7110#1986/24#2007\*, 863.9

<sup>127</sup> Note from Heinrich Gattiker, Financial and Economic Service, Swiss Federal Political Department, "Naher Osten: Schweizerische wirtschaftliche Präsenz / Wichtige Börsenplätze", 12.06.1975, SFA, E2001E-01#1987/78#2631\*, C.41.157.0

the early 1980s, it is an important downswing in the overall picture of Switzerland's expanding exports. Changing conditions in the Israeli economy do not in themselves explain this dent, nor through Israeli discriminatory trade practices. It reflected, as will be seen, a conscious shift in economic orientation towards the Arab states.

### *A Swiss Exports Boom to Egypt*

Initially lagging behind Israel in terms of foreign trade, Egypt potentially became a more and more interesting market during the 1970s. This also applied to Swiss exporter industries. A brief glance at Swiss sales in Egypt between 1949 and 1990, as seen in Graph 20, show that trade reacted sensitively to regional political conditions. During each major conflict in the region – the Suez crisis (1956), the Six-Day War (1967) and the October War (1973) – Swiss exports to Egypt dropped. After a short-lived boom following Egyptian independence in the 1950s, the overall trend of Swiss exports to Egypt was one of stagnation and decreases. From 1973 onwards, however, Swiss export figures increased strongly, growing over sevenfold in real terms until 1982. This was substantial, considering that during this same period overall Swiss exports only increased by one third. Egypt was a rapidly expanding outlet for Swiss exporters. This rise was, however, followed by an equally fast contraction, with sales in Egypt dropping almost continuously after 1982 and for the rest of the decade. In a long-term view, the 1970s were a time of rapid, but temporary, expansion of Swiss exports to Egypt. When compared to overall Egyptian imports (Graph 9), this boom largely matched the pattern of increasing Egyptian imports. The October War in itself still depressed Swiss exports to Egypt. With the subsequent implementation of the open-door economic policy and concurrent peace process with Israel, an export scramble for Egypt took place, in which Swiss business wholeheartedly participated.

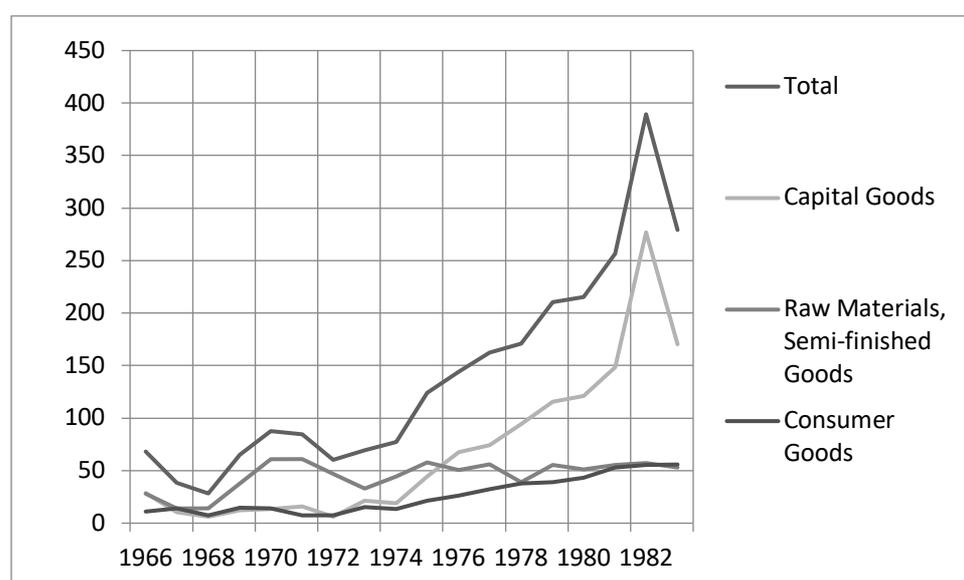


**Graph 20: Swiss export to and import from Egypt (million constant 1970 Swiss francs), 1949-1990**

Source: Kammerer, et al., "L.20. Einfuhrwerte nach Ursprungsländern 1920-1992 (in Millionen Franken): Afrika," "L.24. Ausfuhrwerte nach Verbrauchsländern 1920-1992 (in Millionen Franken):

Afrika” and “L.25. Ausfuhrwerte nach Verbrauchsländern 1920-1992 (in Millionen Franken): Asien” in *Historical Statistics of Switzerland Online*, <http://www.hssso.ch>. Values deflated by the author, using an import and export price index calculated based on: Kammerer, et al., “Q.16b Gross domestic product (expenditure approach) in real 1990 prices and nominal, 1945-2005 in Million Swiss Francs (Economic history of Switzerland during the 20th century)”, in *Historical Statistics of Switzerland Online (HSSO)*: <http://www.hssso.ch>.

Swiss imports from Egypt were still relatively important until the mid-1950s, after which they experienced a continued decline. Only from 1971 onwards did Swiss imports from Egypt tend upwards, without reaching the previous record levels. This slight increase from a low-level could by no means compensate for the rapidly growing Swiss exports to Egypt after 1973. As a result, it induced an increasingly large, unfavorable trade balance for Egypt.

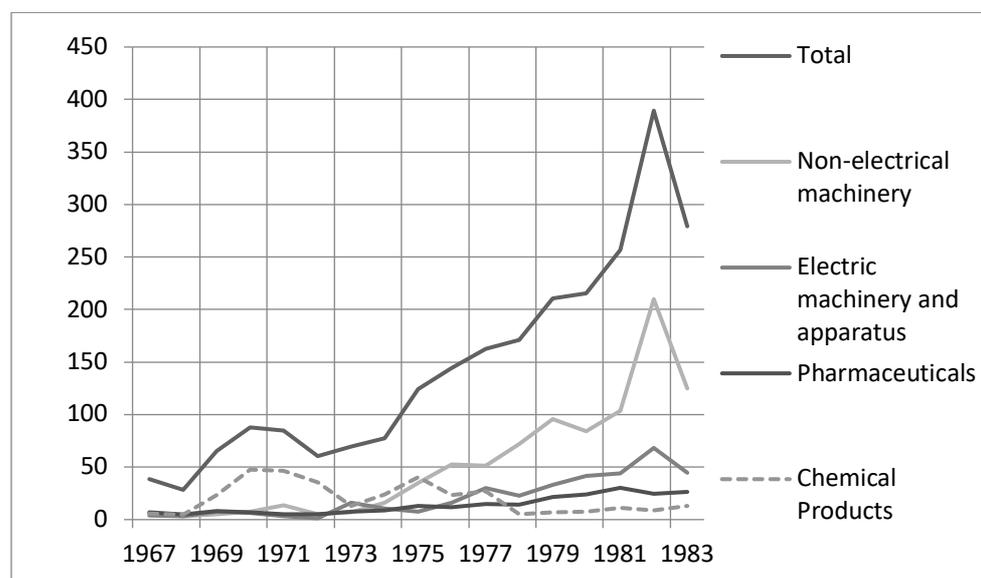


**Graph 21: Main categories of Swiss exports to Egypt (million constant 1970 Swiss francs), 1967-1983**

Source: Eidgenössische Oberzolldirektion (ed.), *Schweizerische Aussenhandelsstatistik*, (Eidgenössische Oberzolldirektion: Bern, 1966-1984). Values deflated by the author, using an import and export price index calculated based on: Kammerer, et al., “Q.16b Gross domestic product (expenditure approach) in real 1990 prices and nominal, 1945-2005 in Million Swiss Francs (Economic history of Switzerland during the 20th century)”, in *Historical Statistics of Switzerland Online (HSSO)*: <http://www.hssso.ch>.

Graph 20 features Swiss exports to Egypt between 1967 and 1983, grouped according to their purpose. While raw materials/semi-finished goods initially dominated Swiss exports, they stagnated from 1970 onwards. Consumer goods exports began to grow relatively smoothly in 1974; in the early 1980s, they became the second most important export category. Capital goods exports, meanwhile, grew strongly and were largely responsible for the overall export growth. Until 1982, they increased over fourteenfold, with average annual growth of almost 40%. We must remember here that Egyptian economic expansion in the 1970s was chiefly associated with growing investment levels, i.e., an industrial build-up. Swiss exports clearly reflected this. Furthermore, as in trade relations with Israel, this dominance of capital goods exports diverged from

overall Swiss export composition. Therefore, the Egyptian market was a particularly promising outlet for the Swiss machinery industry.



**Graph 22: Main subcategories of Swiss exports to Egypt (million constant 1970 Swiss francs). 1967-1983**

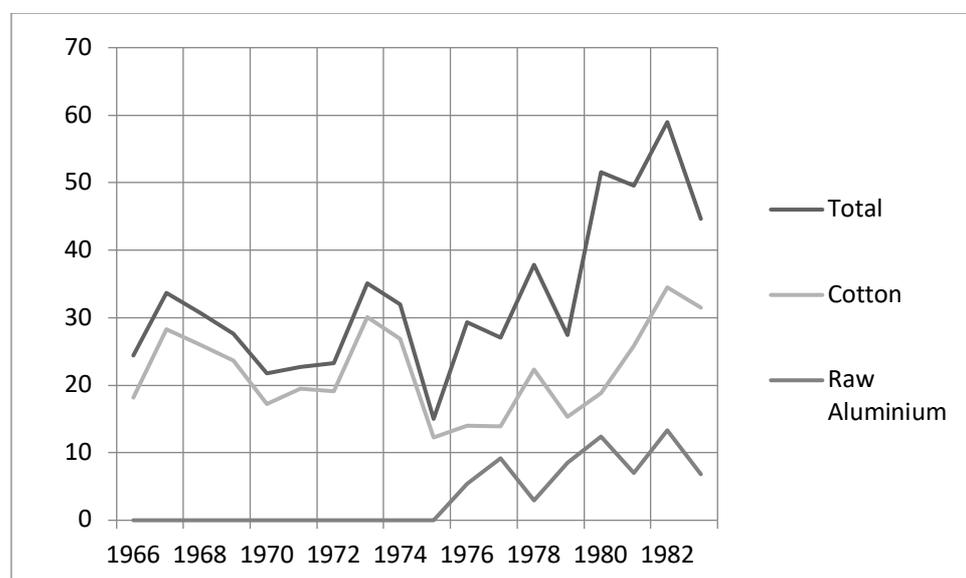
Source: Eidgenössische Oberzolldirektion (ed.), *Schweizerische Aussenhandelsstatistik*, (Eidgenössische Oberzolldirektion: Bern, 1966-1984). Values deflated by the author, using an import and export price index calculated based on: Kammerer, et al., “Q.16b Gross domestic product (expenditure approach) in real 1990 prices and nominal, 1945-2005 in Million Swiss Francs (Economic history of Switzerland during the 20th century)”, in *Historical Statistics of Switzerland Online (HSSO)*: <http://www.hssso.ch>.

The contribution of Swiss export to Egypt’s industrial build-up is confirmed when dissecting the categories into further groups of export products (Graph 22). Classed in the category of raw materials and semi-finished goods, chemical products accounted for the largest part of Swiss exports to Egypt until 1975. They lost in relative and absolute importance thereafter. Their drop was partly compensated by increasing pharmaceutical exports. But the total rise in exports to Egypt after 1973 was mostly driven by exports of non-electrical machinery and, to a lesser extent, exports of electrical machinery. A clear shift in the composition of Swiss exports to Egypt therefore took place in the second half of the 1970s, transitioning from semi-finished goods to capital goods.<sup>128</sup>

Swiss imports from Egypt largely comprised of raw materials. They accounted for over 90% of imports throughout the period. Graph 23 illustrates the importance of raw cotton, which stood as the most important import product from Egypt. From 1975 onwards, raw aluminum, which accounted for up to one third of all imports, was imported to Switzerland from Egypt. Only in 1978 did Switzerland import crude oil from Egypt, valuing about CHF 8.1 million. Being that they consisted mostly in raw

<sup>128</sup> Also note that, next to the products displayed in Graph 22, a whole series of new goods – such as pesticides or metal products – and also consumer goods – for instance, soups/bouillon and textiles – appeared in the Swiss export catalog from 1978 onwards.

material, all these Swiss imports from Egypt had low value added, while the main Swiss exports, machinery, displayed high value added. Terms of trade between Switzerland and Egypt were therefore highly unfavorable to the later.



**Graph 23: Main subcategories of Swiss imports from Egypt (million constant 1970 Swiss francs), 1966-1983**

Source: Eidgenössische Oberzolldirektion (ed.), *Schweizerische Aussenhandelsstatistik*, (Eidgenössische Oberzolldirektion: Bern, 1966-1984). Values deflated by the author, using an import and export price index calculated based on: Kammerer, et al., “Q.16b Gross domestic product (expenditure approach) in real 1990 prices and nominal, 1945-2005 in Million Swiss Francs (Economic history of Switzerland during the 20th century)”, in *Historical Statistics of Switzerland Online (HSSO)*: <http://www.hssso.ch>.

This growth of Swiss exports to Egypt, even though significant in and of itself, is relativized when compared internationally.<sup>129</sup> Throughout the 1960s, Switzerland’s exports made up for values between 1% and 2.3% of all Egyptian imports. Largely matching the drop in Swiss exports to Egypt during the year of the Six-Day War, the lowest market share was in 1967. Among Western states Switzerland ranked between the sixth and tenth most important source of supply, while between tenth and twenty-second among all states.<sup>130</sup> Therefore, a noticeable gap in the Swiss ranking among Western trading partners and Egypt’s total trading partners existed during the 1960s. This reflected a shift to imports from non-Western states in the second half of that decade. Following the conflict around the financing of the Aswan high dam and the Suez Crisis in the mid-1950s, the Soviet Union’s political and economic influence grew unwaveringly, reaching its peak between 1967 and 1972.<sup>131</sup> The Soviet Union became

<sup>129</sup> The following data is from: Author’s calculations based on: IMF, External Trade by Counterpart, “Egypt,” in *Direction of Trade Statistics*, [www.data.imf.org/dot](http://www.data.imf.org/dot).

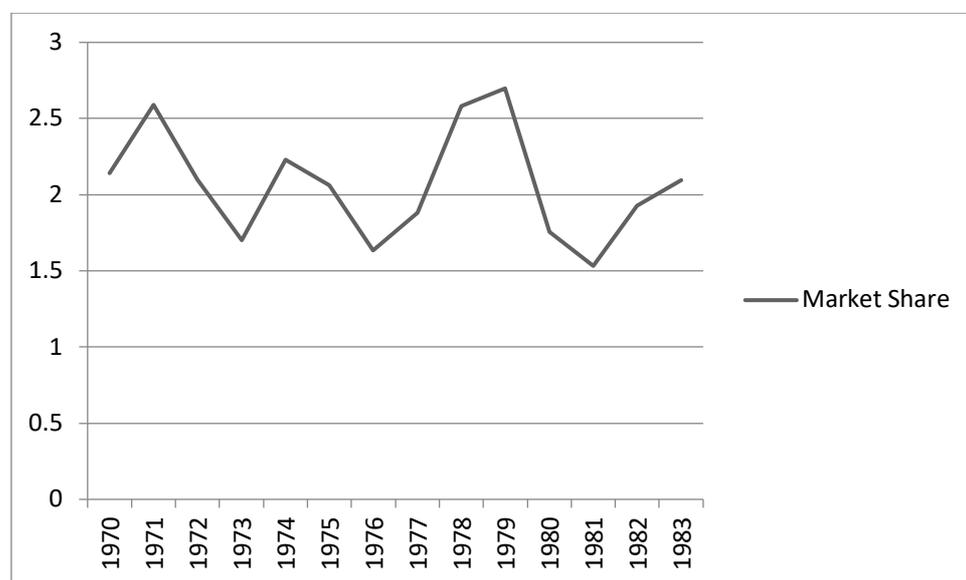
<sup>130</sup> This distinction between Western and the total number of trading states is made assuming that more significant conclusions can be drawn from comparing Swiss trade relations with Egypt to other developed capitalist states.

<sup>131</sup> On the political and economic relations of Nasser and Sadat with the Soviet Union, see for example: Waterbury, *The Egypt of Nasser and Sadat ...*, p. 392-399.

the most important supplier overall, while the share of Egyptian imports from the US decreased.

Graph 24 shows the percentage of Egyptian imports from Switzerland in all Egyptian imports from 1970 to 1983. The strong increase in Swiss export values to Egypt from 1973 to 1982, did not lead to a straightforward increase in Swiss share of overall Egyptian imports. However, the correlation between Swiss market share and its rank among Egypt's main suppliers is negative throughout the period. Usually ranked as the eighth most important supplier among Western states, Switzerland lost ground between 1974 and 1976 as its market share plummeted. While again bettering its position on the Egyptian market until 1979, the part of Switzerland in overall imports dropped to a new low in 1981, as did its ranking. Precisely during the period when Swiss exports grew strongest (cf. Graph 20), their importance for Egyptian imports declined.

Two conclusions may be drawn from these findings. First, the Swiss export industry was a latecomer to the Egyptian import frenzy that followed the October War and newly introduced open-door economic policies, hence the initial drop in market share. Second, Swiss market shares varied according to the evolution of overall Egyptian imports. When Egyptian imports showed signs of stagnation between 1976 and 1979, the Swiss export industry increased its market share and its relative position among suppliers to Egypt. But as Egyptian imports grew again after 1979, the relative position of Swiss supply decreased. This indicates that the evolution of Egyptian foreign trade influenced Swiss positioning on the Egyptian market stronger than the exports efforts of Swiss business.



**Graph 24: Part of Egyptian imports from Switzerland (in percent). 1970-1983**

Source: Author's calculations based on: IMF, External Trade by Counterpart, "Egypt," in *Direction of Trade Statistics*, [www.data.imf.org/dot](http://www.data.imf.org/dot).

Throughout the 1970s, the geographic distribution of Egyptian imports shifted considerably, as Western supply came to dominate (see Table 13, annexed). While the Soviet Union remained the single most important source of Egyptian imports until 1972, it lost market share thereafter. In its place the US rose to the top, accounting for up to 20% of total foreign sales in Egypt. For the next ten years, Western states came to dominate Egyptian imports. This clearly reflected Egypt's economic and political shift towards the West, initiated by Sadat under the open-door economic policy, as well as an increased reliance on the US and other Western sources of economic assistance and credits. The Swiss ranking also reflects this shift. The gap between Switzerland's position among overall suppliers to Egypt and its rank among Western countries narrowed towards the end of the period.

Switzerland was a top ten destination for Egyptian exports only during a two-year period between 1970 and 1983. The total percentage of Egyptian exports to Switzerland fluctuated strongly between 0.4% in 1975, and a record 4.4% in 1980. In 1975, Switzerland was the thirty-first most important market for Egyptian exports; by 1980, it placed sixth. These big fluctuations show that the overall importance of Switzerland for Egyptian exports was inconsistent and rather low. The Soviet Union remained the most important Egyptian export market until 1978 and thereafter still often ranked before the United States.<sup>132</sup> Unlike Israeli trade, Egyptian exports did not go towards its largest suppliers.

Growing Swiss exports to Egypt during the 1970s matched increased financial involvement. As seen, a feature of Egyptian trade in the 1970s included its reliance on supplier credit, in order to finance imports.<sup>133</sup> The ability to provide such credits to Egyptian importers was often crucial to win a bid. Swiss financial involvement was substantial, as shown in the assets held by Swiss banks in Egypt. Unfortunately, the SNB only published such data for Egypt after 1984, without a more detailed account of these assets. Swiss bank's assets had, however, reached the high level of almost CHF 1.15 billion in 1985, of which roughly one quarter were Egyptian bank liabilities.<sup>134</sup> Unlike in Israel, Swiss financial involvement therefore occurred foremost via exporters credits. Again, a source-based evaluation can confirm this (see Table 10). Between 1972 and 1982, traces of credits to Egyptian importers endorsed by the Swiss authorities amounted to almost \$600 million. The highest number of such credits granted occurred in 1981, largely matching the peak levels of Swiss exports the following year (cf. Graph 20).

Unsurprisingly, the overwhelming majority of Swiss companies benefiting from these exporter credits for Egypt were from the machinery industry. Thirteen of the eighteen found supplier credits authorized benefited this sector. The major Swiss machinery company *Brown, Boveri & Cie.* (BBC) alone accounted for eight of these credits, totaling one third of the value of all accorded credits. This largely corresponds to the

---

<sup>132</sup> Author's calculations based on: IMF, External Trade by Counterpart, "Egypt," in *Direction of Trade Statistics*, [www.data.imf.org/dot](http://www.data.imf.org/dot).

<sup>133</sup> Ikram, *The Egyptian Economy ...*, p. 144-145.

<sup>134</sup> Swiss National Bank, *Das Schweizerische Bankwesen im Jahre 1984* (Zürich: Orell Füssli Verlag, 1985), p. 58.

boom of Swiss machinery exports to Egypt until 1982 (cf. Graph. 21). Judging from this limited available information, it seems to have been crucial for Swiss exporters doing business with Egypt to provide credits to finance the trade.

Two credits particularly stand out. First, a mixed credit of CHF 60 million, granted to the Egyptian government in early 1979. This credit was provided to one quarter by the Swiss Federal Government financed and for the remainder by a consortium of four Swiss banks.<sup>135</sup> While the Swiss government's share was interest-free, the banks issued at an interest rate of 1.625% over 8-year cash bonds (7.625% in 1981). The public share of the credit reached maturity after 15 years, with repayments starting after a 10-year grace period. The bank share had a duration of 10 years, with a 3-year grace period. The mixed credit was considered a soft loan, was tied to Egyptian imports of Swiss products and aimed at promoting a sustained Egyptian economic development.<sup>136</sup> The motivations that led to this lending will be discussed more thoroughly in later chapters. In the meantime, it can already be noted that this mixed credit reflected a clear tension between Swiss trade promotion and development assistance, which would generate conflicting pressures.

**Table 9: Swiss banking credits to Egypt (value in million current US\$). 1972-1982**

Year	Creditor	Debtor	Value	Term (semesters)	Interest Rate	Exporter
1972	Consortium (Swiss Bank Corporation, Credit Suisse, Union Bank of Switzerland, Swiss Volksbank)	Egyptian Chemical Industries KIM	5.4			BBC
1975	Zurich Cantonal Bank (Consortium leader)	General Organization for Industrialization	7.5			BBC
1976	Union Bank of Switzerland	Misr Chemical Industries Co.	7.3	12	7.5	
1976	Credit Suisse	Misr Spinning & Weaving Co.	13	10		
1979	Zurich Cantonal Bank	Bank Misr, Alexandria.	44.9	16	5.5	Sulzer
1979	Swiss Bank Corporation	Société Misr de Filature et de Tissage Fin	9.9	12	7-year cash bonds plus 2.25 %	Rieter
1979	Swiss Confederation and Banking Consortium	Ministry of Economy of Egypt	37	30	variable	
1980	Citibank N.A. Zürich	General Organization for Industrialization	6.2	10	6	
1981	Zurich Cantonal Bank (Consortium leader)	Bank Misr	31.1	16	7-year cash	Sulzer

<sup>135</sup> The Swiss Bank Corporation, Crédit Suisse and the Union Bank of Switzerland each contributed 22.5%, while the smaller Schweizerische Volksbank contributed some 7.5%.

<sup>136</sup> Note by Development department of the FOFEA, "Credit Mixte "Egypte,"" 30.07.1981, SFA, E2001E-01#1991/17#6291, C.41.152.0

					bonds plus 1.5 %	
1981	Zurich Cantonal Bank (Consortium leader)	Bank Misr	14.1	10 or 16	variable	BBC
1981	Union Bank of Switzerland	Suez Cement Company	16.6	16	6.75	BBC
1981	Bank Leu	Egyptian Electricity Authority	15	16	1.625	BBC
1981	Banca del Gottardo (Consortium leader)	Ministry of Finance of the Arab Republic of Egypt	308.8	11		Contraves Italiana
1981	Union Bank of Switzerland	Alexandria Portland Cement Co.	16.8	14		BBC
1981	Swiss Bank Corporation	Banque Misr S.A.E.	9.4	16		BBC
1981	Credit Suisse	Misr El Amria Spinning & Weaving Co.	6.1	10		Geilinger
1982	Swiss Bank Corporation	General Organization for Industrialization	33.6	10	8.5	Sulzer
1982	Union Bank of Switzerland	Alexandria Portland Cement Co.	13.7	20		BBC
<b>Total</b>			<b>596.5</b>			

Source:

Minutes of the Board of Directors, 1972, ASNB. Minutes of the Board of Directors, 1976, ASNB. SNB, Minutes of the Board of Directors, 1979 ASNB. Note, Development Department of the FOFEA, "Credit Mixte 'Egypte'" 30.07.1981, SFA E2001E-01#1991/17#6291\*, C.41.152.0. Minutes of the Board of Directors, 1980, ASNB. Minutes of the Board of Directors, 1981, ASNB. Minutes of the Board of Directors, 1982, ASNB. Values transformed from CHF into million US\$ by the author using: Swiss National Bank, *G3 Forward exchange rates of the USD in CHF* (annually), Monthly Statistical Bulletin, August 2015, [https://www.snb.ch/de/i/about/stat/statpub/statmon/stats/statmon/statmon\\_G3](https://www.snb.ch/de/i/about/stat/statpub/statmon/stats/statmon/statmon_G3).

The second credit that merits special attention stands out for its value. In 1981, a consortium under the leadership of the Banca del Gottardo received authorization for a credit for the colossal sum of over \$300 million. However, its intended use is also remarkable. Disbursed to the Egyptian Ministry of Finance, it was intended to finance Egyptian arms imports from *Contraves Italiana*, the Italian branch of the Swiss armaments company *Oerlikon-Bührle*.<sup>137</sup> Despite the Egyptian-Israeli peace agreement of 1979, this deal was still politically sensitive, attracting criticism in the government administration and the press.<sup>138</sup> A closer examination of this credit in a later chapter will show how its authorization by the Swiss government was not unproblematic.

<sup>137</sup> Confidential note from Raymond Probst, State Secretary of the FDFA to Jean Zwahlen, Financial and Economic Service of the FDFA, 12.05.1981, SFA, E2001E-01#1991/17#6291\*, C.41.152.0

<sup>138</sup> For criticism from the Swiss Ambassador in Cairo, see: Jean Cuendet, Swiss Ambassador in Cairo to the Financial and Economic Service of the FDFA, 03.07.1981, SFA, E2001E-01#1991/17#6291\*, C.41.152.0. For criticism in the press, see articles in: SFA, E2001E-01#1991/17#6274, B.51.14.21.20.Eg

As mentioned, Egypt not only sought to overcome foreign currency shortages through credits. Attracting FDI was also part of the strategy. It aimed at attracting productive investment and contributing to an industrial build-up, and explicitly also at reducing balance of payment difficulties. Immediate capital transfers and the establishment of joint ventures producing for Arab export markets should ease Egypt's current account. As part of their economic opening, the Egyptian authorities introduced a law liberalizing foreign investment in 1974: Law 43 for Arab and Foreign Investment. According to this legislation, foreign companies had to enter into joint ventures with Egyptian companies. By 1983, 650 such ventures had started operating.<sup>139</sup> Bilaterally, Swiss investment in Egypt was subject to a bilateral Investment Protection Treaty (IPT), concluded in 1973.<sup>140</sup>

While Swiss companies investing in Egypt were in no way compelled to announce their plans to the Swiss authorities, the latter luckily got their hand on a list comprising information on some 50 Swiss joint ventures in Egypt in the early 1980s.<sup>141</sup> Completed with other sources, a list of 66 ventures with Swiss participation has been established (cf. Table 11). Given that, in 1983, the Swiss ambassador to Cairo mentioned the existence of 72 such investment projects,<sup>142</sup> this list seems quite exhaustive. The numerous projects listed underscore the importance of Swiss FDI in overall foreign participation, with some 11% of ventures operating under Swiss participation. Swiss FDI figured prominently among overall FDI in Egypt<sup>143</sup> and by 1982, according to the federal authorities, were the fifth most important foreign investor.<sup>144</sup> Compared to the overall eighth rank of Switzerland among the most important countries of outflowing FDI (table 4), its presence in Egypt was therefore highly significant.

Unfortunately, the data remains very incomplete. Often the Swiss company is unknown and only very rarely is its share in the joint venture mentioned, making it difficult to assess the actual value of the Swiss FDI. This is problematic, as the OECD considers a participation of at least 10% as a threshold to consider a financial involvement as a "lasting interest" and hence as an FDI,<sup>145</sup> even though variables measuring the degree of control can also be broadened.<sup>146</sup> Exactly quantifying Swiss FDI in Egypt in

---

<sup>139</sup> For a discussion on the Egyptian liberalization of FDI, see: John Waterbury, 'The "Soft State" and the Open Door: Egypt's Experience with Economic Liberalization, 1974-1984,' *Comparative Politics*, 18 (1985), p. 65-83.

<sup>140</sup> Telegram from Hans-Karl Frey, Swiss Ambassador in Cairo to the Division of Commerce, 24.07.1973, SFA, E7110#1984/70#1064\*, 821

<sup>141</sup> Note by Swiss Embassy Cairo, "Schweizerische Joint Ventures", undated, SFA, E7115A#1992/24#1199\*, 877.3

<sup>142</sup> Letter from Cuendet to Wagih Shindi, Egyptian Minister of Investment Affairs and International Cooperation, 03.06.1983, SFA, E2010A#1995/313#5813\*, C.41.111.0

<sup>143</sup> In a study focusing more on contemporary FDI from EU countries in Egypt, Switzerland is mentioned as a significant investor, see: Ashraf Mishrif, *Investing in the Middle East: The Political Economy of European Direct Investment in Egypt* (London: I.B. Tauris, 2010), p. 76-78.

<sup>144</sup> See the note by Gerber to Jolles, „Besuch des ägyptischen Industrieministers“, 08.09.1982, SFA, E7115A#1992/24#1199\*, 877.3

<sup>145</sup> OECD, *Benchmark Definition of Foreign Direct Investment*, Fourth Edition, (OECD, 2008), p. 19.

<sup>146</sup> Robert E. Lipsey, 'Foreign Direct Investment and the Operations of Multinational Firms: Concepts, History, and Data', in *Handbook of International Trade*, ed. by James Harrigan and E. Kwan Choi (Oxford: Blackwell, 2004), p. 288-292.

monetary terms is difficult, if not impossible. Assessing their quality is slightly easier. There had been considerable debate on whether FDI in Egypt was actually productive, or not. Much criticism targeted the fact that much FDI went into the financial sector, services and tourism, neglecting manufacturing.<sup>147</sup> But even determining their sectors of activity in Egypt is not straightforward with the available information. Roughly speaking, one third might be evaluated as productive industrial investment, an eighth in construction and a fifth in tourism. As done for Swiss credit activity, a brief overlook over a few ventures can allow for a more thorough understanding of the characteristics of some actually productive Swiss FDI.

The oldest Swiss FDI in Egypt was *Swiss Pharma*, a pharmaceutical production company with the participation of three major Swiss pharmaceutical companies: *Ciba-Geigy*, *Sandoz* and *Wander*. Established in 1962, the initial investment was rather low, with about half a million US\$ (Table 11). Seemingly because of existing agreements with the Egyptian government banning any possible nationalization of foreign pharmaceutical ventures in Egypt, but more likely because of US pressure, Swiss Pharma was not nationalized in 1964.<sup>148</sup> Successive capital increases until 1982 eventually raised the investment to over 4 million US\$. While the Swiss companies retained 60% of the company shares, the remaining 40% was publicly held.<sup>149</sup> The factory was – and still is – in the suburbs of Cairo. In a Swiss Pharma information brochure, the company highlights the ‘swissness’ of its factory: “After entering the premises [...] you will begin to notice many similarities with Swiss-designed pharmaceutical compounding and packaging plants all over the world. The basic hallmark, cleanliness, is given highest priority. Everyone and everything [...] are subject to meticulous supervision in a system of clearly defined responsibilities.”<sup>150</sup> In 1979, over 400 workers were employed at Swiss-Pharma and sales reached a value of \$17.6 million. It ‘produced’ almost exclusively for the local market, which corresponded to the Egyptian ISI development strategy of the 1960s.<sup>151</sup> By the end of the 1970s, Swiss Pharma boasted the highest sales among private pharmaceutical companies in Egypt.<sup>152</sup>

A second noticeable Swiss FDI occurred in 1975, as the Swiss elevator company *Schindler* entered into a joint venture with the *Elevators & Building Material Co. of Cairo*, a state-owned Egyptian enterprise. Together they opened the *Arab Elevators Co. Schindler – Egypt*. Initially, the venture only assembled imported components of the elevators, but gradually intended to produce all of them locally. It exported between

---

<sup>147</sup> See for instance: Hadi Salehi Esfahani, *The Experience of Foreign Investment in Egypt under Infitah* (New Jersey: Center for Economic Research in Africa, School of Business, Mont Clair University, 1993). See further: Ikram, *The Political Economy of Reforms in Egypt ...*, p. 223-224.

<sup>148</sup> For these considerations, see the confidential letter from Silvio Masnata, Embassy council, Cairo, to the Division for political affairs, FPD, 18.02.1964, SFA, E2001E#1978/84#1498\*, B.31.22.1.1

<sup>149</sup> See: *Preamble of the Statutes of Swiss-Pharma*, non-dated, Novartis Company Archives [NCA], RD 7.2.01.

<sup>150</sup> See the brochure “Swisspharma S.A.A. Cairo”, 1975, NCA, RD 7.2.01

<sup>151</sup> Report by Hans Jakob Furrer, General Manager of Swisspharma, *Key Data on Swisspharma*, NCA, RD 7.2.01

<sup>152</sup> See the report: *Swisspharma S.A.A.*, 22.02.1980, NCA, RD 7.2.01

40% and 60% of its products from Cairo to the rest of the Arab world. Direct Swiss participation in the CHF 20 million initial investment was just 5%; Schindler's Egyptian partner contributed 31%. The remaining capital came from Schindler representatives in Saudi Arabia (30%) Kuwait (25%) and Libya (9%).<sup>153</sup> This investment exemplified the intentions of the Egyptian government's 1974 investment law, Law 43. It intended to combine Western know-how with Arab capital and local production for exports.

And finally, in 1979, the Swiss machine industry company BBC entered into a joint venture with the *Arab Contractors*. The resulting *Arab Contractors Company for Electrical Products (ARABB)* was founded with an initial investment of CHF 4.5 million, to which BBC contributed 30%. Situated in a Cairo suburb, the venture produced electrical switch housings. ARABB targeted to export roughly 20% of its products to African countries, therefore also matching Egyptian aims. However, the co-founding Arab Contractors would be its biggest client.<sup>154</sup> This company was run by the influential and controversial Egyptian businessman Osman Ahmed Osman. Personally close to President Sadat, he was Minister of Reconstruction. Formally a public company active in construction, the Arab Contractors heavily profited off postwar reconstruction and was engaged in a series of privately organized joint ventures and other Egyptian firms.<sup>155</sup> Nestlé and Oerlikon projects seem to have received important productive investments. Unfortunately, detailed accounts about their activities were not found in public archives.

**Table 10: Swiss investment in Egypt (value in million current US\$). 1962-1981**

Year	Investor	Venture	Value	Sector	Object of the Venture
1962	Ciba-Geigy, Sandoz-Wander	Swisspharma			
1971	Ciba-Geigy	Agrochemical Research Center	1	Pharmaceutical	Agrochemical Research Center
1973		Sidi Kreir Refinery	7.54	Oil and Gas	Equipments
1974	Ciba-Geigy, Sandoz-Wander	Swisspharma	0.72	Pharmaceutical	Pharmaceutical
1974	Holderbank	Arab Swiss Engineering Co (ASEC)	2.69	Consulting	Construction material/cement
1975	Schindler	Arab Elevators Co. "Schindler Egypt"	7.74	Machine building	Elevator construction
1975	Hoffmann-La Roche	Agency			

<sup>153</sup> Pierre Gagnebin, Swiss Ambassador in Cairo to the Division of Commerce, 11.12.1975, SFA, E7110#1986/24#1245\*, 892.1

<sup>154</sup> Gagnebin to the Federal Office for Foreign Economic Affairs, 17.04.1979, SFA, E7115A#1990/60#1344\*, 873.5

<sup>155</sup> On Osman Ahmed Osman, see: Raymond William Baker, *Sadat and After: Struggles for Egypt's Political Soul* (Cambridge; Harvard University Press, 1990), p. 15-45.

1975*	Sandoz	Technical office			
1975*	BBC	Technical office			
1975	Swiss Bank Corporation	Representative office			
1975		The Egyptian Granit and Marble Co.	5.11	mineral sources	Marble and granite mining
1975		Egyptal Comp. E.P.A.	1.28	Chemical industry	Plastic footwear
1975		Clutchplate Manufacture	2.56	Machine building	Coupling plates
1975		Arab Timber Industries Co. (ATICO)	12	Timber	Exotic wood furniture
1975		T. Trading and Engineering Association (T Computers)	0.45	Consulting	Electronic Systems
1975	Zürich Insurance	Arab International Insurance Co.	7.67	Insurance	
1975	Avis	Intercar Touristic Co.	0.24	Tourism	Transportation
1975	Swissair	Swiss Egyptian Restaurant Company (SERCO)	2.41	Tourism	Restaurants, Airline Catering
1975		Triad Hotel Egypt Co.	2.56	Tourism	Hottelery
1975		Ismailia Tranport Co. SAE	8.18	Transport	
1976	Oerlikon-Bührle	Oerlikon Misr Co.	1.15	Metal Processing	Electric welding equipment
1976	Kascit AG	Hegazy Cable Co	5.11		
1976		Egyptian Saudi Co. For Aluminim	9.35	Metal Processing	
1976		Gems Trading Co.	1.23	Metal Processing	Diamond cutters
1976		Misr Iran Co. For Hotels	47.92	Finance Company	Hotel projects
1976		Bella Donna Touristic & Hotels CO	5.11	Tourism	Nile cruises, holiday villages
1976	Mövenpick	Egyptian Swiss Motel Co.	0.13	Tourism	Jolie Ville Motel
1976		Nova Park Co. For Hotels	17.89	Tourism	Hotel
1976		Pyramids Co	2.15	Tourism	Floating hotels

1976		Industrial Development Trading Co.	0.36	Warehousing	Vehicles and spare parts
1977		Egyptian Ice Cooling Co.	1.53	Food products	Cold storage depots
1977		Abicon Co.	0.64	Construction	Civil Engineering
1977	Holderbank Management & Beratung AG	Misr Financing Co. For Construction and Building Materials (MIFIC)	4.25	Finance Company	Construction material
1977		National Center for Training and Employment (NCTE)	2	Other Services	Human resources
1978		Promenco	0.32	mineral sources	Mineral extraction, fertilizer production, insecticides
1978		Alfisco Misr Oil Field Services Co. Ltd.	1.28	Oil and Gas	Equipments
1978	Kascit AG	Prefabricated Buildings (Prefabco Hegazi)	3.58	Building materials	Prefabricated parts
1978		Hegazi Prefabricated Units	0.8	Building materials	Prefabricated parts
1978		EI Giza Chemical Industries	1.87	Chemical industry	Household goods
1978	BBC	Arab Contractors Electrical Industries (ARABB)	30.67	Machine building	Electrical switch housings
1978		Texmar Co.	4.22	Textile	Textils
1978	CS	Crédit Suisse Cairo Branch	0.67	Banking	
1978		Biexal Co.	0.89	Construction	Touristic and industrial construction
1978		Engineering and Contr. Co.	1.16	Construction	Construction planning and management
1978		Mobag Intl. / Eng. Ayoub	0.64	Construction	General contractor
1978		A.U.C. Egypt	3.83	Finance Company	Land reclamation
1978		General Investments Co. Arinco	3.83	Finance Company	
1979	Intrachem S.A., Genf	Framchem		Pharmaceutical	
1979	Kramer & Co. Ltd.	Kramico Contractin	5		
1979		Prodrill Egypt Division	0.7	Oil and Gas	Equipment

1979		Plastico	9	Chemical industry	Plastic tubes
1979		Mineral Water Project	1.29	Food products	Mineral water
1979		Industrial Textile Project	2.86	Textile	Spinning and weaving of industrial textiles
1979		Contracting Co.	5	Construction	General contractor
1979		Touristic Consultants	0.1	Consulting	Tourism
1979		Egypt Swiss Hotel Management Co.	0.1	Tourism	Studies and Consulting
1979	Mövenpick	Jolie Ville Luxor	7.14	Tourism	El Timsah Island. Vacation village
1979		Mohandessin Hotel	4.71	Tourism	Hotel
1979		Touristic Hotel Helopolos	11.43	Tourism	Hotel
1980*	Nestlé		11.95	Food products	Milk Powder Factory
1980	Mövenpick	Managing Touristic Institutions Co.	0.16		
1981	Sara International Co. for International Investment	Ismailiya Co. for transportation of Goods Ltd	1.7	Transport	
1981	Mövenpick	Al-Timsah Co. for Touristic Project	3.17	Tourism	
1981*	Siegwart Itagdrilling & Co., Fürigen	Abicon Ltd., Cairo	0.7	Oil and Gas	Drilling firm
1981*	Europäische Holding Intercito AG, Stans	Oerlikon Egypt for Electrodes and Welding Equipment	0.75	Machine building	Electrodes
1981	Nova Park AG	Green Pyramids Hotel	1.97		

Sources: Preamble of the Statutes of Swiss-Pharma, non-dated, Novartis Company Archives [NCA], RD 7.2.01. Letter from Pierre Thévanaz to Swiss Commercial Division, 05.07.1971, SFA, E7110#1982/108#1375\*, 873.1. Note by Heinrich Gattiker, Collaborator at the Financial and Economic Service of the FPD, 12.06.1975, SFA, E2001E-01#1987/78#2631\*, C.41.157.0. Letter from Pierre Gagnebin, Swiss Ambassador in Cairo, to the Division of Commerce, 11.05.1979, SFA, E7115A#1990/60#1344\*, 873.5. Letter from Hannes Vogt, Chargé d'affaire a.i. Swiss Embassy Cairo to the Federal Office of Foreign Trade, 23.03.1981, SFA, E7115A#1991/189#1191\*, 892.1. Letter of Jean Cuendet Swiss Ambassador in Cairo to the Federal Office of Foreign Trade, 17.06.1981, *ibid.*. Letter from Cuendet to Wagih Shindi, Egyptian Minister of Investment Affairs and International Cooperation, 03.06.1983, SFA, E2010A#1995/313#5813\*, C.41.111.0. Note by Swiss Embassy Cairo, "Schweizerische Joint Ventures", undated, E7115A#1992/24#1199\*, 877.3. *Who owns whom. Der schweizerische Beteiligungsatlas* (Zürich: U. Bär, 1981). Values transformed from CHF into million US\$ by the author using: Swiss National Bank, *G3 Forward exchange rates of the USD in CHF* (annually), Monthly Statistical Bulletin, August 2015, [https://www.snb.ch/de/i/about/stat/statpub/statmon/stats/statmon/statmon\\_G3](https://www.snb.ch/de/i/about/stat/statpub/statmon/stats/statmon/statmon_G3). Values transformed from £E to US\$ by the author using: UNCTAD, *Currency exchange rates, annual*, <https://unctadstat.unctad.org/wds>.

In addition to these productive FDI, Swiss firms also opened technical offices, research centers, consultancies, financial corporations as well as trade and tourism companies. These forms of investment seemed intent on better developing the Egyptian market for Swiss exports, rather than actually building up economic capacities. As seen, this was indeed a common trend of FDI in Egypt at the time. The Swiss Embassy in Cairo acknowledged that entering into joint ventures was interesting for Swiss business to increase their sales in the Egyptian market. It would enable them to follow a “long-term policy of market development”, heightening goodwill and experience in the country, which in turn provided better market access “than competitors without such an ‘investment’” inside Egypt.<sup>156</sup> As the OECD highlights in a more recent discussion of FDI, such investments “may also allow the direct investor to gain access to the economy of the direct investment enterprise which it might otherwise be unable to do.”<sup>157</sup> But beyond developing sales in the heavily protected Egyptian pharmaceutical market, many productive Swiss FDI in Egypt remained heavily dependent on imports from the Swiss parent companies. The Swiss pharmaceutical companies invested in Egypt drew their largest benefits from exporting raw materials to their plant in Cairo.<sup>158</sup> Their production site in Egypt actually only compound and packaged medication with the active ingredients imported from the mother companies.<sup>159</sup> Such investment was likely not to improve the Egyptian balance of payments.

Again, the available data does not allow for a precise evaluation of the weight of Swiss FDI in the overall direct investment in Egypt. However, from what is known, Egypt did attract non-negligible amounts of Swiss capital in this period of economic liberalization. However, these investments appear to have been geared more towards promoting and sustaining Swiss export markets. Swiss credit activities were analogous, as they chiefly focused on selling Swiss goods in Egypt. This matches the earlier findings on Swiss business ambivalence: skepticism towards investing directly in Third World countries, but eager to engage in trading activities. This overview of Swiss-Egyptian economic relations shows that the Swiss export industry fully participated in Egypt’s opening to foreign trade during the 1970s. Capital goods were chiefly responsible for the export growth, benefiting from the Egyptian industrial build-up. Such machinery exports relied heavily on suppliers’ credits, willingly provided by Swiss banks. While spectacular in itself, the Swiss position in the Egyptian market is relativized when compared internationally. Even though the Swiss average market share in Egyptian imports increased, its relative position vis-à-vis Western exporters tended to decrease. Nonetheless, the growth of Swiss exports to Egypt remains impressive, facilitated by supplier credits and FDI, a trend that considerably grew in the second half of the 1970s.

---

<sup>156</sup> Letter from the Swiss Embassy in Cairo to the Division of Commerce, 26.06.1977, ACH, IB-Vorort, 360.2.2.2.

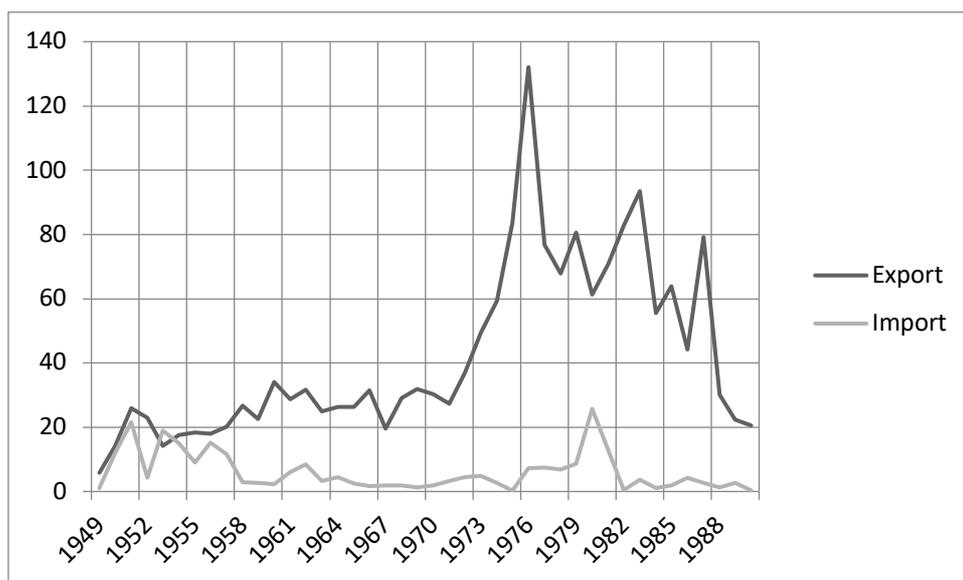
<sup>157</sup> OECD, *Benchmark Definition* ..., p. 19.

<sup>158</sup> See again the letter from the Swiss Embassy in Cairo to the Division of Commerce, 26.06.1977, ACH, IB-Vorort, 360.2.2.2..

<sup>159</sup> Cf. the brochure “Swisspharma S.A.A. Cairo”, 1975, NCA, RD 7.2.01

### *Erratic Trade With Syria*

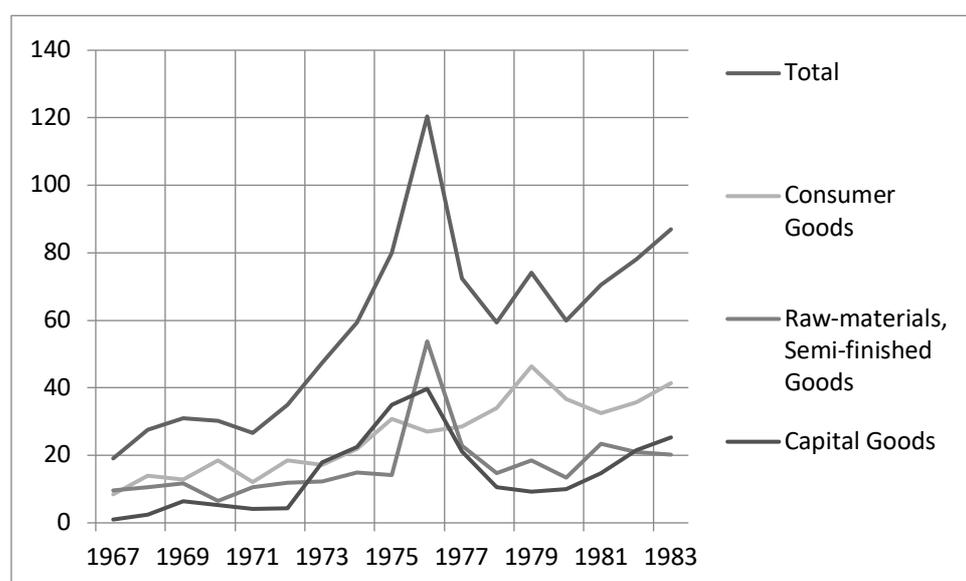
In the long-term evolution of Swiss-Syrian trade (Graph 25), the 1970s also stand out as a period of expansion. While trade continued rather balanced until the mid-1950s, Swiss imports from Syria eventually dropped considerably. Swiss exports rose until the early 1960s before stagnating. This drop and stagnation of Swiss exports during a period marked by political instability in Syria, indicates that local political conditions considerably influenced trade. However, in comparison to the evolution of Swiss exports to Egypt (Graph 20), trade with Syria seems to have reacted less strongly to political developments. The October War in 1973, for example, did not halt the boom of Swiss exports to Syria that had begun in 1971. Until 1976, Swiss exports grew strongly, reaching values over four times those of 1971. After 1976, they, however, dropped again, but still oscillated around levels considerably higher than prior to this boom. While this takeoff coincided with the beginnings of liberalization under the ‘corrective revolution’, the subsequent drop reflected the introduction of import restrictions in 1977 noted earlier. Syrian economic policymaking, therefore seem to have had a stronger influence on Swiss exports than political conditions.



**Graph 25: Swiss imports from and exports to Syria (million constant 1970 Swiss francs), 1949-1990**

Source: Kammerer, et al., “L.21. Einfuhrwerte nach Ursprungsländern 1920-1992 (in Millionen Franken): Asien” and “L.25. Ausfuhrwerte nach Verbrauchsländern 1920-1992 (in Millionen Franken): Asien,” in *Historical Statistics of Switzerland Online (HSSO)*: <http://www.hssso.ch>. And: Eidgenössische Oberzolldirektion (ed.), *Schweizerische Aussenhandelsstatistik*, (Eidgenössische Oberzolldirektion: Bern, 1966-1984). Values deflated by the author, using an import and export price index calculated based on: Kammerer, et al., “Q.16b Gross domestic product (expenditure approach) in real 1990 prices and nominal, 1945-2005 in Million Swiss Francs (Economic history of Switzerland during the 20th century)”, in *Historical Statistics of Switzerland Online (HSSO)*: <http://www.hssso.ch>.

The composition of Swiss exports to Syria was more diversified than exports to Egypt, as seen in Graph 26. Consumer goods grew most stably, making them the main export group of the most of the period. The peak value of all exports, in 1976, was caused by a strong increase in capital goods and raw materials/semi-finished goods sales. Capital goods growth was gradual but impressive, on average growing by almost 75% every year from 1972 to 1976. But they then dropped as rates of Syrian investment and therefore capital goods imports decreased. The drop also reflected restrictive foreign currency controls, making private imports harder.<sup>160</sup> Raw materials/semi-finished goods exports, meanwhile, spiked suddenly, almost quadrupling in 1976. Thereafter, they also retreated to more gradual growth.



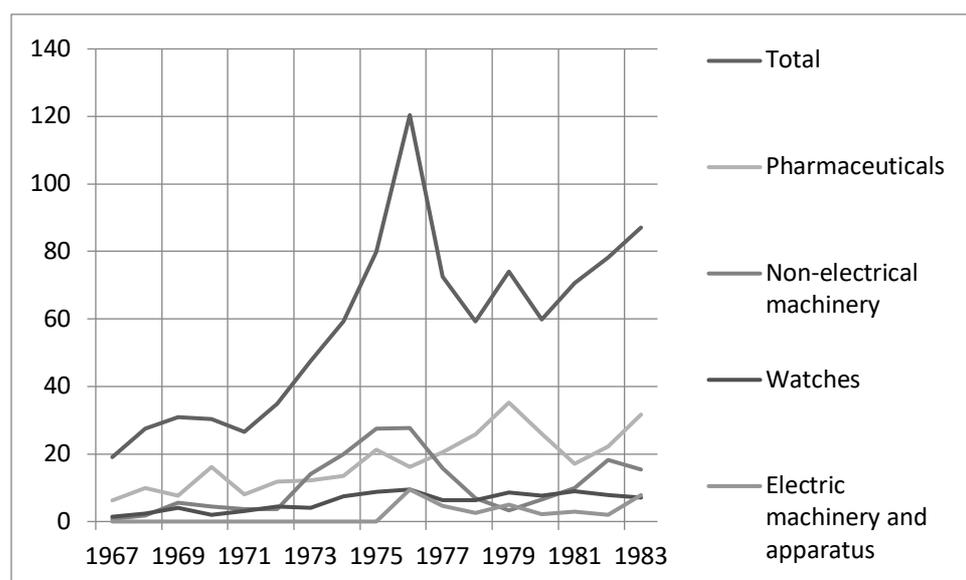
**Graph 26: Main categories of Swiss exports to Syria (million constant 1970 Swiss francs), 1966-1983**

Source: Eidgenössische Oberzolldirektion (ed.), *Schweizerische Aussenhandelsstatistik*, (Eidgenössische Oberzolldirektion: Bern, 1966-1984). Values deflated by the author, using an import and export price index calculated based on: Kammerer, et al., “Q.16b Gross domestic product (expenditure approach) in real 1990 prices and nominal, 1945-2005 in Million Swiss Francs (Economic history of Switzerland during the 20th century)”, in *Historical Statistics of Switzerland Online (HSSO)*: <http://www.hssso.ch>.

A closer examination of these export categories (Graph 27) allows determining which products were responsible for the 1976 peak. The four single most important exports to Syria during the 1970s were pharmaceuticals, non-electrical machinery, watches, electric machinery and apparatuses. Together, they accounted for approximately three quarters of all exports throughout the period. Graph 27, however, only partially explains the peak of exports in 1976, as they then only accounted for around half of total Swiss exports. None of them were grouped under the category raw materials or semi-finished goods, chiefly responsible for the spike. Another product claimed that responsibility. As the foreign trade statistics of the Swiss Federal Directorate General of Customs reveal, jewelry and gems – valuing at CHF 41 million – were exported to Syria in

<sup>160</sup> See: Kanovsky, ‘What’s Behind Syria’s Current Economic Problems?’ ..., p. 299.

1976.<sup>161</sup> Accounting for one quarter of all exports, they were the single most important product group exported to Syria. But after 1977, their share fell to insignificant values again.<sup>162</sup> This export peak in 1976 was therefore due to a unique transaction of jewelry and gemstones.<sup>163</sup> Whether these significant sales of Swiss luxury items in Syria had anything to do with the visit of Assad's daughter to Switzerland a year earlier, could not be established.<sup>164</sup> The high price does not, however, seem to sustain such a suspicion. It should still be noted that Syrian elites had a tendency to purchase luxury items when abroad.<sup>165</sup>



**Graph 27: Main subcategories of Swiss exports to Syria (million constant 1970 Swiss francs), 1967-1983**

Source: Eidgenössische Oberzolldirektion (ed.), *Schweizerische Aussenhandelsstatistik*, (Eidgenössische Oberzolldirektion: Bern, 1966-1984). Values deflated by the author, using an import and export price index calculated based on: Kammerer, et al., "Q.16b Gross domestic product (expenditure approach) in real 1990 prices and nominal, 1945-2005 in Million Swiss Francs (Economic history of Switzerland during the 20th century)", in *Historical Statistics of Switzerland Online (HSSO)*: <http://www.hssso.ch>.

The peak of Swiss exports to Syria in 1976 was driven by an increase in machinery exports combined with a sizable transaction of jewelry and gemstones. Besides this unique transaction, Swiss exporters and particularly the machinery industry did increase their sales in Syria. After 1977, the introduction of new restrictions on foreign trade and investment caused sales to fall again. Pharmaceutical exports, less sensitive to Syrian austerity, still tended to increase and stabilized overall Swiss exports to Syria.

<sup>161</sup> See: Eidgenössische Oberzolldirektion (ed.), *Schweizerische Aussenhandelsstatistik 1976*, (Eidgenössische Oberzolldirektion: Bern, 1977), p. 137.

<sup>162</sup> Eidgenössische Oberzolldirektion (ed.), *Schweizerische Aussenhandelsstatistik 1977*, (Eidgenössische Oberzolldirektion: Bern, 1978), p. 145.

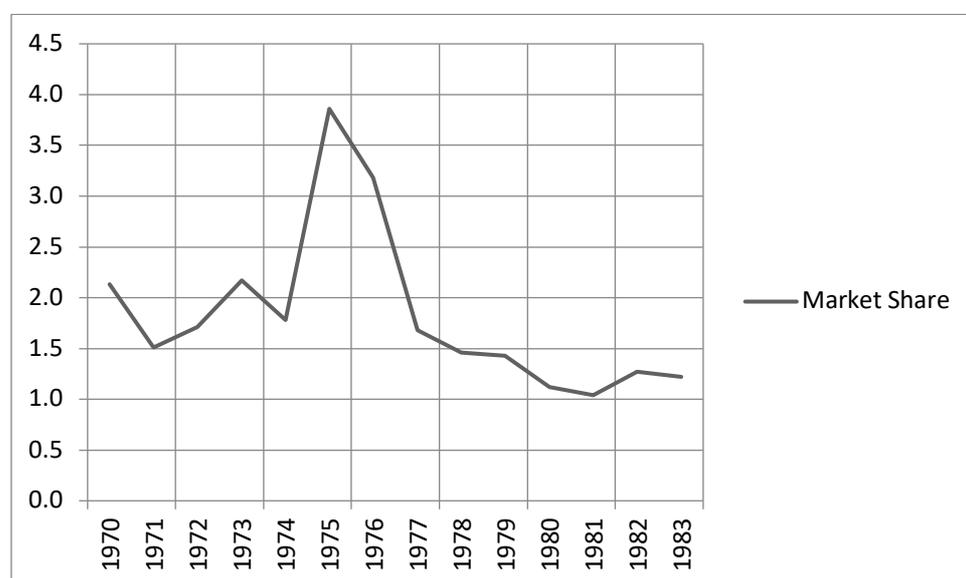
<sup>163</sup> While reviewing the SFA files relating to foreign trade with Syria, the author found no traces of these transactions.

<sup>164</sup> Reported in a letter from R. Vieux, Head of protocol, Canton of Geneva, to the Political Division, FPD; 29.08.1975, SFA, E2001E-01#1988/16#5624\*, B.15.21

<sup>165</sup> Matar, *The Political Economy of Investment in Syria ...*, p. 23.

But they too were submitted to considerable pressure on the Syrian market in the second half of the 1970s, as will be seen later.

With stagnating Syrian imports through the late 1960s (Graph 12), and only slightly varying Swiss exports (Graph 25), the Swiss market share of Syrian imports remained relatively stable. Accounting for an average of 1.9% of Syrian supply from 1960 to 1973, Switzerland ranked as the eighth or ninth most important Western trading partner.<sup>166</sup> With the strong Swiss export growth, particularly after 1974, it climbed to the seventh position, claiming almost 4% of Syrian imports in 1975 (see Table 14). In 1976, this began to change. Despite exports hitting a peak, Switzerland had already begun losing market share as other sources of Syrian supply rose in importance.<sup>167</sup> Accounting for an average 1.3% of Syrian supply from 1977 to 1983, Switzerland no longer ranked among the top ten Western import sources for Syria. It did not even place within the top twenty overall suppliers for most of the remaining period.



**Graph 28: Part of Syrian imports from Switzerland (in percent). 1970-1983**

Source: Author’s calculations based on: IMF, External Trade by Counterpart, “Syria,” in *Direction of Trade Statistics*, [www.data.imf.org/dot](http://www.data.imf.org/dot).

Unlike the relative position of Swiss business on the Egyptian market, Swiss exports did seem to influence its share among overall Syrian imports more strongly. When Swiss exports dropped in 1977 (Graph 25), Syrian imports continued to progress

<sup>166</sup> Author’s calculations based on: IMF, External Trade by Counterpart, “Syria,” in *Direction of Trade Statistics*, [www.data.imf.org/dot](http://www.data.imf.org/dot).

<sup>167</sup> Note that the figures provided by the DoT statistics give differing results for 1976. Then, imports from Switzerland are estimated at nearly \$ 417 million. This would make Switzerland the single most important supplier to Syria during that year, providing over 17% of all imports. Swiss statistics, however, report exports valuing at CHF 132 million or roughly US\$ 53.4 million. The Statistical Information Management Division of the International Monetary Fund’s Statistics Department, confirmed that the figure in the DoT data was the one provided by the Syrian government. The author has chosen to use the Swiss data, transformed into current US dollars. This tends to underestimate the importance of Syrian imports from Switzerland. Swiss export data is FOB, while the DoT import data is CIF.

(Graph 12). Only with dropping and stagnating values of Syrian imports in the early 1980s, along with renewed Swiss export growth, did the Swiss market share improve again.

Unlike Egypt, Syria did not consistently rely on a single Cold War superpower as its dominant source of supply (cf. Table 14). The same applied to regional economic relations, as seen for instance when Syria shifted its oil supply from Iraq to Iran in the early 1980s.<sup>168</sup> Syria's relations with the superpowers and regional economic powers reflect, in the economic domain, what Hinnebusch refers to as the Syrian strategic adaptability: an ability to manipulate the bipolarity in its favor.<sup>169</sup> Big European economies – Germany, France and Italy –, as well as Japan, all remained important suppliers to Syria. Yet, Syrian economic liberalization during the 1970s was a less decisive shift towards the West than was the case for Egypt. Determining whether Switzerland could benefit from neutrality in the politicized Syrian market is difficult to evaluate on the basis of solely statistical evidence. Swiss rank improved or decreased mostly in relation to small European states – namely, the Netherlands, Belgium-Luxembourg and Austria.

The archives yield little evidence on Swiss financial involvement in Syria. Traces of just three credits were found, among which two exporter credits. Unsurprisingly, they benefited the Swiss machinery industry (Sulzer in 1973 and BBC in 1976).<sup>170</sup> As in Egypt, lengthy discussions on mixed credit to Syria took place after 1977. Repeatedly brought up by the Syrians, Swiss business and the Swiss ambassador, it was ultimately rejected in 1979 due to Syrian “adventures” in Lebanese civil war, i.e. for political reasons.<sup>171</sup> A similar picture emerges of low Swiss FDI. Despite the signing of a Swiss-Syrian investment protection treaty in 1977,<sup>172</sup> only two potential joint ventures were being discussed by 1982, one by Ciba-Geigy<sup>173</sup> and one by the machinery company Landis & Gyr.<sup>174</sup> This virtual lack of Swiss FDI in Syria largely matched the reluctance of any Western corporations to invest in Syria, with the exception of the oil sector. When Swiss companies were potentially interested investing in Syria, the Swiss Ambassador a.i. in Damascus discouraged them. In 1982, he stated that Syrian economy was “not only a rocky terrain for exports”, but would resemble a “high mountain

---

<sup>168</sup> See: Perthes, ‘The Syrian Economy in the 1980s’ ..., p. 57.

<sup>169</sup> This matches Syrian support for Iran in its war with Iraq, see: Hinnebusch, *Syria: Revolution from Above*, ..., p. 147-148.

<sup>170</sup> See: SNB, Minutes of the Board of Directors, No. 473, 19.07.1973, ASNB. Letter from Georg-André Chevallaz, Federal Councillor, Head of the Federal Department of Finance, to SNB, 06.10.1976. SFA, E2001E-01#1991/17#12384\*, C.41.Syrie.152.0. Letter from Robert Beaujon, Swiss Ambassador Damascus, to Division of Commerce, 06.01.1978, *ibid*.

<sup>171</sup> Note from Eric Pfister, Financial and Economic Service of the DPF to Zwahlen, “Syrien, Mischkredit”, 23.03.1979, SFA, E2001E-01#1991/17#12384\*, C.41.Syrie.152.0

<sup>172</sup> Press release by the Division of Commerce, Unterzeichnung eines Abkommens betreffend die Förderung und den gegenseitigen Schutz von Investitionen mit der Arabischen Republik Syrien, 22.06.1977, SFA, E7110#1988/12#2428\*, 821

<sup>173</sup> See the letter from Franz Bischof, Consul, Swiss embassy Damascus, to the Federal Office of Foreign Economic Affairs, 11.08.1982, SFA, E2010#1995/313#11732\*, C.41.111.0

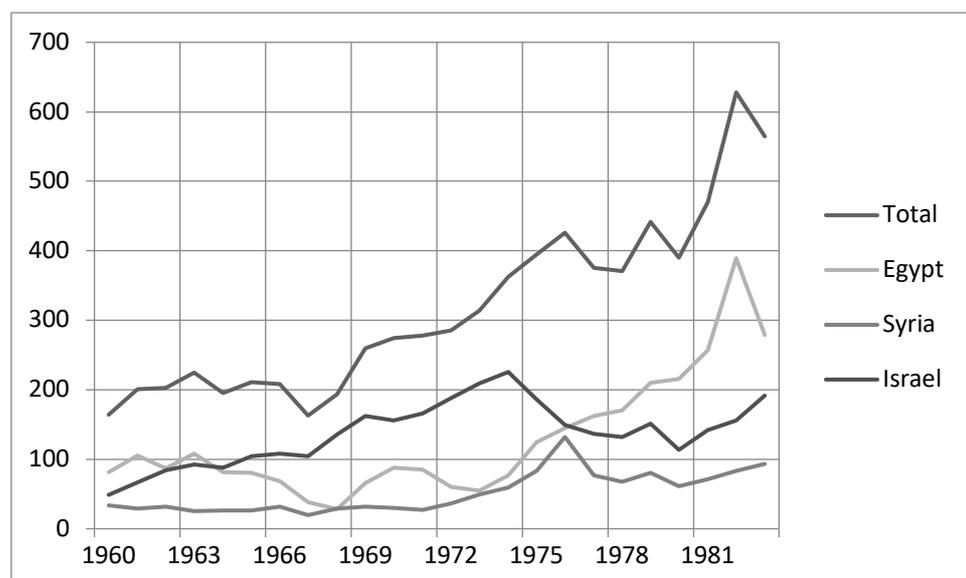
<sup>174</sup> Cf the note by Landis & Gyr, “Herstellung von Elektrizitätzählern in Syrien», 03.05.1982, SFA, E7115A#1992/24#2530\*, 872.1

climbing terrain” for foreign investors due to complex legislation.<sup>175</sup> As such, the conclusion of an IPT in 1977 did not automatically lead to FDI. Instead, local conditions such as property rights guarantees, investment laws and market prospects, seemed to be more important.

The 1970s stand out for Swiss-Syrian trade relations as a period of significant Swiss export growth. Yet, much of the increase stemmed from apparently unique transactions. Local economic conditions largely determined the commercial engagement of Swiss business in Syria. However, political decisions – such as the Syrian engagement in the Lebanese civil war after 1975 – also influenced the development of commercial and Swiss financial activities in Syria, often to their detriment. Political risks clearly outweighed the Syrian market potential for Swiss companies.

### *A Shift in Swiss Trade to the Arab World*

The differing patterns of bilateral economic relations between Switzerland and the three participants of the October War reflect in comparison. Graph 29, which displays Swiss export figures to Egypt, Syria and Israel from 1960 to 1983, allows to put these changes into perspective. In the middle of the 1960s, Israel had become the most important market among the three. As exports to Egypt dipped in 1967/68, Israel comprised over 70% of total Swiss exports to the three countries. This largely matched the general economic development of those countries: the Israeli economic boom with strong import growth, the Egyptian economic stagnation with low imports, and the considerable Syrian economic growth only started boosting import growth.



**Graph 29: Swiss exports to Israel, Egypt, Syria and their Total (million constant 1970 Swiss francs. 1960-1983**

<sup>175</sup> Letter from F. Bischoff, Swiss Ambassador a.i. Damascus to Schufabrik Reiden, 25.07.1981, SFA, E7115A#1991/189#2581\*, 875.2

Source: Kammerer, et al., “L.21. Einfuhrwerte nach Ursprungsländern 1920-1992 (in Millionen Franken): Asien” and “L.25. Ausfuhrwerte nach Verbrauchsländern 1920-1992 (in Millionen Franken): Asien,” in *Historical Statistics of Switzerland Online (HSSO)*: <http://www.hssso.ch>. Kammerer, et al., “L.20. Einfuhrwerte nach Ursprungsländern 1920-1992 (in Millionen Franken): Afrika,” “L.24. Ausfuhrwerte nach Verbrauchsländern 1920-1992 (in Millionen Franken): Afrika”, *ibid.* Values deflated by the author using: “Q.16b Gross domestic product (expenditure approach) in real 1990 prices and nominal, 1945-2005 in Million Swiss Francs (Economic history of Switzerland during the 20th century)”, *ibid.*

1973/74 stands out as a turning point in both the evolution of the three national economies, and Swiss bilateral commercial relations. Exports to Israel began to decline in value, while those to Egypt and Syria grew. By 1976, the total export value was distributed almost evenly among the three countries. Exports to Syria dropped again thereafter, while exports to Israel plateaued in real terms but declined in relative importance. Egypt became the most important market from 1977 onwards. By 1982, it made up more Swiss exports than Israel and Syria combined. Two clear trends therefore stand out. Initially a clear Swiss drift to Arab export markets. Then, after 1976, only the Egyptian market expanded for Swiss exports.

A more in-depth evaluation of this shift will be the subject of the coming chapters. For now, suffice to point towards a set of sources indicating a trade-off between the Israeli and the Arab economies. In early 1975, the Director of the Swiss Division of Commerce, Paul Rudolf Jolles, incited Swiss industrialists to engage actively in Arab markets.<sup>176</sup> A survey undertaken by the Swiss Federation of Commerce and Industry, commonly known as the *Vorort*, a year later, showed that Swiss exporters saw market prospects in Israel pessimistically in 1976.<sup>177</sup> Furthermore, the influential Swiss chemical and machinery industry associations had opposed any official Swiss economic association with Israel in the form of an economic cooperation treaty early that year. They pointed towards the imminent conclusion of important contracts with Arab states that should “not be disturbed” by economic engagement with Israel.<sup>178</sup> Even though Arab boycott threats were usually not an imminent danger for Swiss companies, the increased revenues of the oil-producing states from late 1973 on formed an important pole of attraction for Swiss business.

Until the Israeli withdrawal of the Sinai in 1982, Egypt did not control its oil wells and hence was not a significant oil producer. How did it become an attractive export market for the Swiss? Indeed, the increased sales in the Middle East did certainly chiefly concern countries with important oil supplies. Egypt, as noted by the CEO of major Swiss machinery company *Sprecher & Schuh*, was an interesting market owing to its economic potential as such, i.e. its market size. But beyond that, it also benefited from

---

<sup>176</sup> SNB, Minutes of the Board of Directors, No. 365, 1975, ASNB.

<sup>177</sup> Note by the Vorort, “Enquête du Vorort sur la promotion des exportations,” 12.07.1976, ACH, IB-Vorort, 462.1.15

<sup>178</sup> Letter from Alexandre Jetzer, first Secretary and P. Brügger, legal collaborator of the Vorort to Division of Commerce, 20.01.1976, SFA, E7110#1987/20#2064\*, 821

its “close links to the oil-producing countries”,<sup>179</sup> hence referring to the important financial transfers from the Arab oil states to Egypt. However, this financial aid from the Arab brother states was not sufficient to actually enable entering into business in Egypt. It required direct Swiss financial involvement. This growing interest in the Egyptian market contrasted with a dwindling standing of Israel among Swiss business, as trade dropped and the no FDI appears to have occurred. Economic interactions with Israel were increasing limited to financial transfers. But even there, overall Swiss banks' assets in Egypt surpassed the ones in Israel in 1984.<sup>180</sup> And finally, financial credits from Switzerland heavily drew on Israeli bank branches and less on Swiss banks themselves. Only in raising long-term capital did Switzerland appear to have played a certain role for Israel, but this largely was limited to the Jewish community of Switzerland and pro-Israeli milieus.

These findings raise a new question: why did Swiss exports to Egypt increase more durably than those to Syria which also had important financial ties with the oil-producing Arab states? This linked to the provision of Export-Risk Guarantees (ERG) and possible trade financing. Despite the high importance of export credit agencies in international public capital flows, they remain largely understudied.<sup>181</sup> This also still applies to the Swiss version of such agencies, the ERG.<sup>182</sup> Unlike other comparable public agencies, the Swiss ERG did not directly provide export credit facilities but limited itself to publicly guarantee private exports. Nonetheless, it was the most significant means for public export promotion. Exporters had to submit requests for coverage to the ERG-commission, composed of three representatives of the federal authorities, and three representatives of business associations. This commission evaluated the risks and decided on providing a guarantee and determined the share of the deal that would be covered, typically ranging from 65% to 95%. Exports covered by the ERG were insured against political risks, such as wars, revolutions or civil unrest, that would render honoring payments by the buyer impossible. If the buyer was a public entity, as was often the case in the Third World, the ERG could also cover risks stemming from insolvency or straight-out refusal to honor payments by the client. Introduced in 1934 at a federal level, this facility was from its very inception state support for private business in times of economic and political crisis. It was viewed by the liberal Swiss business interests as a subsidiary, yet often necessary means to support private companies in international competition. In the postwar period and especially after the 1974/75 economic crisis, the ERG became increasingly important for export

---

<sup>179</sup> Letter from Adrian W. Roth, CEO of Sprecher and Schuh to Gérard Bauer, President of the Swiss Office for Commercial Expansion, 19.03.1975, ACH, IB-Vorort, 360.2.2.3.

<sup>180</sup> Swiss National Bank, *Das Schweizerische Bankwesen im Jahre 1984* (Zürich: Orell Füssli Verlag, 1985), p. 58.

<sup>181</sup> For an introduction to the working and a historical overview of their evolution, see: Delio E. Gianturco, *Export Credit Agencies: The Unsung Giants of International Trade and Finance* (Westport, Conn: Praeger, 2001), p. 1-7 and 41-44.

<sup>182</sup> For a summary overview of the history of the ERG, see: Hans-Peter Bärtschi, *Export, Schweiz, Risiko, Welt, Garantie, Arbeitsplätze* (Zürich: Schweizerische Exportrisikogarantie, 2006)

financing, notably suppliers' credits. An ERG provided a security for the private banks to grant credits for exports.<sup>183</sup>

As significant the ERG was, it is difficult to quantify their actual share in covering annual exports. Given that it insured payments for mid- to long-term suppliers' credits, the duration of a guarantee often extended beyond the actual export and hence their registry in foreign trade statistics. Hence, data on overall outstanding ERG coverage cannot be compared to the annual export figures. And given that exports for a large deal could be phased out over more than a year, the annual growth of the guarantees provided by the ERG can also not easily be compared to the export figures. The available data does however indicate that throughout the 1970s, the overall coverage of exports by the ERG increased significantly. In 1970, newly provided guarantees made up roughly 8% of overall Swiss exports. By 1980, this share had almost doubled to 16%.<sup>184</sup> And, given that political risks were highest in the Third World, the share of overall guarantees provided to sales in those world regions grew from roughly 50% in 1970, to almost 80% in 1984.<sup>185</sup>

Obtaining an ERG therefore was crucial for providing supplier credits with low interest rates and hence win tenders in Third World countries.<sup>186</sup> The ERG-Commission granted guarantees for exports to Egypt without hesitation after the October War and that country's political shift towards the West.<sup>187</sup> But it did not easily grant ERGs for export ventures to Syria, as noted by William Roch, the Swiss Chargé d'affaires in Damascus, in a 1975 letter to the Division of Commerce.<sup>188</sup> In 1980, the Commission only covered exports to Syria valuing CHF 100 million.<sup>189</sup> The lack of evidence on Swiss supplier credits for exports to Syria mentioned earlier therefore reflects the lack of them being provided. But the ERG Commission covered Swiss exports to Egypt generously, with deals valuing over one billion Swiss francs by 1981. Besides these guarantees, the

---

<sup>183</sup> For an overview of the working and history of the ERG, see: Wolfram A. Kuoni, *Die Exportrisikogarantie des Bundes*, (Zürich: Schulthess, 2004), p. 1-70. For a contemporary discussion of the ERG by interested parties, see: 'Aktuelle Probleme und Zukunftsperspektiven der ERG im Rahmen der Beziehungen Schweiz - Dritte Welt. „Round-table“-Diskussion zwischen Vertretern des Bundes, des Vororts, des SBV, des SGB und Hilfswerken, vom 10. Juli 1985 in Bern unter der Leitung des IUED, Genf', *Schweizerisches Jahrbuch für Entwicklungspolitik*, 5, 1985, p. 123-53. Finally, see also the relevant section in: Meister, 'Les Trente Glorieuses ...', p. 65-75.

<sup>184</sup> Figures provided in: Kuoni, *Die Exportrisikogarantie ...*, p. 8.

<sup>185</sup> This is highlighted in the introduction of: 'Aktuelle Probleme und Zukunftsperspektiven der ERG ...' *ibid.*, p. 125.

<sup>186</sup> This is highlighted for instance in the instructions by the Division of Commerce to the Swiss ambassadors regarding the protection of Swiss economic interests abroad, see: instructions, "Wahrung der schweizerischen Wirtschaftsinteressen im Ausland. Richtlinien für die diplomatischen und konsularischen Vertretungen vom 1.1.1970", 08.03.1970, p. 18-19, Diplomatic Documents of Switzerland [DDS], [dodis.ch/40819](https://dodis.ch/40819)

<sup>187</sup> Letter from Emilio Moser, vice-Director of the Division of Commerce to Pierre Gagnebin, Swiss Ambassador in Cairo, 17.05.1976, SFA, E7110#1987/20#1183\*, 861.1

<sup>188</sup> Letter from William Roch, Swiss Chargé d'affaire in Damascus, to Division of Commerce, 22.10.1975, SFA, E7110#1986/24#2135\*, 861.1. These negative attitudes of the Commission for ERG are reaffirmed in 1979, amidst renewed political tensions in Syria, see: Letter from Hermann Hofer, President of the ERG-Commission to Burkhard Vetsch, Swiss National Councilor, 10.07.1979, SFA, E7115A#1990/60#2614\*, 861.5

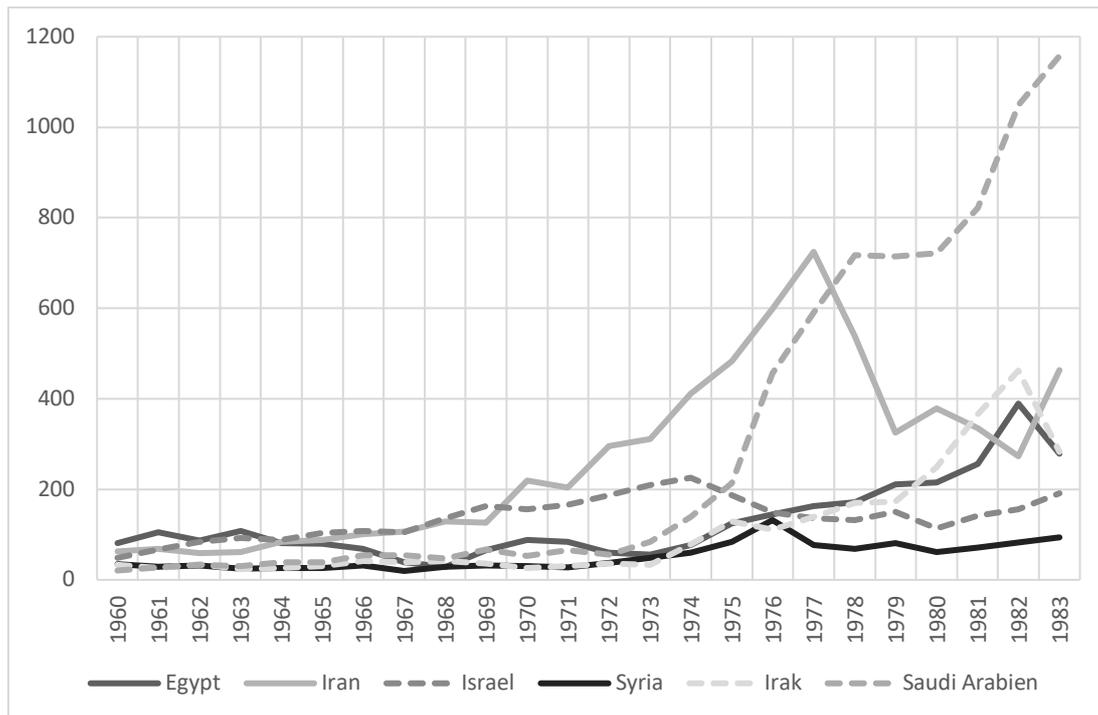
<sup>189</sup> Note by Alois Heuberger, Collaborator at the Division of Commerce, "Beziehungen Schweiz - Syrien", 23.10.1980, SFA, E7115A#1990/142#2760\*, 877.3

mixed credit granted to Egypt created goodwill in Cairo to do business with the Swiss and served as a signal to Swiss companies to increase their efforts in Egypt.<sup>190</sup> As seen, Syria did not benefit from such a mixed credit – mostly for political reasons. The difference in Swiss exports figures to Egypt and Syria can therefore be explained on the basis of political decisions and risk evaluation by Swiss foreign economic policymakers. The same applied to FDI. While treaties protecting Swiss investments were signed with both Egypt and with Syria, only Egypt attracted such FDI. This leads us to conclude that growing Swiss FDI in Egypt was not necessarily a consequence of the IPT, but rather of the perception of surer economic, legal and political conditions in Egypt.

These shifts of Swiss economic relations among the three participants in the October War do not show their relative importance in the overall Middle Eastern market. Unsurprisingly, Iran Saudi Arabia, and to a lesser extent Iraq, were the most important Swiss export markets in the region during the long 1970s. Graph 30 shows their importance as outlets of Swiss exports compared to the countries treated here. Iran was most important until the 1978/79 revolution put a halt to Swiss export growth. Saudi Arabia, under the impact of the oil price hikes, became a rapidly growing outlet attaining record values. It was, behind the neighboring European countries, Great Britain and the US, the seventh most important Swiss export market in 1983. While Israel's importance dropped, Syrian share in overall Swiss exports to the Middle East remained low. Egypt, however, despite not having as significant oil resources as Iraq, was mostly the third or fourth most important export market in the region. With the rapid export growth to Saudi Arabia, the relative importance of Egypt, Israel and Syria as markets in the Middle East did decline. While accounting together for values between 25% and 40% of total Swiss exports until 1974, their relative importance plunged to shares between 15% and 20%. A stronger export boom to oil-exporting Middle Eastern states took place during the 1970s.

---

<sup>190</sup> Letter from Jean Cuendet, Swiss Ambassador in Cairo to Jean-Daniel Gerber, FOFEA, 23.06.1981, SFA, E7115A#1991/189#1173\*, 812



**Graph 30: Swiss exports to selected Middle Eastern countries (million constant 1970 Swiss francs). 1960-1983**

Source: Kammerer, et al., “L.21. Einfuhrwerte nach Ursprungsländern 1920-1992 (in Millionen Franken): Asien” and “L.25. Ausfuhrwerte nach Verbrauchsländern 1920-1992 (in Millionen Franken): Asien,” in *Historical Statistics of Switzerland Online (HSSO)*: <http://www.hssso.ch>. Kammerer, et al., “L.20. Einfuhrwerte nach Ursprungsländern 1920-1992 (in Millionen Franken): Afrika,” “L.24. Ausfuhrwerte nach Verbrauchsländern 1920-1992 (in Millionen Franken): Afrika”, *ibid.* Values deflated by the author using: “Q.16b Gross domestic product (expenditure approach) in real 1990 prices and nominal, 1945-2005 in Million Swiss Francs (Economic history of Switzerland during the 20th century)”, *ibid.*

However, the countries treated in more detail here remained significant export markets. Their reduced relative importance aside, significant evolution of trade did take place in this politically sensitive region. The trend clearly fits into the broader image of Third World markets becoming more important outlets for Swiss goods during the 1970s. Yet, a noticeable shift in the direction of Swiss trade occurred. Exports to Israel dropped while those to Egypt, and, to a lesser extent Syria, increased. This shift towards the Egyptian market reflected in the market share Swiss exporters retained there. Swiss market share in Egyptian imports (Graph 24) tended to be higher than its share in world exports (Graph 5), therefore showing successful overall market penetration. That was not the case for Israel and Syria (Graphs 18 and 27), where Swiss market share was lower than on world markets.

## Conclusion

Structural changes in the Swiss economy under the impact of the international economic crisis and changes in foreign market conditions affected the Swiss position in the world markets and led to an increased internationalization of its economy. While

economic factors were at the core of this orientation, political factors must also be taken into account to understand the direction it took.

We have seen that the economic crisis in Switzerland prompted Swiss business to search for outlets and, to a lesser extent, investment opportunities abroad. They readily found markets in the Third World, with the Middle East becoming the most significant throughout the 1970s. Among the Swiss export industry, the capital goods sector – more specifically, non-electrical machinery – overall benefited most from the increased exports to the Third World.

Whithin the Middle East, Swiss economic relations with Israel, Egypt, and Syria, underwent remarkable changes during the 1970s. While Israel lost significance for Swiss exports, Egypt Syria gained importance. These shifts among Middle Eastern markets coincided with overall economic development in the countries examined, the ensuing evolution of foreign trade and possibilities for Swiss exports. Growth of national income yielded growing foreign trade, while stagnation or drop in GDP tended to have an adverse effect. Increased imports were associated with an equally growing reliance on foreign financial resources. These were made readily available to Egypt and Syria through transfers from oil-rich Arab states after the increase in oil prices. The oil price hikes were hence an important backdrop to the more promising economic opportunities in Arab states than in Israel.

However, these opportunities were partially countered by perceived political risks, which helps explain the diverging evolution of Swiss trade relations with Egypt and Syria. This reflected itself in Swiss financial involvement in the region which, despite substantial Arab aid, was nonetheless important. Egypt obtained substantial supplier credits, while Israel raised considerable financial credits on Swiss capital markets. Syria, seemingly for political reasons, barely obtained credit facilities from Swiss banks. Finally, Swiss direct investments, or lack thereof, replied to the local and regional legal, political and economic conditions. Among the countries treated only Egypt, the economy with the biggest domestic markets and labor force among those treated here, attracted substantial Swiss FDI.

The Swiss economy was a major exporter to world markets from the 1960s to the early 1980s – albeit never more than tenth on the global scale. We have seen the varying relative importance of Swiss exports to the importing countries in the Middle East. The evaluation of Swiss ‘success’ in the local markets is therefore not straightforward. Short-term fluctuations in shares retained in individual markets were necessarily bigger than in overall Swiss exports. But these fluctuations in the countries treated mostly remained quite close to overall Swiss market share and, furthermore, do not minimize the importance the Middle East had attained for the Swiss export industries themselves.

In the long-term perspective, the overall boom of Swiss exports to the Third World, the Middle East region and the countries treated in more detail, was certainly temporary. After intensifying after 1973, exports to the region decreased when compared to overall

Swiss exports from the early 1980s onwards. The evolution of trade with the countries examined, with the exception of Israel, followed a similar evolution. This temporary character does, however, in no way reduce the importance of the Swiss business push towards the Middle East, on the contrary. Being a short-lived phenomenon, it indicates that these outlets were conceived as important, if not vital for Swiss export industries in the specific context of the 1970s. It further exemplifies how market orientation can shift even for a brief period, amidst perceived opportunities for business. The coming chapters will look more specifically at how the Swiss authorities and Swiss business conceive these opportunities in the regional Middle Eastern context. They will try to answer how the different factors, domestic and foreign, economic and political, affected the promotion – or reduction, as in the Israeli case – of economic interactions between Switzerland and Israel, Egypt and Syria.

## **2. Forget the Three-Act Drama. Switzerland's Changing Outlook in the Arab-Israeli Conflict under the Sign of the Six-Day War and Palestinian Terrorism (1967-1973)**

When the Six-Day War broke out in June 1967, both official and public Swiss sympathies in the Arab-Israeli conflict were distributed unevenly. Initially, there had been skepticism of Israel's supposedly socialist character during its infancy;<sup>1</sup> but Nasser's Egypt soon overtook Swiss suspicions: first after the Suez Canal's nationalization in 1956 and then in the early 1960s under impact of nationalization and expropriation of Swiss property.<sup>2</sup> During the Six-Day War, Israel received near-unanimous support from Swiss politicians and public opinion voiced what historian Jonathan Kreutner has described as an Israeli euphoria.<sup>3</sup> However, precisely because of the war and the growing internationalization of the Arab-Israeli conflict in the late 1960s and early 1970s, this understanding started to give way to a more nuanced Swiss political positioning in the Middle East. Similarly, business opportunities were initially clearly seen as more favorable in Israel, than in Egypt and Syria. Here too, the turn of the decade stands out, where a shifting focus was slowly taking place.

This chapter covers the interrelation between the political and economic evaluations of the Middle Eastern situation by the Swiss government and Swiss business. First it looks at Swiss policy during the 1967 Six-Day War, which was marked by a continuous learning process – but also set the stage for the scope of Swiss engagement in the Middle East. Then, the chapter discusses the influence of Palestinian terrorism on Swiss political and economic relations with the Arab states. Despite the fear, the consequences of these attacks on Swiss-Arab relations were by no means dramatic. The following sub-chapter examines Swiss foreign officials' evaluations of the regime changes in Damascus and Cairo in late 1970. It addresses why, despite explicit Egyptian attempts to lure Switzerland into increased economic engagement, Swiss business remained markedly skeptical. Meanwhile, economic estrangement with Israel grew. Running up to the 1973 October War, the Swiss government pushed an active foreign policy in the region. With Cairo at its center, this policy was implemented by official Swiss visits and economic diplomacy – particularly the negotiation of a bilateral investment protection treaty (IPT). The final part of the chapter addresses the roots behind, and consequences of, this Swiss foreign policy push in the Middle East.

### **2.1 Six-Days that Set the Stage. The Six-Day War and the Limits of Swiss Conciliation**

Along with Southeast Asia, the Middle East was the world's biggest political hotspot of the late 1960s. This at the latest became clear in June 1967 with the outbreak of the Six-Day War on June 5. While, according to one Israeli historian, “no one wanted” this

---

<sup>1</sup> For the Swiss government's hesitant recognition of Israel, see: Pfenninger, and Schuler, ‘Die Schweiz - ein früher Freund Israels? ...’, *ibid.*, p. 487-512.

<sup>2</sup> See: Müller, *Schweizer in Alexandrien 1914-1963 ...*, p. 190-199.

<sup>3</sup> Cf. Kreutner, *Die Schweiz und Israel...*, p. 85-90.

war,<sup>4</sup> its outbreak can be placed within a long-term framework of structural pressures stemming from the civilian-military infrastructure of the states involved, the balance of payments crisis and an overarching crisis of the international system.<sup>5</sup> This war undeniably left a long-lasting imprint on the regional balance of power and set the basis for the ensuing stages of conflict and rapprochement in the Arab-Israeli conflict – which continue today.<sup>6</sup> The Israeli-launched war modified the territorial landscape of the Middle East to suit Israel's security needs, with that country's occupation of the Jordanian-controlled West Bank, Gaza and the old town of Jerusalem, the Syrian Golan Heights and the Egyptian Sinai. This fourfold increase in the territory controlled by Israel created new tensions, as these lands were home to over one million Palestinians.<sup>7</sup> As such the Six-Day War would heavily influence subsequent political events, leave a lasting mark on the economic development in all countries involved, end a recession in Israel<sup>8</sup> and open up a breach in the Egyptian economy's rigid structure.<sup>9</sup>

The Six-Day War's legacy also influenced superpower involvement in the Middle East. This was notable in the consolidation of the "special relationship" between the US and Israel, initially in the domains of arms supply.<sup>10</sup> The Soviet Union, in return, deepened its influence over Egypt and Syria.<sup>11</sup> That said, both superpowers did manage to reach a provisional settlement at the UN with the adoption of UN Security Council Resolution 242 in November 1967. While it set the ground for what would be the lasting formula for any settlement, i.e., Israeli return of occupied territories for a formal peace agreement, this resolution's ambiguities regarding what territories might be included in such an exchange dominated diplomatic endeavors in the following decades.<sup>12</sup>

Unsurprisingly, given the profound impact of the Six-Day War in the region and beyond, Swiss contact in the region did not go unaffected. The Swiss position towards the Six-Day War has attracted more attention than the later October 1973 War. This likely reflects the deep impact the former had on Swiss public opinion: a sort of

---

<sup>4</sup> Yossi Goldstein, 'The Six Day War: The War That No One Wanted', *Israel Affairs*, 24.5 (2018), p. 767–784.

<sup>5</sup> This has recently been done by: Laron, *The Six-Day War ...*

<sup>6</sup> See for example: Oren, 'The Revelations of 1967: ...', *ibid.*, p. 2.

<sup>7</sup> Rubin, *The Limits of the Land ...*, p. 177-178.

<sup>8</sup> This has been shown for the Israeli economy in: Zilberfarb, 'The Short- and Long-Term Effects ...', *ibid.*, p. 792-794.

<sup>9</sup> See notably: Cooper, 'Egyptian State Capitalism in Crisis...', *ibid.*, p. 481-516.

<sup>10</sup> Cf. Charles D. Smith, 'The United States and the 1967 War', in *The 1967 Arab-Israeli War: Origins and Consequences*, ed. by Roger Louis and Avi Shlaim (Cambridge; New York: Cambridge University Press, 2012), p. 188-192.

<sup>11</sup> See: Rami Ginat, 'The Soviet Union. The Roots of War and a Reassessment of Historiography', in *The 1967 Arab-Israeli War: Origins and Consequences*, ed. by Roger Louis and Avi Shlaim (Cambridge; New York: Cambridge University Press, 2012), p. 216-218.

<sup>12</sup> On the elaboration of Security Council Resolution 242 under superpower influence, see: Oren, *Six Days of War...*, p. 323-327. On the Security Council's role in ending hostilities and shaping the peace process, see: Bruce D. Jones, 'The Security Council and the Arab-Israeli Wars: 'Responsibility Without Power'', in *The United Nations Security Council and War: The Evolution of Thought and Practice since 1945*, ed. by Vaughan Lowe, Adam Roberts, Jennifer Welsh, and Dominik Zaum (Oxford: Oxford University Press, 2008), p. 305-309.

compassionate collective trauma that the Swiss felt with the Israeli people.<sup>13</sup> Here, the Six-Day War is taken as a starting point not only for its imminent conflicts, but also its continuities. This subchapter is less concerned by the sequence of events leading up to a war than the Swiss reactions to it: what aspects of Swiss foreign policy were put forward in an attempt to limit the impact on Switzerland's standing in the region. Of equal importance is to investigate the limitations such policy encountered and how it initiated a learning process in the Swiss foreign services. Finally, the subchapter will determine whether the Six Day War and its consequences influenced Swiss economic interests in the region. These findings will allow for a first empirical investigation on how the Swiss navigated the crisis-ridden Middle East in a period of open conflict.

### ***An Official Declaration That Churned Arab Resentment***

On June 6, not even 36 hours after the outbreak of the Six-Day War, the first social democrat to ever head the Federal Political Department (FPD), Federal Council member Willy Spühler, received a visit that made an impression. The eight Arab heads of mission in Bern made an "unprecedented" collective intervention, in which they accused the Swiss government of jeopardizing its neutrality.<sup>14</sup> Spühler was a decidedly moderate social democrat. He had been central to the integration of the Swiss labor movement into the Swiss state and government, and according to his fellow Social Democratic Federal Council member Hans Peter Tschudi, never fell into hectic activism.<sup>15</sup> This man who heavily embodied Swiss consensus policy must certainly have been surprised by such a display of Arab criticism. How could the Swiss government arouse such a swift and resolute Arab reaction? While the Swiss populations' pro-Israeli tendencies were certainly a concern to the Arab authorities, this was nothing new.<sup>16</sup> The day before the outbreak of hostilities, Egyptian President Nasser had received the credentials of André Parodi, the recently posted Swiss ambassador to Egypt. Although certainly aware of the Swiss public attitude, Nasser did not allude to them or raise doubts about Swiss neutrality.<sup>17</sup>

The outbreak of the war renewed Arab resentment towards the Swiss public's siding with Israel, and they paid special attention to a seemingly innocuous statement by the Federal Council. Issued just after the outbreak of hostilities on the evening of June 5 and read to Swiss parliament by Spühler, the Federal Council expressed consternation and profound regret about the violent turn the Arab-Israeli conflict had taken. Insisting that the Swiss government generally did not interfere in affairs concerning foreign

---

<sup>13</sup> This has been the common thread of most literature treating Swiss involvement in the Six-Day War, see: Kreutner, *Die Schweiz und Israel...*, p. 85-90. For an account of this Israel-euphoria as experienced by a prominent member of the Swiss Jewish community, the lawyer Georg Brunschvig, see: Hannah Einhaus, *Für Recht und Würde: Georges Brunschvig: Jüdischer Demokrat, Berner Anwalt, Schweizer Patriot (1908-1973)*, (Zürich: Chronos, 2016), p. 229-234.

<sup>14</sup> Cf. Steiner, and Zala, 'La Suisse, le Moyen-Orient ...', *ibid.*, p. 72.

<sup>15</sup> See the obituary: Hans Peter Tschudi, 'Willy Spühler Zum Gedenken', *Rote Revue*, 69.5-6 (1990), p. 11-12.

<sup>16</sup> This was notably raised by the Syrian ambassador prior to the war, see: Steck, 'Die Rezeption des Sechstage- und des Jom-Kippur-Kriegs ...', p. 37.

<sup>17</sup> Cf. The confidential letter from André Parodi, Swiss ambassador, Cairo, to Pierre Micheli, General Secretary of the FPD, 05.06.1967, DDS, dodis.ch/32264

states, the declaration expressed hopes that negotiations at the UN or under the auspices of a superpower conference could lead to a peaceful settlement of the conflict. The statement underscored Swiss availability to provide good services. It closed by insisting on a unity of doctrine between the Federal Council and the Swiss people regarding the necessity for a “neutral small state” to defend itself militarily in order to ensure its “vital rights”.<sup>18</sup>

The FPD did not in any way anticipate a muscled reaction by the Arab ambassadors; it did not even consider the declaration as a possible source for distress.<sup>19</sup> Yet, that was precisely the case. The Arab diplomats posted to Switzerland took offense to the last section. A preparatory note for the visit shows that they had expected a standard political intervention presenting their home countries position in the war. The Lebanese ambassador, Michel Farah, acted as the main speaker for the heads of mission. He opened the visit to Spühler by underscoring Israeli aggression and responsibility for renewed hostilities. And he criticized the Swiss public’s favoring Israel as contradicting the “spirit of Swiss neutrality.”<sup>20</sup> But concern was strongest regarding the Federal Council declaration. Farah, raising the issue “among friends” so as to appeal to Spühler’s honesty, made clear that “everyone” would interpret the “small state” as Israel, and not Switzerland.<sup>21</sup> For the Arab representatives, it was not Swiss public opinion that was at stake but the Swiss government’s tacit support to the Israeli side.

Spühler brushed aside any amalgamation of Swiss public opinion and official policy. He underscored that Swiss neutrality bound the authorities, not the population. The public’s pro-Israeli sympathies stemmed from the weight the Shoah still had on the Swiss population, as well as the democratic character of Israeli society. But the Swiss government could in no way have an influence on these sympathies, Spühler explained. Further, he rebutted Farah’s accusation by reminding him that the declaration had left out the crucial predicate *neutral*, although it figured prominently in the relevant paragraph. He closed the meeting by again underscoring that the Swiss government could not take responsibility for public opinion, and that this in no way changed the “strict neutrality” adopted by the federal authorities.<sup>22</sup>

The defense of Federal Council member Willy Spühler seemed consistent, reflected in the naiveté of his service when they failed to anticipate the Arab intervention. But sympathies in the Arab-Israeli conflict were indeed on Israel’s side – from Swiss foreign policymakers, too. An internal FPD memorandum highlighted that Israel technically had launched the war but “from a moral standpoint”, Israel only foiled the

---

<sup>18</sup> Declaration of the Federal council, Willy Spühler, 05.06.1967, DDS, dodis.ch/33961

<sup>19</sup> See the note by Albert Natural, head of section, FPD, to Spühler, “Visite des Ambassadeurs arabes” 06.06.1967, SFA, E2807#1974/12#471\*, 09

<sup>20</sup> Confidential minutes by Franz Blankart, secretary of Spühler, “Vorsprache der in Bern Akkreditierten Missionschefs von acht arabischen Staaten beim Departementsvorsteher“, 06.06.1967, DDS, dodis.ch/33280

<sup>21</sup> *Ibid.*

<sup>22</sup> *Ibid.*

“openly and fiercely proclaimed aggressive intentions of the Arabs.”<sup>23</sup> And despite Spühler’s resolute defense, an Israeli violation of Swiss neutrality did not lead to any reaction from the Helvetic authorities. The Swiss government ignored illegal overflights of Israeli aircraft that transported military volunteers in the midst of the war.<sup>24</sup> This lack of reaction shows that public Israel-euphoria did indeed prompt the authorities to adopt a more lenient policy towards Israel.

### ***The Solidarity Supplement to Neutrality Policy***

The Swiss government was, at least rhetorically, willing to provide its good offices in the conflict. However, these met substantial restrictions in the context of war. The Swiss authorities defined good offices considerably broader than what international law stipulated. It included mediation and protecting power mandates, but also Geneva’s role as host city to international organizations and conferences. During the Suez crisis, with the bigger power involvement, the Swiss authorities already had to recognize the limitations of such services. The utter failure of a Swiss mediation attempt during this conflict illustrated the limits of a smaller state’s possibilities in intervening in Cold War settings involving the superpowers.<sup>25</sup> Given that in 1967 again, the superpowers and the UN Security Council were actively trying to end hostilities, the scope for any Swiss mediation attempt was narrow.

So Swiss mediation efforts were excluded, and it did not end there – other important components of Swiss good offices, such as Geneva’s host city status and Swiss protecting power mandates, were also under pressure. Geneva, hosting the European headquarters of the UN, was in competition with Vienna for attracting additional UN agencies from New York.<sup>26</sup> The Arab authorities seemed aware of this and used it in an attempt to pressure the Swiss to counter the public’s pro-Israeli mood. During the war, the permanent representatives of Arab countries to the UN in Geneva submitted a note to the UN in Geneva’s General Director, Pier Spinelli, complaining about the anti-Arab sentiment in the city: “Since Israel’s aggression against the Arab nation, pro-Israeli demonstrations are taking place throughout Switzerland, especially in Geneva.”<sup>27</sup> The note further requested Spinelli to intervene with the Swiss authorities, given that such “racial and religious demonstrations are clearly contrary to the principles of neutrality that were decisive for the choice of Geneva as the seat of the United Nations Office and the specialized institutions.”<sup>28</sup> This Arab demarche showed that Willy Spühler’s defense of his government’s neutral attitude had not fully convinced the Middle Eastern ambassadors. Lebanese ambassador Farah had hinted to Spühler during their conversation on June 6 that the Swiss public’s pro-Israeli stance would impair its

---

<sup>23</sup> See the unsigned note “Moyen-Orient. La situation au 6 Juin 1967”, 06.06.1967, SFA, E2807#1974/12#471\*, 09

<sup>24</sup> Cf. the note by Michael Gelzer, Head of the section west of the Division for political affairs of the FPD, “Nahost-Konflikt. Erledigung besonders gelagerter Begehren”, 12.06.1967, DDS, dodis.ch/33946

<sup>25</sup> See: Fischer, ‘From Good Offices to an Active Policy of Peace ...’, *ibid.*, p. 83-84.

<sup>26</sup> Cf. the letter from Bernard Turrettini, Swiss observer at the Permanent Mission to the UN, New York, to Willy Spühler, 21.06.1967, DDS, dodis.ch/49523

<sup>27</sup> Note by the Arab permanent representatives to the UN in Geneva to Pier Spinelli, General Director of the UN in Geneva, 09.06.1967, DDS, dodis.ch/49522

<sup>28</sup> *Ibid.*

government's ability to provide good services.<sup>29</sup> This was being demonstrated in real time. And even though the General Secretary of the UN seemed displeased by this affair,<sup>30</sup> it ultimately did not lead to any more substantial menace to Geneva as international host city.

A few days after the end of open warfare on June 10, 1967, the Deputy Director of the Political Division of the FPD, Michael Gelzer, noted a low demand for Swiss protecting power services in a series of severed diplomatic relations during the conflict. This important Swiss career diplomat had started his service in the FPD in the division for Swiss protecting power mandates at the end of the Second World War,<sup>31</sup> a period when such Swiss mandates had peaked. If neutrality had been a Swiss trump card then, things were different now. Gelzer highlighted that foreign powers, notably the US and Great Britain, did not seek to engage specifically neutral states as protecting powers. According to Gelzer, states with deeper relations to Arab countries, like Spain and Italy, had now been chosen.<sup>32</sup> So the scope for possible Swiss good offices, here in the shape of protecting power mandates, was also put into question because of scant Swiss presence on the ground.<sup>33</sup>

In a preparatory note for the Swiss ambassador's conference in late August 1967, the FPD set this declining scope for Swiss good offices in the larger context of the Cold War and decolonization. Albert Natural, who would later become ambassador in Beirut, highlighted that the Swiss policy of permanent neutrality no longer conferred to the Swiss authorities a "position as privileged as we could hope for".<sup>34</sup> Switzerland as a western, "liberal and white" country could prompt distrust among former colonies and block the Swiss's ability to provide good offices in this context.<sup>35</sup> A certain resignation in the traditional field of Swiss good offices arose, as the FPD simply appeared to accept the new international situation and hence the "lost monopoly" it had hitherto enjoyed notably regarding protecting power mandates.<sup>36</sup>

The only conclusion that seemed clear to Albert Natural was that sustaining Swiss goodwill in international affairs had to go through its humanitarian aid, especially in cooperation with the ICRC.<sup>37</sup> While the ICRC was a private association, ties with the Swiss state were, and still are, close. As put by Sabina Widmer, "the Swiss authorities

---

<sup>29</sup>See Farah's statement in the confidential minutes by Franz Blankart, secretary of Spühler, "Vorsprache der in Bern Akkreditierten Missionschefs von acht arabischen Staaten beim Departementsvorsteher", 06.06.1967, DDS, dodis.ch/33280

<sup>30</sup> This was highlighted in a letter from Bernard Turrettini, Swiss observer at the Permanent Mission to the UN, New York, to Willy Spühler, 21.06.1967, DDS, dodis.ch/49523

<sup>31</sup> Consult the entry on Michael Gelzer in: DDS, dodis.ch/P2735

<sup>32</sup> See the note by Gelzer, "Nahostkonflikt. Abbruch diplomatische Beziehungen und Schutzmachtmandate", 12.06.1967, DDS, dodis.ch/33679

<sup>33</sup> These Swiss demarches in favor of Great Britain chiefly concerned the safety of the latter's citizens, see the note by Gelzer, "Nahostkonflikt. Demarchen, mit denen sich das Politische Departement im Zusammenhang mit der Nahostkrise zu befassen hatte", 13.06.1967, SFA, E2807#1974/12#471\*, 09

<sup>34</sup> Note by Albert Natural, Head of section, FPD, "Les bons offices", 21.08.1967, DDS, dodis.ch/33674

<sup>35</sup> *Ibid.*

<sup>36</sup> *Ibid.*

<sup>37</sup> *Ibid.*

consider the ICRC to be a pillar of Switzerland's humanitarian image, which improves the international reputation of its neutrality, and a foreign policy asset."<sup>38</sup> Beyond these general considerations, the cooperation between the Swiss authorities and the ICRC during the Six Day War confirmed this reliance on one another. The ICRC received significant financial support for its humanitarian effort in the conflict from the Swiss government. In three successive installments, between June and October 1967, the Federal Council allocated additional ca. CHF 1.6 million of financial contributions to the ICRC upon request by the FPD.<sup>39</sup> These aid contributions would be allotted mainly for Arab victims of the conflict,<sup>40</sup> countering the substantial private aid Israel was receiving from Swiss individuals.<sup>41</sup> Reflecting the public sympathies with Israel, a private aid collection for Israel had reached a stunning sum of close to CHF 5 million.<sup>42</sup> The ICRC disbursed all of this aid, in an official attempt to balance the overall public and private aid from Switzerland to the conflict parties. This would help insulate the Federal Council from domestic criticism.<sup>43</sup> Swiss good offices would best be substantiated via humanitarian aid giving rise to what Albert Natural described as a "Trinity, Switzerland – ICRC – neutrality".<sup>44</sup>

While the overall expenses of the ICRC for these operations are unclear,<sup>45</sup> the Swiss government covered roughly two thirds by late August. The ICRC visited numerous POWs and organized the exchange of over 12,000 of them. Beyond the "purely humanitarian aspects" to Swiss financial support to this mission, Swiss interests were also on the government's mind.<sup>46</sup> Although the ICRC was an independent organization, the Federal Council was certain "that the fact that the Committee has its headquarters in Geneva and that its delegates are all of Swiss nationality makes it appear to foreigners as a typically Swiss organization. Its successes therefore have a positive impact on our country's reputation and we may say that we benefit greatly from its activity just as the Committee itself benefits from Switzerland's neutrality."<sup>47</sup> Indeed, the Swiss government considered the ICRC's operations as assets in their own foreign policy

<sup>38</sup> Widmer, 'Switzerland, Regime Change, and Armed Conflict ...', p. 138. She gives a good overview of the limited literature available on Swiss relations with the ICRC.

<sup>39</sup> Decision by the Federal Council, "Action de la Confédération en faveur des victimes de la guerre au Proche-Orient", 13.06.1967, DDS, dodis.ch/33950. Decision by the Federal Council, "Aide de la Confédération aux victimes du conflit au Proche Orient", 19.06.1967, DDS, dodis.ch/33953. Decision by the Federal Council, "Appui financier de la Confédération au Comité international de la Croix-Rouge pour la poursuite de son action au Proche-Orient", 17.10.1967, DDS, dodis.ch/33957

<sup>40</sup> For a detailed listing of the ICRC's activities in the Middle East during this conflict, see: Mauerhofer, 'Die Aussenpolitik der Schweiz im Sechstagekrieg ...', p. 88-96.

<sup>41</sup> See these considerations as exposed in the request by the FPD, "Aide de la Confédération aux victimes du conflit au Proche Orient", 16.06.1967, DDS, dodis.ch/33953

<sup>42</sup> Reported in Mauerhofer, 'Die Aussenpolitik der Schweiz im Sechstagekrieg ...', p. 85.

<sup>43</sup> This was made clear right from the start of this official Swiss humanitarian aid, see the request by the FPD, "Action de la Confédération en faveur des victimes de la guerre au Proche-Orient", 13.06.1967, DDS, dodis.ch/33950

<sup>44</sup> See the note by Natural, "Les bons offices", 21.08.1967, DDS, dodis.ch/3367

<sup>45</sup> The ICRC's accounting between the ordinary and extraordinary budget, as well as the different expenditure posts in the latter are rather blurry, see: Jacques Freymond, ed., *Le Comité International de la Croix-Rouge* (Genève: Georg, 1984), p. 61-93.

<sup>46</sup> See the note by the FPD to the Federal Council, "Appui financier de la Confédération au Comité international de la Croix-Rouge pour la poursuite de son action au Proche-Orient", 04.10.1967, DDS, dodis.ch/33957

<sup>47</sup> *Ibid.*

which justified substantial financial backing. The Swiss authorities did not solely draw benefits from this ‘Trinity’ in the abstract, but sought to translate it a more targeted manner. The FPD did not miss highlighting Swiss support for the ICRC in its contact with Arab representatives – for instance, as the Syrian chargé d’affaires once more deplored the Swiss population’s pro-Israeli attitude. The humanitarian aid efforts underscored Swiss neutrality, Gelzer highlighted in this conversation in September 1967.<sup>48</sup> The Swiss humanitarian aid via the ICRC quite efficiently constituted a solidarity supplement to Swiss neutrality, hence reinforcing the latter when its traditional means of good offices had visibly reached a dead end.

The traditional fields of Swiss good offices were considered “utterly pointless” by the FPD because of the UN’s centrality in mediation. Yet, this UN role also opened a new field for Swiss activity. Upon request by the UN Secretary General U Thant, the Swiss government agreed for its high official Ernesto Thalmann, head of the Division for International Organizations at the FPD, to undertake a mission to report on the situation in Jerusalem after the war. While it had a relatively limited scope, this mission nonetheless allowed to substantiate the usefulness of Swiss neutrality in conflict situations to the international community.<sup>49</sup> Federal Councilor Spühler was convinced that the Thalmann mission contributed to appeasing the Arab states regarding Switzerland’s official attitude towards the conflict.<sup>50</sup>

These deliberate Swiss official attempts to placate the Arab states did not adversely affect Swiss-Israeli bilateral relations. The Swiss ambassador in Tel Aviv publicly expressed his sympathies with the Jewish state in a publicly aired radio broadcast<sup>51</sup> and the Swiss authorities, upon request by the Israeli Ministry of Foreign Affairs, supported the ICRC’s efforts to assure the safety of the Jewish population in the Arab states via its embassies.<sup>52</sup> And finally, despite initial skepticism from Willy Spühler, the Federal Military Department (FMD) received a delegation from the Israeli Defense Forces (IDF) in October 1967. While the FPD dreaded that such a visit would jeopardize the Swiss appeasement of Arab states, the FMD insisted on their interest in learning about the IDF experiences in the recent war. The delegation ultimately was not official, but nonetheless met with representatives of the FMD’s armament group.<sup>53</sup>

### ***Economic Fallout of the Six Day War***

The focus of Swiss foreign policy during the Six Day War and in the following months clearly lay in appeasing Arab skepticism. This was not just a matter of maintaining

---

<sup>48</sup> Note by Gelzer, “Vorsprache des syrischen Geschäftsträgers”, 28.09.1967, SFA, E2807#1974/12#471\*, 09

<sup>49</sup> This was reported in a note summing up Swiss engagements in the Middle Eastern conflict, see the note by Josef Anton Graf, adjoint at the FPD, to Spühler, “Naher Osten”, 11.11.1967, DDS, dodis.ch/33962

<sup>50</sup> Letter by Spühler to Nello Celio, Head of the Federal Military Department, 22.09.1967, DDS, dodis.ch/33976

<sup>51</sup> See: Pfenniger, ‘La Guerre des Six Jours ...’, p. 50-51.

<sup>52</sup> *Ibid.* p. 60-61.

<sup>53</sup> Mauerhofer, ‘Die Aussenpolitik der Schweiz im Sechstagekrieg ...’, p. 81-83.

friendly political relations and substantiating Swiss neutrality in the abstract. A note summing up the effect the war had on Swiss-Arab relations revealed the main reason for this eagerness: a dread of being labeled as an unfriendly state and hence inclusion in boycott measures against Swiss companies. Despite a “certain disappointment, or even bitterness” among the Arabs as “broad sections in Switzerland clearly stood on Israel’s side”, practical consequences for Swiss economic interests in the region remained low.<sup>54</sup> This was likely due to the measures taken by the Swiss government under the umbrella of Swiss neutrality policy, combined with the Arab states’ difficulties of actually imposing a common line for boycott measures.<sup>55</sup>

However, sustaining the credibility of Swiss neutrality could not only have a defensive function for safeguarding economic interests. In the wake of potential Arab economic boycott measures against companies from other countries displaying official support for Israel, a credibly neutral position could also help Swiss business to increase market share in Arab countries. This notably applied to Egypt. Despite some reserve, Swiss official relations had remained intact throughout the Nasser era and its nationalization measures against foreign property. In 1964, Switzerland was the first Western country to reach a settlement for compensation of its expropriated citizens.<sup>56</sup> Shortly after the end of open warfare, the FPD noted that war expenses weighed heavily on the Egyptian economy. Egyptian difficulties to honor international payments increased due to the shortfall of foreign earnings via the Suez Canal, closed as a consequence of the war, as well as the understandable drop in tourism. Nonetheless, the compensation payments agreed upon by the Egyptian authorities for expropriated Swiss assets continued to be honored.<sup>57</sup> Clearly, the Swiss authorities’ standing in Cairo remained solid throughout the Six Day War and Egyptian economic hardship.

Ambassador André Parodi, reporting from Cairo in late June, did not consider the economic risks high. Educated in political economy at the University of Geneva during the Great Depression of the 1930s, his tolerance for economic troubles must have been high.<sup>58</sup> He nonetheless recommended a certain caution regarding new Swiss credits to Egypt – likely referring to suppliers’ credits. However, he insisted that important opportunities might open up to Swiss business in Egypt if the Cairo authorities took boycott measures against “Anglo-Saxon” suppliers.<sup>59</sup> Encouraged to follow through on this by Hans Bühler, vice-Director of the Division of Commerce,<sup>60</sup> Parodi, still quite new to Cairo, focused on this matter during his introductory visit to the Egyptian

---

<sup>54</sup> This was highlighted in a note summing up Arab reactions towards Switzerland during the Six Day War by Marianne von Grüningen, intern at the FPD, “Die Haltung der arabischen Staaten gegenüber der Schweiz”, 25.08.1967, DDS, dodis.ch/49524

<sup>55</sup> *Ibid.*

<sup>56</sup> See notably: Prisca Zingg, ‘Diplomatischer Erfolg in Ägypten. Das Schweizerisch-ägyptischen Entschädigungsabkommen Vom 20. Juni 1964’, in *Gouvernementale Aussenpolitik: Staatsverträge (1848-1996), Bundesratsentscheide zur Aussenpolitik (1918-1976) und Fallbeispiele*, ed. by Schweizerisches Bundesarchiv, (Bern: Schweizerisches Bundesarchiv, 1999), p. 107-114.

<sup>57</sup> Cf. the note by Graf, “Wirtschaftslage der VAR”, 16.06.1967, SFA, E2807#1974/12#471\*, 09

<sup>58</sup> For information on André Parodi, see: DDS, dodis.ch/P130

<sup>59</sup> Letter by Parodi to the Division of Commerce, 23.06.1967, SFA, E7110#1978/50#1373\*, 811

<sup>60</sup> See the letter by Hans Bühler, vice-director, Division of Commerce, to Parodi, 10.07.1967, SFA, E7110#1978/50#1373\*, 811

Minister of Economy and Foreign trade, Hassan Abbas Zaki. But during this late July 1967 meeting, the Minister announced that his government would not take general boycott measures against so-called unfriendly states. Swiss hopes for an easy increase in sales in Egypt were thwarted. While Zaki did underscore that Switzerland was indeed considered a friendly country, like France, Italy and Spain, he also insisted that emotional or political considerations should no longer guide Egypt's foreign trade orientation. Egyptian orders would be based on "rational" concerns, i.e., credit conditions and to a certain extent quality.<sup>61</sup> Given the Swiss ambassador's rather pessimistic evaluation of Cairo's creditworthiness, substantial increases in exports to Egypt were not forthcoming.

The Six Day War did not have a decisive impact on Swiss economic standing in Egypt. However, Israeli territorial claims over the occupied territories on one known occasion had direct consequences on Swiss business presence in the region. This concerned the large Swiss machinery company, *Brown, Boveri & Cie.* (BBC). In September 1967, the company Director Arnold Spoeri and its vice-Director Thomas Boveri, called upon Gelzer to discuss the matter with him. In 1966, they explained, BBC had finished installing a gas-turbine power plant to provide energy for a manganese melting installation run in the Sinai by an Egyptian state company. The installations had still not, however, been put to work and now, Israel occupied the Sinai, hence controlling the peninsula's resources and the plant. BBC anticipated being approached by the Israeli authorities with a request to provide plans and expertise, possibly in the form of delegated specialists, in support of the opening of the installations under Israeli operation. This possibility might have caused BBC some prejudice given that the Egyptian order was contingent on the signing of a clause on the Arab boycott of Israel. Supporting Israeli efforts to exploit the manganese resources in the Sinai would be in violation of this clause, BBC was convinced. Gelzer's interlocutors, by comparison, mentioned that the national Italian oil company *ENI* had supposedly reached an agreement with the Egyptian authorities, allowing European firms' specialized workers to continue operating in the oilfields jointly owned with the *Egyptian General Petroleum Corporation*, now under Israeli control. Because of its business relations with the Arab states in general, BBC was skeptical to respond positively to any Israeli requests. That said, BBC representatives did want to reassure themselves that the company would obtain consent from the Egyptian authorities and therefore escape damage from boycott measures, even if it temporarily cooperated with the Israelis on this matter. Gelzer, Spoerli and Boveri agreed to ask the Swiss embassy to discretely investigate these possibilities.<sup>62</sup>

The Swiss embassy's chargé d'affaires had a clear position: do not reach out to the Egyptian authorities on this matter. In his confidential letter in late September 1967 to the FPD, he underscored that the situation of BBC was in no way comparable to ENI. Unlike the Italian company's participation in the joint venture in the petroleum sector,

---

<sup>61</sup> Letter by Parodi to the Division of Commerce, 02.08.1967, SFA, E2001E#1978/84#1512\*, C.41.100.0

<sup>62</sup> Cf. the unsigned note, "Gasturbinenzentrale in Abou Zeniema", 12.09.1967, SFA, E7110#1978/50#1393\*, 890.1

the Swiss company was not engaged in the actual running of the installations and hence had no responsibility for its maintenance. In the embassy's opinion, asking questions on the fate of industrial installations in the Sinai would only increase the risk for the Swiss company. As the number of projects on the peninsula was minimal, Egyptian interlocutors would likely smell a rat. He recommended waiting out the situation until the future of the Sinai would become clearer. Any other behavior would expose BBC to more severe measures threatening its other activities and open claims in Egypt, the chargé was convinced.<sup>63</sup> The BBC representative to Egypt entirely agreed with this evaluation. Furthermore, given that the Egyptian government was ready to honor its remaining financial obligations stemming from this project, there were even fewer reasons for BBC to give way to a hypothetical Israeli request.<sup>64</sup>

The Swiss ambassador in Israel, Jean de Stoutz, was convinced that the Israeli authorities would eventually turn towards BBC on this matter – especially if the deadlock in the Arab-Israeli negotiations continued.<sup>65</sup> Ultimately, as reported in a *New York Times* article one year after the war, the Israeli authorities did not start exploiting the Sinai manganese deposits because the project was, apparently, not economically viable.<sup>66</sup> The issue therefore did not necessitate an explicit decision from BBC. It is nonetheless a telling case, as it concerned one of the very few industrial installations on the Sinai Peninsula that was at least potentially affected by the changing status of the territory. Despite the uncertainty the company directors displayed in their talk with Gelzer, their larger interests in the Arab market, and especially in Egypt, noticeably guided their attitude in this context. BBC clearly not only wanted to avoid threatening its existing interests in Egypt, i.e., the outstanding payments, but also to avoid jeopardizing potential future contracts.

The hopes for growing market share during a potential boycott of US and British producers and the firm-level response of BBC both reflected Swiss interest in the Egyptian market. These initial hopes of new opportunities did not, however, materialize for Swiss exporters. Over the course of the economic austerity induced by the war and the deferral from the government investment plans, Cairo limited its imports to vital goods. By late spring 1968, Parodi reported to the Division of Commerce that Egyptian capital goods imports had practically stalled for more than a year.<sup>67</sup> As seen in Graph 10, overall Egyptian imports fell by roughly 20 percent between 1966 and 1968. Egyptian imports from Switzerland contracted even more strongly, falling by more than half until 1968 and then reaching a record low level the following year (Graph 20). As Swiss exports to Egypt continued to drop, Parodi paradoxically reported an increasing

---

<sup>63</sup> Confidential letter from Pierre Thévenaz, chargé d'affaires, Swiss embassy, Cairo, to the Political Division, FPD; 29.09.1967, SFA, E7110#1978/50#1393\*, 890.1

<sup>64</sup> This was noted in a confidential letter from Jacques-Bernard Rüedi, Section head, Political Division, FPD to BBC, 19.10.1967, SFA, E7110#1978/50#1393\*, 890.1

<sup>65</sup> Cf. the confidential letter from de Stoutz to the Political Division, 02.11.1967, SFA, E7110#1978/50#1393\*, 890.1

<sup>66</sup> "Sinai Occupation Is Profitable and Trouble-Free for Israelis", in *The New York Times*, 03.07.1968

<sup>67</sup> Letter by Parodi to the Division of Commerce, 07.05.1968, SFA, E7110#1979/14#1672\*, 811

interest by Swiss exporters in that market to the FPD in fall 1968.<sup>68</sup> In a note compiled for information requests by Swiss companies, the Swiss embassy in Cairo stressed the difficulties they would encounter when attempting to enter into business relations in Egypt. While Parodi insisted on the different business practices, the Egyptian policy aiming at tightening imports made it, for the time being, hard for Swiss exporters to “carve out their share in the Egyptian market.”<sup>69</sup>

Similar Swiss interests to potentially increase market shares also appeared in Syria. However, Swiss foreign officials were unable to reach any consistent evaluation of the state of the Syrian economy after the war. According to the Swiss chargé in Damascus, Ferdinand Duffour, Syria had not suffered substantially from the Six Day War.<sup>70</sup> But a couple of months later, André Dominicé, the Swiss ambassador to Syria posted in Beirut deemed the economic situation deplorable.<sup>71</sup> Inconsistencies aside, threats and rumors about boycott measures against Swiss firms, supposedly motivated by the Swiss government’s attitude to the Arab-Israeli conflict, regularly appeared in the first half of 1968 – and although these threats occasionally translated into secret instructions by the Syrian authorities, they ultimately never gave way to subsequent action against Swiss firms.<sup>72</sup> While the Swiss authorities considered the general danger of the boycott measures targeting them to be very low,<sup>73</sup> the repeated menaces of that, and ensuing evaluations by Arab authorities, likely stopped any substantial efforts by Swiss companies to undertake commercial ventures in Syria.

By November 1968, the new Swiss chargé in Damascus, Pierre von May, sought to renew his search for opportunities for Swiss companies. While he noted a deep penetration of Eastern European economies in the Syrian market, Western countries were noticeably absent in the Syrian market; only France and Italy occasionally managed to win tenders. Notably, this absence concerned the Federal Republic of Germany, whose companies did not consistently work this market as it lacked an embassy. Von May therefore raised the question if Switzerland should try to occupy this vacancy, including through increased purchasing of Syrian products.<sup>74</sup> The private Swiss agency promoting foreign trade, the Swiss Office for Commercial Expansion (OSEC), did not consider this a viable option. There was no great interest in purchasing Syrian goods in Switzerland and the Syrian government, according to the OSEC, would not accept further deterioration of its trade balance with Switzerland. Even though the

---

<sup>68</sup> Letter by Parodi to the Division of administrative affairs, FPD; 29.10.1968, SFA, E7110#1979/14#1694\*, 890.1

<sup>69</sup> See the unsigned note, “Exportations suisses vers la R.A.U.”, 23.10.1968, SFA, E7110#1979/14#1694\*, 890.1

<sup>70</sup> Letter from Ferdinand Duffour, Swiss chargé d’affaires, Damascus, to the Division of Commerce, 14.08.1967, SFA, E7110#1978/50#2540\*, 811

<sup>71</sup> The ambassador offered this evaluation in a contribution during the Swiss ambassador’s conference in summer 1967, see the minutes “Botschaftertagung 1967”, 19.10.1967, DDS, dodis.ch/30851

<sup>72</sup> Cf. the confidential letter from Duffour to the Division for political affairs, FPD, 04.01.1968, SFA, E7110#1979/14#2587\*, 842.0

<sup>73</sup> This was notably the evaluation by Gelzer in his confidential letter to Jean de Stoutz, Swiss ambassador, Tel Aviv, 31.05.1968, DDS, dodis.ch/33980

<sup>74</sup> Cf. the letter from Pierre von May, Swiss chargé d’affaires, Damaskus, to the Division of Commerce, 14.11.1967, SFA, E7110#1979/14#2582\*, 811

embassy's reporting of relevant economic and commercial information had bettered, the situation remained perplexing for Swiss foreign trade specialists. This was mainly due to frequent modifications of the already complex Syrian foreign trade provisions.<sup>75</sup> Furthermore, Bühler from the Division of Commerce added that the "Syrian political 'landscape' caused a certain reticence" among Swiss exporters.<sup>76</sup> Indeed, Syrian domestic political conditions were precarious, as the war defeat had stirred up considerable factional struggles within the regime.<sup>77</sup>

The overall erratic evaluation of the Syrian economy by Swiss policymakers, as well as its heavily politicized foreign trade orientation and the continuously unpredictable regulations governing Syrian economic policy, made it a difficult and uncertain market for Swiss exporters. The closure of the Syrian embassy in Bern further decreased contact. In March 1968 the Syrian ambassador announced that his authorities were considering this move to save financial resources. The Syrian mission to the UN in Geneva would take over the tasks assured hitherto by the embassy.<sup>78</sup> In October 1968, upon receiving the official note from the Syrian foreign ministry announcing the closure, the FPD noted with offense that the note did not explain it or display any regret.<sup>79</sup>

The effect of the war on the Israeli economy and all the possible ensuing shifts of Swiss interests in the country did not yield any substantial discussions within the Federal administration. In the aforementioned conference of Swiss ambassadors in late August 1967, Ambassador de Stoutz drew an optimistic image. While the Israeli economy was still in crisis, the war could form a turning point. The considerable financial support from the Jewish community abroad made financial efforts linked to the war bearable. For Swiss business, he went on, the war could even be beneficial as they might receive impulses from new installations,<sup>80</sup> presumably following Israeli attempts to valorize the newly occupied territories. Mirroring de Stoutz's optimism, the OSEC, in an August 1967 economic information sheet to its members, pointed towards an increased interest for the Israeli market among Western countries. According to the report, its economic solidity had been demonstrated by the war.<sup>81</sup>

As discussed in the previous chapter, Israel experienced an economic boom in the aftermath of the Six Day War. This boom expressed itself in a rapid increase in Israeli imports that more than doubled between 1966 and 1969 (Graph 8). Swiss exporters

---

<sup>75</sup> Highlighted by Pierre Addor, deputy Director, OSEC, in a letter to the Division of Commerce, 07.12.1968, SFA, E7110#1979/14#2582\*, 811

<sup>76</sup> Letter from Bühler to von May, 19.03.1969, SFA, E7110#1980/63#2268\*, 811

<sup>77</sup> See: David W. Lesch, 'Syria. Playing With Fire', in *The 1967 Arab-Israeli War: Origins and Consequences*, ed. by Roger Louis and Avi Shlaim (Cambridge; New York: Cambridge University Press, 2012), p. 95.

<sup>78</sup> Cf. the note by Gelzer, "Vorsprache des syrischen Geschäftsträgers", 15.03.1968, SFA, E2001E#1980/83#4145\*, B.22.20.2

<sup>79</sup> Note by the Foreign ministry of the Syrian Arab Republic to the Swiss embassy, Damascus, 15.10.1968, SFA, E2001E#1980/83#4145\*, B.22.20.2

<sup>80</sup> Cf. de Stoutz' statement in the minutes, "Botschaftertagung 1967", 19.10.1967, DDS, dodis.ch/30851

<sup>81</sup> Confidential economic information by the OSEC, "Israël: Vers une reprise économique?" August, 1967, SFA, E7110#1978/50#2417\*, 811

seem to have particularly taken advantage of this growth. As seen in Graph 14, sales grew at a higher rate after 1967 than in the preceding years. Chiefly responsible for this were capital goods exports (Graph 16), hence reflecting increased Israeli investment. Despite these aggregate figures, traces in public archives on any substantial promotion of these sales by Swiss officials are scarce, if not inexistent. This might be due to a simple lack of consultation with the Federal authorities. After all, the Israeli economy was largely considered to be honoring its foreign obligations.<sup>82</sup> This might, however, also be due to the necessary discretion for Swiss companies when doing business with Israel.<sup>83</sup> The higher growth of Swiss exports to Israel, when compared to those to Egypt and Syria, also resulted from the uneven support that business with those countries received from the Swiss export-risk guarantee agency. Syria and Egypt were the countries that troubled this agency the most. The maximum coverage and its duration had been reduced for both these countries in the course of the war,<sup>84</sup> which had not been the case for Israel.<sup>85</sup>

The Swiss foreign economic outlook on the Middle East was not substantially modified by the Six Day War. The political treatment of the war by Swiss officials reflected both past experiences in the Middle Eastern context and a learning process for future Swiss intervention. The scope for Swiss good offices had already been reduced in the Third World with the independence movements and the Cold War. This tendency accelerated, or at least was made increasingly aware to Swiss policymakers during the Six Day War. The solidarity supplement to Swiss neutrality policy, expressed in humanitarian aid via the ICRC, therefore became ever the more important. ICRC aid largely served to counterbalance the Swiss public's pro-Israeli bent and the Arab emissaries' suspicion of a Swiss official declaration on the war. As such, it served to mitigate potential political risks such sympathies might have had on Swiss business interests in the Arab world. On a firm-level, as evidenced by the case of BBC, avoidance seems to have been a viable strategy to mitigate risks stemming from economic cooperation with Israel.

## **2.2 Mutual Interest in Maintaining Contact Amidst Palestinian Terrorism**

If the Federal Council's positioning during the Six Day War had already caused some turmoil, then a series of crises definitely threatened the Swiss position in the Middle East at the turn of the 1970s. Under the apparent internationalization of Palestinian terrorism and Israeli armament efforts, the Swiss government, against its will and despite official neutrality, was drawn into the Middle Eastern conflict. Fears of deteriorating relations with the Arab states, both in the political and economic domain, were widespread in the Swiss administration. But no dramatic break in Swiss-Arab relations materialized, politically or economically. This was not simply the result of

---

<sup>82</sup> See again de Stoutz' statement in the minutes, "Botschaftertagung 1967", 19.10.1967, DDS, dodis.ch/30851

<sup>83</sup> The different possible reactions by Swiss firms towards boycott threats have been discussed in depth in: Pfenniger, 'La Guerre des Six Jours ...', p. 83-87.

<sup>84</sup> Highlighted in a letter from Hans Brunner, Director of the Office for Exportriskguarantees to Bühler, 08.08.1967, SFA, E7110#1980/63#1442\*, 890.1

<sup>85</sup> Mauerhofer, 'Die Aussenpolitik der Schweiz im Sechstagekrieg ...', p. 108-109.

Swiss avoidance of an escalation, which included a marked refrain from military collaboration with Israel. It was supported by the Egyptian government who actively sought to preserve relations with the Swiss. This both helped Switzerland's position with the Arab states, and supported Egyptian efforts of economic and political opening towards the West. Stagnating economic relations were not so much influenced by the evolution of bilateral political relations, as by the general state of the Arab-Israeli conflict and the severe economic conditions in several Middle Eastern countries.

### ***Inadvertently Drawn into a Conflict. Palestinian Terrorism and Swiss-Arab Relations***

After the Six Day War, the Palestinian national liberation movement emerged as an independent political actor, carrying their struggle into the international arena – albeit by terrorist means. This trumpeted a stark message: the Palestinian cause could no longer be ignored.<sup>86</sup> Switzerland was forced to acknowledge this as it became a direct target. Palestinian terrorists attacked Swiss civil aviation, as well as civil aviation on Swiss soil, on three occasions: in 1969, when a Popular Front for the Liberation of Palestine (PFLP) commando attacked an El-Al plane on the tarmac at Zurich's airport; in early 1970, when a bomb, presumably placed by a PFLP splinter group, exploded on a Swissair aircraft and brought it to a crash in Würenlingen; and again in late 1970, when PFLP activists hijacked a Swissair carrier during the so-called Sky-Jack Sunday.<sup>87</sup> This targeting of Switzerland was in part due to the assimilation of Switzerland with the Western block,<sup>88</sup> and in part to Swiss-Israeli cooperation in the military domain (cf. 3.1.2).<sup>89</sup> Yet, it largely took on its own dynamic in the course of the incidents.

The gravity of these events has attracted some scholarly and journalistic attention. Besides studies treating their effect on Swiss public opinion and policymakers,<sup>90</sup> Aviva

---

<sup>86</sup> For a detailed discussion on the emergence and structure of the Palestinian national resistance movement, see: John W. Amos, *Palestinian Resistance: Organization of a Nationalist Movement*, Pergamon Policy Studies on International Politics (New York: Pergamon Press, 1980). For a more recent account of the PLO's structures and politics, see: Daniel Barack, *The Palestine Liberation Organization: Terrorism and Prospects for Peace in the Holy Land*, (Santa Barbara: Praeger, 2011).

<sup>87</sup> Palestinian terrorist activities in Switzerland have attracted attention from history students, as evidenced by a series of Masters theses covering the topic. They mostly examine Swiss public opinion reactions. See, for example: Caroline Arbella, 'La Crise de Zerqa (1970): Regards croisés de la presse Suisse et du Département Politique Fédéral' (Université de Fribourg, 2008) and Christoph Schmid, 'Herausforderung Zerka: Die Entführung einer Swissair-Maschine durch Palästinensische Extremisten im September 1970 und deren Bewältigung in der Schweiz' (Bern: Historisches Institut, Universität Bern, 2006).

<sup>88</sup> See: Aviva Guttmann, 'Une coalition antiterroriste sous l'égide d'un pays neutre: la réponse suisse au terrorisme palestinien, 1969-1970', *Relations internationales*, numéro spécial, n°163, Automne 2015, p. 95.

<sup>89</sup> A Masters thesis places the attack against the El Al plane in the context of arms transfers through Switzerland, see: Briod, 'Suisse-Israël ...', p. 55-56.

<sup>90</sup> Swiss public opinion was indignant vis-à-vis the Palestinian terrorist activities, see: Kreutner, *Die Schweiz und Israel...*, p. 93-101.

Guttman has meticulously studied the adoption of a Swiss anti-terrorist strategy<sup>91</sup> and how ad hoc coordination gave way to a more durable forum between intelligence services of several Western European states.<sup>92</sup> A controversial hypothesis from a Swiss journalist on a supposed secret and informal deal between the Federal Councilor Pierre Graber and the PLO in September 1970 that aimed at safeguarding Switzerland from further Palestinian terrorist attacks recently sparked some public controversy.<sup>93</sup> His suggestions have since, however, been largely rebutted by scholarly and official investigation.<sup>94</sup> Rather than addressing the reasons that the Palestinians targeted Switzerland, this subchapter pinpoints the attacks' impact on Swiss-Arab relations. Did this "woeful saga of [Swiss] troubles with the Arabs" really lead to "unconcealed hostility to the Arab cause" as put forth by the US Ambassador to Bern, Shelby Davis?<sup>95</sup> Historian Jonathan Kreutner argues that Swiss reactions to Palestinian terrorism "certainly had heavy repercussions" on the Swiss export industry in Arab countries.<sup>96</sup> Our findings, however, show that, despite a certain *prise de distance* in official Swiss-Arab relations, which also occurred in the economic domain, there were counterbalancing factors at play. A significant consequence resulting from these incidents of Palestinian terrorism was an overall questioning by Swiss foreign policymakers of Switzerland's position in the Middle East and in world politics more generally.<sup>97</sup>

Egypt and Syria were both crucial Arab states for the Palestinian national movement. Nasser had taken the initiative to found the PLO,<sup>98</sup> and Syria was one of the most vocal supporters of Palestinian national grievances.<sup>99</sup> Examining the effects of Palestinian terror, and the Swiss management thereof on relations with these Arab countries is revealing. Swiss fears of being drawn into the Middle East conflict as a consequence of these crises particularly shaped diplomacy at the time. The FPD clearly wanted to limit the potentially damaging effect of Palestinian terrorism on Switzerland's position in the

---

<sup>91</sup> During the hijacking crisis, the Swiss coordinated efforts of the countries concerned – Germany, Great Britain, Israel and US representations in Bern –, in building a united front in negotiations with the PFLP: Guttman, 'Une coalition antiterroriste ...', *ibid.*, p. 95–110.

<sup>92</sup> Guttman, *The Origins of International Counterterrorism Cooperation ...*

<sup>93</sup> See: Gyr, *Schweizer Terrorjahre...*

<sup>94</sup> The Diplomatic Documents of Switzerland Project has heavily critiqued Gyr's thesis. See: Zala, Bürgisser, and Steiner, 'Die Debatte zu einem «geheimen Abkommen» ...', *ibid.*, p. 1-24. Likewise, a public investigation into these allegations found no evidence of a secret deal between Federal Council Member Pierre Graber and the PLO. See: Federal Department of Foreign Affairs, Federal Department of Justice and Police, and Federal Department of Defense, Civil Protection and Sports, eds., 'Interdepartementale Arbeitsgruppe «1970» Schlussbericht', *ibid.*, p. 19-25.

<sup>95</sup> Confidential Airgram, Shelby Cullom Davis, US ambassador Bern, to the US Department of State, 22.01.1971, National Archives and Records Administration College Park [NARA], State Department Central Files (Record Group 59) [RG 59], 1970-1973 Subject Numeric Files, Box 2612, POL SWITZ-US.

<sup>96</sup> Kreutner, *Die Schweiz und Israel...*, p. 95.

<sup>97</sup> Swiss foreign policy makers were reluctantly moving towards a more active foreign policy under the impact of Détente between the Super Powers and Swiss concern of international isolation in this process. See: Bott, and Schaufelbuehl, 'Switzerland and Détente: ...', *ibid.*, p. 259-278.

<sup>98</sup> See: Helga Baumgarten, 'The Three Faces/Phases of Palestinian Nationalism, 1948–2005', *Journal of Palestine Studies*, 34 (2005), p. 29.

<sup>99</sup> See for example: Laurie A. Brand, 'Asad's Syria and the PLO: Coincidence or Conflict of Interests?', *Journal of South Asian and Middle Eastern Studies*, 14 (1990)

Middle East. Reactions of the Arab regimes, therefore, were crucial to understand the effect of Palestinian terrorism on bilateral relations.

Besides summoning the Ambassadors of several Arab states and Israel,<sup>100</sup> toughened visa conditions for Arab nationals were among the main measures, introduced by the Swiss government in April 1969 as a reaction to the terror attacks.<sup>101</sup> Arab states considered the legal treatment of the imprisoned PFLP militants who attacked the El Al aircraft in Zurich by Swiss authorities to be unfair. According to Michael Gelzer, head of the service of the FPD in charge of the Middle East, it was mostly these two effects that fueled what Swiss embassies throughout the region described as intense anti-Swiss campaigns in their host countries. They expressed fears of prejudice in Arab relations – including economically.<sup>102</sup> Tensions appeared within the Swiss administration between the FPD and the Federal Department of Justice and Police (FDJP) around the measures to be adopted after the 1970 Würenlingen crash. The latter pushed for a general entry ban on Arab citizens, yet the foreign policymakers of the FPD wanted to avoid escalating reprisals against the Arab states.<sup>103</sup>

Meanwhile, the Israeli government, through its Information Bulletins, attempted to exploit the Würenlingen explosion of February 1970 by equating Palestinian radicals with Arabs. These propaganda efforts aimed to reinforce Swiss sympathies with Israel;<sup>104</sup> they only had a limited effect on Swiss officials' reading of the situation. Swiss reprisals, notably the hardened visa conditions for Arabs, aimed at pushing the Arab governments not only to condemn terrorist attacks abroad, but also to pressure Palestinians militants into refraining from further attacks against Switzerland.<sup>105</sup> FPD General Secretary Pierre Micheli stated during a meeting of the Swiss National Council's foreign affairs committee that the main leader of the Palestinian national liberation movement, Yasser Arafat, and his *Fatah* had condemned the Würenlingen attack. While even the PFLP opposed this attack,<sup>106</sup> FPD General Secretary Pierre Micheli saw official reactions of most Arab states as rather conciliatory, with the exception of Saudi Arabia and Syria.<sup>107</sup>

---

<sup>100</sup> See: Confidential Note by Michael Gelzer, Head of the Division for political affairs, Section West, FPD, "Klotener Attentat", 28.02.1969, DDS, dodis.ch/33710

<sup>101</sup> See: Letter from Elmar Mäder, Director of the Federal Office of Aliens to the Swiss representation abroad, 02.04.1969, SFA, E2001E-01#1987/78#2615\*, B.44.32.0

<sup>102</sup> See the confidential Letter from Gelzer to Hans Walder, Swiss Attorney general, 01.05.1969, SFA, E2001E-01#1987/78#2618\*, B.51.30

<sup>103</sup> See Graber's statement in: Confidential minutes, "Nationalrätliche Kommission für auswärtige Angelegenheiten. Protokoll der ausserordentlichen, dem Swissair-Absturz in Würenlingen gewidmenen Sitzung vom 2. März 1970", 16.03.1970, DDS, dodis.ch/35441

<sup>104</sup> Information Bulletin of the State of Israel, 01.04.1970, SFA, E2001E#1980/83#2888\*, A.15.41.17\*

<sup>105</sup> See the statement of Federal Councillor Pierre Graber: Minutes of the Swiss National Council, "Interpellation Chevallaz. Katastrophe von Würenlingen", 19.03.1970, DDS, dodis.ch/35468

<sup>106</sup> See: Amos, *Palestinian Resistance ...*, p. 193.

<sup>107</sup> See Micheli's statement in: Confidential minutes, "Nationalrätliche Kommission für auswärtige Angelegenheiten. Protokoll der ausserordentlichen, dem Swissair-Absturz in Würenlingen gewidmenen Sitzung vom 2. März 1970", 16.03.1970, p. 5-7, DDS, dodis.ch/35441

Syria officially condemned the new visa regulations as “racial discrimination against Arabs” that would worsen Syrian-Swiss relations.<sup>108</sup> Yet the Swiss Chargé in Damascus was convinced that the Syrian government would not go as far as to break diplomatic relations with Switzerland.<sup>109</sup> Egyptian reactions as reported by the Swiss Ambassador in Cairo were more conciliatory. Foreign Minister Mahmoud Riad resisted domestic parliamentary pressure to condemn Switzerland for what was perceived as an unfair trial of the Palestinian prisoners.<sup>110</sup> While Riad privately criticized Palestinian attacks in third countries, a public statement denouncing Palestinian terrorism was unthinkable as long as Israel occupied Egyptian territories.<sup>111</sup> Facing an increasingly independent and radical Palestinian national movement, denouncing Palestinian militant activities could threaten the bigger Arab regional powers’, namely Egypt’s, grip on the Palestinians.

Aware of these regional dynamics, Swiss officials saw Arab governments’ criticism against Swiss measures as directed to an Arab audience, and not a Swiss one.<sup>112</sup> Cairo, however, refrained from condemning the Swiss, as Egyptian officials wanted to remain on good terms.<sup>113</sup> This conciliatory attitude of Foreign Minister Riad was rooted in the larger Egyptian foreign policy goals of that time. The Swiss Embassy in Cairo interpreted this reluctance to escalate tensions with Switzerland as part of Riad’s attempted rapprochement towards the Western powers.<sup>114</sup> Taking on neutral Switzerland would not have been well received in Western Europe and the US. At this point, the association of Switzerland with the West therefore proved beneficial for the Swiss position in Egypt and the wider Arab world.

Despite clear Egyptian restraint, General Secretary Micheli nonetheless designated relations with the Arab states as “one of our major problems” in early September 1970. For Micheli, these problems stemmed from the accusation by the Arab states of discriminating against Palestinian prisoners and from the danger of further terrorist attacks.<sup>115</sup> Just four days later, these fears materialized in the PFLP hijacking of a Swissair plane. Switzerland’s role in this episode proved its usefulness for Western interests, as highlighted for instance by US Assistant Secretary of State, Joseph S.

---

<sup>108</sup> Mentioned in a Note of André Coigny, Collaborator of the Division for International Organizations, FPD, to Graber, “Relations entre la Suisse et la Syrie”, 15.04.1970, SFA, E2001E-01#1988/16#5624\*, B.15.21

<sup>109</sup> See the Letter from Pierre von May, Chargé d’affaires, Swiss embassy Damascus, to Micheli, 26.02.1970, DDS, dodis.ch/35444

<sup>110</sup> Letter from André Parodi, Swiss ambassador in Cairo, to Mathias Eggenberger, President of the Swiss Federal Assembly, 04.03.1970, SFA, E2200.39#1995/155#115\*, 331.9

<sup>111</sup> Riad’s attitude is described in a Letter from Parodi to Gelzer, 23.04.1970, SFA, E2001E-01#1987/78#2579\*, B.15.21

<sup>112</sup> This general attitude by many Swiss officials is mentioned in a note by Jean-Pierre Vettovaglia, FPD, “Réactions enregistrées dans les pays arabes et dans le monde au sujet du procès qui s’est déroulé à Winterthour contre les auteurs de l’attentat de Kloten”, 28.01.1970, DDS, dodis.ch/36295

<sup>113</sup> See Note from Gelzer to Graber, “Beziehungen zwischen der Schweiz und der Vereinigten Arabischen Republik,” 24.03.1970, SFA, E2001E-01#1987/78#2579\*, B.15.21

<sup>114</sup> Letter from Pierre Thévenaz, Counsellor of the Swiss Embassy Cairo, to Division for political affairs, FPD, 11.08.1970, SFA, E2200.39#1995/155#115\*, 331.9

<sup>115</sup> Minutes of the Regional conference “Arab states”, 02.09.1970, p. 1, DDS, dodis.ch/34537

Sisco.<sup>116</sup> Bern became the center for coordination between the Western countries concerned. According to Pierre Graber, this was in thanks not only to Swiss neutrality, but also its geographical proximity to the ICRC headquarters in Geneva, which was a crucial liaison point with the PFLP during this hostage crisis.<sup>117</sup>

But under the threat of immediate menace to Swiss lives, the incident also had an effect on the overall reading of the Middle Eastern situation. While the US ambassador to Bern reported Swiss criticism of Israeli intransigence in liberating the hostages,<sup>118</sup> Nasser's role in obtaining the liberation of the hostages was highlighted in a November 1970 memorandum of the Swiss FPD. Summarizing the influence of the hijacking on Swiss relations with the Arab states, the FPD observed they had not worsened. There were even "encouraging signs" as a whole series of governments and especially the Egyptians offered their support in liberating the hostages. The Syrian government, by contrast, still appeared to take offense by the Swiss visa measures.<sup>119</sup> In retrospect, the Swiss Chargé in Damascus Pierre von May found that bilateral relations improved again after the hijacking. Some "naive [Syrian] politicians" supposedly thought that the Swiss-Arab balance sheet was even after the Palestinian splinter group had, in the course of the hijacking, blown up the Swissair plane and stolen the cash aboard. He further saw the Syrian government, now under the leadership of Assad, undertaking a rightwing turn and hence leading to a less virulent stance.<sup>120</sup> Swiss political relations, even with the more radical Arab states, were therefore only temporarily affected adversely by Palestinian terrorism.

Just as in the political sphere, the terrorist crises only marginally affected Switzerland's economic relations in the region as well. For instance, the Swiss Chargé in Syria Von May reported to Bern that a PFLP-launched boycott appeal against Swiss goods in early 1970 remained isolated.<sup>121</sup> And although von May raised the possibility that Syrian doubt of Swiss neutrality could lead to a cooling down of commercial relations,<sup>122</sup> this did not come to noticeable fruition. In March 1970, Pierre Graber gave his first ever lead-off in a meeting as Federal Councilor responsible for the Foreign Affairs

---

<sup>116</sup> Sisco highlighted this during a meeting with the Swiss ambassador in Washington, see: Secret Telegram from William P. Rogers, Secretary of State of the USA, to the US Embassy in Bern, "Current Middle East Situation", 08.10.1970, Nixon Presidential Library [NPL], NSC Country Files - Europe, Switzerland, Vol. 1, 1969-1970, Box 707.

<sup>117</sup> See Graber's statement in: Confidential Minutes, "Commissions des Affaires étrangères du Conseil National et du Conseil des Etats. Procès-verbal de la Séance du 15 septembre 1970 consacrée aux détournements d'avions par le FPLP", 25.09.1970, p. 7, SFA, E1050.12#1995/511#13\*, 1. For a detailed discussion on Swiss management of the hijacking, see: Guttman, 'Une coalition antiterroriste ...', *ibid.* p. 101-108.

<sup>118</sup> Secret Telegram Richard David Vine, American Embassy Bern, to Secretary of State, "Negative Israeli Position", 11.09.1970, NPL, NSC Country Files - Europe, Switzerland, Vol. 1, 1969-1970, Box 707

<sup>119</sup> See the Note by Sven Meili, staffer of the FPD, "Zusammenfassung der Notiz über die Flugzeugentführungen nach Jordanien", 11.11.1970, DDS, dodis.ch/35434

<sup>120</sup> He did this in his end of mission report, see Confidential report, von May to Graber, 24.05.1973, DDS, dodis.ch/38641

<sup>121</sup> Letter from von May to Division for political affairs, FPD, 09.01.1970, SFA, E7110#1981/41#2280\*, 869.7

<sup>122</sup> Letter from von May to the Division for International Organisations, FPD, 28.01.1970, SFA, E7110#1981/41#2282\*, 871

Committee. Replacing Willy Spühler, it was again a moderate social democrat heading the FPD, this time from French-speaking Switzerland. After having spent numerous of his almost 30 years as a parliamentarian in said committee, he now was in it as a member of the government. Graber, commenting on the violent verbal reactions by the Arab states in the course of the hijacking incident, noted with satisfaction that they “have up to this day not had any practical effects” – by which he meant, trade figures had not dropped.<sup>123</sup> When the Swiss response to the terrorist incidents did explicitly obstruct Swiss public and private economic efforts in Egypt and Syria, they were isolated, temporary and originated from lower ranks of the bureaucracies. As seen in Graph 29, the overall level of trade had not been significantly affected by the incidents.

Despite the limited deterioration of overall Swiss-Arab relations in the course of Palestinian terror against Swiss targets, it did have a more durable impact on general Swiss foreign policy and its doctrine of neutrality. The fear of neutrality being questioned in the Arab world led to a questioning of neutrality by the Swiss themselves. Largely matching the evaluation of the limitation imposed on Swiss good offices during the Six Day war, Graber concluded in parliament that despite its neutrality Switzerland was “involved in the disorder that characterizes [the world] today.”<sup>124</sup> This disorder, he believed, was an expression of the “North-South conflict [that] overlaps with the East-West conflict.”<sup>125</sup> With one of the conclusions he drew being the need for better Swiss collection of political information in the Middle East, these statements point towards a more active Swiss foreign policy, especially in the Third World. Switzerland’s position in the Third World did not solely articulate itself within the framework of Cold War conflicts, but also in respect to unequal relations between the developed capitalist world and the global south, with persisting conflicts over national independence.

### ***An Easy Means to Appease Arab Governments: Countering Israeli Military-Industrial Espionage in Switzerland***

As a war-ridden region, armament was obviously a crucial and sensitive issue in the Middle East. The IDF’s industrial and military espionage against a Swiss private company from May 1968 until fall 1969, substantially interfered in Switzerland’s position in the Middle East. The resulting scandal, along with a series of military collaborations with Israel and illegal arms transfers via Switzerland, further marked the Swiss position in the Arab world. A reversal to pronounced restraint from military collaboration with Israel seemed to be an easy means to avoid further deterioration of relations with Arab states, and even try to ameliorate them.

---

<sup>123</sup> See Graber’s presentation on Swiss-Arab relations in: Confidential minutes, “Nationalrätliche Kommission für auswärtige Angelegenheiten. Protokoll der Sitzung vom 19. Februar 1970”, 02.03.1970, SFA, E1050.12#1995/511#13\*, 1

<sup>124</sup> See Graber’s statement in: “Interpellation Chevallaz. Flugzeugentführungen” in *Official Bulletin of the Federal Assembly*, Vol. III, 1970, p. 662.

<sup>125</sup> *Ibid.*, p. 663.

After the Six Day War, Israel faced difficulties obtaining spare parts for its Mirage fighter jets as the French government suspended arms exports to Israel and specifically these components.<sup>126</sup> The IDF were therefore highly interested in obtaining technical plans of the Mirage. Despite warnings to the FPD by the Egyptian ambassador in Bern in January 1969,<sup>127</sup> the IDF acquired a large volume of such plans through industrial espionage in the Swiss machinery company *Sulzer Brothers* between May 1968 and September 1969. A Swiss engineer working for Sulzer, Alfred Frauenknecht, sold detailed technical drawings to the Israeli Ministry of Defence via the Israeli military attaché in charge of Switzerland, based in Rome. The Swiss government only reacted after the press made this case of military-industrial espionage public, declaring the Israeli military attaché *persona non grata*. As Ambassador Hansjörg Hess intervened in Tel Aviv to get an explanation by the Israeli government, the latter simply denied any involvement.<sup>128</sup>

The so-called Frauenknecht affair provoked strong reactions in the Arab capitals.<sup>129</sup> From Damascus, von May reported a “doubting of Swiss neutrality regarding the Near Eastern conflict”<sup>130</sup> and Syrian newspapers even accused the Swiss intelligence services of involvement in the affair.<sup>131</sup> The Swiss Ambassador to Egypt, André Parodi, insisted that the impact of the Frauenknecht affair on Egyptian public opinion was stronger than what might have resulted from the Swiss measures taken following the Kloten attacks – it had seriously deteriorated Swiss-Egyptian relations.<sup>132</sup> In fact, the Mirage plans obtained in Switzerland greatly helped the *Israel Aerospace Industries* (IAI) build their own jets.<sup>133</sup> This significantly enhanced Israel’s readiness for war and was a central pillar for the Israeli government to build up its military industrial base around sophisticated industries.<sup>134</sup> The strong Arab – particularly Egyptian – sensitivities are not astonishing given that the affair became public in the midst of the War of Attrition. The end of the Six Day War did not entirely end armed conflicts along

---

<sup>126</sup> On the French government’s Mirage exports to Israel and the subsequent embargo, see: David Styan, *France & Iraq: Oil, Arms and French Policy Making in the Middle East*, Library of International Relations, 25 (London; New York: I.B. Tauris, 2006), p. 61-63.

<sup>127</sup> See the warning expressed by ambassador Abdel Fattah to Michael Gelzer in: Confidential Note by Gelzer, “Kriegsmaterialausfuhr”, 17.01.1969, SFA, 2001E#1980/83#2925\*, B.51.14.21.20

<sup>128</sup> For a detailed account of the modalities of this affair, see: Briod, ‘Suisse-Israël ...’, p. 40- 49.

<sup>129</sup> These reactions were summed up in Bern in a note by Jean-Pierre Vettovaglia, FPD, “Réactions enregistrées dans les pays arabes et dans le monde au sujet du procès qui s'est déroulé à Winterthour contre les auteurs de l'attentat de Kloten”, 28.01.1970, DDS, dodis.ch/36295

<sup>130</sup> Letter from Pierre von May, Swiss Chargé d’affaires Damascus, to the Division for International Organisations, FPD, 28.01.1970, SFA, E7110#1981/41#2282\*, 871

<sup>131</sup> See: Letter from von May to the Information and Press service of the FPD, 04.08.1970, SFA, E2001E-01#1982/58#6742\*, A.15.41.10

<sup>132</sup> Confidential letter of André Parodi, Swiss ambassador Cairo, to Pierre Micheli, Secretary General, FPD, 23.10.1969, SFA, E2200.39#1995/155#138\*, 422.3

<sup>133</sup> This was mentioned by a Swiss delegation during their visit of an IAI factory, see confidential note by Gaspard Bodmer, Division for International Organizations, FPD, “Besuch einer schweizerischen Delegation bei der Israel Aircraft Industry (IAI)”, 01.12.1970, DDS, dodis.ch/36446. For the AIA jet program, see: Carl Otis Schuster, ‘Aircraft, Kfir Fighter’, *The Encyclopedia of the Arab-Israeli Conflict: A Political, Social, and Military History*, Hrsg. Spencer Tucker und Priscilla Mary Roberts (Santa Barbara: ABC-CLIO, 2008), p. 55–56.

<sup>134</sup> Zilberfarb, ‘The Short- and Long-Term Effects ...’, *ibid.*, p. 792-794.

the Suez Canal zone and especially in late 1969 and early 1970 the fighting escalated. By then, the Israeli air force bombed targets inside Egypt.<sup>135</sup>

The Swiss government tried to mitigate the diplomatic damage caused by this entanglement in Middle Eastern armaments efforts by taking measures in this same domain of armament relations. In order to offset, or at least abate, Arab resentment, the Swiss FPD renounced various forms of direct and open military collaboration with Israel. Egypt, Syria and Israel had all been among the most significant markets for Swiss arms exports in the first half of the 1950s.<sup>136</sup> Official arms exports to Israel, as well as to the Arab states, were, however, prohibited since 1955 on the ground of heightened war risk. Yet this embargo did not cover the sale of licenses or the export of machinery for the production of military goods.<sup>137</sup> The Swiss machinery industry had contributed a “considerable share” to the build-up of the Israeli armaments industry since the Six Day War in this domain, as the Swiss ambassador in Tel Aviv noted in March 1970.<sup>138</sup> This stemmed chiefly from a 1969 license agreement between the Israeli government and the Swiss armament company Oerlikon-Bührle for the production of ammunition in Israel, communicated to the FPD shortly before the Frauenknecht scandal became public.<sup>139</sup>

While this license agreement did not appear to have troubled the FPD, Swiss official policy regarding the transfer of armament technology was modified under the impact of the Frauenknecht affair. On two occasions between October 1969 and November 1970, a Swiss machinery company, Biazzi S.A., inquired after the possibility of supplying Israeli armaments industries with machinery, and later, with an entire factory for the production of explosives. Just two weeks after the arrest of Frauenknecht, in October 1969 the FPD saw this inquiry as politically inopportune.<sup>140</sup> Later, in November 1970, the inquiry was again discouraged by the FPD who dreaded Arab newspaper headlines reading, “Switzerland sells explosives factory to Israel”.<sup>141</sup> Reserves were also large because of possible domestic opposition, as Swiss arms exports were indeed highly contested at the time. The second request by Biazzi came

---

<sup>135</sup> For detailed accounts of diplomatic efforts for Middle Eastern peace during this period see: David A. Korn, *Stalemate: The War of Attrition and Great Power Diplomacy in the Middle East, 1967-1970* (Boulder: Westview Press, 1992)

<sup>136</sup> See: Reto Moosmann, ‘Die Verwässerung des “generellen Ausfuhrverbots” im Dienste von Armee und Rüstungsindustrie: zur Kriegsmaterialausfuhrpolitik des Bundesrates in den 1950er und 60er Jahren’, *Schweizerische Zeitschrift für Geschichte*, 56 (2006), p. 162-163.

<sup>137</sup> On the motivations and modalities of this arms export embargo, see: secret request, FPD to the Federal Council, “Exportations de matériel de guerre à destination d’Israël et des Etats arabes.”, 30.10.1955, DDS, dodis.ch/10920. This request was subsequently approved by the Federal council, see: Minutes of the Federal Council, “Exportations de matériel de guerre à destination d’Israël et des Etats arabes”, 08.11.1955, DDS, dodis.ch/10961

<sup>138</sup> Letter from Hansjörg Hess, Swiss ambassador Tel Aviv, to Jacques-Bernard Rüedi, Head of Section, Division for political affairs, Section west, FPD, 05.03.1970, SFA, E2001E#1980/83#2925\*, B.51.14.21.20

<sup>139</sup> This was communicated to Gelzer by a representative of the said company during a visit of one of its representatives, see: confidential note by Peter Dietschi, staffer at the FPD, “Besuch von Herrn Balsiger, Werkzeugmaschinenfabrik Oerlikon-Bührle AG (WO)”, 15.08.1969, DDS, dodis.ch/33478

<sup>140</sup> See: Letter from Rüedi to Division of Commerce, 13.10.1969, DDS, dodis.ch/33511

<sup>141</sup> Note, FPD, “Errichtung einer Fabrik zur Herstellung von militärischen Sprengstoffen in Israel”, 27.11.1970, SFA, E2001E#1980/83#2925\*, B.51.14.21.20

shortly after a popular initiative demanding a limitation of arms exports was filed and the same day that responsible personnel involved in the so-called Bührle scandal was sentenced.<sup>142</sup> In November 1968, an inquiry had been launched into the Swiss armaments company Oerlikon Bührle for arms exports violating Swiss arms export legislation. While some Oerlikon arms also found their way to Egypt and Israel,<sup>143</sup> the most significant destination was Nigeria, in full-fledged civil war.<sup>144</sup> Domestically, this scandal provoked heavy criticism of arms exports more generally and led to the launching of a popular initiative aimed at heavily limiting Swiss arms sales abroad and particularly in the Third World.<sup>145</sup> These domestic political conditions formed the background for Gelzer's negative evaluation of directly supplying an explosives factory.<sup>146</sup> Providing the Israeli military industry with "know how", technical support and production licenses from Biazzzi, was not, however, a problem for the FPD. Such license agreements were not even required to be submitted to the Swiss authorities.<sup>147</sup> The fear of provoking further hostility of the Arab states through visible collaborations in the military domain was a preoccupation of Swiss foreign policymakers. But private and discrete Swiss-Israeli partnerships, largely matching the Swiss economic presence in Israel noted earlier, were not seen as problematic.

Attempted military transfers did not only go from Switzerland to Israel, but also in the opposite direction. The accelerated build-up of the Israeli armaments industry after the French arms export embargo<sup>148</sup> led Israel to seek export markets for their arms manufacturers,<sup>149</sup> including in Switzerland. From spring 1969 onwards, *Tadiran, Israel Electronics Industries Ltd.*, tried to actively promote sales of radio devices to the Swiss Army. The Swiss Directorate of the Federal Military Administration, tasked with purchasing military equipment, was amenable to this purchase. Spurred by concern of aggravating relations with the Arab states, the FPD renounced this possibility in early 1970.<sup>150</sup> These considerations were not, however, of a principled nature; they resulted from the specific state of Swiss-Arab relations at the time. By no means did they form a precedent for future arms imports from Israel, as Gelzer specified to Arie Levavi, the Israeli ambassador in Bern, in late 1971.<sup>151</sup> Renouncing arms imports from Israel was therefore a means to appease the Arab states in the midst of the blowback of the Palestinian terrorism and the Frauenknecht affair. In no way were political

---

<sup>142</sup> See: Monica Kalt, *Tiersmondismus in der Schweiz der 1960er und 1970er Jahre: von der Barmherzigkeit zur Solidarität*, (Bern: P. Lang, 2010), p. 354-356.

<sup>143</sup> Meister,, 'Des supposées restrictions ...' *ibid.*

<sup>144</sup> On this, see: Page, *Le Nigeria et la Suisse ...*, p. 237-250. See further: Dominik Matter, 'SOS Biafra': *die schweizerischen Aussenbeziehungen im Spannungsfeld des nigerianischen Bürgerkriegs 1967-1970* (Bern: Diplomatische Dokumente der Schweiz (DDS), 2015), p. 46-49.

<sup>145</sup> Rudolf Epple-Gass, *Friedensbewegung und direkte Demokratie in der Schweiz* (Frankfurt a.M: Haag + Herchen, 1988), p. 57-68.

<sup>146</sup> Letter from Gelzer to Mario Biazzzi, 16.12.1970, SFA, E7110#1981/41#2161\*, 873.1

<sup>147</sup> Note, Gelzer, 17.12.1970, SFA, E2001E#1980/83#2925\*, B.51.14.21.20

<sup>148</sup> For a brief history of the Israeli armaments industry, see: Farah Naaz, 'Israel's Arms Industry', *Strategic Analysis*, 23 (2000), s. 2077-2082.

<sup>149</sup> On the emergence of Israeli arms exports, see: Ya'akov Lifshitz, *The Economics of Producing Defense: Illustrated by the Israeli Case* (Boston: Kluwer Academic Publishers, 2003), p. 301-309.

<sup>150</sup> See: Briod, 'Suisse-Israël ...', p. 62-66.

<sup>151</sup> Note by Gelzer, "Ankauf israelischer Funkgeräte durch die Armee", 23.12.1971, SFA, E2001E-01#1987/78#3544\*, A.14.41.32

considerations, i.e., not supporting the build-up of an Israeli arms industry, taken into account. Despite a strong interest of different organs of the FMD, a similar temporary and largely unprincipled refrain can be noted in the field of mutual visits of military personnel. “[D]espite all precautions,” Gelzer specified in a confidential note to Graber, such visits could not be kept a secret from the Arab intelligence services. As such, they were opposed by the FPD<sup>152</sup> – although two years later, in spring 1972, the FPD no longer had any objections to such visits.<sup>153</sup>

Swiss officials also took more active measures in an attempt to placate Arab governments over armaments. Confiscating military equipment transitions to Israel via Swiss airports was a supposedly simple way of signaling to the Arab states a Swiss eagerness to actively enforce neutrality. Shortly after the Frauenknecht affair became public, US shipments of spare parts for Phantom jets and radar equipment from the Swiss subsidiary of a US company intended for Israel were confiscated during a short period of two weeks’ time between late January and early February 1970.<sup>154</sup> The US Ambassador in Bern reported that “Swiss surveillance of goods for the Middle East [...] has been more than usually strict” as the Swiss authorities had “willy-nilly [become] players in the game.”<sup>155</sup> While this affair did not negatively impact Swiss-Israeli relations,<sup>156</sup> it was too blunt an attempt to satisfy the Arab world. A high-ranking economic official in Cairo stated that this was a bluff intended to mislead Arab public opinion.<sup>157</sup>

Visibly preoccupied with preventing any further deterioration of relations with the Arab states through overt military cooperation with Israel, a rapprochement with Syria took place. A potential consultancy was pursued for a prolonged period, for the Syrian Air force to construct underground bunkers for their fighter jets. Followed up by two different Swiss engineering consultancies, first Electro-Watt in 1969,<sup>158</sup> then Gruner Brothers Engineering in 1970,<sup>159</sup> this initial consultancy received the Swiss authorities’ support. While this prestigious project did not lead to a mandate to the Swiss engineering companies,<sup>160</sup> it nonetheless was an opportunity to show Swiss goodwill to the Syrian authorities in the military domain.

---

<sup>152</sup> Confidential note by Gelzer to Graber, “Besuch schweizerischer Experten bei militärischen Stellen in Israel”, 26.05.1970, SFA, E2001E-01#1988/16#3917\*, A.14.41.04

<sup>153</sup> See: Letter from Gelzer to Werner Koch, Chef of the Military Protocol, Staff of the Chief of General Staff, 28.03.1972, SFA, E2001E-01#1988/16#3917\*, A.14.41.04

<sup>154</sup> Briod, ‘Suisse-Israël ...’, p. 56-60.

<sup>155</sup> Confidential Telegram, Davis to State Department, 17.02.1970, NARA, RG 59, 1970 – 1973, Subject Numeric Files, Box 1748, DEF 12-5 ISR

<sup>156</sup> See the note from Gelzer to Graber, “Beziehungen zwischen der Schweiz und Israel”, 16.03.1970, SFA, E2001E-01#1991/17#8436\*, B.15.21.Isr

<sup>157</sup> This statement by an Egyptian official is mentioned by Parodi, in a letter to Micheli, 25.05.1970, SFA, E2001E#1980/83#2082\*, B.34.66.0

<sup>158</sup> See: Confidential Letter, von May to the Division for political affairs, FPD, 05.06.1969, SFA, E2001E#1980/83#4168\*, C.41.111.0

<sup>159</sup> Cf. the note by Gelzer, “Vorsprache des Herrn Ingenieur F. Stöcklin von der Firma Gebrüder Gruner”, 14.11.1969, SFA, E2001E#1980/83#4168\*, C.41.111.0

<sup>160</sup> See the letter from Gruner Brothers Engineering to Gelzer, 26.05.1970, SFA, E2001E#1980/83#4168\*, C.41.111.0.

In conclusion, one can note that the FPD's discouraging of Swiss companies from military collaboration with Israel was informal and temporary. It was not rooted in a general policy or guideline from the FPD and this call for restraint largely coincided with the Frauenknecht affair and domestic political pressure against arms exports more generally. Yet, the FPD saw military cooperation as unproblematic and did not oppose it in sectors where it could be achieved discretely. This would help avoid Arab resentment or upswing domestic criticism of arms export. While successful as a passive tool, i.e., refusing to engage in military cooperation, attempts to actively promote Swiss neutrality in the Arab world, as done through the seizure of illegal arms shipments to Israel, did not have the intended effect. Here, substantiating Swiss neutrality in the Middle Eastern conflict was largely a passive tool marked by abstention.

### ***Conducting Business in a Sensitive Third-World Region Haunted by Foreign Currency Shortages***

As seen above, bilateral political relations did not substantially affect bilateral economic relations. Nonetheless, Swiss companies and foreign economic policymakers did encounter difficulties in conducting or promoting business with Egypt, Syria, and Israel in this period. The primary obstacles were twofold. First, foreign currency shortages and ensuing trade policies created barriers for promoting trade relations. Second, Swiss reactions to these measures were limited by domestic economic policy aimed at dampening the economic overheating of the post-war boom.

Throughout 1970, all three Middle Eastern countries covered in this thesis introduced measures impeding trade. Facing an increasingly negative balance of payment, Israel introduced an import deposit in January 1970. Aiming at limiting imports, 50% of the value of imported goods were required to be frozen in the Central Bank of Israel for the duration of 6 months.<sup>161</sup> Simultaneously, Egypt began to require a prolonging of the maturity on suppliers' credits financing the imports of consumer goods from half a year to one year.<sup>162</sup> And finally, Syrian imports were not only increasingly processed through state economic organizations, but they also faced prolonged delays on international payments, as von May reported from Damascus.<sup>163</sup>

Bern's official reactions to the barriers that Swiss exports encountered in each of these three countries were different. The Swiss authorities still considered business opportunities more promising in Israel. While attempting to reach a mutual ground with the Israeli authorities, Swiss foreign policymakers displayed a somewhat defeatist attitude towards Cairo and Damascus. The Swiss delegate to the General Agreement on Tariffs and Trade (GATT), Adolphe Schnebli, discreetly raised the issue of import restrictions with the Israeli delegate in Geneva in April 1970, but did not manage to

---

<sup>161</sup> See: letter from Hess to the Swiss Chamber of Watchmaking, 22.01.1970, SFA, E7110#1981/41#2161\*, 873.1.

<sup>162</sup> See: letter from Parodi to Hans Bühler, President of the Commission for Exportriskguarantee, Federal department of Economic affairs, 03.02.1970, SFA, E7110#1981/41#1425\*, 890.1

<sup>163</sup> Cf. letter from von May to Division of Commerce, 14.08.1970, SFA, E7110#1981/41#2284\*, 890.1

obtain any concessions by the Israeli authorities.<sup>164</sup> While he ultimately expressed Swiss comprehension for Israeli measures aimed at combating foreign currency shortages, the Egyptian measures received less comprehension by Swiss officials. During a GATT assembly that accorded Egypt full membership earlier that year in February 1970, the Swiss delegate had publicly denounced the aforementioned measures restricting imports.<sup>165</sup> Swiss foreign economic policymakers were still clearly in favor of Israel.

Official Swiss denunciation of Egyptian and Syrian trade policies was in part due to a dropping interest by Swiss business in the Egyptian,<sup>166</sup> but also in the Syrian market.<sup>167</sup> In light of Palestinian terrorism and the Frauenknecht affair, von May considered futile intervening in Damascus for a privileged servicing of arrears encountered by the Swiss chemical and pharmaceutical industry.<sup>168</sup> Reflecting the importance that the Syrian government attributed to the position taken by potential economic partners in the Arab-Israeli conflict generally, Switzerland, like the rest of the capitalist world, was the lowest rank of priority in Syrian import planning. Syria was to trade predominantly with Arab and Eastern European states.<sup>169</sup> Swiss foreign economic officials' outlook for developing export possibilities in Syria was, therefore, gloomy.

Meanwhile, Cairo was trying to pressure Switzerland with the Cold War game. A high official of the Egyptian Central Bank assured Ambassador Parodi that Swiss business could continue activity in Egypt if the newly required credit conditions were met. If not, the Egyptian public purchasing organization would have to obtain supplies elsewhere, i.e., countries in the Eastern bloc.<sup>170</sup> Despite these warnings, the Swiss ERG commission was not willing to comply with the new Egyptian requirements. The overheating of the Swiss economy<sup>171</sup> made such an acceptance run counter to the Swiss government's measures to temper exports, as Bühler of the Division of Commerce

---

<sup>164</sup> The Swiss Delegate to the GATT, Adolphe Schnebli, reported this to ambassador Hess in a letter from 16.04.1970, SFA, E7110#1981/41#2153\*, 842.0

<sup>165</sup> See the Report by Albert Weitnauer, Swiss Delegate to the GATT, "Bericht über die XXVI. Session des GATT", 25.03.1970, DDS, dodis.ch/36195

<sup>166</sup> Ambassador Parodi deplored this lack of interest by Swiss companies in Egypt, see: Confidential letter from Parodi to Graber, 27.01.1970, DDS, dodis.ch/37137

<sup>167</sup> Von May complained about non-existent contacts with the representatives of big Swiss companies in Syria, see: Letter from von May to Division of Commerce, 14.08.1970, SFA, E7110#1981/41#2284\*, 890.1

<sup>168</sup> Letter from von May to Division of Commerce, 14.08.1970, SFA, E7110#1981/41#2284\*, 890.1

<sup>169</sup> See the letter from von May to the Division for International Organisations, FPD, 28.01.1970, SFA, E7110#1981/41#2282\*, 871

<sup>170</sup> These threats were enunciated by the Egyptian official in a meeting with the economic staffer of the Swiss Embassy in Cairo, see the letter from Parodi to Hans Bühler, President of the Commission for Exportriskguarantee, Federal Department of Economic Affairs, 03.02.1970, SFA, E7110#1981/41#1425\*, 890.1

<sup>171</sup> For the self-regulation of Swiss business during the post-war boom, see: Sabine Pitteloud, 'Les abysses de l'autorégulation à l'heure de la surchauffe économique en Suisse (1945-1973)', *Traverse, Revue d'histoire*, 24.3 (2017), p. 113-126. For a general overview of the overheating, see: Patrick Halbeisen, and Tobias Straumann, 'Die Wirtschaftspolitik im internationalen Kontext', in *Wirtschaftsgeschichte der Schweiz im 20. Jahrhundert* (Basel: Schwabe, 2012), p. 1044-1056.

explained to Parodi.<sup>172</sup> The Egyptian attempt of pressuring the Swiss into concessions economically by threatening to turn to the Eastern bloc did not succeed.

Swiss foreign economic policymakers, therefore, accommodated themselves with the prospect of decreasing trade with Syria and Egypt. This owed partly to the precarious financial position of those countries and ensuing lack of interest by Swiss business, and partly to economic policy measures taken in Switzerland. This led Parodi in early 1970 to bemoan in a report to newly elected Federal Council member Graber that the economic activity of the Swiss embassy in Cairo was limited to the liquidation of the past,<sup>173</sup> by which he meant that the completion of the Swiss-Egyptian treaty compensating property belonging to Swiss citizens was nationalized and expropriated during the early 1960s. While there was the will in the Swiss diplomatic apparatus to develop economic relations with Egypt, the Swiss business community and economic policy officials remained skeptical.

This differential interest in economic conditions in Egypt and Syria, contrasting with the heavy interest in Israel, was also visible in the official support of private economic initiatives. A Swiss-Israeli Chamber of Commerce was founded in September 1969 with the backing of prominent Swiss political and economic personalities. A former and future Federal Council member, Paul Chaudet and Pierre Aubert, respectively, were in the leading bodies of this chamber.<sup>174</sup> As Ambassador Parodi had to regret, efforts to found a Swiss-Arab trade chamber did not receive official backing.<sup>175</sup> Even a Swiss-Arab Friendship Association, founded in May 1969 and confined to cultural relations,<sup>176</sup> did not obtain any public financial support.<sup>177</sup> Although a meeting between the most powerful Swiss business association, the Vorort, and the Egyptian Industrial Federation took place in the summer of 1970, it was marked by skepticism. The preparatory document critically noted the economic influence of the USSR and state control of the Egyptian economy. The Soviet presence, as specified by the Swiss government's delegate for trade agreements, Raymond Probst, sought to maintain itself as long as the Arab-Israeli conflict persisted.<sup>178</sup>

In conclusion, political factors did influence Swiss economic relations with Egypt and Syria. But they primarily consisted in Swiss skepticism towards the proximity of the USSR to Egypt and Syria, and their dependence on the superpower. Furthermore, the

---

<sup>172</sup> Letter from Bühler to Parodi, 11.02.1970, SFA, E7110#1981/41#1425\*, 890.1

<sup>173</sup> Confidential letter from Parodi to Graber, 27.01.1970, DDS, dodis.ch/37137

<sup>174</sup> See the newspaper article: "Die Beziehungen zwischen Israel und der Schweiz. Gründung der Wirtschafts- und Handelsakammer Israel-Schweiz", *NZZ*, 11.09.1969

<sup>175</sup> See the letter from Parodi to the OSEC, 01.10.1969, SFA, E2001E#1980/83#2106\*, C.41.111.0

<sup>176</sup> Cf. letter from Parodi to Division for International Organisations, FPD, 23.09.1969, SFA, E2001E#1980/83#2093\*, B.38.21.3

<sup>177</sup> Upon request by the Swiss-Arab friendship association, general secretary Micheli not only excluded any financial support, but even refused a letter of support, see: note Micheli, "Association suisse-arabe", 24.11.1970, SFA, E2001E#1980/83#2093\*, B.38.21.3

<sup>178</sup> Note to Raymond Probst, Federal Council's delegate for trade agreements and Gelzer, "Arbeitslunch mit den Vertretern der Fédération Egyptienne de l'industrie", 22.06.1970, SFA, E2001E#1980/83#2106\*, C.41.111.0. Unfortunately, no minutes of this meeting were found in public or private archives.

general political situation in the Middle East, far more than just troubled bilateral political relations, made the Swiss consider any prospect for deepening economic relations with the Arab countries to be bleak. It is on this political basis that the foreign currency shortages, resulting arrears on payments and restrictive trade policies present in Egypt, Syria and Israel, that yielded differing evaluations from the Swiss on economic opportunities. Largely matching the growth dynamics of the early 1970s as seen earlier, skepticism and pessimism for future economic opportunities were stronger towards Egypt and Syria than Israel.

The hijacking in 1970 was indeed a severe incident to the Swiss. A conservative Swiss parliamentarian even labeled it “by far [the] heaviest [Swiss] foreign policy crisis since the end of the Second World War”.<sup>179</sup> However, the effect on Swiss-Arab relations as treated here seemed far less dramatic. While official Syrian reactions could appear violent, the consequences were not far-reaching. Egypt refrained from virulent attacks against Swiss measures. Switzerland and the West found Nasser to be a valuable asset in the resolution of the crisis. The Swiss, on their side, did what they could to avoid prolonging the deterioration of relations with the Arab states. This primarily expressed itself in a – temporary and superficial – abstention from military cooperation with Israel.

So the backlash of Palestinian terrorism failed to worsen political relations – and Swiss economic interests were also only marginally affected. The consequences of Palestinian terrorism on trade relations were therefore not as far-reaching as the Swiss feared. Local economic conditions and moreover, balance of payment difficulties arising from the respective positions in the international division of labor, shaped economic interactions. Swiss policymakers’ margin for maneuver was equally restricted by domestic conditions. As seen, economic policy measures in Switzerland to restrict exports during the overheating of the economy weighed on the stagnating trade.

### **2.3 Neither Fish nor Fowl. Swiss Skepticism towards Arab Overtures Amidst Growing Alienation from Israel**

Following this complication of political and economic relations, an interim two-year phase opened up in late 1970. It was marked by changes in the domestic power structure in Egypt and Syria, and a careful process of turning towards the West. While these changes did affect Swiss foreign policy, including economic policy, skepticism persisted. At the same time, Israeli trade restrictions in the course of its industrialization efforts increasingly began to harm Swiss commercial interests. In this constellation, Swiss business considered economic opportunities as bleak in all three countries – and political interactions cooled off.

---

<sup>179</sup> See the contribution of conservative Walther Hofer in: “Interpellation Gehrig. Flugzeugentführungen” in *Official Bulletin of the Federal Assembly*, Vol. III, 1970, p. 682.

### ***Regime Change in Cairo and Damascus in the Context of the Continuing Arab-Israeli Conflict***

The autumn of 1970 left an imprint on power relations in the Middle East. In Egypt, Nasser's death led to Anwar Sadat's rise as the new head of state.<sup>180</sup> In Syria, a new leading figure, Air Force General Hafez al-Assad, emerged in a coup d'état.<sup>181</sup> These changes in the internal leadership caused important shifts in the domestic, foreign and economic policies carried out in both Cairo and Damascus. Sadat would eventually become a champion for Western interests in the Middle East. Assad would stabilize the Syrian state but played the more 'balanced' role of a non-aligned Middle Eastern state. But contemporary observers initially remained skeptical in this first phase of restructuring domestic power relations.

Accordingly, Swiss diplomats' evaluation of these regime changes was rather inconsistent. The Swiss Ambassador in Cairo, Parodi, considered Sadat's leadership temporary,<sup>182</sup> as did the US and Israel.<sup>183</sup> In October 1970, Parodi predicted that Sadat's policy would be "more and more inspired by the Soviet Union."<sup>184</sup> But just one month later, he revised this position. He reported to Graber that the nomination of Mohammad Fawzi as Egyptian Prime Minister constituted a "break with Soviet influence", reflected openness to moderate Arab states and favored a political solution for the Middle Eastern crisis.<sup>185</sup> Similarly, Assad's position towards the Soviet Union was an important benchmark for the Swiss diplomatic services' evaluation of his regime. Highlighting Assad's belligerent posture towards Israel, Swiss Chargé in Damascus von May qualified him as anti-communist, skeptical of the Soviet Union and open to the moderate Arab states.<sup>186</sup> The Swiss ambassadors clearly understood the significance of regime changes in Egypt and Syria within the framework of Cold War alignments.

Politically, conditions for a rapprochement could seem favorable. When von May first met new Syrian Foreign Minister Abdul Halim Khaddam in December 1970, the latter stated that Syria wanted to "nourish friendly relations" with Switzerland and that he hoped recent strains would not be repeated.<sup>187</sup> This flattery did not spark any Swiss attempt for official rapprochements with the new regime. Despite the new Syrian

---

<sup>180</sup> Cook, *The Struggle for Egypt ...*, p. 110.

<sup>181</sup> Seale, *Assad of Syria ...*, p. 145-165.

<sup>182</sup> Telegram from Swiss Embassy Cairo to Division for political affairs, FPD, 29.09.1970, SFA, E2001E#1980/83#2105\*, B.73.0

<sup>183</sup> For an early interpretation of Sadat's power position by the main US diplomat in Cairo, see: telegram from Donald C. Bergus, Principal Officer, US interest section in the Spanish embassy, Cairo to Joseph S. Sisco, Assistant secretary of State, 29.09.1970, NARA, RG 59, 1970 – 1973, Subject Numeric Files, Box 2640, POL 7 UAR. For a reporting by Swiss ambassador Hess on the Israeli interpretation of Sadat taking over power, see the confidential letter from Hess to Micheli, 14.10.1970, SFA, E2001E#1980/83#2105\*, B.73.0

<sup>184</sup> See the confidential report by Parodi to Graber, 06.10.1970, SFA, E2001-09#1984/68#42\*, B.58.2

<sup>185</sup> Confidential report, Parodi to Graber, 02.11.1970, SFA, E2001-09#1984/68#42\*, B.58.2

<sup>186</sup> See the telegram from Swiss Embassy in Beirut to the FPD, 19.10.1970, SFA, E2001E#1980/83#4167\*, B.73.0

<sup>187</sup> Statement of Khaddam in the confidential letter from von May to Micheli, 01.12.1970, SFA, E2001E-01#1988/16#5624\*, B.15.21

leadership's attempt to position Damascus as a point of attraction in the Arab world,<sup>188</sup> Cairo remained without a doubt the central focus to the Swiss in 1971/72. Parodi proposed to Graber that the FPD should seize the opportunity of Nasser's death for an overarching review of bilateral relations with the new President Sadat, including exploring possible mutual visits by high officials.<sup>189</sup> But Bern was assuming the role of a mere observer.<sup>190</sup> Despite attempts of rapprochement with the West, Sadat's recurrent public statements against Israel and the West inhibited Parodi's attempts to convince Bern to get active in Egypt through mutual visits. He interpreted Sadat's belligerent tones as consequence of two factors. First, Sadat's continued weak domestic power and, second, the impasse of the conflict with Israel.<sup>191</sup> Furthermore, with the economic guidelines of the new government still prioritizing the armed forces and war effort, economic opportunities for Swiss business did not seem likely from the perspective of the Swiss diplomat.<sup>192</sup> Hence, Swiss officials in Bern did not consider the time ripe to promote bilateral relations, be they political or economic.

The Egyptian stance, often contradictory from a western viewpoint, persisted throughout Sadat's first two years in power. Swiss foreign policymakers closely monitored the twists and turns of Sadat's government. Reflecting Swiss integration into the Western bloc, the Swiss Ambassador in Washington regularly solicited US Under Secretary of State, Joseph Sisco, to review Arab-Israeli issues from late 1970 onwards.<sup>193</sup> Despite a close following of the political situation in Egypt by Ambassador Parodi, including reports to Bern on Sadat's proposal of an interim agreement with Israel in February 1971,<sup>194</sup> on his elimination of the regime's left-wing politicians in early May 1971,<sup>195</sup> and, later that month, on his signing of a friendship treaty with the Soviet Union,<sup>196</sup> the Swiss ambassador in Cairo understandably expressed difficulties in assessing the overall situation.<sup>197</sup>

While Parodi did not think that the aforementioned friendship treaty with the USSR could block Sadat's evolution towards "liberalism",<sup>198</sup> high-ranking Egyptian officials nonetheless felt the urge to appease possible Swiss apprehensions. Before leaving his post in Cairo at the end of August 1971, Parodi reported to Graber on conversations with Prime Minister Fawzi, Foreign Minister Riad and Hafez Ismail, Sadat's counselor on national security. Three subjects dominated these conversations: Egypt distancing

---

<sup>188</sup> Cf. confidential report, von May to Graber, 27.03.1971, SFA, E2300-01#1977/29#24\*, A.21.31

<sup>189</sup> See: confidential letter, Parodi to Micheli 14.10.1970, SFA, E2001E-01#1987/78#2579\*, B.15.21

<sup>190</sup> See the letter from Gelzer to Parodi, 12.11.1970, SFA, E2001E-01#1987/78#2579\*, B.15.21

<sup>191</sup> These factors were dispatched in a confidential report from Parodi to Graber, 26.01.1971, SFA, E2300-01#1977/29#35\*, A.21.31

<sup>192</sup> The Swiss ambassador Parodi highlighted this in a letter to Bühler, 16.10.1970, SFA, E2001E-01#1982/58#2984\*, C.41.100.0

<sup>193</sup> See, for example, this April 1971 report of a meeting from the US side in the secret telegram from William Rogers, Secretary of State to the US Embassy in Bern, 20.04.1971, NARA, RG 59, 1970 - 1973 Subject Numeric Files, Box 2612, POL SWITZ-US

<sup>194</sup> Confidential report, Parodi to Graber, 22.03.1971, SFA, E2300-01#1977/29#35\*, A.21.31

<sup>195</sup> See: telegram from Swiss Embassy in Cairo to Division for political affairs, FPD, 14.05.1971, SFA, E2001E-01#1987/78#2624\*, B.73.0

<sup>196</sup> See: confidential report, Parodi to Graber, 29.05.1971, SFA, E2300-01#1977/29#35\*, A.21.31

<sup>197</sup> See: confidential report, Parodi to Graber, 12.07.1971, SFA, E2001-09#1984/68#42\*, B.58.2

<sup>198</sup> See: confidential report, Parodi to Graber, 29.05.1971, SFA, E2300-01#1977/29#35\*, A.21.31

itself from Palestinian terrorism, minimizing the significance of the Soviet friendship treaty, and highlighting economic opportunities for Western capitalist countries in Egypt once the war ended.<sup>199</sup> Aware that these declarations contrasted with public statements of the Egyptian government, Prime Minister Fawzi went on to specify to former Federal Councilor Max Petitpierre, now visiting as a member of the ICRC, that Egyptian public statements towards Israel did not necessarily match backdoor negotiations.<sup>200</sup>

Besides these attempts by high Egyptian officials to placate the Swiss government, the new Swiss Ambassador to Cairo, Hans Karl Frey, interpreted the expulsion of Soviet military advisers from Egypt in July 1972 as a significant shift on the political front in the Middle East.<sup>201</sup> In an article he had published in a liberal Swiss monthly magazine only a few months earlier, he wrote that North-South tensions were more significant for understanding the positioning of the independent states of the Third World, than the West-East conflict.<sup>202</sup> So even though the USSR's position in Egypt had been a central benchmark for evaluating the regime change, Swiss skepticism remained high. This time the regional situation was put forward as inhibiting any rapprochement as Bern perceived chances for a peaceful resolution of the Middle Eastern conflict to be low. In a November 1972 meeting of the Swiss Foreign Affairs Commission, Graber labeled this expulsion as an illusory Egyptian attempt of rapprochement with the West. Nonetheless, Graber insisted on the importance of awareness of Arab arguments in the conflict despite criticism from the Commission.<sup>203</sup>

As seen, while initially expecting continuity in the Middle Eastern situation after Nasser's decease, Swiss officials recognized Sadat's changing political orientation fairly quickly. The position that the USSR retained in Egypt was the benchmark with which the Swiss evaluated the political process in Cairo. The conflicting positions taken by Sadat in relation to the Soviet Union between May 1971 and July 1972 clearly made it hard for the Swiss to read the situation. While the interest for the Arab position in the conflict was increasing, Switzerland's cautious approach, despite Egyptian overtures, was prolonged.

### ***Swiss Distrust towards Beginning Arab Economic Liberalization***

While Swiss authorities remained skeptical political observers of the Middle East, Bern appeared more receptive to signs of economic opening in Syria and Egypt. Both

---

<sup>199</sup> These Egyptian positions were reported by Parodi in a confidential report to Graber, 27.08.1971, SFA, E2300-01#1977/29#35\*, A.21.31

<sup>200</sup> See the statements of Fawzi in a letter from Hans Karl Frey, Swiss ambassador Cairo to the Division for International Organizations, FPD, 27.12.1971, SFA, E2001E-01#1987/78#2579\*, B.15.21

<sup>201</sup> See: confidential Report, Frey to Graber, 28.07.1972, SFA, E2300-01#1977/29#35\*, A.21.31

<sup>202</sup> Hans Karl Frey, 'Konfrontation mit der Dekolonisierung', *Schweizer Monatshefte. Zeitschrift für Politik, Wirtschaft, Kultur*, 51.1 (1971), p. 23-31.

<sup>203</sup> Confidential minutes, "Commissions des Affaires étrangères du Conseil National. Procès-verbal de la Séance du 6 novembre 1972" 13.11.1972, Annex I, p. 4-6, SFA, E1050.12#1995/511#15\*, 1

Damascus and Cairo sought to open up to foreign capital and trade in the early 1970s.<sup>204</sup> But despite their recognition of these developments as promising, Swiss foreign economic policymakers perceived the political situation in these countries, marked by the conflict with Israel, as an obstacle in fully exploiting economic opportunities.

At this time, difficulties for Swiss business in the Egyptian market were unequally distributed across sectors. The Swiss watch industry faced arrears on payments<sup>205</sup> and the completion of the compensation treaty for Swiss citizens property expropriated in the 1960s stretched.<sup>206</sup> However, a series of Swiss companies also concluded promising deals in Egypt. In late 1970, the Swiss chemical company Ciba-Geigy won an important tender for providing pesticides for CHF 55 million.<sup>207</sup> This same company undertook new investments in June 1971. Financed with non-transferable profits from the already established joint venture *Swisspharma*, they established an outdoor laboratory valuing at CHF one million for testing pesticides.<sup>208</sup> Finally, the Swiss shoe company Bally entered into a license agreement with the Egyptian Ministry of Industry for building an export-oriented shoe factory close to Cairo that opened in early 1972.<sup>209</sup>

Perhaps most importantly for the Swiss foreign policymakers was an opportunity for Swiss economic diplomacy that emerged in Egypt early in 1971 when the governor of the Egyptian Central Bank (ECB) brought up the possibility of increased Swiss investments in Egypt. Parodi pointed towards the Swiss policy of reaching bilateral investment protection treaties (IPT) with countries such as Egypt.<sup>210</sup> This issue became the center of economic deliberations between Switzerland and Egypt over the next two years. The Swiss Division of Commerce did in principle welcome the Egyptian overtures. However, they still expected a formal commitment to Egyptian protection for foreign investment through domestic legislation before beginning negotiations.<sup>211</sup>

The fact that the Egyptian authorities visibly sought to allure the Swiss into increased economic engagement, and the aforementioned attempt to appease the Swiss government after the conclusion of the Soviet-Egyptian friendship treaty, must be understood in this context. The Egyptian government seemed to be aware of the importance of the Swiss export industry and multinational corporations, and conscious of its hostility to communism and the USSR. In a meeting with Parodi in August 1971,

---

<sup>204</sup> For a brief discussion of economic liberalization measures implemented by Assad after assuming power, see: Owen, and Pamuk, *A History of Middle East ...*, p. 153-154. For Sadat's initially more hesitant economic opening of the Egyptian market to foreign capital, see: *ibid.*, p. 135.

<sup>205</sup> See the letter from Nicolas von der Weid, Swiss Watch Federation to Bühler, 27.04.1971, SFA, E7110#1982/108#1374\*, 870

<sup>206</sup> This was conveyed to the Swiss representation in Cairo in a letter from Bühler to Parodi, 12.02.1971, SFA, E2001E-01#1982/58#2955\*, B.34.66.0

<sup>207</sup> See: the letter from Frey to Division of Commerce, 23.11.1970, SFA, E2001E-01#1982/58#2984\*, C.41.100.0.

<sup>208</sup> See: letter from Pierre Thévanaz, Swiss Chargé d'affaires a.i., Cairo to Division of Commerce, 05.07.1971, SFA, E7110#1982/108#1375\*, 873.1

<sup>209</sup> See: letter from Frey to Division for political affairs, FPD, 05.07.1971, SFA, E2001E-01#1987/78#2627\*, C.41.111.0

<sup>210</sup> Letter from Parodi to the Legal Department of the FPD, 09.03.1971, SFA, E2001E-01#1982/58#2986\*, C.41.157.0

<sup>211</sup> See the letter from Parodi to Bühler, 14.04.1971, SFA, E2001E-01#1982/58#2986\*, C.41.157.0

Prime Minister Fawzi not only relativized the significance of the friendship treaty, but also promised that once the Arab-Israeli conflict was resolved, markets in Egypt would be designated to Western countries.<sup>212</sup>

Swiss anti-communism was a crucial element in domestic politics throughout the Cold War,<sup>213</sup> and it was also an important component in the FPD's evaluation of foreign policy and thus the Middle Eastern situation. Yet, this anti-communism had its limits when business opportunities were at stake. In November 1972, the Swiss company Alusuisse won an important tender for the supply of alumina to an aluminum plant in Upper Egypt.<sup>214</sup> This new installation was financed and equipped entirely by the USSR. Alusuisse won a ten-year contract valuing at an estimated anywhere between US\$ 7.5 and 15 million a year.<sup>215</sup> This demonstrates how Swiss anti-communism mattered less than concrete contract possibilities and formal Egyptian commitments to open up for foreign capital.

By September 1971, the Swiss Ambassador to Cairo had already reported on such Egyptian steps to accommodate foreign capital. He observed that these measures, which consisted mostly of reforms in the public banking system and legislation on FDI, were intended to strengthen Sadat's regime by stimulating economic growth. For the Swiss, the most important aspect was investment protection. The new legislation not only protected FDI against nationalization, but also exempted it from taxation for a five-year period.<sup>216</sup> Only after this Egyptian commitment to encourage foreign investment did Frey receive the green light from his superiors in Bern to launch negotiations for an IPT from early 1972 on (see the following chapter).<sup>217</sup>

According to Frey, Egypt's investment policy was as of yet the only field in which the government adopted a 'liberal stance'. As the Egyptian government began to shift its emphasis back to a war economy in January 1972, Frey noted that there was no hope for growing Swiss, and more general Western, sales in Egypt under the pressure of foreign currency shortages and arrears. He concluded his letter to the division of commerce that any improvement in economic prospects could only be achieved through the mitigation of the Middle Eastern conflict, for which there was still no sign of peace whatsoever.<sup>218</sup> This ultimately was also valid for foreign investments. Despite Egyptian legal guarantees, Emilio Moser of the Division of Commerce doubted that substantial values of Swiss capital could be attracted to Egypt amidst this political uncertainty.<sup>219</sup>

---

<sup>212</sup> See Fawzi's statements in a confidential Report from Parodi to Graber, 27.08.1971, SFA, E2300-01#1977/29#35\*, A.21.31

<sup>213</sup> For a recent publication on the domestic aspects components of anti-communism in Switzerland during the Cold War, see: Thomas Buomberger, *Die Schweiz im Kalten Krieg 1945–1990* (Baden: Hier und Jetzt, 2017).

<sup>214</sup> This deal was first reported in a letter from Frey to Division of Commerce, 23.11.1972, SFA, E2001E-01#1982/58#2984\*, C.41.100.0

<sup>215</sup> See: letter from Frey to OSEC, 05.06.1972, SFA, E7110#1983/13#1096\*, 870

<sup>216</sup> Ambassador Frey reported Egyptian legislation in a letter to Bühler, 27.09.1971, SFA, E2001E-01#1982/58#2986\*, C.41.157.0

<sup>217</sup> Letter from Bühler to Frey, 01.02.1972, SFA, E7110#1983/13#1081\*, 821

<sup>218</sup> Letter from Frey to Bühler, 05.02.1972, SFA, E7110#1983/13#1095\*, 869.6

<sup>219</sup> See the letter from Moser to Frey, 28.02.1972, SFA, E7110#1983/13#1103\*, 892.1

The Arab-Israeli conflict, therefore, still overshadowed Swiss-Egyptian economic relations<sup>220</sup> and had a negative impact on Swiss willingness to actively promote increased economic interactions with the Sadat regime.

As reported to Bern by von May, the Syrian government had already introduced legislation aiming to stimulate investment and attract foreign capital in late 1969.<sup>221</sup> But such Syrian commitments did not entice any noticeable interest from Swiss foreign economic policymakers, not to mention Swiss companies. Swiss business interest even remained low vis-à-vis commercial relations. The Swiss Association of Machinery Manufacturers (VSM), similar to the OSEC in 1968, largely ignored the terms required by the Syrians for trade deals as it had never received any inquiries on them by its member firms.<sup>222</sup> As in Egypt, Swiss companies active in Syria faced arrears on payments, which continued to hamper trade relations with Syria, notably for the Swiss chemical industry.<sup>223</sup>

Yet, Swiss Chargé in Syria Pierre von May reported that the Assad government undoubtedly wanted to establish closer contact with Western Europe. On the one hand, the Syrian government supposedly believed gaining more understanding amongst Western European states for the Arab cause in their struggle against Israel. On the other hand, von May also recognized economic considerations in this Syrian rapprochement to Western Europe. In a confidential report to Graber in July 1971, he explained this desire of the Syrian government to expand trade with Western Europe by three elements. First, to evade the possibility of “Eastern pressure”. Second, to obtain better quality produce and third, to earn foreign currency through increased exports to the West. This opening reflected itself in import liberalization on a whole series of goods in July 1971.<sup>224</sup>

In addition to the obtaining of higher quality goods and machinery that led to a certain redirection of Syrian trade, the political and economic power relations inside the Middle East also redirected trade to a certain extent. This is illustrated by an important tender won by the Swiss machinery company *Bühler Brothers* in September 1971, despite its initial skepticism due to the political uncertainty in the region.<sup>225</sup> Valued at CHF 30 million for 11 silo installations in Syria, Bühler carried off this important and prestigious project against Soviet and West German competition.<sup>226</sup> The project was financed in part by the Emir of Kuwait, who made clear that no order should be placed in communist countries, hence excluding a Soviet bid. Among the remaining offers, the

---

<sup>220</sup> This is supported by the literature, see: Waterbury, *The Egypt of Nasser and Sadat ...*, p. 129-130.

<sup>221</sup> Letter from von May to Division of Commerce, 19.08.1970, SFA, E7110#1981/41#2277\*, 861.0

<sup>222</sup> See the letter from Albert Sommer, Secretary of the Swiss Association of Machinery Manufacturers to the Division of Commerce, 28.04.1970, SFA, E7110#1982/108#1486\*, 890.1

<sup>223</sup> Cf. letter from Swiss Society for Chemical Industry to the Secretariat for the Export Risk Guarantee, 14.05.1971, SFA, E7110#1982/108#148\*, 372.2

<sup>225</sup> This was first reported in a letter from von May to Bühler, 05.08.1971, SFA, E7110#1982/108#1480\*, 861.1

<sup>226</sup> The company insisted on this point in a letter from Bühler Brothers to Division of Commerce, 31.08.1971, SFA, E7110#1982/108#1480\*, 861.1

one by a West German company was of the same quality as Bühler's, but substantially cheaper.<sup>227</sup> But the visit of the FRG Foreign Minister Walter Scheel to Tel Aviv in July 1971 clearly upset the Syrian cabinet and led them to discard the offer by the West German company. Bühler was the only company left and won the tender.<sup>228</sup> Initially, financial pressure from an Arab donor pushed Syrian trade towards the West. Then the positioning of Western countries in the Arab-Israeli conflict was taken into account by the Syrian government in awarding a contract. In this, Swiss political reserve in the Middle Eastern conflict, putting forward neutrality, was an asset for Swiss companies in developing economic relations in Syria.

But winning Syrian tenders was more than a result of Swiss political abstention – a sort of by-product of official neutrality. Especially after the liberalization of foreign trade under Assad, securing a contract often depended on bribes. The Bühler company, working in Syria on the silo project, had to provide seven Mercedes and three Volkswagen cars to the Syrian authorities to facilitate their business in Syria. The luxury cars went to the presidential chancellery and the foreign ministry, while the Volkswagens were put at the service of the Syrian state security services. Given that the Syrian Ministry of Public Works in charge of the silo project had not received any of said cars, Bühler had to provide yet another set of German-made automobiles. Sulzer Brothers, the company concerned by the Frauenknecht affair, nearly lost a substantial order in May 1973, precisely because of their reluctance to display “small courtesies”. “To put it briefly, Sulzer did not seem to have understood how to win over the relevant members of the authorities with a corresponding ‘gift’”, chargé von May was convinced.<sup>229</sup> When such ‘gifts’ were given in decisive moments, even if unclear in what shape or form, even a politically exposed company like Sulzer Brothers could obtain orders from Syrian public industrial organizations – here for 144 looms valuing at CHF 13.5 million.<sup>230</sup>

The conclusion of such individual deals by Swiss companies in Egypt and Syria were clear indications of how Swiss business proceeded in Third World regions. A reserved Swiss attitude stemming from political neutrality was an asset for concluding deals, for relativizing anti-communism when it came to obtaining large orders, for being prepared to engage dubious means in order to conclude deals. While remarkable in and of themselves, these successful cases establishing business relations contrast with the overall still low prospects for Swiss business in Egypt and Syria. Swiss officials drew a noted satisfaction from any measures adopted in these countries that would facilitate Swiss business. That said, the overall incredulous attitude towards these openings, due to the continuation of the conflict and ensuing austerity in Egypt, could not be compensated by the individual successes of Swiss companies.

---

<sup>227</sup> See: letter from von May to Bühler, 05.08.1971, SFA, E7110#1982/108#1480\*, 861.1

<sup>228</sup> Cf. confidential report, von May to Graber, 30.12.1971, SFA, E2300-01#1977/29#24\*, A.21.31

<sup>229</sup> This was transmitted as a letter from von May to the Division of Commerce, 08.05.1973, SFA, E7110#1984/70#1975\*, 872.1

<sup>230</sup> On the specifics of the order, see: letter from William Roch, Swiss ambassador Damascus to the Division of Commerce, 19.06.1974, SFA, E7110#1985/97#2136\*, 872.1

### *Israeli Economic Ambitions Attack Swiss Commercial Interests*

As seen, the conditions for exporting to Egypt and Syria were not considered particularly promising. The Israeli economy and its foreign trade were still growing considerably in the early 1970s. This did not, however, translate into increased trade with Israel. In fact, Israeli macroeconomic policy and direct attacks against Swiss commercial interests made market access increasingly difficult for Swiss exporters. Israel faced an increasingly large trade deficit, and among the Israeli economic policy measures taken, three affected the Swiss economy: devaluation, promoting domestic industrial build-up and raising capital abroad.

Israeli propaganda countering Egyptian overtures towards the West displayed its own economic development as dynamic.<sup>231</sup> Yet doubts over the soundness of Israeli economic growth and, in consequence, Swiss business opportunities, emerged among the Swiss diplomatic representation by early summer of 1971. The Swiss ambassador Hansjörg Hess noted a slowed GDP growth and accelerating inflation, which he saw as a consequence of high military spending and the burden of absorbing strong immigration.<sup>232</sup> The devaluation of the Israeli Pound to the USD in August 1971, after Nixon announced suspending the USD convertibility to gold one week earlier,<sup>233</sup> only heightened this skepticism. As intended by Israel and anticipated by Swiss Ambassador Hess, this devaluation would depress Israeli imports while encouraging exports, and therefore ease the balance of trade deficit. Combined with the revaluation of the Swiss franc and the aforementioned Israeli tariffs, Hess reported an increase in import prices for Swiss goods to Israel by 50% between January 1970 and August 1971.<sup>234</sup> The risk of decreasing Swiss exports to Israel was high.

This devaluation did indeed reduce the competitiveness of Swiss goods in Israel, but it did not specifically target Swiss commercial interests. But in early 1971 such direct attacks occurred in the form of selective tariffs within the context of Israeli industrialization efforts. Swiss economic policymakers became aware of a new Israeli committee authorized to introduce tariffs for protecting nascent industries. This so-called Public Committee, composed of representatives of the Trade chambers, the Producer's associations, the Ministry of Commerce and Trade Unions, was on paper charged with liberalizing foreign trade. In practice, it could also decide on the introduction of protective tariffs at the request of Israeli manufacturers.<sup>235</sup> It did so in early 1971, as the committee targeted a Swiss company exporting metal blades to Israel. The Swiss Division of Commerce regarded such "machinations [as incompatible] with Israel's multilateral obligations" as a GATT member.<sup>236</sup> No multilateral interventions

---

<sup>231</sup> See the statements of an IDF spokesperson in: letter from Hess to Division for political affairs, FPD, 17.06.1971, E2001E-01#1982/58#4450\*, C.41.100.0

<sup>232</sup> Letter from Hess to Division of Commerce, 17.06.1971, E7110#1982/108#2105\*, 861.0

<sup>233</sup> See: "Cabinet Approves Devaluation of Pound" in *JTA*, 23.08.1971.

<sup>234</sup> Letter from Hess to Financial and Economic Service of the DPF, 26.08.1971, SFA, E7110#1982/108#2106\*, 861.3

<sup>235</sup> See the letter from Max Krell, Division of Commerce to Hess, 05.03.1971, E7110#1982/108#2102\*, 841.7

<sup>236</sup> See: letter from Max Krell, Division of Commerce to Hess, 10.03.1971, E7110#1982/108#2102\*, 841.7

were undertaken against such tariff discrimination because an “extraordinary status [was] conceded to Israel in many ways.”<sup>237</sup> And on a bilateral scale, a halfhearted Swiss official reaction followed,<sup>238</sup> probably due to the rather marginal importance of the goods concerned to overall Swiss exports to Israel.

Swiss-Israeli commercial disputes increased at the end of 1971 as the Israeli committee took on the big Swiss pharmaceutical company Ciba-Geigy. As the pharmaceutical sector was, according to Ambassador Hess, “one of the most dynamic” of the Israeli economy,<sup>239</sup> it is no surprise that Swiss pharmaceutical producers were targeted by selective Israeli tariffs. When the Israeli pharmaceutical company *Plantex*, owned by the General Federation of Labor in Israel, Histadrut,<sup>240</sup> began producing a substitute for a Ciba-Geigy medicament, a prohibitive tariff on importing the Swiss medicament was set to enter into effect by mid-December 1971. At the request of Ciba-Geigy, the Swiss embassy made a high-level intervention to reverse this decision.<sup>241</sup> *Plantex* was preparing to produce more pharmaceuticals based on Ciba-Geigy patents, and Swiss commercial authorities deemed this decision of fundamental importance for Swiss commercial interests.<sup>242</sup> Strongly contrasting with the efforts mobilized for the smaller Swiss company, targeted earlier that year, substantial efforts were now deployed to avert Ciba-Geigy from experiencing a setback in the Israeli market.

The Israeli authorities argued that the inclement measure was a consequence of Ciba-Geigy’s refusal to enter into a license agreement. Ciba-Geigy had refused such a proposition by *Plantex* out of fear of Arab boycott measures. This led the Swiss representative to conclude that the Israeli authorities intentionally targeted Ciba-Geigy in order to pressure the company to agree to future license agreements, or lose a market.<sup>243</sup> While the introduction of the new tariff was ultimately not averted, official Swiss intervention delayed its debut until February 1972. This gave Ciba-Geigy time to build up its Israeli stock of the pharmaceutical in question and therefore temporarily prolong its competitiveness in that market.<sup>244</sup>

---

<sup>237</sup> This comment was not detailed in the source and no further information regarding this favorable treatment of Israel has been found by the author. See: *ibid.*

<sup>238</sup> See: letter from Arthur Dunkel, Head of the GATT Section of the Division of Commerce to Hess, 20.09.1971, E7110#1982/108#2102\*, 841.7 and the letter from Krell to Kuhn & Söhne, 23.11.1971, E7110#1982/108#2102\*, 841.7

<sup>239</sup> He based his statement on a brochure by the Israeli Ministry of Industry and Trade, see: letter from Hess to Division of Commerce, 02.12.1971, SFA, E7110#1982/108#2110\*, 867.0

<sup>240</sup> *Plantex* was later absorbed by Israeli pharmaceutical giant Teva, see: Yair Aharoni, ‘Israeli Multinationals: Competing from a Small Open Economy’, in *Emerging multinationals in emerging markets*, ed. by Ravi Ramamurti and Jitendra V. Singh (Cambridge; New York: Cambridge University Press, 2009), p. 365.

<sup>241</sup> This was done after Hess reported on a visit by a Ciba Geigy representative in the embassy, see: letter from Hess to Division of Commerce, 02.12.1971, SFA, E7110#1982/108#2103\*, 841.9

<sup>242</sup> See the telegram, Hans Marti, Vice-director, Division of Commerce to Swiss Embassy Tel Aviv, 06.12.1971, SFA, E7110#1982/108#2103\*, 841.9

<sup>243</sup> Note by Harald Borner, Swiss Embassy Tel Aviv, 13.12.1971, SFA, E7110#1982/108#2103\*, 841.9

<sup>244</sup> This was noted in a letter from Krell, Division of Commerce to Borner, 15.03.1972, SFA, E7110#1983/13#2010\*, 841.9

During this commercial dispute, the Swiss clearly apprehended detrimental consequences of Israeli infant industry protection on bilateral trade,<sup>245</sup> although the effects on commercial relations did not seem too grave. Overall, Swiss exports to Israel, as well as pharmaceutical exports, still increased (see Graph 16). But the example above reflects Israeli industrialization efforts and its adverse effect on foreign companies' business there. The Israeli signal was clear: Western European companies would need to enter into license agreements, or otherwise risk being barred from the Israeli market. The Swiss diplomatic apparatus was disinclined to accept these tariffs without attempting to avert them. But Ambassador Hess was unwilling to compromise friendly political relations with Israel for this issue, especially as he did not see any perspective for Israeli concessions.<sup>246</sup> However, this Israeli infant industry protection began gradually undermining the goodwill of the pharmaceutical sector and also the larger Swiss business community towards Israel. The influential president of the Vorort Étienne Junod was invited in October 1972 to participate in an Israeli economic development conference in Jerusalem to explore possibilities for Swiss business in Israel.<sup>247</sup> He, however, saw "no reason for participation".<sup>248</sup> While Junod had started his career in the FPD's Foreign Interest service during the Second World War, he soon started a career in the private sector, notably also as general director of the pharmaceutical company Hofmann-La Roche for almost 20 years. Before becoming Vorort president in 1970, he had been in the leadership of the Swiss Society for Chemical Industry.<sup>249</sup> His rather cold refusal to visit Jerusalem in 1972 makes all the more sense.

Besides import restriction and export promotion, Israel also attempted to overcome foreign currency shortage by raising capital abroad, including in Switzerland. These Israeli ventures took two forms: the Israeli state raised capital in Switzerland through bonds emissions, and Israeli banks operated in Switzerland to serve private transactions. State of Israel bonds were already being placed successfully in Switzerland since 1959, as seen previously. With a maturity of 15 years at an interest rate of four percent, these bonds were the norm for State of Israel bonds.<sup>250</sup> The underwriting of a new placement of State of Israel bonds valuing USD 2.5 million through Credit Suisse in 1971<sup>251</sup> and the increase of the ceiling by another USD 1.3 million in 1972<sup>252</sup> did not give way to major discussions among Swiss monetary authorities. Because of high inflows of foreign capital into the Swiss financial market, the Swiss National Bank, to alleviate pressure on the Swiss franc, followed a very

---

<sup>245</sup> See: note by Borner, 23.12.1971, SFA, E7110#1982/108#2103\*, 841.9

<sup>246</sup> Note by Hess, 11.01.1972, SFA, E7110#1983/13#2010\*, 841.9

<sup>247</sup> See the letter from Victor Loeb, President of the Swiss-Israeli Chamber of Commerce to Etienne Junod, President of the Vorort, 06.10.1972, ACH, IB-Vorort, 366.7.

<sup>248</sup> See: note from Etienne Junod to Gerhard Winterberger, Secretary of the Vorort, undated, ACH, IB-Vorort, 366.7

<sup>249</sup> Consult the entry on Etienne Junod in: [dodis.ch/p18](http://dodis.ch/p18)

<sup>250</sup> See: Rehavi, and Weingarten, *Fifty Years of External Finance ...*, p. 8-12

<sup>251</sup> See the letter from SNB to the Federal Department of Finance, 11.03.1971, SFA, E2001E-01#1991/17#8561\*, C.41.Isr.152.0

<sup>252</sup> Cf. letter from Rudolf Bieri, Head of the Federal Department of Finance to the SNB, 28.07.1972, SFA E2001E-01#1991/17#8561\*, C.41.Isr.152.0

liberal capital export policy.<sup>253</sup> This rather low amount notwithstanding, the Swiss financial market was important for Israel materially and symbolically. Foreign Minister Abba Eban himself went on a private visit to Switzerland in January 1973 to promote the purchase of these bonds.<sup>254</sup> This trip was used for Israeli propaganda purposes.<sup>255</sup> A mutual interest between Swiss monetary authorities and the Israeli authorities existed, which in turn favored the placement of Israeli bonds in the Swiss financial market.

The second form of financial collaboration – the establishment of branches of Israeli Banks in Switzerland – was less straightforward. The opening of public and private information offices in 1971 did not pose any problems on the Swiss side.<sup>256</sup> When it came to opening a branch with authorization to conduct bank operations in the financial market, the Federal Banking Commission intervened. This commission in charge of Swiss banking regulation was openly skeptical of foreign bank activity in Switzerland.<sup>257</sup> From June 1972 on, the Israeli Bank Hapoalim sought to open a branch in Zurich. This launched lengthy procedures in Switzerland, with the Banking Commission seeking to determine whether reciprocity in market access was guaranteed by Israeli bank regulations, as Swiss banking law required. Because of a rapid increase in foreign-owned bank branches in Switzerland, a federal decree adopted in March 1969 introduced this provision.<sup>258</sup> Despite the lack of any Swiss banks seeking to establish branches in Israel, the Federal Bank Commission did not consider their access to the Israeli banking market as given. For the time being, it did not authorize Hapoalim to open a branch in Zurich.<sup>259</sup>

This refusal did not link to specific issues regarding Israel, but was a consequence of the general federal policy to combat the monetary risks around increasing foreign bank activities with the Swiss currency. The main fear, summed up in an article of the influential *Neue Zürcher Zeitung*, was that the Swiss franc would become an international reserve and trading currency, making it harder for the SNB to achieve monetary targets, and therefore to control inflation.<sup>260</sup>

---

<sup>253</sup> See: Swiss National Bank, ed., 65. *Geschäftsbericht der Schweizerischen Nationalbank, 1972* (Bern: Schweizerische Nationalbank, 1972), p. 25-26.

<sup>254</sup> Cf. letter from Hess to the Division for political affairs, FPD, 09.01.1973, SFA, E2001E-01#1987/78#3557\*, B.15.50.4

<sup>255</sup> See the article published in the influential Haaretz newspaper, sent in a letter from Hess to the Division for political affairs, FPD, 07.02.1973, SFA, E2001E-01#1987/78#3557\*, B.15.50.4

<sup>256</sup> The Government of Israel Investment Authority opened an economic and propaganda center in Zurich in September 1971, see: Note, FPD, 08.10.1971, SFA, E2001E-01#1982/58#4394\*, B.25.61.3. The Hapoalim Bank opened a representative office in February 1972, see: Excerpt of the minutes of the meeting of the Swiss Federal Council, 17.02.1971, SFA, E2001E-01#1982/58#4452\*, C.41.731.0.1

<sup>257</sup> On this general skepticism, see the report from Ricardo Matter, President of the Federal Banking Commission to the Federal Department of Finance and of Customs, “Gefahren der Ueberfremdung des schweizerischen Bankwesens”, 10.03.1972, DDS, dodis.ch/36729.

<sup>258</sup> “Botschaft des Bundesrates an die Bundesversammlung über die Revision des Bankengesetzes” in *Federal Gazette*, Vol. I, 1970, p. 1147. This decree was transferred into ordinary law in 1971, see: “Bundesgesetz betreffend Änderung des Bundesgesetzes über die Banken und Sparkassen”, in *Federal Gazette*, Vol. I, 1971, p. 538-553.

<sup>259</sup> See: Letter from Meir Heth, Examiner of Banks (Bank of Israel) to Hess, 19.01.1973, SFA, E2001E-01#1987/78#3593\*, C.41.731.0.(1)

<sup>260</sup> “Bankenüberfremdung” in *NZZ*, 13.06.1971.

Unlike in Egypt and Syria, the general political conditions linking to the Middle Eastern conflict did not trouble the Swiss when grasping the Israeli economy's state. That said, as Israeli measures protecting its infant industry started directly targeting Swiss company's export possibilities, more substantial Swiss public interventions were triggered. Ensuing economic estrangement did not, however, immediately lead to political distancing, as Swiss foreign policymakers were not disposed to put political relations with Israel into the balance.

From 1970 to 1972, neither the Arab economies nor the Israeli economy appeared to be especially promising export markets for the Swiss industry. Egyptian political and economic overtures towards the West generally, and towards Switzerland in particular, were not straightforward. Nonetheless, Swiss authorities welcomed every step towards an opening. The Middle East conflict, despite being in an intermezzo, ultimately inhibited any prospect of increased economic opportunities for Swiss business. The influence of political conditions on developing economic relations was unequally distributed, as Swiss suspicion towards Egypt and Syria remained high. By contrast, Swiss foreign economic policy officials did not link prospects on the Israeli market to the political conditions of the Middle Eastern conflict. This clearly mirrors a conception of Israel representing Western political interests in the Middle East, while suspicions against potential Arab radicalism endured. There it was the development ambitions of the Israeli state that constrained Swiss efforts. Consequently, the Swiss position in the Middle East was characterized by a growing alienation from Israel economically. This resulted in a state of dormancy typical to a transitory phase, as the Swiss were not yet yielding to an increased show of engagement in the Arab countries.

#### **2.4 À la recherche d'une politique. Mapping out Swiss Political and Economic Possibilities in the Middle East (1973)**

A more consistent turn in Swiss Middle Eastern policy followed this limbo phase. In 1973, just before the October War, the Swiss government increased its efforts with Egypt at the center. In May 1973, a regional ambassadors' conference in Cairo, along with a concomitant official visit, put Graber in contact with high-level Egyptian officials. By July 1973, the two countries signed a bilateral investment protection treaty. The first of these initiatives, i.e., Graber's visits, reflected a more active Swiss foreign policy initiated under the Swiss foreign minister. This growing Swiss interest in the Middle East, examined above, echoed the increased importance attached to the North-South relations in the federal administration under Graber.<sup>261</sup> The drive to increase

---

<sup>261</sup> See: Fischer, *Die Grenzen der Neutralität...*, p. 78-79. This opening has equally been linked to détente between the superpowers, which gave the Swiss government larger room for maneuver to, supposedly, promote its "democratic values", see: Claude Altermatt, *La Politique étrangère de la Suisse pendant la Guerre Froide*, (Lausanne: Presses polytechniques et universitaires romandes, 2003), p. 34. For a general overview of the Graber era in Swiss foreign policy, see: Altermatt, 'Vom Ende des Zweiten Weltkrieges ...', *ibid.*, p. 70-74. For a detailed account of the Swiss government's and Federal administration's increasing engagement in Egypt during this period, see: Magnus Meister, '«Où se tourner, sinon vers les pays neutres ? » Le rôle de la Suisse dans l'ouverture économique et politique de l'Égypte vers l'Occident (1969-1973)', *Relations internationales*, 163.3, (2015), p. 111-128.

contractual protection of Swiss investment in Third World countries had been an important foreign economic policy issue since the early 1960s, for both the federal government and large Swiss companies. As the first investment protection treaty (IPT) ever concluded by the Egyptian government, it indicated privileged access for Swiss business.

Bern tried to compensate the rapprochements with Egypt with an equally significant diplomatic gesture towards Israel: it organized the first official government visit to that country. In September 1973, less than a month before the eruption of the October War, Graber traveled to Tel Aviv and Jerusalem. Although this visit took place several months after his trip to the ambassador's conference in Cairo, rumors of a Swiss mediation attempt appeared in the press and among diplomatic circles. Addressing the rumors, this subchapter will show that the Swiss foreign policy offensive reflected a substantial opening towards the Arab world, but that it also found fertile ground in Cairo, particularly in its economic component.

### ***Graber Travels to Cairo and Tel Aviv. Explaining or Applying Neutrality?***

Graber's visits to the Egyptian Foreign Minister Mohamed Zayyat in early May 1973<sup>262</sup> and to his Israeli counterpart, Aba Eban, in September 1973,<sup>263</sup> were meaningful steps in the Swiss opening towards the Middle East. No Swiss foreign minister had visited Cairo since before the 1952 revolution,<sup>264</sup> and no such visit had ever been undertaken to Israel. In the course of the official meetings, Graber laid a strong emphasis on Swiss neutrality and especially its availability component. As highlighted by Kreutner, information on the possibility of a visit to Israel was consciously held back by the FPD to circumvent rumors of a possible mediation effort. He nonetheless upholds the view that Graber's trips to Egypt and Israel did constitute a Swiss mediation attempt.<sup>265</sup> But placing Graber's official voyages in the context of past Swiss mediation experiences in the Middle East as well as the concrete situation in the early 1970s, paints another picture. The way Graber presented neutrality in Cairo and Tel Aviv matches what has been described as a "rhetorical overstretch" of which Swiss good offices largely suffered during the Cold War.<sup>266</sup> Although Graber insisted that Swiss availability in both Cairo and Tel Aviv aimed to substantiate Swiss neutrality and thus make Switzerland credible in the Middle East, in reality the Swiss government sought to avoid becoming an active player in the regional conflict. Furthermore, the trip to Cairo was interpreted by the press and members of the Swiss parliament as a sign of economic

---

<sup>262</sup> See the minutes taken of this over two-hour meeting on May 3 in: Pierre-Yves Simonin, Secretary of the Head of Department, Confidential minutes, "Entretiens entre le Conseiller fédéral Pierre Graber et M. Mohamed Hassan El Zayyat, Ministre des Affaires étrangères de la République arabe d'Égypte", 23.05.1973, SFA, E2001E-01#1987/78#2580\* B.15.21(1)

<sup>263</sup> Consult the minutes of this almost four-hour encounter that took place on September 10 and 11 in: Simonin, Confidential minutes, "Entretiens entre Monsieur le Conseiller fédéral Pierre Graber et Monsieur Abba Eban, Ministre des Affaires étrangères d'Israël", 02.10.1973, DDS, dodis.ch/39247

<sup>264</sup> Reference to the last visit of a Swiss Federal Councilor to Egypt, a visit by Giuseppe Motta to King Farouk during an apparently private trip to Egypt, can be found in: "M. Graber rencontrera au Caire ses diplomates du Proche-Orient", *Tribune de Genève*, 21.02.1973, SFA, E2200.39#1995/155#117\*, 331.0

<sup>265</sup> Kreutner, *Die Schweiz und Israel...*, p. 105-106.

<sup>266</sup> Fischer, 'From Good Offices to an Active Policy of Peace ...', *ibid.*, p. 76.

rapprochement with the Arab world. This suggests an asymmetry in Swiss foreign policy between “low [and] high politics”,<sup>267</sup> engaging on a commercial basis but abstaining in political involvement. Linking these two aspects of Graber’s roving diplomacy will permit an assessment of the specific molding of Swiss foreign policy in the conflictual Middle East.

A novelty in Swiss foreign policy, the organization of a regional conference for Swiss ambassadors in the Middle East,<sup>268</sup> largely responded to a perceived necessity within the Swiss foreign administration to deepen the knowledge about the Arab world. And unlike the hands-off attitude during the Six Day War, it explicitly intended to counterbalance the largely pro-Israeli public opinion in Switzerland. Cairo was chosen as the host city for the conference, for the Swiss viewed it as the “natural center of the Arab world”.<sup>269</sup> Going to Cairo would allow for the largest possible impact throughout the region.<sup>270</sup> This ambassador’s conference thus responded to general informational needs from the Swiss administration and indeed, also intended to signify a rapprochement to the Arab world.

This motive revealed itself as the Swiss seized on the opportunity to solicit reception by the Egyptian government.<sup>271</sup> Frey, satisfied by this decision, saw this as an “important contribution to deepen reciprocal relations.”<sup>272</sup> While the Egyptian Foreign Ministry greeted this Swiss visit to Cairo with satisfaction, it put the Israeli government on alert.<sup>273</sup> In mid-March 1973, Israel’s ambassador to Switzerland, Arie Levavi, called on FPD General Secretary Thalmann and urged him to be diligent. The ambassador reminded Thalmann of recurrent Egyptian attempts in persuading foreign officials to adopt declarations favoring the Arab side in the conflict. Thalmann, given the credentials he had received for his UN-mission in Jerusalem, was well placed to reassure Levavi that the Swiss maxim of neutrality would also guide diplomacy in Cairo. The Israeli ambassador, appeased by this precision, used this occasion to officially invite Graber to Israel.<sup>274</sup> Levavi had been posted in Switzerland since late 1967, after having served as General director at the Ministry of Foreign Affairs in Israel for a few years and as ambassador to Argentina prior to that. He had requested Prime

---

<sup>267</sup> On this omnipresent distinction in Swiss foreign policy, see: Gabriel, ‘The Price of Political Uniqueness...’, *ibid.*, p. 1.

<sup>268</sup> The decision, taken by Graber personally, was communicated to the concerned official Swiss agencies through a circular letter from Thalmann, 11.01.1973, SFA, E2004B#1990/219#8276\*, a.726.1

<sup>269</sup> Note by Pierre-Yves Simonin, Secretary of the Head of Department, to Graber, “Conference Regionale 1973 - Le Caire”, 29.01.1973, SFA, E2004B#1990/219#8276\*, a.726.1

<sup>270</sup> In his memoirs, Graber explicitly stated that this visit to Cairo had a favorable spill-over effect into the entire Middle East, see: Pierre Graber, *Mémoires et réflexions* (Lausanne: Ed. 24 heures, 1992), p. 242.

<sup>271</sup> Ambassador Frey received the order from the FPD to seek an official invitation from the Egyptian government, see: telegram from FPD to Swiss Embassy in Cairo, 02.02.1973, SFA, E2004B#1990/219#8276\*, a.726.1

<sup>272</sup> He communicated this to his superior in a letter from Frey to Graber, 15.02.1973, SFA, E2001E-01#1987/78#2580\*, B.15.21(1)

<sup>273</sup> Hess, to avoid catching the Israelis by surprise with the public announcement, had already informed the Foreign Ministry of Graber’s planned trip to Cairo, see: Letter from Hess to the Division for political affairs, FPD, 21.02.1973, SFA, E2004B#1990/219#8276\*, a.726.1

<sup>274</sup> See the records of this meeting in a note by Gelzer for Graber, 14.03.1973, SFA, E2004B#1990/219#8276\*, a.726.1

Minister Golda Meir to deploy him to the vacant post in Switzerland after being diagnosed with a heart disease. He hoped that this job would be easier on his health than his position in Israel or his former posting in Argentina, where he had been declared *persona non grata* after the Mossad extradited Adolf Eichman in 1960.<sup>275</sup> So Ambassador Levavi was not the kind of person to seek political drama. Despite the fact that the Swiss government was considering a visit to Israeli to counterbalance the trip to Cairo right as they planned for the latter, Levavi must have been relieved. The Swiss, anxious to avoid the impression of a Swiss good office mission, scheduled it to take place with several months' delay.<sup>276</sup> While Graber's trip to Cairo had specific aims, the one to Tel Aviv, which the Swiss government accepted in late March 1973,<sup>277</sup> was from the outset a consequence of his trip to Cairo.

The sensitivity of possible Swiss good offices in the Arab-Israeli conflict has already been mentioned. The Six Day War cast further doubts on the scope for such diplomatic services. While a successful Swiss mediation in the Arab-Israeli conflict could have been met with considerable international prestige, political risks were too high. Swiss offerings in this sense, in both Cairo and Tel Aviv, were far more concerned with enhancing the credibility of its neutrality than on actually becoming involved.<sup>278</sup>

Intense preparations preceded the Cairo trip. The FPD requested situational reports for each country in the region, as well as an analysis of the Middle Eastern crisis from the viewpoint of the ambassadors' respective posts.<sup>279</sup> These evaluations varied according to the reporting post. Yet both Hans Karl Frey from Cairo<sup>280</sup> and Pierre von May from Syria<sup>281</sup> reported a high risk of renewed hostilities. Hansjörg Hess, in his reporting from Tel Aviv, considered the risk of war low because of the weak position of the Arab states militarily and economically, as well as US-Soviet *détente*.<sup>282</sup> While economic aspects

---

<sup>275</sup> On Arieh Levavi's time in Switzerland, see the relevant section in: Yuri Leving "Nabokov's Jewish Family", *Tablet*, 2012, <https://www.tabletmag.com/jewish-arts-and-culture/books/119287/nabokov-jewish-family> (consulted on 26.09.2019)

<sup>276</sup> This was highlighted during the first preparatory meeting for the visit, see: note by Simonin to Graber, "Conference Regionale 1973 - Le Caire", 29.01.1973, SFA, E2004B#1990/219#8276\*, a.726.1

<sup>277</sup> This decision was communicated to Ambassador Hess in a telegram by the Division for political affairs, FPD to the Swiss Embassy, Tel Aviv, 06.04.1973, SFA, E2001E-01#1987/78#3554\*, B.15.21.(1)

<sup>278</sup> Good offices have been described as essential to promoting the credibility of Swiss neutrality abroad in: Pierre Du Bois, 'Neutrality and Political Good Offices: The Case of Switzerland', in *European Neutrals in International Affairs*, ed. by Hanspeter Neuhold and Hans Thalberg, (Wien: W. Braumüller 1984), p. 7.

<sup>279</sup> Such reports were requested from the diplomatic posts participating in the regional conference, i.e. the Swiss Embassies in Algeria, Egypt, Ethiopia, Iraq, Israel, Jordan, Lebanon, Libya, Morocco, Saudi Arabia, Sudan, Syria and Tunisia, see: circular telegram from the FPD to the Swiss Embassies in the Middle East, 15.02.1973, SFA, E2004B#1990/219#8276\*, a.726.1

<sup>280</sup> For Ambassador Frey's report from Egypt, see the confidential report from Frey to Graber, 12.04.1973, SFA, E2300-01#1977/30#39\*, A.21.31

<sup>281</sup> For the view from the Swiss Embassy in Damascus, see the confidential report from von May to Graber, 19.03.1973, SFA, E2300-01#1977/30#27\*, A.21.31

<sup>282</sup> Confidential Report, Hess to Graber, 09.04.1973, SFA, E2300-01#1977/30#83\*, A.21.31

were only marginally present in the regional conference preparations,<sup>283</sup> the FPD considered official talks with the Egyptian authorities as “hardly conceivable” without Swiss economic officials.<sup>284</sup> Reciprocal trade, the settlement of the compensation treaty and the investment protection treaty were on the economic agenda. The FPD “strongly insisted” on participation of the Division of Commerce in bilateral talks.<sup>285</sup> The latter, despite Egyptian problems in generating revenues, considered it an interesting market for Swiss export industries.<sup>286</sup> The visit to Cairo was therefore an opportunity for reviewing bilateral economic relations with Egypt.<sup>287</sup>

Pierre Graber, accompanied by his wife Lina Pierrette Graber-Meilland and his delegation of nine Swiss officials, arrived in Cairo on April 29, 1973. During his stay, he resided in a suite on the Nile River in downtown Cairo, paid by the Egyptian Foreign Ministry. Graber was received by President Sadat that same evening. Given the lack of minutes or any reporting, and the Swiss interpretation of it as particularly courteous attention by their Egyptian hosts, it was likely a simple courtesy meeting.<sup>288</sup> The following day, on April 30, the Swiss delegation had already left Cairo for an overnight excursion to Luxor in Upper-Egypt, accompanied by their host, Foreign Minister Zayyat, who was fluent in French. The political highlight of the official visit was a two-hour discussion with Foreign Minister Zayyat on May 2.<sup>289</sup> Zayyat used this opportunity to explain Egypt’s position vis-à-vis Israel, emphasizing the necessity of a return to the international borders before the Six Day War. He urged Graber to “understand the Egyptian point of view and to help modify the precast image” Europe had of his country.<sup>290</sup> Graber, mirroring his general policy of “opening towards the world”, stressed that Swiss foreign policy aimed at “being as useful as it can.”<sup>291</sup> He explained Swiss neutrality and neutrality policy, emphasizing that this forced his government to adopt “an extremely reserved attitude.”<sup>292</sup> This attitude would, however,

---

<sup>283</sup> Besides general issues related to the oil market, see: Note by Jean Zwahlen, Head of the Financial and Economic Service, FPD, to Graber, “Pétrole”, 16.04.1973 SFA, E2004B#1987/77#195\*, a.726.1 Swiss financial and development aid to Arab countries was summarily covered in a Note by Sigismund Marquard, Delegate for Technical Cooperation, FPD, to Graber, “Aide publique de la Suisse en faveur des pays arabes”, 26.04.1973, SFA, E2004B#1987/77#195\*, a.726.1

<sup>284</sup> This was highlighted by the FPD during a preparatory meeting for the regional conference, as stated in a Letter from Emilio Moser, Vice Director, Division of Commerce, to Paul Rudolf Jolles, Director, Division of Commerce, 29.03.1973, SFA, E7110#1984/70#1064\*, 821

<sup>285</sup> *Ibid.*

<sup>286</sup> This interpretation was given in a note by Alois Heuberger, Division of Commerce, to Graber, “République arabe d’Egypte. Informations économiques”, April 1973, SFA, E2004B#1987/77#195\*, a.726.1.

<sup>287</sup> Unfortunately, no significant traces of the official economic deliberations have been found in Swiss archives.

<sup>288</sup> This was underscored in the note from Simonin to the Federal Council, “Visite officiel au Caire”, 08.05.1973, SFA, E2004B#1990/219#8276\*, a.726.1.

<sup>289</sup> Besides the mentioned discussions with Foreign Minister Zayyat, a meeting with the General Secretary of the Arab League, Mahmoud Riad took place. See: “Programme de la visite officielle du Conseiller fédéral Graber et de la délégation Suisse”, 25.04.1973, SFA, E2004B#1990/219#8276\*, a.726.1.

<sup>290</sup> See Zayat’s statement in: Simonin, Confidential minutes, “Entretiens entre le Conseiller fédéral Pierre Graber et M. Mohamed Hassan El Zayyat, Ministre des Affaires étrangères de la République arabe d’Egypte”, 23.05.1973, p. 7, DDS, dodis.ch/40117.

<sup>291</sup> *Ibid.*, p. 2-3.

<sup>292</sup> *Ibid.*, p. 7.

make Switzerland trustworthy and available, “wherever, whenever”.<sup>293</sup> He highlighted Switzerland’s role representing Indian and Pakistani interests during the 1971 Indo-Pakistani conflict to demonstrate the usefulness Switzerland could have in conflict situations,<sup>294</sup> particularly in the Third World.<sup>295</sup> That said, Graber did “not see how Switzerland could for the moment be useful in the search for a solution to the dramatic problem of the Middle East. [...] We have become skeptical observers to a situation that we feel as being blocked and that for now remains inextricable.”<sup>296</sup> While remaining surprisingly vague, Graber’s emphasis on good offices shows that these had become such an essential part of Swiss neutrality that insisting on this role was considered essential to promote the credibility of its neutral position.

In his opening speech at the ambassadors’ conference, on May 3, Graber voiced his desire to learn about the “means that can serve to better Swiss relations with the Arab world.”<sup>297</sup> He also wanted to explore the “possibilities, however modest, to potentially contribute to the reestablishment of peace in the tormented region.”<sup>298</sup> But there were barely any discussions on specific measures to ameliorate the Swiss position in the Middle East. Likewise, the option of Swiss good offices, let alone mediation, failed to receive any rigorous attention.<sup>299</sup> Both Ambassador Frey and Ambassador Hess, posted respectively in Cairo and Tel Aviv, remained skeptical about the prospect of their host governments requesting Swiss ‘availability’. Frey thought it unlikely that the Egyptian government would seek any such mediation outside of the UN,<sup>300</sup> mirroring the support Arab positions had gained in the general assembly. Hess relayed that the Israeli government did not want any outside mediators at all<sup>301</sup> given the position of strength it acquired in the region with the occupied territories. Prospects for a request of Swiss good offices were clearly low from both conflict parties.

Overall, this ambassadors’ conference was a trumpet for Swiss desire to obtain better information on the situation in the Middle East. From this viewpoint, it was a success. It reflected conclusions drawn from the Palestinian terrorist attacks, i.e., the necessity

---

<sup>293</sup> *Ibid.*

<sup>294</sup> The Swiss government assumed these mandates in July 1971, see: Letter from Fritz Real, Swiss ambassador New Delhi to Division for political affairs, FPD, 10.07.1971, DDS, dodis.ch/35314.

<sup>295</sup> This was highlighted by a former high Swiss foreign policy official: Raymond R. Probst, ‘*Good Offices’ in the Light of Swiss International Practice and Experience* (Dordrecht; Boston: M. Nijhoff, 1989), p. 114.

<sup>296</sup> Simonin, Confidential minutes, “Entretiens entre le Conseiller fédéral Pierre Graber et M. Mohamed Hassan El Zayyat, Ministre des Affaires étrangères de la République arabe d’Egypte”, 23.05.1973, DDS, dodis.ch/40117.

<sup>297</sup> See Graber’s statement in: confidential minutes, “Conférence régionale des Ambassadeurs, le Caire, 3-5 mai 1973”, 27.06.1973, SFA, E2004B#1990/219#8276\*, a.726.1, p. 2.

<sup>298</sup> *Ibid.*

<sup>299</sup> During the 15-hour conference, transcribed in over 100 pages, no actual decisions were made. Participants discussed the following: 1. The Egyptian-Israel Conflict; 2. The Role of the Great Powers; 3. The Role of Europe; 4. The Palestinian Issue; 5. Arab States and Palestinian Liberation Organizations; 6. Arab Unity; 7. Diplomatic Conference in Geneva (Humanitarian Law); 8. Arbitration Issues; 9. Mediterranean Aspects; 10. The Arabs and Black Africa; 11. The Arab donors; 12. Petroleum Policy; 13. Swiss Presence. An ambassador introduced each item on the agenda; the presentations were of varying quality, see: *ibid.*

<sup>300</sup> See Frey’s statement in: *ibid.*, p. 6.

<sup>301</sup> Hess’s assessment can be found in: *ibid.* p. 9.

for the Swiss foreign policy officials to gain a better understanding of the regional situation. Naturally, the conference could not make any policy decisions, and so bilateral relations were barely discussed. While Switzerland's economic position in the region was on the agenda, here too no conclusions were drawn and a more active role for the Swiss government to play in promoting economic relations was, for the time being, excluded.<sup>302</sup>

Although there lacks any evaluation of the ambassadors' conference, the FPD drew three conclusions from Graber's official visit to Cairo. The aim to generate a climate of goodwill had been achieved in Egypt. However, Graber's impression from the discussions with Zayyat was negative: "the conflict seems to be in a dead end and the decay continues."<sup>303</sup> And finally, he reported that a possible Swiss mediation was at no time broached, not even as a "heavily veiled hint."<sup>304</sup>

Swiss overtures did not remain entirely unnoticed in Egypt. Shortly after Graber's visit, at the end of May 1973, the head of the Intelligence Department of the Egyptian Military, Adly Sherif, probed the possibility of designating Switzerland as a protecting power for Egypt in Israel. Frey, while continuing to highlight Swiss availability, interpreted this rapprochement as a diplomatic maneuver aimed at exposing Israel in the international community and, consequently, he expressed a reserved position.<sup>305</sup> Despite the allure of prestige, a Swiss good office mandate in the Middle East would have been too delicate an affair. This informal request demonstrated the sensitive nature of possible Swiss involvement, and the actual risk that direct Swiss involvement could constitute for neutrality.

The visit in Cairo received domestic critique, mostly in the form of personal attacks both in parliament and in the press against Graber and his foreign policy, perceived as too activist. As stated in a telegram to Ambassador Frey, these critiques came mostly from conservative milieus.<sup>306</sup> The Foreign Affairs Commission ended backing up Graber. In his debrief, Graber explained to the parliamentarians that the trip to Cairo was "exactly what had to be done to prove to the Arab world that we are people of good will."<sup>307</sup> During this meeting, Graber also insisted on avoiding anything that could portray Switzerland as a mediator or messenger between Egypt and Israel.<sup>308</sup> Potential

---

<sup>302</sup> Consult the economic discussions during the regional conference in: See Frey's statement in *ibid.*, p. 84-91.

<sup>303</sup> See this interpretation as relayed in a non-dated, non-signed annexe to a note from Simonin to the Federal council, "Visite officiel au Caire", 08.05.1973, SFA, E2004B#1990/219#8276\*, a.726.1.

<sup>304</sup> *Ibid.*

<sup>305</sup> See the letter from Henri Rossi, Head of the Foreign Interests Section, FPD, to Division for political affairs, FPD, 01.08.1973, DDS, dodis.ch/39946

<sup>306</sup> See: telegram from Division for political affairs, FPD to Swiss Embassy Cairo, 27.06.1973, SFA, E2004B#1990/219#8276\*, a.726.1

<sup>307</sup> See Graber's input in this Commission: Confidential minutes, "Commissions des Affaires étrangères du Conseil National. Procès-verbal de la Séance du 21 mai 1973" 12.06.1974, p. 20, SFA, E1050.12#1995/511#16\*, 1

<sup>308</sup> *Ibid.*, p. 18-19.

domestic criticism towards a mandate of Swiss good offices in the Arab-Israeli conflict further inhibited any such initiative.<sup>309</sup>

High-level Israeli officials frequently traveled to Switzerland for private or business endeavors.<sup>310</sup> But no Swiss Federal Councilor in charge of foreign affairs had ever visited Israel up to then. As Frey reported to Bern, Switzerland was the only Western European country besides France and Finland to have never deployed a Foreign Minister to Israel.<sup>311</sup> Preparations for Graber's symbolic trip to Tel Aviv began as early as February 1973. Just prior to his departure on September 9, Graber made a declaration to the press, once more insisting that he was not traveling to Israel with the intention of Swiss mediation. Rather, he sought to complete his assessment of the Middle Eastern situation and to reinforce the image of Swiss "neutrality, openness and availability."<sup>312</sup>

Again accompanied by his wife, Graber and the Swiss delegation resided for the first two nights in the renowned King David Hotel in Jerusalem with an excellent view of the old town. Graber visited the holy sites of Jerusalem and the Yad Vashem Holocaust memorial site. Before his moving on to Tel Aviv on September 11, the main items on Graber's agenda in Jerusalem were meetings with Foreign Minister Aba Eban and Prime Minister Golda Meir.<sup>313</sup> During his discussion with Eban, Graber insisted that Swiss availability in the Middle Eastern conflict was upright, and that he would like to "demonstrate it, if the circumstances permit it."<sup>314</sup> During his shorter meeting with Meir, Graber displayed his pessimism on the situation in the region, but equally highlighted Swiss availability "to serve in any way."<sup>315</sup> Both Eban and Meir did not react to this offer, reflecting what the Swiss ambassador had highlighted during the regional conference five months earlier. At the end of his visit, Graber insisted in his press conference that Switzerland was too small to take any initiative and that neither of the two parties had asked him to do so. Once again, he highlighted Swiss readiness to "at all times [...] play the part that can be expected of us."<sup>316</sup> This illustrates the rhetoric overstretch of Swiss emphasis on availability, despite a total lack of interest from both sides for any type of good offices.

---

<sup>309</sup> The importance of potential domestic political considerations has been highlighted in: Du Bois, 'Neutrality and Political Good Offices ...', p. 8.

<sup>310</sup> Israeli Foreign Minister Eban came to Zurich for a regional Israeli diplomat conference in the summer of 1969, see: Letter from Hess to Division for political affairs, FPD, 10.07.1969, SFA, E2001E-01#1982/58#4375\*, B.15.50.4. Minister of Defense Moshe Dayan, met with West German businessmen in a resort town in the Swiss Alps for the conclusion of an unspecified triangular trade deal between Israel, the FRG and Japan in August 1973, see: Note by Hermann Grob, Division for political affairs, Section west, FPD, "Moshe Dayan in Pontresina", 02.08.1973, DDS, dodis.ch/39973.

<sup>311</sup> Letter from Hess to Division for political affairs, FPD, 03.05.1972, SFA, E2001E-01#1988/16#3929\*, B.22.52

<sup>312</sup> Press statement by Graber, 09.09.1973, SFA, E2001E-01#1987/78#3555\*, B.15.21.(1)

<sup>313</sup> See: Simonin, "Programme de la visite du Conseiller fédéral Graber en Israël (9-13 septembre 1973)", 31.08.1973, SFA, E2001E-01#1987/78#3554\*, B.15.21.(1)

<sup>314</sup> See Graber's statement on this issue in: confidential minutes, Simonin, "Compte-rendu des entretiens entre Monsieur le Conseiller fédéral Pierre Graber et Monsieur Abba Eban, Ministre des Affaires étrangères d'Israël", 02.10.1973, p. 8, DDS, dodis.ch/39247.

<sup>315</sup> See: Confidential minutes, Simonin, "Compte-rendu de l'entretien entre M. le Conseiller fédéral Pierre Graber et Madame Golda Meir, Premier Ministre d'Israël", 03.10.1973, p. 7, DDS, dodis.ch/39835

<sup>316</sup> Press statement by Graber, "Preliminary statement of the Head of the Federal Department. Press conference in Tel Aviv", 12.09.1973, SFA, E2001E-01#1987/78#3555\*, B.15.21.(1)

Nevertheless, this defense of neutrality was a promising foreign policy tool when linked to the economic domain. The economic role in Switzerland's turn to the Middle East was reflected in the limited but telling discussions of this issue during the ambassadors' conference. The participants in the conference detected an Arab shift to Europe after being disappointed by the US failure to pressure Israel into an agreement. Highlighted by the Swiss Ambassador to Tunisia, René Stoudmann, Arab states could in this process "turn to Switzerland rather than elsewhere" owing to its neutrality.<sup>317</sup> As seen by the important deal concluded by the Swiss company Bühler in Syria, officials realized that showcasing Swiss neutrality could spark Arab interest in developing economic relations with Switzerland in the Cold War context.

So promoting neutrality could improve the position of Swiss companies in the Arab world while simultaneously appeasing the Israeli side. Indeed, shortly before Graber's departure to Cairo, the influential Israeli newspaper *Haaretz* interpreted this visit as Swiss interest in the Arab world as a market. The article expressed concern that this would potentially weaken Swiss relations with Israel.<sup>318</sup> Yet after Graber's visit in Cairo, this same paper reported that the Swiss rapprochement to the Arab world would by no means test good relations with Israel.<sup>319</sup> Emphasizing neutrality, first in Egypt and then in Israel, enabled the Swiss government to avert any degradation of relations with Israel despite a clear rapprochement with its adversary across the Canal.<sup>320</sup>

A clear mandate with good offices or mediation could have constituted important proof of the utility of Swiss neutrality in international relations, heightening Swiss prestige.<sup>321</sup> The insistence on Swiss neutrality in the meetings with the Egyptian and Israeli foreign ministers aimed much more at defending the credibility of neutrality, in their drive to ameliorate political and economic relations with the Arab states.<sup>322</sup> Swiss authorities did not want to estrange the Israeli government by opening to the Arab world via Cairo. Neutrality in this context was a flexible foreign policy tool. It permitted increasing political and economic relations with one conflict party, Egypt, without alienating the

---

<sup>317</sup> Stoudmann highlighted this during his lead-off on the role of Europe in the Middle East, see: confidential minutes, "Conférence régionale des Ambassadeurs, le Caire, 3-5 mai 1973", 27.06.1973, p. 30, SFA, E2004B#1990/219#8276\*, a.726.1

<sup>318</sup> Translation by the Swiss embassy Tel Aviv of: Arthur Cohen, "Die Schweiz könnte ihre Verbindungen mit Israel schwächen", *Haaretz*, 28.04.1973, SFA, E2004B#1990/219#8276\*, a.726.1

<sup>319</sup> Translation by the Swiss embassy Tel Aviv of: Arthur Cohen, "Freundschaft der Schweiz mit den Arabern nicht auf Kosten Israel's", *Haaretz*, 03.05.1973, SFA, E2004B#1990/219#8276\*, a.726.1. Kreutner even labeled the Israeli press coverage of Graber's visit to Israel as "euphoric", see: Kreutner, *Die Schweiz und Israel...*, p. 107

<sup>320</sup> This is confirmed by the overwhelmingly positive articles published in the Israeli press during the visit of Graber to Israel, see for example: "M. Graber en Israël", *L'Information d'Israël*, 12.09.1973, SFA, E2001E-01#1987/78#3554\*, B.15.21.(1).

<sup>321</sup> Graber himself highlighted the importance of this notion around the utility a small neutral country could play in international relations during a meeting of the Swiss foreign affairs commission after his return from Cairo, again without being more specific. See: Confidential minutes, "Commissions des Affaires étrangères du Conseil National. Procès-verbal de la Séance du 21 mai 1973" 12.06.1974, p. 19, SFA, E1050.12#1995/511#16\*, 1

<sup>322</sup> This possibility has been developed by the author, see: Meister, "«Où se tourner, sinon vers les pays neutres ? » ...", p. 122-127.

other power, Israel. The persistent offering of good services during visits was one way to substantiate Swiss neutrality policy – and abstract ‘availability’ was one key element.

### ***Announces Economic Rapprochement to the West. A Precursory Swiss-Egyptian Investment Protection Treaty***

The other major Swiss-Egyptian rapprochement took the form of a bilateral treaty: the Agreement for the Reciprocal Promotion and Protection of Investments, or investment protection treaty (IPT). It held an overriding importance for Egyptian relations with the Western capitalist countries. While wavering Egyptian politics had delayed the possibility for starting negotiations as early April 1971, they were opened in early 1972. After lengthy consultations, Egypt signed its first ever treaty protecting foreign investment with Switzerland in late July 1973.<sup>323</sup> While Swiss officials and businessmen were hardly zealous about the signing of this treaty, the Egyptian government was enthusiastic. After presenting several important components of this treaty, this section will deconstruct the reason for the pursuit of negotiations despite a lack of Swiss enthusiasm. Finally, it will highlight the precursory nature and intended effect of the treaty in larger Egyptian foreign economic relations.

The Swiss-Egyptian IPT assured the basic elements of reciprocal protection of investments against nationalization. Such expropriation of Swiss capital had indeed been an issue in the early 1960s. Swiss property valuing a total of CHF 60 million had been nationalized or sequestered in 1961. The Swiss government launched lengthy negotiations to assure compensation, and a corresponding treaty was signed in 1964.<sup>324</sup> The 1973 IPT guaranteed for adequate compensation in the case such nationalization would occur. It further stipulated an equal treatment of foreign to domestic investment, as well as a most favored nation clause and the free transfer of revenues and royalties.<sup>325</sup> The treaty resulting from the negotiations reflected an unequal balance of bargaining power between the two negotiating parties, as the major controversial objects of the negotiations were all solved in Swiss interest.

The Swiss negotiators initially feared limitations on transferable assets from FDI in Egypt. They were anxious that such restrictions, for example the obligation to invest earnings from FDI in Egypt within the country, would actually hinder profitable FDI. Ultimately, a large catalog of assets transferable under this treaty was established. However, transfers would only be authorized if the investment were actually profitable. The catalog included earnings, royalties, partial debt repayments, expenses for the management of the investment abroad and capital liberated by a partial or total

---

<sup>323</sup> The signature by the Egyptian authorities was reported in a telegram from Swiss Embassy Cairo to Division of Commerce, 25.07.1973, SFA, E7110#1984/70#1064\*, 821.

<sup>324</sup> On the negotiations of this compensation treaty see: Zingg, ‘Diplomatischer Erfolg in Ägypten. ...’, *ibid.*, p. 107-114 and Paccaud, ‘La proclamation de la République égyptienne en 1953...’, *ibid.*, p. 73–84.

<sup>325</sup> Federal Council member Ernst Brugger, while requesting the Federal Council to approve the treaty, specified these principal elements. See: Request by Ernst Brugger, Federal Councillor, Head of the Federal Department of Economic Affairs (FDEA), to the Federal Council, 10.04.1973, SFA, E7110#1984/70#1064\*, 821

liquidation of the investment. This catalog was so broad that it led the Vice-Director of the Division of Commerce, Emilio Moser, to consider it as “trendsetting” for future investment relations between industrialized and developing countries.<sup>326</sup> Likewise, the inclusion of investments undertaken before the IPT entered into force was crucial for the Swiss side. After receiving guarantees that this provision would not be applied to Swiss property expropriated under Nasser, the government representatives in Cairo agreed to it.<sup>327</sup>

The treaty was lauded as “a turning point in the very adverse economic policy of Cairo towards foreign capital,” by Swiss radio,<sup>328</sup> but neither the Swiss government nor Swiss business were particularly optimistic regarding its effect on Swiss investment. *Swisspharma*, the Egyptian joint venture of the Swiss pharmaceutical companies Ciba-Geigy and Sandoz with local shareholders, was the main beneficiary of the aforementioned provision protecting past investments in Egypt. Swisspharma had already been present in Egypt since 1962. While the Egyptian pharmaceutical market was largely dominated by the public sector, which was responsible for some 80 percent of overall sales, Swisspharma was the largest private pharmaceutical company. In 1972, with its 260 employees, it was responsible for almost nine percent of total sales of pharmaceutical products in Egypt and realized a profit of about CHF 4.75 million.<sup>329</sup> The director of Swisspharma did assure Frey of his gratitude for the latter’s efforts in negotiating the IPT.<sup>330</sup> But he was doubtful of the effect it could have on the running of his company. He was primarily concerned with the possibility of transferred revenues to the Swiss parent companies. Despite the catalog of transferable assets mentioned above, the Swisspharma director thought that the precarious Egyptian reserve position would continue to limit the free repatriation of profits.<sup>331</sup>

Enthusiasm among Swiss officials was equally limited. In his April 1973 request to the Federal Council for approval of the IPT, Ernst Brugger, Head of the FDEA, observed that the treaty was unlikely to increase Swiss FDI in Egypt. The political situation in the region was, according to Brugger, “hardly as such to attract foreign capital.”<sup>332</sup> This evaluation had been present since the beginning of the Swiss-Egyptian negotiations, and so it raises the question as to why the Swiss government was interested in the conclusion of an IPT in the first place.

Switzerland had already established a tradition in signing IPTs. After the first treaty signed with Tunisia in 1961, the Swiss government began knitting a tight net of similar

---

<sup>326</sup> The principal lessons from the negotiations of the IPT were summed up in a note by Moser to Hermann Hofer, vice-Director of the Division of Commerce, “Verhandlungen – Investitionsabkommen Aegypten”, 31.08.1973, SFA, E7110#1984/70#1064\*, 821

<sup>327</sup> *Ibid.*

<sup>328</sup> Transcript of radioshow, "Abschluss eines Investitionsschutzabkommens mit der Arabischen Republik Aegypten", *Echo der Zeit*, 16.08.1973, SFA, E7110#1984/70#1064\*, 821

<sup>329</sup> See: Ferdinand Superina, Swisspharma, “Annual Report 1972”, 29.01.1973, NCA, RD 7.2.01.

<sup>330</sup> See the letter from Superina to Frey, 25.07.1973, SFA, E2200.39#1995/155#223\*, 521.7

<sup>331</sup> See: Minutes, A. Jourdan, Sandoz, “AEGYPTEN / Swisspharma S.A.A”, 01.10.1973, NCA, M-319.158.

<sup>332</sup> Application by Brugger, Federal Councillor, Head of the Federal Department of Economic Affairs (FDEA), to the Federal Council, 10.04.1973, SFA, E7110#1984/70#1064\*, 821.

treaties, exclusively with Third World countries.<sup>333</sup> During decolonization and over the course of political radicalization in the South, foreign capital was increasingly targeted in newly independent countries. The Swiss government's reactions responded to this increased menace. Through IPTs, it obtained legal commitment from foreign governments to protect the capital of Swiss citizens and corporations.<sup>334</sup> It has been suggested that these Swiss efforts, second only to West Germany's network of IPTs, reflected the lack of colonial ties which they sought to compensate for by such agreements.<sup>335</sup> Switzerland quite successfully achieved this, as the *VSIHG*, the association of large and internationally oriented Swiss industrial companies, noted with satisfaction in 1975. By the mid-1970s, only the FRG had concluded more IPTs than Switzerland.<sup>336</sup>

Two common elements justifying the negotiation of IPTs did not appear in the specific deliberations surrounding the treaty with Egypt. First, it was commonly upheld that IPTs would lead to private forms of Swiss economic penetration in the Third World, compatible with Swiss "non-interventionist" economic policy. Second, the supposed development aid character constituted an important justification of Bern's effort to conclude IPT.<sup>337</sup> For the Economic and Financial Service of the FPD, the general interest of extending the net of such contracts served as the basis for this specific treaty with Egypt.<sup>338</sup> And while the influential Head of the Division of Commerce, Paul R. Jolles, thought that Egypt in the longer term would become an interesting field for Swiss investment,<sup>339</sup> Ambassador Frey held that the treaty would provide the necessary encouragement for Swiss companies to seek new economic relations with Egypt.<sup>340</sup> For the Swiss authorities, it was not simply a principled question to reach an agreement with the Egyptian government. The conclusion of the IPT also represented a sign of Swiss goodwill towards Egypt. It pointed to the complementarity of economic and political rapprochement, as Frey hoped to have Graber sign the IPT in person during

---

<sup>333</sup> On the motivations behind the first IPTs, see: Thomas Zacek, 'Die Förderung privater Direktinvestitionen. Die ersten bilateralen Abkommen über den Schutz und die Förderung von Kapitalinvestitionen mit Tunesien, Niger und Guinea', in *Von der Entwicklungshilfe zur Entwicklungspolitik*, ed. by Peter Hug and Beatrix Mesmer, (Bern: Schweizerisches Bundesarchiv: 1993), p. 335–349.

<sup>334</sup> On a brief overview of these rationales from the viewpoint of a legal expert, see: Anne-Juliette Bonzon, *La protection des investissements Suisses à l'étranger dans le cadre des accords de promotion et de protection des investissements*, Collection de Droit International Public (Bâle: Helbing Lichtenhahn, 2012) [ebook].

<sup>335</sup> Tim Büthe and Helen V. Milner, 'Bilateral Investment Treaties and Foreign Direct Investment: A Political Analysis', in *The Effect of Treaties on Foreign Direct Investment: Bilateral Investment Treaties, Double Taxation Treaties, and Investment Flows*, ed. by Karl P. Sauvant and Lisa E. Sachs (New York: Oxford University Press, 2009), p. 174.

<sup>336</sup> See: Vereinigung der industriellen Holdinggesellschaften, "Jahresbericht 1975", p. 4, SFA, E6302B#2003/1#843\*, 629

<sup>337</sup> See: Bonzon, *La protection des investissements Suisses à l'étranger ...* [ebook].

<sup>338</sup> This was specified in a note from Louis Rochat, Collaborator, Financial and Economic Service of the FPD to Graber, "Accord de protection des investissements avec la République Arabe d'Égypte", 26.04.1973, SFA, E7110#1984/70#1064\*, 821

<sup>339</sup> Note from Jolles to Brugger, "Investitionsschutzabkommen mit der Arabischen Republik Aegypten", 05.04.1973, SFA, E7110#1984/70#1064\*, 821

<sup>340</sup> Letter from Frey to Yves Martin, Assistant Director of the OSEC, 20.07.1973, SFA, E2200.39#1995/155#243\*, 551.0

his visit to Cairo.<sup>341</sup> And finally, as repeatedly underscored by the Egyptian authorities, there was an anticipation of investment opportunities for Swiss companies after the hypothetical solution of the Arab-Israeli conflict.

While the Swiss government's conclusion of another IPT was in itself not particularly surprising, the Egyptian disposition to conclude an IPT was remarkable. The nationalization of the Suez Canal, and later, larger sectors of the economy, had greatly undercut the security of international investment in Egypt and beyond.<sup>342</sup> The Egyptian overtures towards Switzerland regarding FDI were rooted in its overall attempts to attract foreign capital. This aimed not only to launch domestic production, but also to smoothen Egyptian difficulties in honoring its international payment obligations. Sadat was aware that freely convertible currency could only be obtained from the West. Given his still rather shaky power position domestically, he was nonetheless obliged to proceed cautiously in his economic and political overtures towards the capitalist world. A decisive opening of the Egyptian economy for foreign capital would only be introduced after the popular approval of the *October Paper* in spring of 1974 after Sadat had strengthened his domestic political position through the relatively successful October War.<sup>343</sup> The Swiss government had already obtained bold concessions. This premature opening to Swiss capital was no coincidence. It detailed the specific characteristics of the Swiss state and economy as Western integrated, neutral and rich in capital. This combination was to maximize the intended signaling effect that the Egyptian economic policy officials sought this treaty to have.

An explanation regularly put forward in post-war Switzerland explaining the favorable economic relations with Third World countries was foremost Swiss neutrality and the absence of a colonial past.<sup>344</sup> Right from the outset of the knitting of a web of IPTs, these assets facilitated the Swiss government's offensive in bilateral investment protection to meet goodwill in the Third World.<sup>345</sup> It can be argued that in the Egyptian case, this formula translated as the Egyptian government concluding this IPT with the clearly *Western* Switzerland, to announce its commitment to opening foreign investment for other capitalist states. Signing it with *neutral* Switzerland, however, avoided antagonizing Sadat's domestic position. And finally, concluding it with *rich* Switzerland let hope arise – however illusive – that capital investments would indeed take place, smoothen Egyptian economic hardship and, ultimately, strengthen Sadat's internal power position.

---

<sup>341</sup> This request of Frey to Thalmann was detailed in a note to Jolles, "VAR: Investitionsschutzabkommen", 21.01.1973, SFA, E7110#1984/70#1064\*, 821

<sup>342</sup> For a brief discussion of the effect the Suez Canal nationalization had on international investment security, see: Zachary Elkins, Andrew T. Guzman, and Beth A. Simmons, 'Competing for Capital: The Diffusion of Bilateral Investment Treaties, 1960–2000', *International Organization*, 60 (2006), p. 813.

<sup>343</sup> See: Waterbury, *The Egypt of Nasser and Sadat* ..., p. 123-131.

<sup>344</sup> See: Bonzon, *La protection des investissements Suisses à l'étranger* ... p. 40.

<sup>345</sup> This view was relayed by the association of large and internationally oriented Swiss industrial companies in a report by Theodor Faist, Secretary of the Vereinigung der industriellen Holdinggesellschaften, "Der Schutz schweizerischer Investitionen in Entwicklungsländern", January/February 1961, ACH, IB-Vorort, 463.2.2

The use of the IPT by the Egyptian authorities to reassure the West of its economic opening is undeniable. Cairo's press communiqué for the occasion insisted not only that it was the first ever such treaty concluded, but that it reflected the Egyptian government's "new open policy on foreign investments."<sup>346</sup> As had been the case with the 1964 Swiss-Egyptian compensation treaty, this IPT was explicitly intended to become the standard agreement for analogous treaties with other countries.<sup>347</sup> Indeed, several World Bank officials showed interest in the treaty and asked the Swiss Embassy in Washington for copies.<sup>348</sup> A whole series of countries, like West Germany, expressed interest not only in the Swiss-Egyptian IPT, but also in the Swiss-Egyptian negotiations themselves.<sup>349</sup> As the Swiss government had played a pioneer role for Western interests by negotiating the first compensation treaty signed by Egypt to compensate foreign property nationalized in the early 1960s,<sup>350</sup> Switzerland played this same role for Western powers regarding investment protection. The conclusion of this treaty was therefore not only in the interest of Egypt, but also in the interest of the West more generally, as it pushed Egypt's economic door further open.

Often trailing the bigger powers in the Third World,<sup>351</sup> here Swiss foreign economic policy played the role of an icebreaker for wider Western economic interests. That does not mean that Egyptian economic liberalization would have failed to take place without this IPT. There were indeed a whole series of other domains where Egypt already displayed intentions to increase economic interactions with the West, especially in terms of the preferential trade agreement of Egypt with the EEC concluded in December 1972.<sup>352</sup> But the IPT with Switzerland announced this desire in what would become a crucial field of Egyptian economic policy design.

In these foreign policy offensives just prior to the October War, the Swiss government did not demonstrate the political utility of neutrality in practice. The Middle Eastern conflict, because of the determinant influence of the superpowers, did not leave any room for Swiss good offices. Graber, in his trips to Egypt and Israel in 1973, was eventually confined to mere explanations of Swiss neutrality. To do this, he emphasized Swiss availability, from which resulted an enhanced credibility of the country's neutrality policy. With historical hindsight, this was certainly not insignificant in terms of timing, as discussed in the following chapter. A stronger immediate consequence

---

<sup>346</sup> This communiqué was sent by telegram from Frey to the Division of Commerce, 24.07.1973, SFA, E7110#1984/70#1064\*, 821

<sup>347</sup> This was again communicated publicly by an Egyptian press statement, see: letter from Frey to Division of Commerce, 09.07.1973, SFA, E7110#1984/70#1064\*, 821

<sup>348</sup> See the letter from Auguste Geiser, Economic counselor, Swiss Embassy Washington D.C., to Brugger, 05.09.1973, SFA, E2001E-01#1987/78#2631\*, C.41.157.0

<sup>349</sup> This is highlighted in a letter from Hermann Hofer, vice Director, Division of Commerce, to Gerd Langer, Oberregierungsrat in the Federal Ministry for Economy, FRG, 03.08.1973, SFA, E7110#1984/70#1064\*, 821

<sup>350</sup> As highlighted in: note, "Nationalisierungsverhandlungen mit der VAR", 20.09.1961, DDS, dodis.ch/30451

<sup>351</sup> For such explanations of Swiss foreign economic policy in the Third World, see for example: Guex, 'Introduction. De la Suisse comme petit État faible ...', *ibid.*, p. 7-29, and Hans Ulrich Jost, "Switzerland's Atlantic Perspectives," *ibid.*, p. 110-121.

<sup>352</sup> This was noted in a letter from Pierre Cuénod, Deputy Head of the Swiss Mission to the European Community, to Division of Commerce, 16.01.1973, SFA, E2001E-01#1987/78#1102\*, C.41.765.0

was that, despite displaying goodwill to the Arab states with Cairo as an intermediary, Swiss officials managed to maintain friendly relations with Israel. Switzerland, as seen through the investment protection treaty with Egypt, maintained an important economic role in the Middle East, at least in theory.

## **Conclusion**

The development of Swiss-Middle Eastern relations from late 1967 until the outbreak of the October War of 1973 could seem like a classic three-act drama. From an initial *mise-en-scène* with clear roles and sympathies, a crisis occurs which, after an intermediary period of generalized confusion, leads to a happy ending in which Swiss neutrality saves the day. Yet the story is not as straightforward, as the actual deterioration of Swiss-Arab relations resulting from the perceived official Swiss pro-Israeli stance and Palestinian terrorism was limited. Limited, temporary interruptions of Swiss military collaboration with Israel and in the end, concurrent interests between the Arab states and Switzerland, mitigated escalating political pressures and prevented further deterioration of bilateral relations. Perceived nonetheless as a major crisis on the domestic front, these events did drive the Swiss government to great caution in the region. They further led the Swiss authorities to question their overall foreign relations and integral doctrine – neutrality. Because of the flexibility of neutrality policy, it confirmed itself as an important tool of Swiss foreign policy in the conflict-torn region. This stood out first in the importance that Swiss authorities attached in hinging its Middle Eastern policy on the substantial aid to the ICRC in the Six Day War. Then, flexibility was reflected in the importance attached to substantiating neutrality during Graber's active diplomatic offensive in the Middle East in 1973, at least symbolically.

Neutrality was not simply an abstract principle; it was a foreign policy that could strongly link to material interests. It predominantly proved to be a tool that could mitigate Swiss business exposure to political risks in the Arab-Israeli conflict, mostly via its abstentious character. It was certainly a dexterous tool for developing universal political and economic relations with all conflict parties in the Middle East. But of course it was by no means a magic pass that could override other impediments, particularly economic ones. Domestic economic and political factors often crucially determined the shape that interactions between the Swiss authorities and their Middle Eastern counterparts could take.

Overall, Swiss economic interests in the region prior to the October War were not great. From a low level, Israel appeared as the most promising market, followed by Egypt and then Syria. But as a result of Israeli industrialization efforts and the danger of the country potentially emerging as a competitor to Swiss companies, an estrangement with Israel began to appear in the economic field by late 1971 – although this did not lead to a noticeable fall in the Swiss government's political sympathies with Israel. Nor did it lead to a trade-off in economic interactions between Israel and the Arab states. The persistence of Israel-friendly tendencies among Swiss foreign policy officials was a

double standard when assessing the responsibilities for the outbreak of the Six Day War, and its impact on national economies.

The insistence on the overall inhibiting influence of the conflict situation and the threat of conflict hovering over deepening economic relations with the Arab economies would dramatically unfold in the October War. Just prior to the outbreak of this conflict, the Swiss authorities undertook a crucial opening towards the Arab world, specifically Egypt, in political and economic relations. To what extent this turn towards the Middle East could be substantiated over the succeeding period of confrontation, remained to be seen.



### **3. The October 1973 War: A Trigger in the Disintegration of the International Post-War Order (1973-1974).**

The October 1973 war between Egypt and Syria on one side, and Israel on the other, had far-reaching effects in the Middle East and beyond. Specifically, it altered the regional balance of forces between the Arab states and Israel as established in the Six Day War. Internationally, it prompted a shift in superpower alignment in the region. And finally, it triggered powerful dislocations in the economic realm via the oil price increase. As in the previous chapter, the focus here is not on explaining the reasons behind the war, its course or its termination, issues on which much ink has been spilled.<sup>1</sup> The focus here is on how a third party, Switzerland, perceived the shifts induced by the war and how it reacted to them. It spotlights the war's consequences and how they influenced the Swiss position within the Middle East.

This is of interest first because there still exists an important gap in Swiss historiography on this major Third World conflict's implications for Switzerland. Little has been written on Swiss involvement in the October War, be it at an official level, by humanitarian organizations or by private business actors. In his book on Swiss neutrality in armed conflicts states, van Ooyen notes that the oil embargo and the political debates around Swiss involvement with the UN agencies in the Middle East were at the core of Swiss involvement in the region's conflict.<sup>2</sup> According to Thomas Fischer, the head of the FPD Pierre Graber interpreted the conflict dynamics as a return to bipolarity after East-West rapprochement through détente, and highlighted the strain on the Western alliance.<sup>3</sup> Israel was the key ally of the West in the region. Contrasting with the Six Day War and despite this Cold War logic to characterize the Swiss reading of the Arab-Israeli conflict, here Switzerland was less empathetic to Israel. Swiss public perception of Israel also became more skeptical from the October War onwards, as Kreutner notes.<sup>4</sup> Retracing Swiss involvement in this conflict can therefore shed light on how the Swiss government and business actors affronted conflicts in the wider Third World. Approaching the October War through their lens is, however, also instructive. It will give an additional layer of analysis to the Arab-Israeli conflict free, for the most part, from superpower political interests.

The first subchapter is interested in the immediate Swiss reactions to the war. Coming as a shock, Swiss foreign policymakers initially struggled to apprehend the situation and make policy conclusions, simply drawing on lessons learned from the previous Arab-Israeli conflicts. The subchapter then addresses the short-term effects the conflict-induced dislocations had on Swiss business and economic outlook. As highlighted earlier, the October War was a watershed moment for the business cycles in the three Middle Eastern countries of concern; so this part is also concerned with whether Swiss

---

<sup>1</sup> For a good overview of the roots and consequences of the October War from the perspective of the countries directly involved, and the larger international powers, see the contributions in: Siniver, ed., *The Yom Kippur War*.

<sup>2</sup> van Ooyen, *Die schweizerische Neutralität ...*, p. 187-188.

<sup>3</sup> Fischer, *Die Grenzen der Neutralität...*, p. 129-130.

<sup>4</sup> See Kreutner, *Die Schweiz und Israel...*, p. 111-119.

companies and foreign economic officials understood, or anticipated, these momentous shifts in regional growth dynamics.

The second subchapter will turn to the most important economic effects associated with the outbreak of renewed Arab-Israeli hostilities, i.e., the oil crisis and Egypt's firmer economic liberalization measures. Swiss authorities and business dreaded severe disruption of the international economic order after the oil price increase, both domestically and multilaterally. But the oil price hikes, as much as they were troubling to contemporary observers, could also provide new opportunities for Swiss exporters to increase sales in the Middle East. This translated into renewed efforts of concrete bilateral economic rapprochement with Sadat's Egypt under the umbrella of his open-door economic policy.

### **3.1 Each According to their Means – Each According to their Interests. Swiss Public and Private Involvement in the October War.**

This subchapter looks at official Swiss interventions in the October War and its immediate aftermath. When examining the involvement of a neutral country in a given conflict, intervention must be understood broadly: involvement goes beyond direct military intervention and can include mediation efforts or economic sanctions.<sup>5</sup> The Swiss government applied a series of conflict management techniques, including making public appeals as well as facilitating communication and humanitarian missions.<sup>6</sup> Ultimately, official Swiss involvement in the October War occurred in three ways: protecting Swiss nationals, supporting the ICRC's humanitarian efforts, and hosting a Middle Eastern conference in Geneva in late December 1973. That said, Switzerland was by no means a crucial intervener – it didn't actively contribute to the ultimate settlement. As for the Six Day War, its resolution was mostly owing to the superpowers and, to a lesser extent, the UN.

Given the limited scope Swiss intervention had to help settle the war, the motivation for its intervention must be addressed. Besides fundamental humanitarian considerations, motivations could stem from more tangible strategic or material interests.<sup>7</sup> The main Swiss strategic interest in its foreign policy and therefore in its intervention in the Arab-Israeli conflict was rooted in an attempt to enhance the credibility of its neutrality. However, the political and economic became intimately intermingled and “the dividing line between them [got] necessarily blurry” in conflict situations.<sup>8</sup> An investigation into this gray area between politics and economics in

---

<sup>5</sup> For an overview of third-party involvement in armed conflicts, see: J. Atsu Amegashie, ‘On Third-Party Intervention in Conflicts: An Economist's View’, *Peace Economics, Peace Science, and Public Policy*, 16 (2011), p. 1-10.

<sup>6</sup> Enunciated by: William J. Dixon, ‘Third-Party Techniques for Preventing Conflict Escalation and Promoting Peaceful Settlement’, *International Organization*, 50 (1996), 653–81.

<sup>7</sup> J. Atsu Amegashie, ‘On Third-Party Intervention in Conflicts: An Economist's View’, *Peace Economics, Peace Science, and Public Policy*, 16 (2011), p. 1-10.

<sup>8</sup> Highlighted in: Benjamin E. Goldsmith, ‘Economic Factors in Peace and War: A Discussion’, in *Economics of War and Peace: Economic, Legal, and Political Perspectives*, ed. by Benjamin E. Goldsmith and Jurgen Brauer (Bingley: Emerald Group Publishing Limited, 2010), p. 267.

Switzerland's Middle Eastern policy can be particularly fruitful to understand motivations. As seen above, the October War largely coincided with Swiss exporters' inversion of trade directions in the countries involved, with the significance of the Arab states increasing. Studying Swiss private business actors' reactions to the conflict and consideration of intervention, as done next, can help inform on the rationales behind this reorientation of Swiss commercial interests in the region.

### ***A Disinterested Logistical and Humanitarian Swiss Involvement?***

Despite continuous tensions, the coordinated launch of the war against Israel, on October 6, 1973, largely came as a surprise. Egypt took on the Suez Canal front, and Syria in the Golan Heights. Just three days before the outbreak of hostilities, the Swiss embassy in Cairo was still reporting that Sadat publicly insisted the time for war and confrontation was gone – the Egyptian government should be prioritizing economic development.<sup>9</sup> This certitude crumbled in the events that followed. Not even a week later, a staffer of the embassy in Cairo had to admit that Sadat had lured Israel into a false security and misled “world public opinion”.<sup>10</sup> While obviously having prepared for an escalation of the conflict with Israel for quite a while, he had, according to the telegram, put on a peaceful face. This not only caught foreign diplomatic personnel in Cairo by surprise, but also deceived the numerous foreign ministers who had visited Cairo in the months before,<sup>11</sup> including the head of the FPD Pierre Graber. The Swiss embassies in the rest of the region were also caught off guard by the hostilities.<sup>12</sup> Perhaps most surprised of all were the Israeli government and society, which eventually had a deep social and political impact.<sup>13</sup>

Within a few weeks, surprise gave way to alarm among Swiss foreign policymakers. The Middle East had come to dominate the international arena, as Graber noted.<sup>14</sup> Sadat's intention to go to war put his grievances on the agenda worldwide. He aimed to create a balance of forces by firmly engaging the US government, aiming at a reestablishment of Egyptian territorial integrity in the pre-1967 borders.<sup>15</sup> His decision to go to war was, however, also conditioned by the necessity to break out of economic deadlock. To Sadat, the only way out seemed to be accommodating Western capital.<sup>16</sup> This means that the Swiss embassy's pre-war evaluation that Egypt wanted to focus on

---

<sup>9</sup> Telegram from Yves Berthoud, embassy counselor in Cairo to FPD, 03.10.1973, SFA, E2300-01#1977/30#39\*, A.21.31

<sup>10</sup> See the Telegram from Berthoud to FPD, 09.10.1973, DDS, dodis.ch/40110.

<sup>11</sup> *Ibid.*

<sup>12</sup> See the notifications from Cairo: Telegram from Berthoud to FPD, 06.10.1973, SFA, E2300-01#1977/30#39\*, A.21.31 and from Damascus: Telegram from Swiss Embassy in Damascus to FPD, 06.10.1973, SFA, E2001E-01#1988/16#5644\*, B.73.0

<sup>13</sup> The surprise effect of the war is one of the main subjects of English-language historiography of the October War. See: Carly Beckerman-Boys, 'Assesing the Historiography of the October War', in *The October 1973 War: Politics, Diplomacy, Legacy*, ed. by Asaf Siniver (London: Hurst, 2013), p. 12–24.

<sup>14</sup> See his extensive *Tour d'horizon* on the Middle Eastern situation to the Foreign affairs commission one month after the outbreak of the war: address by Graber to the Commission of Foreign affairs of the National Council, 05.11.1973, SFA, E1050.12#1995/511#16\*, 1

<sup>15</sup> On Sadat's motivations for going to war, see for instance: Lippman, *Hero of the Crossing ...*, p. 1-12.

<sup>16</sup> Ikram, *The Political Economy of Reforms in Egypt ...*, p. 206-207.

economic development was not wrong. It was just the means to achieve this that were unexpected.

Initially, the Swiss government did not anticipate what a breaking point the October War would be. Besides expressing hopes for a prompt ceasefire and durable peace on October 10,<sup>17</sup> the Swiss government did not take a position on the hostilities, maintaining a neutral position.<sup>18</sup> The Federal Council visibly wanted to avoid repeating the blowback from the Arab world during the 1967 Six Day War. And this time, the superpowers had been drawn into the conflict, risking an unprecedented escalation of the Cold War.<sup>19</sup> The danger of being embroiled in the Middle East had increased for the bigger European countries but also for the European neutrals: Switzerland experienced this in the wake of Palestinian terrorism in 1969/70, and in late September 1973, Austria was again targeted by Palestinian terrorists.<sup>20</sup> A politically abstentious attitude responded to Swiss neutrality considerations, it also allowed avoiding criticism from the Arab world, and stave off potential threats to Swiss domestic security.<sup>21</sup>

With political positioning and active mediation discarded, Swiss intervention focused primarily on three levels. First, the Swiss authorities took immediate action to protect Swiss nationals in the countries involved in the conflict. Second, the Swiss government stepped up its efforts to support the ICRC's humanitarian activities in the region. And finally, Switzerland hosted the Middle Eastern conference in Geneva in December 1973. These interventions took place with certain constraints and bounds. Yet right from their configuration, they also responded to material Swiss interests.

As the war broke out, the safety of Swiss nationals in the belligerent states was the main preoccupation of the Swiss government. Within three days, the FPD had established a list quantifying the number of nationals in the region. An estimated 2,615 Swiss citizens were permanent residents, with 4,339 tourists in Israel, Egypt and Syria. By far the largest numbers of both residents (2,259) and tourists (4,250) were in Israel. There were only 310 Swiss in Egypt and in Syria, just 46. While no Swiss tourists were known to be in Syria, some 89 tourists were visiting Egypt during the outbreak of the war.<sup>22</sup> The embassy in Tel Aviv did not see the need to organize an evacuation of Swiss nationals

---

<sup>17</sup> See the undated statement to the press by the Federal Chancellery on the Federal council meeting of October 10, SFA, E2001E-01#1991/17#8437\*, B.15.21.Isr.(2)

<sup>18</sup> Steiner, and Zala, 'La Suisse, le Moyen-Orient ...', *ibid.*, p. 76.

<sup>19</sup> For a brief overview of superpower involvement in the October War, see: Douglas Little, 'The Cold War in the Middle East: Suez Crisis to Camp David Accords', in *The Cambridge History of the Cold War*, ed. by Melvyn P. Leffler and Odd Arne Westad (Cambridge; New York: Cambridge University Press, 2010), II, p. 319-322.

<sup>20</sup> This was concerned with the extent to which Jewish emigrants from the Soviet Union could pass through Austria on their way to Israel, see: Paul Thomas Chamberlin, 'Schönau and the Eagles of the Palestinian Revolution: Refugees, Guerillas, and Human Rights in the Global 1970s', *Cold War History*, 12 (2012), p. 595-614.

<sup>21</sup> This is confirmed by a report on a meeting with the Egyptian ambassador to Switzerland, Hussein Zulfakar Sabry, see the note by Michael Gelzer, Head of the Political Division II, FPD, to Graber, 08.10.1973, SFA, E2200.39#1995/155#115\*, 331.0

<sup>22</sup> See: note for Alfred Hohl, Deputy of the Head of Department, Political Division II, FPD, 09.10.1973, SFA, E2001E-01#1987/78#2618\*, B.51.30

in Israel<sup>23</sup> and according to the FPD, Swiss residents in Syria did not want to leave the country.<sup>24</sup> In Egypt, however, as the war escalated and the Israeli air force started bombing transport routes, foreign policy officials had a sense of urgency to repatriate Swiss nationals. Despite no such demand having been raised by Swiss citizens in Egypt, the embassy in Cairo dreaded that a “possible and sudden deterioration of the Egyptian military situation, [could] very quickly expose foreign nationals to the risk of popular vindictiveness.”<sup>25</sup>

Facing paralyzed air traffic in Egypt, the FPD considered a ceasefire to be a necessary precondition for the orderly evacuation of foreigners from the Nile delta. The Swiss authorities were by no means in a situation to broker such a ceasefire. But the Swiss embassy in Cairo had privileged ties with an institution that could: the ICRC. The second week of the war, the embassy requested the FPD to inquire after the ICRC’s availability to push for a ceasefire.<sup>26</sup> But the ICRC ignored it, as it would require a well-prepared proposition. They therefore did not give way to this Swiss request, which visibly reflected a sense of urgency and helplessness that could not be squared with more sober conflict management.<sup>27</sup> Ultimately, the Swiss authorities relied on outside help to evacuate Swiss tourists from Egypt. By the second week of the war, October 21, roughly 150 Swiss nationals left Egypt on ships chartered by the US, the French and the West German governments.<sup>28</sup>

Four conclusions can be drawn from this evacuation process. First, the different senses of urgency in evacuating Swiss nationals reflected the different ways the war disrupted the countries involved. In Israel, transport routes were not disrupted to a point that would have required an organized repatriation. Second, the features of the Swiss nationals in the warring countries had an influence on whether a concerted operation in their favor was taken. Up to half of the Swiss citizens in Israel also held Israeli citizenship.<sup>29</sup> A handful of Swiss company representatives aside, the Swiss nationals in Syria were exclusively women married to Syrian nationals.<sup>30</sup> Therefore, Swiss citizens in Israel and Syria simply did not have the intention to leave. Third, the Swiss authorities’ initial hopes for an end of hostilities did not respond to a larger humanitarian effort for a peaceful Middle East. As seen, their attempts to secure an

---

<sup>23</sup> The return from Israel was possible through regular El Al flights. See: Telegram from Swiss Embassy, Tel Aviv to FPD, 12.10.1973, SFA, E2001E-01#1987/78#3584\*, B.51.30

<sup>24</sup> See: Note by Bernard Stofer, Head of the Consular Services, FPD, to Graber, "Ausreise der heimkehrwilligen Schweizer aus dem Nahen Osten", 23.10.1973.

<sup>25</sup> See, for example: urgent telegram from Berthoud to FPD, 11.10.1973, SFA, E2001E-01#1987/78#2618\*, B.51.30

<sup>26</sup> See the telegram from Berthoud to Gelzer, 13.10.1973, SFA, E2001E-01#1987/78#2618\*, B.51.30

<sup>27</sup> See the declarations of an ICRC delegate to Egypt transmitted in a telegram from Gelzer to Berthoud, 13.10.1973, SFA, E2001E-01#1987/78#2618\*, B.51.30

<sup>28</sup> This information stems from a note by Bernard Stofer, Head of the Consular Services, FPD, to Graber, "Ausreise der heimkehrwilligen Schweizer aus dem Nahen Osten", 23.10.1973, SFA, E2001E-01#1987/78#3584\*, B.51.30

<sup>29</sup> Cf. Note for Alfred Hohl, Deputy of the Head of Department, Political Division II, FPD, 09.10.1973, SFA, E2001E-01#1987/78#2618\*, B.51.30

<sup>30</sup> Note by Bernard Stofer, Head of the Consular Services, FPD, to Graber, "Ausreise der heimkehrwilligen Schweizer aus dem Nahen Osten", 23.10.1973, SFA, E2001E-01#1987/78#3584\*, B.51.30

ICRC-brokered humanitarian ceasefire was foremost concerned with the wellbeing of its own citizens in the region. And finally, fourth, Swiss authorities at least mulled the possibility of leveraging their privileged ICRC contacts to facilitate the task of protecting Swiss nationals.

It was no coincidence that the Swiss authorities considered the ICRC well suited to help facilitate a safe repatriation of Swiss citizens. During the conflict, the ICRC played an important humanitarian role as set out by the Geneva Convention.<sup>31</sup> From the outbreak of hostilities, the Swiss government, “loyal to its humanitarian tradition”, supported the ICRC in its tasks.<sup>32</sup> This substantiated itself through the supply of an aircraft for ICRC<sup>33</sup> that was initially used to transport personnel, medical supplies and communications equipment.<sup>34</sup> Later, the aircraft became crucial for the exchange of POWs. In addition to this immediate logistical support, the ICRC again received what one of its directors called “substantial financial assistance” from the Swiss authorities.<sup>35</sup>

Although the Swiss government was eager to logistically support the ICRC’s efforts in this conflict, it also considered intervening politically to facilitate the exchange of POWs. The fate of enemy-detained soldiers was by no means a secondary issue, especially for Israel. As US national security adviser Henry Kissinger highlighted in a secret memorandum to Richard Nixon, presumably dating from late October 1973, the fate of the POWs was “highly emotional and political” for the Israelis.<sup>36</sup> Kissinger was convinced that any stalemate in this domain could “become a major stumbling block” for a negotiated settlement of the conflict, and even for the observance of the ceasefire.<sup>37</sup> Any positive step on this sensitive issue therefore would contribute significantly to a negotiated settlement.

In late October, the ICRC had not obtained any names of Israeli soldiers detained in Egypt, nor did it have direct access to them. With the POW issue blocked, domestic political pressure mounted for the Swiss government to publicly appeal to the belligerents in the Middle East, as per the Geneva Conventions.<sup>38</sup> In early November, Israeli President Ephraim Katzir also launched a direct appeal to the President of the

---

<sup>31</sup> These ICRC activities are briefly discussed in the official history of the organization, see: Jean-Luc Blondel, *From Saigon to Ho Chi Minh City. The ICRC's Work and Transformation from 1966 to 1975* (Geneva: International Committee of the Red Cross, 2016), p. 58-60.

<sup>32</sup> See: letter from René Keller, Head of the Division of International Organizations, FPD, to the Federal Department of Finance (FDF), 16.10.1973, SFA, E2001E-01#1987/78#2618\*, B.51.30

<sup>33</sup> *Ibid.*

<sup>34</sup> See the ICRC communiqué in: Telegram from the US Mission in Geneva to the Secretary of State, Washington DC, 11.10.1973, NARA, RG 59, Electronic Telegrams 1973, retrieved from the Access to Archival Databases [AAD] at [www.archives.gov](http://www.archives.gov), January, 2016.

<sup>35</sup> An ICRC director, Roger Gallopin declared this while trying to obtain funds from the US government, see: telegram from the US Mission in Geneva to the Secretary of State, Washington DC, 22.10.1973, NARA, RG 59, Electronic Telegrams 1973, retrieved from the AAD at [www.archives.gov](http://www.archives.gov), January, 2016.

<sup>36</sup> Secret Memorandum from Henry Kissinger to Richard Nixon, “Your Meeting with Israeli Prime Minister Golda Meir”, undated, NPL, NSC Files: Country Files – Middle East, File: Israel, Vol. XII, Box 610

<sup>37</sup> *Ibid.*

<sup>38</sup> See the note by François Pictet, vice-Director, Division for International Organizations, FPD, to Graber, “Respect des Conventions de Genève au Proche-Orient”, 30.10.1973, DDS, [dodis.ch/39582](http://dodis.ch/39582)

Swiss Confederation, the catholic-conservative Roger Bonvin. Referring to “Switzerland’s noble humanitarian tradition”, Katzir expressed his hopes that the Swiss government might “exert [its] influence” in order to work towards an exchange of POWs.<sup>39</sup> He highlighted that this “may in some measure ease [the] Middle East[ern] situation.”<sup>40</sup>

Despite domestic and Israeli pressure, skepticism on this issue remained high within the Swiss government. Reporting on Switzerland’s role in the Middle Eastern conflict during a Federal Council meeting one month after the outbreak of the war, Graber deemed possible offering Swiss good services or launching an appeal on the issue of POWs. There was, however, reluctance to what Graber recognized as a “without a doubt [...] sensitive” endeavor.<sup>41</sup> With the Egyptian side blocking the POW issue, any Swiss public appeal would likely be interpreted as blaming Egypt for the deadlock. That could then be perceived as a partial Swiss intervention. This was sensitive for the Swiss standing in the Arab countries. It also risked undermining the ICRC’s efforts, who were negotiating directly with the governments concerned.<sup>42</sup> Graber was already reluctant to activate Switzerland as a possible channel for mediation before the outbreak of the October War, as seen previously. It is therefore not surprising that no such Swiss intervention took place in this period of acute and more complex tensions. In contrast to the declarations in Cairo and Tel Aviv before the war, a November 7 press statement by the Federal Council no longer included any reference to possible Swiss good offices. It did, however, call for a comprehensive implementation of the Geneva Conventions and specify Swiss support to the ICRC.<sup>43</sup> Underscoring the fields in which the Swiss authorities could positively contribute to easing tensions in the region was considered favorable.

Ultimately, it was the US that managed the political side of the POW issue. Henry Kissinger convinced Egypt in late October to provide lists of Israeli POWs and started negotiations for their exchange.<sup>44</sup> There was clearly no room for a politically small country such as Switzerland in brokering solutions for this conflict. Despite a call by the UN Security Council for an immediate end of hostilities in Resolution 338 approved on October 22, and despite the two superpowers brokering an agreement in Moscow to end the armed conflict, imposing a ceasefire in practice was lengthy. By October 25, such an agreement had finally been reached under pressure and was enforced two days

---

<sup>39</sup> Telegram from Ephraim Katzir, President of Israel, to Roger Bonvin, President of the Swiss Confederation, 02.11.1973, DDS, dodis.ch/40791

<sup>40</sup> *Ibid.*

<sup>41</sup> Note by Graber to the Federal Council, 06.11.1973, DDS, dodis.ch/39249

<sup>42</sup> See the note by François Pictet, vice-Director, Division for International Organizations, FPD, to Graber, “Respect des Conventions de Genève au Proche-Orient”, 30.10.1973, DDS, dodis.ch/39582.

<sup>43</sup> See the press communiqué by the Federal Council, 07.11.1973, SFA, E2200.39#1995/155#115\*, 331.0.

<sup>44</sup> Alexander Bligh, ‘The 1973 War and the Formation of Israeli POW Policy – A Watershed Line?’, in *The 1973 Yom Kippur War and the Reshaping of Israeli Civil–Military Relations*, ed. by Udi Lebel and Eyal Lewin (Washington D.C.: Lexington Books, 2015), p. 141-142.

later.<sup>45</sup> A combination of prudence in the Middle Eastern powder keg and political realism led the Federal Council to resist the temptation of attempting to mediate on the POW issue.

In the actual exchange of POWs between Egypt and Israel, the ICRC did play the lead role. The transport of roughly 8,500 POWs, a large majority of whom Egyptian, posed a serious logistical challenge. Here the Swiss offered important assistance. The Swiss government increased the number of planes supplied to the ICRC to four in order to assure a smooth running of the operation.<sup>46</sup> On the ground, the Swiss ambassador in Cairo gave substantial practical support to the ICRC delegation. In a single day, the Swiss embassy and the ICRC delegation organized the means of transportation. This highlighted “Swiss impartiality and helpfulness” in the conflict, Ambassador Frey was convinced.<sup>47</sup>

The benefits Switzerland could draw from its display of usefulness were initially still unclear. First, the opinion prevailed in the Federal Council that Switzerland would not get credit for the ICRC’s humanitarian role.<sup>48</sup> This view changed after the POW exchange. In a report from Cairo, summing up the October War from the Egyptian viewpoint, Ambassador Frey highlighted the goodwill created among the Egyptian government thanks to his work in supporting the POW exchange with Israel.<sup>49</sup> According to Frey this constituted a “further Swiss asset” in its relations with Egypt.<sup>50</sup> While Switzerland did not receive any official message of appreciation from Israel, an Israeli general expressed his country’s gratitude to the Swiss authorities via the ICRC.<sup>51</sup> Graber, in a report to the Federal Council on December 20, noted that the international press did not miss “highlighting the important role played [...] by Switzerland” for the successful POW operation. In just more than one week, 125 flights took place.<sup>52</sup> Both within the warring nations and the larger international community, the Swiss humanitarian intervention yielded what Etemad and David have labeled an immaterial dividend: moral prestige and international reputation.<sup>53</sup> As will be seen later, the Swiss authorities did not miss reminding their interlocutors, the Arab ones in particular, of this fact, in an attempt to transform the immaterial dividend into tangible advantages.

---

<sup>45</sup> On the long and troublesome superpower brokering for a ceasefire, see: William B. Quandt, *Peace Process: American Diplomacy and the Arab-Israeli Conflict since 1967*, (Washington, D.C. : Berkeley: Brookings Institution Press ; University of California Press, 2005), p.111-124.

<sup>46</sup> See the memo by Willy Maboury, staffer at the Division for international organizations, FPD, to René Keller, Head of the Division for international organizations, FPD, 21.11.1973 DDS, dodis.ch/39584.

<sup>47</sup> See the report from Frey to the FPD, 22.11.1973, SFA, E2300-01#1977/30#39\*, A.21.31

<sup>48</sup> See their respective statement in: Minutes of negotiations of the Federal Council, 02.11.1973, DDS, dodis.ch/39599.

<sup>49</sup> See the report from Frey to the FPD, 22.11.1973, SFA, E2300-01#1977/30#39\*, A.21.31

<sup>50</sup> See the letter from Frey to Graber, 29.11.1973, SFA, E2001E-01#1987/78#2579\*, B.15.21

<sup>51</sup> See the note by André von Graffenried, diplomatic intern, Swiss embassy, Tel Aviv, „Gespräch zwischen Botschafter Hess und Herrn Payot (IKRK)“, 17.06.1974, DDS, dodis.ch/39587.

<sup>52</sup> Request by Graber to the Federal Council, „Demande d'un complément de crédit pour l'affrètement d'avions à l'intention du CICR pour son action au Proche-Orient“, 20.12.1973, DDS, dodis.ch/39585.

<sup>53</sup> David, and Etemad, ‘Un imperialism suisse? ...’, *ibid.* p. 14.

On Syrian-Israeli front, matters were more complicated. There, the disengagement of forces was lengthier. This was at least partially rooted in the different rationale Assad had for going to war vis-à-vis Sadat. Assad was not out to establish the political and psychological conditions for striking a US-brokered deal, but was determined to militarily regain occupied Syrian territory.<sup>54</sup> Consequently, the exchange of POWs between Israel and Syria was by far more complicated. The Syrian government refused to communicate the identity of Israeli POWs and only changed its position in March 1974 under concerted pressure by the US, the USSR, France and Egypt.<sup>55</sup> In this context, margins for proactive Swiss support of the ICRC's part in this exchange of POWs were even narrower than on the Sinai front. The actual exchange of POWs in early June 1974 once more took place under the auspices of the ICRC, with Swiss authorities again providing the aircrafts. Unlike in the Egyptian case, Israel provided part of the funding for this operation. Nonetheless, further Swiss financial contribution to the Syrian-Israeli exchange of POWs was "modest compared to the price of peace in the Near East," according to an FPD official.<sup>56</sup>

In comparison to the Sinai, the general level of Swiss official involvement in the Golan Heights was less substantial. This related to the critical political situation as well as the overall lower level of Swiss interest and presence in Syria than Egypt. This differentiated depth of Swiss involvement did have a lasting impact, as will be seen in following chapters. It lessened the Swiss sense of commitment in Syria and in return, yielded less goodwill for Switzerland in Damascus than in Cairo.

The third field of Swiss intervention in the Arab-Israeli conflict was again indirect. Geneva, at the latest since it had attracted the helm of the League of Nations in the interwar period, became an important international conference center.<sup>57</sup> A former Swiss diplomat has labeled the hosting of such conferences an essential component of Swiss foreign policy. Its constant availability, "both attentive and discrete", highlighted the positive role Swiss neutrality could play for the international community.<sup>58</sup> On October 22, UN Security Council Resolution 338 called not only for an immediate end to Arab-Israeli hostilities, it was also the basis for the ceasefire, calling for negotiations under vague "appropriate auspices".<sup>59</sup> The possibility of Geneva hosting an international conference on the Middle East was not so much an immediate result of Swiss neutrality in the conflict. The conference was set to be held in Geneva because it hosted the UN's European headquarters.

---

<sup>54</sup> Cf notably: Eyal Zisser, 'Syria and the October War. The Missed Opportunity', in *The Yom Kippur War: Politics, Legacy, Diplomacy*, ed. by Asaf Siniver (Oxford; New York: Oxford University Press, 2013), p. 77-81.

<sup>55</sup> See the report by Hess to Graber, 05.11.1974, SFA, E2300-01#1977/30#83\*, A.21.31

<sup>56</sup> See the note of Denise Werner, head of the FPD's International Aid Organizations Section, to Thalmann, 04.06.1974, DDS, dodis.ch/39586.

<sup>57</sup> See, for instance: Gregory Meyer, 'Genève et les organisations internationales: une histoire locale de l'international', *Bulletin de la Société d'histoire et d'archéologie de Genève*, 2013, p. 87-88.

<sup>58</sup> Cf. Jean-Pierre Vettovaglia, 'La Suisse en tant que pays d'accueil d'organisations et de conférences internationales', in *Neues Handbuch der schweizerischen Aussenpolitik*, ed. by Alois Riklin, Hans Haug, and Raymond Probst, (Bern; Stuttgart: P. Haupt, 1992), p. 783.

<sup>59</sup> The text of this UN Security Council Resolution can be read in: „Resolution 338 (1973)“, 22.10.1973, [https://undocs.org/S/RES/338\(1973\)](https://undocs.org/S/RES/338(1973)), consulted March 15, 2018.

According to William Quandt, who had been a member of the US National Security Council and wrote an authoritative account of the US peace brokerage in the Middle East, Kissinger and the Soviet Ambassador to the US, Anatoly Dobrynin, had already agreed on Geneva as the site for a Middle East peace conference as early as October 24.<sup>60</sup> It would still, however, take weeks until the news came out in Switzerland. Almost two weeks later Graber reported to the Federal Council that Geneva had indeed been brought up regarding a Middle East peace conference. But the FPD was not aware of the principles such a conference would have, nor what “appropriate auspices” for the negotiations would mean.<sup>61</sup> A Middle Eastern conference would take place in Geneva only if the negotiations were run within the framework of the UN.

In the meantime, Swiss parliamentarians’ interest in the possibility of a Geneva conference was rising. In a meeting of the Swiss National Council’s Commission of Foreign Affairs on November 12, Graber anticipated that any negotiations between the conflict parties would be “extremely difficult”.<sup>62</sup> Regarding the possibility of a conference in Geneva, Graber highlighted that “[we] have not been subject to any request” by the involved states or the superpowers.<sup>63</sup> He insisted that “there might never be [such a request], being that this conference would take place under UN-auspices; the latter would not even need to consult with us; they would do no more than kindly inform us.”<sup>64</sup> The UN and the superpowers did not involve the Swiss authorities in the preparation of the conference – and they did not even keep them informed of their intentions. Unsurprisingly, little traces of a possible peace conference in Geneva appear in the consulted archives.

The Swiss government rightly minimized the Swiss role in the convening and organizing of a possible Middle East conference in Geneva. It nonetheless started losing patience amidst continuing rumors and inquiries from the press and from Swiss Parliament. The FPD, therefore, asked the concerned Middle Eastern states on the likelihood of such a conference. After obtaining favorable signals from Cairo<sup>65</sup> and Jerusalem,<sup>66</sup> a staffer of the Swiss embassy in Washington was sent to inquire with the US State Department, under the guise of needing to make security arrangements. In mid-November 1973, US Deputy Assistant Secretary of State for Near Eastern and South Asian Affairs Alfred Atherton insisted that details were not clear yet. He was, however, able to confirm that Geneva was the “most likely venue,”<sup>67</sup> and that talks between the governments of Israel, Egypt, Syria and Jordan, as well as the US, the

---

<sup>60</sup> Quandt, *Peace Process* ..., p. 121.

<sup>61</sup> Note by Graber to the Federal Council, 06.11.1973, DDS, dodis.ch/39249.

<sup>62</sup> See the address by Graber to the Commission of Foreign affairs of the Swiss National Council, 16.11.1973, SFA, E1050.12#1995/511#16\*, 1.

<sup>63</sup> See: Minutes of the Commission of foreign affairs of the Swiss National Council, p. 12, 16.11.1973, *Ibid.*

<sup>64</sup> *Ibid.*, p. 12-13.

<sup>65</sup> See the telegram from Frey to the FPD, 05.11.1973, SFA, E2300-01#1977/30#39\*, A.21.31

<sup>66</sup> See the confidential report from Hess to Graber, 14.11.1973, SFA, E2300-01#1977/30#83\*, A.21.31

<sup>67</sup> See the US reporting of this meeting in: Secret Telegram from Kenneth Rush, Deputy Secretary of State, to the American Embassy Bern, “Middle East Peace Conference at Geneva”, 01.12.1973, NPL, NSC Country Files - Europe, Switzerland, Vol. 2, 1971-1973, Box 708.

Soviet Union and UN Secretary General Kurt Waldheim, could take place on December 17 or 18.<sup>68</sup>

As reported by the press a week before the scheduled opening, neither the Federal authorities in Bern nor the cantonal authorities in Geneva had been officially informed of the conference.<sup>69</sup> The Swiss authorities did not have a say in the convening of the conference in Geneva and did therefore not have to be convinced. Matters differed, however, in the warring countries. Even though Kissinger had announced publicly in early December that a conference in Geneva was likely, it still took considerable diplomatic efforts in the Middle East itself to be able to actually convene it. On December 17, the Israeli cabinet approved its participation. Although Syria renounced attendance on the grounds of it missing Palestinian representation,<sup>70</sup> the conference was announced to begin three days later.<sup>71</sup>

The Swiss government's role in the convening of the conference was therefore inexistent; it was only informed on very short notice. Assuring the "smooth handling" of the conference, i.e., guaranteeing its security via the deployment of troops, was the most important part played by Switzerland in the course of this conference.<sup>72</sup> The acknowledgments the Swiss authorities received from the participants of the conference reflected this limited role. UN Secretary General Waldheim highlighted its "discrete and very efficient" handling of security concerns.<sup>73</sup> US Assistant Secretary Atherton, when meeting with the Swiss ambassador in Washington, "spontaneously praised the quality planning and realization of Swiss security measures" for the conference.<sup>74</sup> The most enthusiastic evaluation unsurprisingly came from the Protocol Chief of the Canton of Geneva. Partially responsible for the logistic side of the hosting, he highlighted the positive echo the conference received in the press as well as from the participating Foreign Ministers.<sup>75</sup>

From an organizational point of view, the conference was a success and it did reaffirm Geneva as the center for international negotiations.<sup>76</sup> But besides publicly formalizing what had already been achieved beforehand, the conference did not yield any tangible results for the conflict itself. Graber, in a Foreign Affairs Committee meeting in mid-February 1974, labeled it as "no more [...] than a curtain raiser".<sup>77</sup> While some

---

<sup>68</sup> *Ibid.*

<sup>69</sup> See the report of the United Press International in: „Die Genfer Nahost-Konferenz“, *NZZ*, 12.12.1973.

<sup>70</sup> Quandt, *Peace Process ...*, p. 138-141.

<sup>71</sup> Urgent telegram from Hess to the FPD, 18.12.1973, SFA, E2300-01#1977/30#83\*, A.21.31

<sup>72</sup> Confidential Decision of the Federal Council, "Nahost-Friedenskonferenz in Genf, Truppeneinsatz zur Verstärkung der polizeilichen Sicherungs- und Bewachungsmassnahmen", 21.12.1973, DDS, dodis.ch/39556

<sup>73</sup> Waldheim's statement was transmitted in a letter from Bernard Turrentini, Ambassador at Permanent Mission of Switzerland to the UN, New York, to Graber, 11.01.1974, DDS, dodis.ch/39456.

<sup>74</sup> This message was transmitted by telegram from Felix Schnyder, ambassador of Switzerland in Washington DC to FPD, 02.01.1974, DDS, dodis.ch/39557.

<sup>75</sup> See the letter from Robert Vieux, Head of the Cantonal Protocol and Information Service to Gilbert Duboule, Member of the State Council of Geneva, 08.01.1974, DDS, dodis.ch/39558.

<sup>76</sup> Steiner, and Zala, 'La Suisse, le Moyen-Orient ...', *ibid.*, p. 76.

<sup>77</sup> Graber's presentation in the minutes of the Foreign Affairs Committee of the Swiss National Council, 01.03.1974, SFA, E1050.12#1995/511#17\*, 1.

historians have described the Geneva conference as an “embarrassing failure”,<sup>78</sup> behind this curtain, the US’s leading role in the resolution of the Arab-Israeli conflict appeared.<sup>79</sup> With this growing US influence, any further substantial meetings in Geneva became increasingly unlikely. US President Nixon’s trips to the capitals of Egypt, Syria and Israel in June 1974, mediating directly between the war parties, largely confirmed this role.<sup>80</sup> Questioned again by the Swiss ambassador in Washington on the prospects for renewed negotiations in Geneva, Atherton insisted that the coming period “would be devoted to bilateral consultations” with the US as the “nerve center.”<sup>81</sup>

Before, during and after the Geneva conference of December 1973, the US government firmly held the reins of Middle Eastern political negotiations.<sup>82</sup> It had both bargaining and coercive power to influence the course of events. And, indeed, its role “as the principal and indispensable intermediary in the ensuing peace process” has been considered “the most important international legacy” of the October War.<sup>83</sup> The Swiss role in the Geneva conference can at best be described as that of an intervener with facilitative power. This facilitative power implied the lowest possible level of actual intervention.<sup>84</sup> Despite the limited success of the conference, a high officer of the Intelligence Department of the Egyptian army called it a “point of no return” for any peaceful resolution of the Arab-Israeli conflict, as Frey reported in early 1974.<sup>85</sup> Similarly, Ambassador Hansjörg Hess reported that the Israeli Ministry of Foreign Affairs considered a renewed war to be less likely after the Geneva conference.<sup>86</sup> So while it was not without consequences for the Middle East, it was at large insignificant for the Swiss position in the region. And while it did not provide any short-term benefits for Switzerland or even any insights into the conflict, in the mid-term they would advance it as an argument to increase the goodwill of the Arab-Israeli conflict parties. But it clearly showed to the Swiss government that its role did not go beyond that of a mere facilitator in international mediation.

The three levels of intervention highlighted here reflected an overall cautious attitude by the Swiss authorities. This responded to the lessons learned from the Six Day War

---

<sup>78</sup> Cf. Lippman, *Hero of the Crossing ...*, p. 120.

<sup>79</sup> See on this matter: Kenneth W. Stein, ‘Evolving a Diplomatic Legacy from the War. The US, Egyptian, and Israeli Triangle’, in *The October 1973 War: Politics, Diplomacy, Legacy*, ed. by Asaf Siniver (London: Hurst, 2013), p. 227-228.

<sup>80</sup> On these visits see the report from Cairo from Berthoud to the FPD, 24.06.1974, SFA, E2300-01#1977/30#39\*, A.21.31, the report from William Roch, chargé d’affaires in Damaskus, to the FPD, 25.06.1974, SFA, E2300-01#1977/30#27\*, A.21.31, and from Tel Aviv, see the report from Hess to Graber, 25.06.1974, SFA, E2300-01#1977/30#83\*, A.21.31

<sup>81</sup> See the Confidential Memorandum of Conversation, Sternberg, Bureau of Near Eastern Affairs, State Department, 25.06.1974, NARA, RG 59, P-reel Printouts, Box 71B, P740071-0973

<sup>82</sup> The UN, though formally hosting the Geneva Conference and providing the „normative source of principles“ for a Middle East settlement, „was excluded from any role in substantial negotiations“, see: Danilo Di Mauro, *The UN and the Arab-Israeli Conflict: American Hegemony and UN Intervention since 1947* (New York: Routledge, 2012), p. 197.

<sup>83</sup> See: Asaf Siniver, ‘Introduction’, in *The October 1973 War ...*, p. 2-3.

<sup>84</sup> These different types of power an intervening force has in a conflict resolution context have been developed in: Michael Watkins, and Kim Winters, ‘Interveners with Interests and Power’, *Negotiation Journal*, 13 (1997), p. 124-125.

<sup>85</sup> See the report from Frey to the FPD, 10.01.1974, SFA, E2300-01#1977/30#39\*, A.21.31

<sup>86</sup> See the report from Hess to Graber, 22.01.1973, SFA, E2300-01#1977/30#83\*, A.21.31

and the continuing explosiveness of the Middle East situation, as well as superpower politics in the Cold War arena. Unlike other neutral European states, such as Sweden<sup>87</sup> and Austria,<sup>88</sup> the Swiss government did not noticeably shift its policies to a stronger pro-Arab bent. The Swiss abstentious, yet logistically helpful, attitude during the war was not just selfless; immaterial dividends it could reap did not at once translate into tangible benefits – although Swiss officials already anticipated more substantial returns. In early December 1973, during a meeting of high Swiss officials on the oil crisis, UN General Secretary Thalmann noted that the Swiss airplanes supplied to the ICRC for the repatriation of Arab POWs were one of the trump cards Switzerland retained in the Arab world.<sup>89</sup> It is within that context that the Swiss authorities would play their hand and attempt to harness material advantages.

### ***New Opportunities or an Inhibited Potential for Swiss Business in the Middle East?***

The October War was not only a political watershed; it also entailed substantial shifts in the economic balance of power within the region and internationally. Setting aside the oil price hikes for now, this section aims to describe the immediate consequences of the war on Swiss business perspectives in the region. Hence, it focuses on the period between October and December 1973. Historical trade statistics, as shown previously, show when shifts in business outlook materialized. In hindsight, such a turning point in Swiss trade relations with the October War's warring parties occurred in 1973/74. This suggests that the war had a significant impact on Swiss business's conception of economic opportunities in the region.

Wars substantially affect economic conditions in countries. However, they also leave a mark on international economic relations of wartime states.<sup>90</sup> The consequences of foreign wars on the economies of neutral markets have attracted limited attention and yielded different results. Some assume overall negative economic impact notably on neutral countries' trade.<sup>91</sup> Others have found that neutral countries might benefit from economic shifts induced by wars. According to this strand of literature, the overall effect would depend on a series of economic characteristics of the neutral country,

---

<sup>87</sup> Such a shift in the Swedish policy towards the Arab-Israeli conflict has been noted by: Jacob Abadi, 'Sweden's Policy toward Israel: Constraints and Adjustments', *Middle Eastern Studies*, 37 (2001), p. 35.

<sup>88</sup> Austrian clashes with Israel on the Palestine issue in 1973 have been noted in: Kathrin Bachleitner, 'Golda Meir and Bruno Kreisky – A Political and Personal Duel', *Israel Studies*, 23 (2018), p. 26-49. Furthermore, Austrian rapprochement with Sadat's Egypt was equally important in the aftermath of the October war, see: Thomas Riegler, *Im Fadenkreuz: Österreich und der Nahostterrorismus 1973 bis 1985*, (Göttingen : [Wien]: V & R Unipress ; Vienna University Press, 2011), p. 14.

<sup>89</sup> Thalmann insisted on this point in a meeting of high Swiss officials on the oil crisis, see the minutes written by André Louis Vallon of the FPD, "Problèmes pétroliers", 05.12.1973, dodis.ch/40635

<sup>90</sup> For a brief introduction on the link between war and economic development from a historical perspective, see: Joshua S. Goldstein, 'War and Economic History', in *The Oxford Encyclopedia of Economic History*, ed. by Joel Mokyr, (Oxford; New York: Oxford University Press, 2003), Volume V, p. 215-218.

<sup>91</sup> Reuven Glick, and Alan M. Taylor, 'Collateral Damage: Trade Disruption and the Economic Impact of War', *The Review of Economics and Statistics*, 92 (2010), p. 102-127.

including size, diversification, trade balance and financial attractiveness.<sup>92</sup> It has further been suggested that the general “climate of friendliness or hostility that exists between the importer and exporter” significantly influences their economic relations.<sup>93</sup> And, inversely, closer economic relations yield more political sympathies.<sup>94</sup> So Swiss business’s reaction to and behavior during the war could likely have formed a significant element in altering the bilateral climate, with considerable influence on future economic relations.

An evaluation of reactions from important Swiss companies and economic policymakers can therefore help detect if they already anticipated this long-term economic reorientation away from Israel and to the Arab states during the war.<sup>95</sup> This is important to understand Swiss business in the Middle East as well as Swiss foreign policy. Given the latter’s important business component in foreign relations, the impact of private business actors’ behavior during conflicts likely had significant repercussions on how political alignments played out in their aftermath.

Logically, the most direct involvement of Swiss companies in the course of the conflict came from those with a firm presence in the Middle Eastern markets. The most notable and controversial entanglement concerned the pharmaceutical company Ciba-Geigy. On October 15, the government-controlled Egyptian *Middle East News Agency* reported a donation of medicines from the Swiss company valuing half a million Swiss francs. Furthermore, Ciba-Geigy granted an interest-free loan of over four million francs for the purchase of pharmaceuticals.<sup>96</sup> Reported in the Swiss press,<sup>97</sup> this news caused sharp reactions within the company and outside. In a communiqué, Ciba-Geigy insisted that similar offers had been made to the Syrian and the Israeli governments. This allowed the company to spin the donation to Egypt as balanced. It was said to mirror Ciba-Geigy’s corporate policy of supporting victims in crisis situations.<sup>98</sup>

It seems unlikely that such an offer was made to the Israeli authorities, considering how Israeli import policy in late 1971 antagonized the Swiss pharmaceutical company. In Egypt, Ciba-Geigy had substantially higher stakes. During the war, the Egyptian Foreign Minister Ismail Fahmy raised the issue of the donation in a meeting with Ambassador Frey. He highlighted that Switzerland, as a sort of barter, “could count on

---

<sup>92</sup> See notably: Eugene Gholz, and Daryl G. Press, ‘The Effects of Wars on Neutral Countries: Why It Doesn’t Pay to Preserve the Peace’, *Security Studies*, 10 (2001), p. 1-57. This resonates the view that wars do not significantly or durably impact overall trading relations, see: Katherine Barbieri, and Jack S. Levy, ‘Sleeping with the Enemy: The Impact of War on Trade’, *Journal of Peace Research*, 36 (1999), p. 463-79.

<sup>93</sup> See: Pollins, ‘Conflict, Cooperation, and Commerce...’, *ibid*, p. 737-41.

<sup>94</sup> Such an analysis has been proposed to the Egyptian-Israeli peace treaty in: Ruth W. Arad, and Seev Hirsch, ‘Peacemaking and Vested Interests. International Economic Transactions’, *International Studies Quarterly*, 25 (1981), p. 439-68.

<sup>95</sup> Undertaking such „micro-level“ studies has for instance been suggested by: Tilman Brück, Wim Naudé, and Philip Verwimp, ‘Business under Fire: Entrepreneurship and Violent Conflict in Developing Countries’, *The Journal of Conflict Resolution*, 57 (2013), p. 3-19.

<sup>96</sup> See the internal information bulletin of Ciba-Geigy, 16.10.1973, NCA, IP 4.04

<sup>97</sup> See for instance the article „Ciba-Geigy offre des médicaments“ in *Gazette de Lausanne*, 16.10.1973

<sup>98</sup> Again, see the internal information bulletin of Ciba-Geigy, 16.10.1973, NCA, IP 4.04

Egyptian support at any time.”<sup>99</sup> This statement by Fahmy set aside, substantial Swiss interests were at stake – especially financial ones. In the summer of 1973, Swiss suppliers to the Egyptian market, Ciba-Geigy included, had been encountering significant delays in interest payments on suppliers’ credits. In July, the company registered CHF 18 million in outstanding dues, becoming increasingly impatient regarding its servicing.<sup>100</sup> By late November 1973, Frey reported that the Egyptian Central Bank (ECB) would promptly deliver the outstanding interest payments to Swiss companies. This privileged treatment, directly authorized by the influential vice-Prime Minister Abdel Aziz Hegazy, was presented by the ECB as a concession to Switzerland considering “the generous attitude [...] of Ciba-Geigy” during the October War.<sup>101</sup>

Whether this was the premeditated intention behind the Ciba-Geigy donations and credits could not be clearly established. However, it did indeed yield a markedly positive effect, for Ciba-Geigy and all Swiss companies exporting to Egypt. Providing material and financial support to one of the warring countries, building goodwill, averted the political risks posed on Swiss business during the war. Beyond that, the war did not significantly influence Ciba-Geigy’s operations in the region, as noted in their internal business report for 1973. While it did provide an occasion to build goodwill in Cairo, Egyptian economic fundamentals still posed difficulties for working that market, notably in supplying intermediate goods to the Ciba-Geigy subsidiary Swisspharma.<sup>102</sup> While political risk mitigation strategies carried out by Swiss companies could yield material benefits and a privileged treatment, they also found limits in the persistence of Egyptian economic difficulties.

This backing of Egypt during the war contrasted with the Israeli perception of dwindling foreign economic support.<sup>103</sup> In a letter from the President of the Chamber of Commerce Tel Aviv to the Swiss Alliance of Chambers of Commerce, the former complained about Swiss business behavior in the October War. He noted that Swiss traders, bankers, shipping companies and airlines had stiffened their terms and demanded “unheard conditions of payment”.<sup>104</sup> Equating this to an “unfriendly, if not hostile, act”, he highlighted that Israel would “not easily be able to forget, when all this will be over, and when business with Israel will again appear [to be] profitable.”<sup>105</sup> Commenting on the bitterness of this letter, Swiss Ambassador Hess wrote that it reflected the Israeli feeling of political and economic abandonment by its partners in times of war. The main concern for Israel was that Swiss exporters demanded payment for shipments before they left Switzerland.<sup>106</sup> While Israeli grievances did not give way

---

<sup>99</sup> Letter from Frey to the FPD, 17.10.1973, SFA, E2300-01#1977/30#39\*, A.21.31

<sup>100</sup> Cf: Letter from Frey to the Division of Commerce, 26.07.1973, SFA, E7110#1984/70#1064\*, 821

<sup>101</sup> Letter from Frey to the Division of Commerce, 29.11.1973, SFA, E7110#1984/70#1074\*, 890.1

<sup>102</sup> See: “Interner Geschäftsbericht 1973, Teil B”, NCAs, Verwaltungsrat, Protokolle, Vol. VI

<sup>103</sup> On the problems that Western states reluctant support caused for Israel in crisis moments see: Jonathan Adelman, *The Rise of Israel: A History of a Revolutionary State*, (New York: Routledge, 2008), p. 102-109.

<sup>104</sup> Letter from Avner Benyakar, President Chamber of Commerce Tel Aviv - Yaffo, for the Joint Representation of Chambers of Commerce in Israel to Charles Aubert, Délégué Général, Alliance des Chambres de Commerce Suisses, 19.10.1973, SFA, E7110#1984/70#1871\*, 871.2

<sup>105</sup> *Ibid.*

<sup>106</sup> See the letter by Hess to the Division of Commerce, 06.11.1973, DDS, dodis.ch/39994

to any policy reaction on the Swiss side, this brief exchange highlighted the increasing Swiss business distrust towards Israel. And, as such, it heavily contrasted with the very favorable terms the Egyptian government received from an important Swiss company.

The capital goods sector gives more specific information on the rationales behind Swiss business's lower interest in Israel during the war. In the midst of the conflict, BBC rejected entering into a possible license agreement with an Israeli company. Besides the limited Israeli market size,<sup>107</sup> factors proximate to the war must have influenced this decision. The BBC governing board noted the western states' increased dependency of the Arab world during the oil crisis.<sup>108</sup> However, there was also an element of historical contingency at play. As seen, BBC was already skeptical of collaborating with Israel during the course of the 1967 war. It furthermore had provided several electrical power plants to Syria, Israel's adversary, in the early 1960s. By mid-November 1973, possibilities appeared for reconstructing these plants, which had been destroyed during the war. The "heavy destruction" in Syria described by the BBC office in Beirut<sup>109</sup> visibly offered more promising business opportunities than a license agreement with an Israeli company. Similarly, opportunities for Swiss business in Egypt opened up as early as mid-December 1973. The influential Egyptian Minister for Reconstruction, Osman Ahmed Osman, explicitly offered such possible deals to Ambassador Frey. Frey and Osman agreed that the political situation first needed to stabilize. Yet first steps for a possible a goodwill business mission to Cairo, to establish potential fields of cooperation for post-war reconstruction, were already taking place.<sup>110</sup>

Swiss industries' interests in the Arab warring parties were certainly growing. But Israel was not falling out of grace in all economic domains. Notably, historically important Swiss-Israeli financial relations continued to flourish. This was not of secondary importance for the Israeli state, as raising capital abroad was one of its crucial measures to increase revenues and sustain the war effort. Sympathy for Israel, notably from the Swiss public, continued during the war. According to the *Jerusalem Post*, the Jewish population of Switzerland "makes up for size with quantity," raising US\$ 27 million among its roughly 20,000 strong community.<sup>111</sup> Donations to Israel were not, however, limited to the Jewish population, as the Jewish Telegraph Agency (JTA) reported. The JTA euphorically wrote that the October War had shown that "there is no limit to the potential of raising money when Jews are in need." They namely noted "thousands of unsolicited voluntary contributions [...] from non-Jews, particularly in the Netherlands and Switzerland."<sup>112</sup> Besides these individual donations, the State of

---

<sup>107</sup> See the minutes of the 13th meeting of the Board of directors, BBC, 18.10.1973, ABB Company Archives, Minutes of the Board of Directors meetings, 605612

<sup>108</sup> See the minutes of the Executive Board, BBC, 09.11.1973, ABB Company Archives, Minutes of the Executive Board meetings, 605624

<sup>109</sup> See the minutes of the 15th meeting of the Board of directors, BBC, 15.11.1973, ABB Company Archives, Minutes of the Board of Directors meetings, 605612

<sup>110</sup> See this conversation as reported in a letter from Frey to the Division of Commerce, 19.12.1973, SFA, E7110#1984/70#1067\*, 850

<sup>111</sup> See the *Jerusalem Post* article "Swiss Jewry makes up for size with quantity" from 06.12.1973, sent from Hess to the Division of Commerce, 07.12.1973, SFA, E2001E-01#1987/78#3588\*, B.73.0

<sup>112</sup> See: "Jewry's Response to Israel's Needs Lauded at Jewish Agency Assembly" in *JTA*, 29.06.1974.

Israel Bonds Office in Zurich had, “for known reasons, heavily and successfully increased its efforts” in placing the titles underwritten by Crédit Suisse in the Swiss financial market during the war.<sup>113</sup> In November alone, the Swiss bank had placed bonds for almost CHF 1.5 million, exhausting the limit of CHF 14 million worth of bond placements that had been authorized. Upon Crédit Suisse’s request, the Swiss monetary authorities granted an increase of another CHF 5 million in the authorized capital export via Israeli state bonds.<sup>114</sup> Israel therefore successfully continued to raise capital in Switzerland, through both private donations and organized placements of its bonds during the conflict.

Among the elements explaining the reaction by Swiss business to the war, market size, opportunities for reconstruction and historical presence of important Swiss companies suggested a more promising orientation towards Syria and Egypt. Israel’s successful raising of capital in Switzerland reflected another type of historical link, responding much more to the Swiss population’s emotional attachment to the Jewish State. Besides these structural and subjective factors in bilateral relations, the more immediate effects of the war on macroeconomic conditions in the belligerent states certainly exerted an important influence on the Swiss business outlook.

As Hess reported to the Division of Commerce in Bern in early November, the war had “heavy repercussions on the Israeli economy.”<sup>115</sup> Besides the direct burden of the war effort, industrial production dropped by half as the Israeli labor force became scarce and raw material shortages appeared.<sup>116</sup> To support the “enormous war effort”, import tariffs were raised by five percent across the board.<sup>117</sup> These measures adopted by Israeli economic policymakers certainly repelled Swiss business. But skepticism remained high even after these temporary measures were recanted. While Ambassador Hess approvingly reported the Israeli authorities’ decision to reduce the aforementioned import tariff again by mid-January 1974, he continued emphasizing the continuously tense state of the Israeli economy.<sup>118</sup>

However, the Swiss government’s neutral attitude during the war also seemed to create goodwill in Israel. In late January 1974, the Swiss-Israeli Chamber of commerce informed Hess that Swiss business was well placed to substitute, in certain industries, some competitors from other countries that had shown an “unfriendly” attitude towards Israel.<sup>119</sup> This Israeli resentment concerned the EEC, who in a November 1973 declaration had tilted pro-Arab in calling for an end of the Israeli occupation of land

---

<sup>113</sup> Crédit Suisse to SNB, 21.12.1973, SFA, E2001E-01#1991/17#8561\*, C.41.Isr.152.0

<sup>114</sup> *Ibid.*

<sup>115</sup> Letter from Hess to the Division of Commerce, 07.11.1973, SFA, E2001E-01#1991/17#8557\*, C.41.Isr.100.0

<sup>116</sup> *Ibid.*

<sup>117</sup> See the telegram from the Swiss embassy, Tel Aviv, to the Division of Commerce, 05.11.1973, SFA, E7110#1984/70#1868\*, 862.6

<sup>118</sup> Letter from Hess to the Division of Commerce, 09.01.1974, SFA, E7110#1985/97#1210\*, 841.0

<sup>119</sup> See the letter from Hess to the Division of Commerce, 30.01.1974, SFA, E7110#1985/97#1757\*, 836.9

acquired during the 1967 Six Day War.<sup>120</sup> As will be seen, Israeli officials would indeed display a certain economic benevolence towards Switzerland, notably in terms of tariffs. For now, the Swiss-Israeli Chamber of Commerce's attempt to point to economic possibilities in Israel did not give way to any noted reaction from Swiss business or foreign economic policy officials. This communication likely was an attempt to affirm the chamber's usefulness and therefore, to justify its existence.

The reporting from Swiss representation in Egypt markedly contrasted with this pessimism for Israeli economic prospects. In a letter to the Division of Commerce, Ambassador Frey emphasized that there were no labor shortages and that, while there was a lack of raw materials, this did not affect manufacturing industries. The bankrolling of Egyptian war expenses by Arab oil states weakened financial pressures. Furthermore, the Egyptian authorities were said to "do everything" to maintain the "new image" established with the first measures of economic liberalization introduced earlier in 1973.<sup>121</sup> Emilio Moser, vice Director at the Division of Commerce, specified in a letter to the Vorort that the effects of the war on the Egyptian economy were "not as grave as the fierce fighting might suggest."<sup>122</sup>

Clearly, the Swiss authorities considered economic disorder caused by the war to be less grave for Egypt than for Israel. Yet, as noted in the above-cited report by Frey and repeatedly highlighted already before the war, Egypt's economic situation was, in the long term, still linked to political developments.<sup>123</sup> By early January 1974, the opinion prevailed in Cairo that the October War, and negotiations under the US's leadership, pushed the prospective for a peaceful settlement to a point of no return. A high officer of the Intelligence Department of the Egyptian Army, in a conversation with Frey, stated that peace was more than just a political aim; it was an economic necessity. Egypt "need[ed] peace in order to concentrate its forces entirely towards reconstruction and development," instead of maintaining a costly war economy.<sup>124</sup> In the meantime, the Israeli Finance minister, in late January 1974, highlighted in the Knesset that "economically, we are now still in a state of war."<sup>125</sup> So the outlook from Cairo and Jerusalem markedly contrasted. In Cairo, the war was thought to have opened a window of opportunity for economic development. In Israel, it was a period of struggle to salvage the economy.

Unfortunately, little evidence has been found of systematic reporting from Damascus on the economic fallout resulting from the war. Besides the aforementioned interest of

---

<sup>120</sup> See: Rory Miller, 'Faraway Causes, Immediate Effects. The War and European Consequences', in *The Yom Kippur War: Politics, Legacy, Diplomacy*, ed. by Asaf Siniver (Oxford; New York: Oxford University Press, 2013), p. 156-158.

<sup>121</sup> Letter from Frey to the Division of Commerce, 22.11.1973, SFA, E2001E-01#1987/78#2626\*, C.41.100.0

<sup>122</sup> Emilio Moser, Head of the Division of Commerce to the Vorort and others, 03.12.1973, ACH, IB-Vorort, 360.2.1.3

<sup>123</sup> See the letter from Frey to the Division of Commerce, 22.11.1973, SFA, E2001E-01#1987/78#2626\*, C.41.100.0

<sup>124</sup> See the letter from Frey to the FPD, 10.01.1974, SFA, E2300-01#1977/30#39\*, A.21.31

<sup>125</sup> This statement was reproduced in: „Belt Tightening Ahead for Israel“, *JTA*, 30.01.1974

BBC in reconstruction, Bühler Brothers, a Swiss company already active in Syria, had their contract expanded for the construction of additional silos in December 1973.<sup>126</sup> The mere scale of the extension must have been an important signal to the Swiss business community that the Syrian market could be promising in the aftermath of open warfare. With the aforementioned possibility for reconstruction in Syria and in Egypt, economic benefits for Swiss companies as a direct consequence of the war were not excluded; on the contrary, the governments of those countries proactively promised them.

This brief overview of the interpretation and reaction to the economic consequences of the October War from Swiss foreign policy officials and selected Swiss companies calls for a series of conclusions. The interpretation of the economic disarray provoked by the war differed significantly. The war was considered an important breaking point in the economic evolution of the involved countries, particularly for Egypt and Israel. But these prospects were unequal. For the Israeli economy, important dislocations were noted and further disruptions anticipated. In Egypt and Syria, opportunities seemed forthcoming. These findings, covering a very narrow time frame of the months following the outbreak of hostilities, will have to be placed in a broader context. But already in the short term, the ensuing differentiation in Swiss market outlook in the region became apparent. The following chapters will address the cumulative effect of the oil crisis and the economic conditions and reforms in the three countries, in order to locate and better grasp the October War's lasting effects. A conflict-free Middle East, it was becoming clearer, was not only in the economic interest of the belligerent countries – mainly Egypt –, but also of the West.

### **3.2 The Oil Crisis, an Unhinged World Economy and New Promises in the Middle East.**

The October War had an immediate effect on economic conditions in the conflict parties and hence on the Swiss outlook within the region. However, the most dramatic indirect impact of the war lay in the largely synchronous shifts developing in the oil market. Over the course of the conflict, the Organization of Arab Petroleum Exporting Countries (OAPEC)<sup>127</sup> imposed an oil embargo on, amongst others, the US and the Netherlands; the oil-producing countries reduced production and increased oil prices on October 16 and 17. The embargo chiefly responded to political purposes in the Arab-Israeli conflict, i.e., pushing the Western countries to pressure Israeli into territorial concessions. The production and price increase, however, pursued more economic aims – to reestablish exporters revenues after real oil prices had dropped under the impact of worldwide inflation and the 1971 devaluation of the US dollar. OAPEC's decision to take action was facilitated, but not determined by, the October War. However, in their

---

<sup>126</sup> See the reporting on this matter in a letter from William Roch to the Division of Commerce, 22.12.1973, SFA, E2001E-01#1988/16#5645\*, C.41.111.0

<sup>127</sup> Constituted of Saudi Arabia, Kuwait, Iraq, Libya, Algeria, Egypt, Syria, the United Arab Emirates, Bahrain and Qatar.

contemporary conception, the political and economic effects of this oil crisis were largely intermingled, heightening the sense of crisis.<sup>128</sup>

While Switzerland was not targeted by the oil embargo and while none of the countries directly involved in the war were important oil producers, the oil issue is crucial to understand Swiss foreign policy in the Middle East. It significantly modified the regional balance of forces and as such, interfered in the Arab-Israeli conflict. It also structurally altered the conditions of production and exchange on a world scale, calling for reactions in developed capitalist countries. This gave way to a general questioning of the stability of world economic relations.

Intraregional conditions were further shifting due to modifications in the involved countries' economic policy. This especially applies to Egypt. Sadat's relative success in the October War, i.e., crossing the Suez Canal and for the first time, regaining territory from Israel by force, heightened his regime's domestic authority. His newfound authority opened a window of opportunity to take further steps towards economic liberalization. This set off what can be described as a scramble for Egypt, with numerous Western countries sending economic emissaries to Cairo. Such increasing interest in the Egyptian market did not leave Swiss business indifferent. This chapter therefore looks at some secondary consequences the war had on economic conditions, on an international scale and within the region. First, it will treat Swiss reactions to the oil crisis and the actions it took. Then it will show how Swiss authorities and businesses perceived Egyptian economic liberalization. As will be shown, both these developments substantially increased the Swiss orientation towards market promotion in the Arab countries.

### ***Turning the Oil Price Hikes into an Opportunity***

As the entire developed world, the Swiss economy and society had become increasingly dependent on oil for their energy supply throughout the post-war period. Its share in total energy consumption grew from 25 percent in 1950 to over 80 percent in 1973.<sup>129</sup> The oil crisis was indeed perceived as a potentially serious challenge to Swiss economic and social stability. It disrupted the conditions of production and exchange on a world scale, gave way to a general doubting of world economic relations and called for reactions in developed capitalist countries. Despite its comparatively high dependency on oil as an energy source,<sup>130</sup> historiography on the role of oil in the Swiss economy is very thin. It mainly focuses on the influence of oil on Swiss citizens' everyday lives<sup>131</sup>

---

<sup>128</sup> For a brief chronological and thematic introduction to the oil crisis, see: Venn, *The Oil Crisis ...*, p. 8-21.

<sup>129</sup> For these figures, see: Schweizerische Erdöl-Vereinigung, *Geschäftsbericht 1973*, p. 21.

<sup>130</sup> Its dependency on oil was higher than in Japan or in the Western European average, see: David S. Painter, 'Oil and Geopolitics ...', *ibid.*, p. 189-190.

<sup>131</sup> See: Monika Gisler, *Erdöl in der Schweiz: Eine kleine Kulturgeschichte* (Zürich: Verein für wirtschaftshistorische Studien, 2011)

and the domestic measures of consumption restrictions during the oil crisis;<sup>132</sup> otherwise it consists of attempts to compute the effect of oil price shocks on the Swiss economy.<sup>133</sup> These approaches, however, largely disregard the impact the oil issue had on Swiss foreign policy and its foreign economic perspectives, despite the two being intrinsically mingled in the web of international economic and political relations. Furthermore, such approaches ignore the reaction of the main oil consumers: Swiss corporations.

This section will survey how Swiss authorities and business perceived the threat of the oil crisis and how they ultimately responded to it. The reactions will be treated not as much on the domestic front, but in its international overlap.<sup>134</sup> As will be seen first, Swiss officials, after assuring oil supply, focused their efforts on countering the effect that the oil price increase had on the international trade and monetary order. Addressing the oil crisis notably not only implied affronting a more self-assertive Global South and the sensitive political issue of the Arab-Israeli conflict, but also recomposed alliances among developed capitalist countries.<sup>135</sup> This was no easy context for Switzerland to develop its neutrality-rooted foreign policy rooted. Together with other Western oil consumers, it ultimately joined the International Energy Agency (IEA) at its creation in autumn 1974, putting aside potential neutrality-related reservations. The chapter will uncover the base of the Swiss focus on a multilateral response to the oil crisis as well as the role Swiss neutrality played in this orientation, both for Switzerland and other Western powers.

As it became increasingly clear over the course of this crisis, energy supply safety was not as much at stake in Switzerland. Fears of balance of payments perturbations stemming from the oil price hikes increasingly took center stage. The second part of this chapter addresses reactions of Swiss business actors, which comprised important corporations and business associations. It will show that, at the company level, negative impacts of the oil crisis were effectively rolled over on workers and consumers. As disruptive as the oil price hikes might have been, they were equally accompanied by new opportunities for Swiss business. The Arab world suddenly became an increasingly attractive outlet for the Swiss export industry, promising to alleviate potential balance of payments disruptions. The main trouble spots of the oil crisis could therefore transform into a means of curbing its effects. And finally, the important accumulation

---

<sup>132</sup> The most extensive book on Swiss oil policy, covers the issue, see: Daniele Ganser, *Europa im Erdölrausch: Die Folgen einer gefährlichen Abhängigkeit* (Zürich: Orell Füssli, 2012), p. 173-196. A report on the long-term Swiss energy policy, by order of the Swiss Federal Office of Energy briefly treats the Oil crisis and Swiss substitution attempts, see: Patrick Kupper and Irene Paulla, *Energieregime in der Schweiz seit 1800* (Innsbruck: Swiss Federal Office of Energy, 2016), p. 91-93.

<sup>133</sup> This research found a negative impact of oil price increases on Swiss macroeconomic conditions. Unfortunately it only covers the period 1980-2003, see: Erdal Atukeren, 'Oil Price Shocks and the Swiss Economy: A Causal Investigation', *Aussenwirtschaft*, 60 (2005), p. 151-168.

<sup>134</sup> The international cooperation of Western oil consuming economies towards the oil crisis has been studied, for instance, in: Henning Türk, 'The Oil Crisis of 1973 as a Challenge to Multilateral Energy Cooperation among Western Industrialized Countries', *Historical Social Research / Historische Sozialforschung*, 39 (2014), p. 209-30.

<sup>135</sup> See particularly: Garavini, *After Empires ...*, p. 162-200.

of petrodollars by the oil-exporting countries gave the Swiss financial center a promising new source of liquidity.

Swiss foreign dependency on the oil market was overwhelming. Lacking any domestic sources, it imported all crude and refined oil, with 90 percent coming directly or indirectly from the Middle East and North Africa.<sup>136</sup> Local refineries could only supply 40 percent of domestic oil consumption, among the lowest figures in the developed capitalist world.<sup>137</sup> Imports of finished oil products (gasoline, heating oil, diesel, etc.) were high and came mainly from France (38 percent), Italy and Western Germany (both ca. 21 percent), who again relied heavily on supply from Arab oil exporters. This made Switzerland “practically entirely dependent on Arab supply,” as the Swiss Oil Association noted in their annual report for 1973.<sup>138</sup>

Given the heavy Swiss dependency on Arab oil, OPEC production cutbacks and embargo, as well as the increase in oil prices, understandably troubled Swiss officials. They perceived it as a turning point with lasting impacts for international relations.<sup>139</sup> Federal Council member Pierre Graber expressed this, for instance, in an address to the National Council’s Commission of Foreign Affairs on November 12, 1973. He was convinced that the most recent Arab-Israeli war had disclosed a convergence of problems. “As never before in the past,” Graber insisted, “we are witnessing a convergence of problems that are becoming increasingly difficult to assess without taking into account their interdependence.”<sup>140</sup> This above all concerned threatened Western oil supply safety and its ensuing repercussions on industrial growth, the standard of living, lifestyle and social stability in Western Europe and Japan.<sup>141</sup> Stakes were high not only because of the questioning of the post-war economic order, but also because of growing fears of being politically drawn into the Arab-Israeli conflict. If Arab governments requested Switzerland to take a stance in the conflict, “we could only highlight our neutrality policy that seems to us beyond any suspicion”, the Swiss minister insisted.<sup>142</sup> Clearly, the Swiss authorities were by no means disposed to alter their neutral position in the region.

Arab oil producers had not called on the Swiss government to take a stance on the conflict. It therefore remained sheltered from immediate political pressure; no modification of the Swiss stance was required. Reporting to Graber from Cairo in late November 1973, Ambassador Frey insisted that Switzerland was considered a neutral country in the oil conflict and that direct supply was not threatened.<sup>143</sup> Indeed, Swiss

---

<sup>136</sup> Schweizerische Erdöl-Vereinigung, *Geschäftsbericht 1973*, p. 10.

<sup>137</sup> *Ibid.*, p. 17.

<sup>138</sup> *Ibid.*, p. 10.

<sup>139</sup> This largely matches the findings of Fionna Venn, who’s central theme was the turning point that the oil crisis was for the Middle East, the oil industry, consumer states and beyond. See: Venn, *The Oil Crisis*, ...

<sup>140</sup> Address by Graber to the Commission of Foreign affairs of the National council, 05.11.1973, SFA, E1050.12#1995/511#16\*, 1

<sup>141</sup> *Ibid.*

<sup>142</sup> See: Minutes of the Commission of Foreign affairs of the National Council, 16.11.1973, SFA, E1050.12#1995/511#16\*, 1

<sup>143</sup> Letter from Frey to Graber, 29.11.1973, SFA, E2001E-01#1987/78#2579\*, B.15.21

oil supply was never really at stake – unlike the Netherlands, which had come out clearly in support of Israel during the most recent Arab-Israeli war and was targeted by the OAPEC’s embargo.<sup>144</sup> The Swiss government insulated itself from any Arab oil reprisals since it had not made any substantial appeals during war, let alone any declarations of sympathies. Abstention from public statements on the Arab-Israeli conflict clearly bore advantages to the Swiss. In its first public statement on the oil issue on November 8, the Federal Council insisted that Switzerland had a “relatively fortunate supply situation”, while nonetheless encouraging the public to take conservation measures.<sup>145</sup> The US ambassador to Switzerland, Shelby Davis, closely monitored Swiss oil policy and reported to Washington, DC, in a telegram in January 1974 that the “Arab embargo thus far has been [a] non-event for [the] Swiss”. The figures for November and December of 1973 showed an increase in imported petroleum volume.<sup>146</sup> The Swiss Oil Association, in the introduction of its 1973 annual report, concluded that the “little Swiss ship has weathered fairly well [the storm]” of the supply crisis.<sup>147</sup>

Assured oil supply did not, however, discard the need within the Swiss administration to make sense of the situation on the international oil market. In early December 1973, they established an ad hoc ‘oil council’ uniting representatives from different Swiss government services. In its first meeting, Ernesto Thalmann, who had now risen to the post of FPD General Secretary, gave indications on why Switzerland had not been targeted by the Arab oil embargo, going beyond neutrality-related political abstention in the conflict. Graber’s prominent official visit to Cairo in May 1973 and the support of the ICRC-piloted POW exchanges both benefited the status of Switzerland in the Arab world. Furthermore, “important investments and deposits of Arab funds in Switzerland,” while unspecified how high, created “a certain ‘goodwill’ for our country.”<sup>148</sup> The charm offensive by Graber in Cairo, Swiss neutrality policy and its limited, yet efficient humanitarian intervention during the October War, visibly yielded benefits for Switzerland’s energy supply safety.

As it became firmly established that Switzerland was not directly targeted by the oil supply restrictions, fears arose of possible secondary consequences of the Arab oil embargo. The Swiss administration doubted that the latter would prompt a mounting “energy nationalism” that could be detrimental to its oil supply in neighboring European states. They closely observed the tactics applied by Western oil consuming states and recognized two main reactions. While France, Britain, Spain and Italy sought a privileged supply by adopting pro-Arab positions, the countries directly targeted by

---

<sup>144</sup> Cf. Duco Hellema, Cees Wiebes, and Toby Witte, *The Netherlands and the Oil Crisis: Business as Usual* (Amsterdam University Press, 2004), p. 53-54.

<sup>145</sup> Appeal by the Federal Council, 08.11.1973, DDS, dodis.ch/40684

<sup>146</sup> Telegram from Davis, US Embassy in Bern to the Secretary of State, Washington DC, 18.01.1974, NARA, RG 59, Electronic Telegrams 1974, retrieved from the AAD at [www.archives.gov](http://www.archives.gov), January, 2016.

<sup>147</sup> Schweizerische Erdöl-Vereinigung, *Geschäftsbericht 1973*, p. 3.

<sup>148</sup> See Thalmann’s contributions in the minutes written by André Louis Vallon of the FPD, “Problèmes pétroliers”, 05.12.1973, dodis.ch/40635

the oil embargo, i.e., the US and the Netherlands, were said to seek a multilateral response.<sup>149</sup>

The Swiss authorities favored an international oil sharing mechanism and hoped it would be attained within the framework of the OECD, of which it was a member.<sup>150</sup> As France and Britain entered into bilateral agreements for securing their oil supply, this option became increasingly unlikely.<sup>151</sup> Pressure on Switzerland to explore bilateral negotiations with the oil producers was growing, as Graber highlighted on January 18, 1974, in a meeting with Ernst Brugger, the Federal Council member in charge of economic affairs. Despite reservations, an exploratory meeting with the Shah of Iran was envisaged<sup>152</sup> and further probes into bilateral oil supply agreements were undertaken with Saudi Arabia – although they did not yield any results.<sup>153</sup>

Keeping the door for bilateral supply agreements open, the Swiss government favored a multilateral response by Western oil consumers for three main reasons. First, bilateral treaties encompassed “obvious political risks”, as highlighted by Paul R. Jolles in early December 1973.<sup>154</sup> This meant the Swiss authorities doubted that possible partners in the Middle East would demand a clear Swiss positioning in the Arab-Israeli conflict. The risk of encountering such demands was certainly higher in negotiating directly with Arab oil producers when compared to a multilateral western response. However hypothetical, the Swiss government could obviously not give way to such demands due to neutrality considerations. Second, Switzerland did not have a national oil company. Efficiently channeling crude oil to Switzerland obtained directly from producer states would therefore be a challenging endeavor.<sup>155</sup> Thirdly, and probably most importantly, bilateral supply treaties contained the likely risk of escalating crude oil price. However, collective negotiations by consumer states could place them in stronger bargaining positions and therefore stall price increases.<sup>156</sup>

---

<sup>149</sup> Note bei Jean Zwahlen, “Lignes de force de l'exposé présenté sur le problème du pétrole à la Commission des affaires étrangères du Conseil des États”, 06.11.1973, DDS, dodis.ch/40711

<sup>150</sup> See for example Jolles' stance during his visit to Under Secretary of State for Economic Affairs at the US State Department, William H. Casey, in: Department of State, Memorandum of Conversation, “U.S. - Swiss Economic views”, 10.12.1973, NARA, RG 59, 1970-1973, Subject Numeric Files, Box 786, E 1 SWITZ - US

<sup>151</sup> Gfeller, *Building a European Identity ...*, p. 118. On the origin, and limitations of the OECD Oil Committee, see: Marloes Beers, ‘The OECD Oil Committee and the International Search for Reinforced Energy-Consumer Cooperation, 1972-3’, in *Oil Shock: The 1973 Crisis and Its Economic Legacy*, ed. by Elisabetta Bini, Giuliano Garavini, and Federico Romero (London: I.B. Tauris, 2016), p. 142-171.

<sup>152</sup> Report by Claudio Carathsch, staffer of the Division for political Affairs I, FPD, 18.01.1974 DDS, dodis.ch/40607

<sup>153</sup> See for example the report on an meeting on February 25, 1974, between Languetin of the Division of Commerce and a representative of the Arab Bank Overseas: Note by Pierre Languetin for Ernst Brugger, „Erdöl: Aussprache von Herrn Botschafter Languetin mit Vertretern arabisch-schweizerischer Unternehmen über die Möglichkeit einer Vertiefung der Handelsbeziehungen zwischen Saudi-Arabien und der Schweiz (bilaterale Lieferungsverträge für Rohöl)“, 26.02.1974, DDS, dodis.ch/40690

<sup>154</sup> See the minutes written by André Louis Vallon of the FPD, 05.12.1973, dodis.ch/40635

<sup>155</sup> See Languetin's statement during a meeting in a note for Ernst Brugger, „Erdöl: Aussprache von Herrn Botschafter Languetin mit Vertretern arabisch-schweizerischer Unternehmen über die Möglichkeit einer Vertiefung der Handelsbeziehungen zwischen Saudi-Arabien und der Schweiz (bilaterale Lieferungsverträge für Rohöl)“, 26.02.1974, DDS, dodis.ch/40690

<sup>156</sup> See the statements of ambassador Languetin and Zwahlen in the report by Claudio Carathsch, staffer of the Division of Political Affairs I, FPD, 18.01.1974 DDS, dodis.ch/40607

It was precisely the oil price issue that increasingly took center stage among Swiss preoccupations. With the US announcing guarantees of Israeli withdrawal from the occupied territories, Arab oil production cutbacks began to be reversed towards the end of 1973. The cutbacks and embargo were fully dropped by mid-March 1974, as military disengagement was surely on its way on the Israeli-Syrian border.<sup>157</sup> Crude oil prices, however, continued to rise. By February 1974, they had reached a level four times higher than before the price increases started, substantiating the shift of concerns in Switzerland.<sup>158</sup> These massive price increases risked disturbing international balance of payments, with, as a contingent effect, recession in major European countries, which was likely to disrupt Swiss exports. Swiss official concerns gradually shifted to such issues, as the US ambassador to Bern reported to Washington in late December 1973.<sup>159</sup>

This US assessment of Swiss concerns was accurate. In a note, presumably dating from January 1974, the Swiss Division of Commerce stated that there “can be no doubt that the far-reaching changes on the international oil market will leave their mark on the global economic environment.”<sup>160</sup> However, they still struggled to assess to what extent, as international economic relations affronted “disruptions of not yet foreseeable consequences” stemming from the oil price hikes.<sup>161</sup> The potential for destabilizing currency movements resulting from the accumulation of excess dollars in the oil-producing countries caused major concern, as did the possibility of competitive devaluations to counter the deteriorating balance of payments among oil importers. This could set in motion “a dangerous spiral of disintegration, protectionism and a beggar-thy-neighbor policy.”<sup>162</sup> The Swiss authorities were convinced that to address these issues, “international cooperation and consultation [was] essential.”<sup>163</sup>

By January 1974, it had not only become clear that Swiss oil supply was not threatened. The oil price increase was not considered a direct threat to the Swiss economy; it was the consequences it could have on the international economic order that posed the threat. Swiss economic and monetary authorities did not dread a direct deterioration of the Swiss balance of payments, as it attracted substantial foreign funds during this period. This further cemented the federal authorities’ orientation towards multilateral cooperation in addressing the crisis. They first considered potentially disruptive national trade policies by proposing a standstill agreement in the OECD. Approved in late May 1974, the OECD member governments committed to refrain from any protectionist measures as a consequence of the balance of payments difficulties

---

<sup>157</sup> See: David S. Painter, ‘Oil and the October War’, in *The Yom Kippur War: Politics, Legacy, Diplomacy*, ed. by Asaf Siniver (Oxford; New York: Oxford University Press, 2013), p. 184-187.

<sup>158</sup> Graber highlighted this shift in another meeting of the Swiss Commission of Foreign affairs of the National Council, see: address by Graber to the Commission of Foreign affairs of the National Council, 01.03.1974, SFA, E1050.12#1995/511#17\*, 1

<sup>159</sup> See the confidential telegram from Davis to Secretary of State, 27.12.1973, NARA, RG 59, Electronic Telegrams 1973, retrieved from the AAD at [www.archives.gov](http://www.archives.gov), January, 2016.

<sup>160</sup> See the note by Rudolf Walser, staffer at the Division of Commerce, „Die aussenwirtschaftlichen Auswirkungen der Erdölsituation“, 1974, DDS, [dodis.ch/40689](http://dodis.ch/40689)

<sup>161</sup> *Ibid*

<sup>162</sup> *Ibid*.

<sup>163</sup> *Ibid*.

stemming from the oil price increases.<sup>164</sup> So the Swiss authorities played an important part in discarding possible protectionist threats and hence, in maintaining a certain stability in the international trade order.

Such a role was not transferred to the Swiss, however, in the realm of energy supply. Multilateral proceedings were centered around the US government, most prominently through the Washington Energy Conference that opened on February 11, 1974.<sup>165</sup> Not among the most important Western oil consumers, nor a member of the EEC, the Swiss authorities had not been invited to the conference. Through preliminary informal consultations, chiefly with the US, the Swiss government sought to remain informed about its proceedings. Swiss hopes that a resolution of the oil supply for Western countries would be found within the OECD were now thwarted. Shortly before the opening of the conference, Arthur Hartman, Assistant Secretary for European Affairs at the State Department, told Swiss ambassador Felix Schnyder that broad fora, including the OECD, would “only inhibit the decisive action which is necessary to deal effectively with the energy crisis”.<sup>166</sup> Chances for a coordinated effort by consumer countries centered on the OECD, as wished by the Swiss in a memorandum handed over to Hartman on this occasion,<sup>167</sup> became highly unlikely given the divisions among the OECD member countries and the required unanimity for activating oil sharing mechanisms in that organization’s Oil Committee.<sup>168</sup>

The Swiss attitude to the US-led regrouping of industrialized oil consumers was contradictory. The Swiss authorities were not entirely unhappy with not having been invited to attend the Washington energy conference. Prior to the conference, Graber had highlighted that Swiss nonparticipation could be preferable, in consideration of “the Arabs”.<sup>169</sup> French distrust in the US government’s attempt to reassert its leading role in the Western alliance,<sup>170</sup> and the heavy Swiss dependence on importing refined oil from its western neighbor, would have made a Swiss participation in the US-led proceedings “politically much more delicate, even impossible”, as a senior FPD financial and economic official noted.<sup>171</sup> On the other hand, they clearly welcomed the

---

<sup>164</sup> For a brief presentation on this standstill agreement, see: „Dritter Bericht des Bundesrates an die Bundesversammlung zur Aussenwirtschaftspolitik“, *Federal Gazette*, Vol. 2, Nr. 33, 1974, p. 356.

<sup>165</sup> On the convening by Henry Kissinger and the actual holding of this conference, see notably: Türk, ‘The Oil Crisis of 1973 as a Challenge ...’, p. 217-221.

<sup>166</sup> See the confidential memorandum of conversation “Swiss Views on Upcoming Washington Energy Conference”, 08.02.1974, NARA, RG 59, P-reel Printouts, Box 11d, P740011-2349. For the reporting of Swiss ambassador Felix Schnyder on this meeting, see his telegram to the FPD, 08.02.1974, DDS, dodis.ch/40637

<sup>167</sup> See the untitled and undated Swiss memorandum attached to the confidential memorandum of conversation “Swiss Views on Upcoming Washington Energy Conference”, 08.02.1974, NARA, RG 59, P-reel Printouts, Box 11d, P740011-2349

<sup>168</sup> For an account of the institutional shortcomings of the OECD to deal with the oil crisis, see the IEA’s official history: Richard Scott, *The History of the International Energy Agency - The First 20 Years: Origins and Structure* (Paris: OECD Publishing, 1994), Vol. I, p. 33-38.

<sup>169</sup> See Graber’s statement this meeting in the report by Claudio Carathsch, staffer of the Division for political Affairs I, FPD, 18.01.1974 DDS, dodis.ch/40607

<sup>170</sup> For the French position towards the Washington energy conference, see: Gfeller, *Building a European Identity ...*, p. 127-130.

<sup>171</sup> See the note from Zwahlen to Graber, “Situation de la Suisse dans le concert des nations”, 27.02.1974, dodis.ch/40746

multilateral approach to the oil crisis that was being cemented in Washington. The conference's assessment of the situation, furthermore, largely matched the Swiss one, i.e., the centrality of the strain the price issue put on the world economy. Yet the establishment of a Coordinating Group outside of the OECD, and therefore the actual institutionalization of the Washington conference, was viewed negatively. This mainly owed to the fact that the Swiss were largely standing on the sidelines of deliberations.<sup>172</sup> As highlighted by FPD official Jean Zwahlen, it was not so much the outcome of the conference that was troubling for Switzerland. What worried him much more was the trend of holding multilateral discussions in ever more confined groups without consulting the Swiss. This would make "our country [...] smaller than it actually is."<sup>173</sup> Despite attempts to informally gain access to the proceedings, notably via regular visits to the State Department in Washington,<sup>174</sup> the Swiss authorities, in their own words, remained "pretty isolated" throughout the summer of 1974.<sup>175</sup>

Notwithstanding this isolation, Swiss officials continuously evaluated the compatibility of what was to become known as the International Energy Program (IEP) with Swiss interests. By late August 1974, the relevant Swiss authorities had a generally positive attitude towards joining the IEP. Required commitment, such as potential limitations on oil consumption or obligation of oil stocks, matched Swiss capabilities economically and legally.<sup>176</sup> Only by early September 1974 was the Swiss government's wish for closer association to the founding of the IEP considered. Swiss representatives met with Etienne Davignon, General Director at the Belgian Foreign Ministry and Chairman of the Energy Coordination Group, for informal consultations. The Swiss delegation confirmed interest in participating in the IEP and Davignon insisted that all OECD countries meeting the necessary commitments of the program were eligible for membership.<sup>177</sup>

Five days later, on September 10, Graber and senior FPD and Division of Commerce officials discussed the Swiss attitude toward IEP participation. Jolles from the Division of Commerce considered the IEP "very useful for Switzerland", especially as there was "no real alternative".<sup>178</sup> Politically, FPD officials doubted a renewal of the Middle

---

<sup>172</sup> For this evaluation of the Washington energy conference, see the confidential report by Jolles, „Energiekonferenz Washington vom 11.-13. Februar 1974“, 19.02.1974, ACH, NL Paul R. Jolles, 903

<sup>173</sup> Note from Zwahlen to Graber, "Situation de la Suisse dans le concert des nations", 27.02.1974, DDS, dodis.ch/40746

<sup>174</sup> See for example the report on Swiss ambassador Schnyder's courtesy call on Assistant Secretary for European Affairs of the State Department Hartman in the confidential memorandum of conversation, "Results of Washington Energy Conference and US-European Relations", 26.02.1974, NARA, RG 59, P-reel Printouts, Box 21D, P740021-1970

<sup>175</sup> See the note by Zwahlen, "État de la question du pétrole au plan international. Son contexte économique et financier général en juillet 1974", 29.07.1974, DDS, dodis.ch/40714

<sup>176</sup> See the minutes, "Protokoll der ersten Sitzung der Arbeitsgruppe Erdöl der Handelsabteilung", 22.08.1974, DDS, dodis.ch/40664

<sup>177</sup> See the report on this meeting by Pierre Languetin, "Bericht über die vertrauliche Unterredung zwischen dem Präsidenten der Energiekoordinationsgruppe und einer schweizerischen Delegation über eine eventuelle Beteiligung der Schweiz am Internationalen Energie-Programm", 06.09.1974, DDS, dodis.ch/38749

<sup>178</sup> See Jolles' comments in the note by Jean-Pierre Zehnder, FPD, „International Energy Program (IEP)“, 12.09.1974, DDS, dodis.ch/40747

Eastern conflict, including what possible “conflicting East-West dimensions” might imply for the IEP.<sup>179</sup> The Swiss actually hoped that the joining of neutral European states would help highlight the defensive character of the IEP and avoid its assimilation to an offensive economic policy instrument of developed capitalist countries. The Swiss authorities were therefore strongly interested in Austria and Sweden joining as well, as this would heighten the credibility of the Western oil consumers regrouping in a purely defensive economic measure.<sup>180</sup>

Unlike what is suggested in existing literature on Swiss neutrality – that there was no “neutrality debate” upon Swiss joining the IEA<sup>181</sup> – the authorities did undertake an in-depth assessment on compatibility between neutrality and signing the IEP. Rudolf Bindschedler, legal adviser to the FPD and *grand doyen* of Swiss Cold War neutrality, drafted a note on this issue. He argued that if oil imports were crucial for asserting independence, permanently neutral countries like Switzerland not only had the right, but possibly even the obligation to, take measures guaranteeing its supply. As the IEP did not imply any common economic, political or military measures toward third countries and did not limit the economic freedom of a signatory country in this respect, it did not stand squarely with Swiss neutrality. A Swiss membership would not legally, nor politically require a neutrality declaration. However, it could contribute to clarifying the Swiss position and appease potential domestic reservations.<sup>182</sup>

So, while from the standpoint of neutrality law there was no reason for Switzerland to abstain from joining the IEP, politically it was more sensitive. By October 1, as Swiss parliament discussed a general report on foreign economic policy, the head of FDEA, Ernst Brugger, informed parliament about the draft IEP treaty, to which Switzerland had been invited to participate. It was “decisive” to Brugger that the plan had “a purely economic and decidedly defensive character,” managing exclusively the “internal relations between consuming countries”.<sup>183</sup> However, as the management of the agency was clearly to be dominated by the US, Japan and the EEC states, a “final assessment of the political aspects” could only be made considering the ultimate composition of the group.<sup>184</sup> This assessment only increased the Swiss authorities’ efforts in persuading the Austrian and Swedish governments to join the IEP, or at least to avoid justifying a potential abstention with their neutrality policies.<sup>185</sup>

---

<sup>179</sup> See François de Ziegler’s comments in: *ibid.*

<sup>180</sup> *Ibid.*

<sup>181</sup> Georg Kreis, *Kleine Neutralitätsgeschichte der Gegenwart: ein Inventar zum neutralitätspolitischen Diskurs in der Schweiz seit 1943* (Bern: Haupt Verlag, 2004), p. 348.

<sup>182</sup> Note by Rudolf Bindschedler, “IEP und Neutralität”, 11.09.1974, DDS, dodis.ch/38750

<sup>183</sup> See Brugger’s statement in parliament, “Aussenwirtschaftspolitik. 3. Bericht”, in *Official Bulletin of the Federal Assembly*, Vol. IV, 1974, p. 506

<sup>184</sup> *Ibid.*

<sup>185</sup> On this, see the section of the report by Brugger to the Federal council on Swiss membership in the IEP, “Adhésion de la Suisse au ‘Programme international de l’énergie’”, 30.10.1974, DDS, dodis.ch/40734

As soon as it became clear that Sweden and Austria intended to join the IEA as founding members,<sup>186</sup> the Federal Council followed. The Swiss would announce their decision with a declaration of neutrality.<sup>187</sup> Given that the newly created structure, the IEA, would be located within the framework of the OECD, of which Switzerland was already a member, no approval by parliament was necessary.<sup>188</sup> On November 18, the Federal Council's delegate for commercial treaties, Pierre Languetin, signed the IEP, stating that the Swiss government would not inhibit its "everlasting neutrality".<sup>189</sup> An in-depth discussion in parliament was still to follow.

That the IEA, as institutional expression of the IEP, was ultimately an autonomous body within the OECD,<sup>190</sup> shows a compromise between the US – insistent on a new independent organization – and the European countries, who wished to make the consumer cartel seem less confrontational to oil producers.<sup>191</sup> Even if the IEA's oil sharing provisions were never activated in ensuing oil crises, therefore remaining largely an organization collecting data and making prospective estimates,<sup>192</sup> Swiss participation has nonetheless been considered a turning point in Swiss neutrality policy. It has been proposed in existing literature that this step supposedly symbolized the end of the distinction between technical and political organizations, on which the Swiss government had insisted so heavily throughout the post-war period.<sup>193</sup> However, by tracing discussions among the Federal authorities, the conclusion is rather that they stuck to this distinction until the bitter end. The importance they attached to issuing a neutrality declaration stemmed precisely from the intention of concealing and defusing the fundamentally offensive political and economic character that this US-led regrouping had right from its outset.<sup>194</sup> The Swiss authorities were aware of the nature of this organization<sup>195</sup> and hence were eager to help avoid conflating the IEA with a political organization.<sup>196</sup> In this respect, it used and reinforced its neutrality to participate in developed capitalist countries' efforts to counter the self-assertiveness from the Global South. Instead of acknowledging its political character, the Swiss officials actively tried to symbolically defuse it.

---

<sup>186</sup> Cf the report by FDEA to the Federal council „Beitritt der Schweiz zum Internationalen Energieprogramm“, 05.11.1974, DDS, dodis.ch/40734

<sup>187</sup> Minutes of the Federal council, „Adhésion de la Suisse au ‘Programme international de l'énergie’“, 06.11.1974, DDS, dodis.ch/40734

<sup>188</sup> See the section in the report by Brugger to the Federal council, “Adhésion de la Suisse au ‘Programme international de l'énergie’”, 30.10.1974, DDS, dodis.ch/40734

<sup>189</sup> See: „Der Beitritt zur Internationalen Energieagentur“, *NZZ*, 19.11.1974

<sup>190</sup> On the institutionalization of the IEA within the framework of the OECD, see: Scott, *The History of the International Energy Agency ...*, p. 49-55.

<sup>191</sup> This has been highlighted in: Türk, ‘The Oil Crisis of 1973 as a Challenge ...’, p. 224.

<sup>192</sup> See: Oystein Noreng, *Crude Power: Politics and the Oil Market* (London: I.B. Tauris, 2005), p. 48.

<sup>193</sup> Cf. Altermatt, ‘Vom Ende des Zweiten Weltkrieges ...’, *ibid.*, p. 70-71.

<sup>194</sup> Cf. Kissinger's statements cited in: Türk, ‘The Oil Crisis of 1973 as a Challenge ...’, p. 219.

<sup>195</sup> Arthur Burns, the president of the US FED, openly stated the necessity of diplomatic pressure and a oil consumer cartel in a meeting with George-André Chevallaz, head of the Swiss Finance Administration: note by Bruno Müller, deputy director of the Swiss Finance Administration, to George-André Chevallaz, 14.05.1974, DDS, dodis.ch/38945.

<sup>196</sup> Jolles, in a discussion with the US assistant Secretary of State Thomas Enders in Switzerland, insisted on this, see the confidential telegram from Leroy Percival, US Embassy counselor in Bern to the Secretary of State, Washington DC, 22.11.1974, NARA, RG 59, Electronic Telegrams 1974, retrieved from the AAD at [www.archives.gov](http://www.archives.gov), January, 2016.

The Swiss had considerable interest in safeguarding their energy supply and avoiding further oil price escalations. Joining the other Western oil consumers in a counter-cartel and oil-sharing program in case of crisis made sense. The IEP had a lot to offer Switzerland, but what did Switzerland have to offer the IEP? As the Head of Staff of the Swiss Energy Committee put it in 1980, the Swiss share in overall energy consumption was “insignificant” and as such, it could not contribute significantly to any oil-sharing facility.<sup>197</sup> Based on US sources, two reasons appear for the bigger Western oil consumers engaged in the IEP wanting the neutral states to join. First, as the Italian Minister of economy and commerce insisted, this would “further isolate the French and increase the pressures on them [...] to join.”<sup>198</sup> Second, and not unlike Swiss rationale, the US ambassador to Sweden thought that the joining of the European neutrals would have a “considerable impact on world opinion and specifically on the Third World favorable to our interests”.<sup>199</sup> Switzerland, Sweden and Austria joining the IEA was valued much more in its international symbolism than in the material contribution they could have in the emergency-sharing program.

The Swiss government’s reaction to the oil crisis, culminating in signing the IEP and joining the IEA, was dictated by a set of considerations. They clearly wanted to avoid anything that might politically expose them in the Arab world, which meant both largely omitting any serious consultations on bilateral supply treaties and a cautious attitude towards multilateral proceedings. The Swiss authorities nonetheless sought to gain access in multilateral deliberations on how industrialized oil-importing countries could affront the threat posed to their energy supply and counter cartel price fixations, with the least destabilizing effects possible on international economic stability.

Besides these political efforts, market actors and mechanisms were also deployed to counter the threat that the oil price hike posed to Swiss business interests and international economic stability. Business associations and large private companies played an important role in this scheme. Three overlapping Swiss business reactions to the oil price hikes can be noted: the rolling over of the price increases on workers and clients, the government’s countering through stronger market interference, and the increase of export efforts into new markets. These reactions all deepened following the outbreak of the 1974 economic crisis. But they could all already be noted in the course of the oil price increase – meaning that Swiss business anticipated the ensuing crisis policy.

One of the first preoccupations raised by big Swiss business after the oil price increase was the potential effect on wages and labor costs. During a late November 1973

---

<sup>197</sup> Hans L. Schmid, ‘The Swiss Energy Concept’, in *East and West in the Energy Squeeze: Prospects for Cooperation*, ed. by C. T. Saunders (London; Basingstoke: Palgrave Macmillan, 1980), p. 330.

<sup>198</sup> This was reported in a confidential telegram from John Volpe, US ambassador in Rome, to the Secretary of State, 08.11.1974, NARA, RG 59, Electronic Telegrams 1974, retrieved from the AAD at [www.archives.gov](http://www.archives.gov), January, 2016.

<sup>199</sup> Confidential telegram from Robert Strausz-Hupé to the Secretary of State, 09.11.1974, NARA, RG 59, Electronic Telegrams 1974, retrieved from the AAD at [www.archives.gov](http://www.archives.gov), January, 2016.

meeting of the Swiss Union of Commerce and Industry leadership, the Vorort, concerns were raised that the price increase for heating oil might lead to increased inflation compensation and wage demands by the trade unions. As an easy solution, the Director of the Vorort, Gerhard Winterberger, proposed excluding heating oil from the consumer price index in hopes of moderating wage demands.<sup>200</sup> Winterberger, who had been heading the Vorort since 1970, was instrumental in leading it to its peak of political influence.<sup>201</sup> This political influence was also visible regarding the issue of wages in the aftermath of the oil price hikes. Indeed, a series of parliamentary interventions by conservative and liberal politicians supported the Vorort's efforts by proposing to loosen the consumer price index as the reference for wage fluctuations. They were convinced that a too strong fixation on the evolution of this inflation index would undermine the signaling effect of prices in the market economy.<sup>202</sup> The Swiss authorities started publishing two consumer price indices, one including and one excluding heating oil and gasoline. Federal Council member Ernst Brugger did not want this to be interpreted as political meddling in wage negotiations. While he highlighted that it was up to the social partners to agree on a basis for wage indexation, he did appeal to moderation.<sup>203</sup> The Swiss Federation of Trade Unions was not misled by this attempted weakening of indexation and labeled it as "manipulation" to cover up an effective rise in living costs.<sup>204</sup> The employers' position on wage negotiations had, however, hardened as unions struggled to negotiate wage compensations guaranteed by collective bargaining agreements.<sup>205</sup> While real wages did not actually decrease, their growth clearly reduced after 1973,<sup>206</sup> with pressure on wages growing even more after the outbreak of the economic crisis in fall 1974.<sup>207</sup>

A related reaction on the company level, also focusing on costs and price formation, can be noted from the board of directors of the chemical and pharmaceutical company Ciba-Geigy. In a December 1973 meeting, they interpreted the situation resulting from the oil crisis as somewhat drastic, most notably as the increase in the prices of their raw

<sup>200</sup> See the comments during the general survey of the confidential minutes: „7. Sitzung des Vororts im Vereinsjahre 1973/74 vom 26. November 1973“, p. 5-16, ACH, IB-Vorort, 1.5.3.22.

<sup>201</sup> See the entry on him in the historic dictionary of Switzerland: “Gerhard Winterberger” in *Historisches Lexikon der Schweiz*, <https://hls-dhs-dss.ch/de/articles/049722/2013-11-05/>

<sup>202</sup> This was raised in a series of questions and postulates: Small urgent question Breitenmoser, “Lebenskostenindex. Heizölpreise“, 26.11.1973, in *Official Bulletin of the Federal Assembly*, Vol. IV, 1973, p. 1775-1776. Postulate Honegger, “Konsumentenpreis-Index“, 27.11.1974, *Official Bulletin of the Federal Assembly*, Vol. II, 1974, p. 81-84. Postulate Egli, “Konsumentenpreisindex“, Postulate Weber, “Lendensindex der Konsumentenpreise“, Postulate Baumann, “Indexberechnung“, *Official Bulletin of the Federal Assembly*, Vol. II, 1974, p. 575-579.

<sup>203</sup> For Bruggers answer to the indexation issue, see: *Official Bulletin of the Federal Assembly*, Vol. IV, 1973, p. 1786-1787.

<sup>204</sup> See in the quarterly publication of the Federation: Benno Hardmeier, ‘Konsumentenpreisindex und Teuerungsausgleich’, *Gewerkschaftliche Rundschau: Vierteljahresschrift des Schweizerischen Gewerkschaftsbundes*, 66 (1974), p. 78-79.

<sup>205</sup> *Ibid.*

<sup>206</sup> The OECD noted moderate evolution of wages when considering the inflationary effect the oil price increase might have had, see: OECD, *OECD Economic Surveys: Switzerland 1975*, OECD Publishing (Paris, 1975), p. 15. For Swiss real wages, see: Patrick Kammerer, Margrit Müller, Jakob Tanner and Ulrich Woitek, “QG.18. Nominal- and real wage index 1890-2005 (1939=100)” in *Historical Statistics of Switzerland Online (HSSO)*: [www.hssso.ch](http://www.hssso.ch)

<sup>207</sup> Cf. the discussion in the Vorort on wage policy in the confidential minutes: „7. Sitzung des Vororts im Vereinsjahre 1974/75 vom 25. November 1974“, ACH, IB-Vorort, 1.5.3.23

materials seemed irreversible. The board insisted that the rising costs should be “rolled over to the fullest possible extent on the clients.”<sup>208</sup> By their meeting in late April 1974, the Ciba-Geigy board could already see that their clients largely accepted price increases in the general inflationary environment.<sup>209</sup> Besides rolling over costs, the board also underscored the need for “downward corrections” in employment figures during their February 1974 meeting.<sup>210</sup> This, as seen in the company’s overall employment figures, materialized and foremost concerned Swiss and European production sites in the coming years.<sup>211</sup> Thus, Ciba-Geigy managed to successfully roll over the price increase on the clients by raising prices, and on the workers by reducing employment. This was by no means an isolated strategy. The head of the Division of Commerce, Paul Rudolf Jolles, considered rolling over price increases as of “cardinal importance” for the competitiveness of the Swiss export industry.<sup>212</sup> While the success of such measures varied over sectors and companies, it is nonetheless noteworthy that the top Swiss foreign economic policy official recommended this strategy to be generalized throughout the export industry.

The Vorort, in a further deliberation on the oil issue in late February 1974, discussed the launching of a federal commission for elaborating an energy concept. This commission was tasked with formulating aims and competencies for a public energy policy.<sup>213</sup> While welcoming participation in the works of this commission, the Vorort members insisted on the importance of countering “extremely étatist” visions on oil supply within parts of the Federal administration. This namely concerned the possibility of founding a mixed public-private oil company, assuring the supply safety and controlling its price levels.<sup>214</sup> A second string of Swiss business reaction to the oil crisis therefore consisted in an open aversion to a strengthened public role in supply security, matching the US position of maintaining a liberal market. This supported the central position of the large oil companies.<sup>215</sup> Such aversion to further public intervention on the part of Swiss business milieus likely further inhibited explorations of possible bilateral oil supply treaties seen earlier.

---

<sup>208</sup> Minutes, “Nr. 6/73 zur Sitzung des Verwaltungsrates der CIBA-GEIGY AG vom 19. Dezember 1973“, NCA, Ciba Geigy Bestand, Verwaltungsrat. Protokolle, Vol V.

<sup>209</sup> Minutes, “Nr. 2/74 zur Sitzung des Verwaltungsrates der CIBA-GEIGY AG vom 24. April 1974“, NCA, Ciba Geigy Bestand, Verwaltungsrat. Protokolle, Vol VI.

<sup>210</sup> Minutes, “Nr. 1/74 zur Sitzung des Verwaltungsrates der CIBA-GEIGY AG vom 13. Februar 1974“ NCA, Ciba Geigy Bestand, Verwaltungsrat. Protokolle, Vol VI.

<sup>211</sup> See the graphic on Ciba-Geigy employment figures in: Christian Zeller, *Globalisierungsstrategien. Der Weg von Novartis* (Berlin: Springer, 2001), p. 228.

<sup>212</sup> Highlighted in the Note by Jolles, “Die schweizerische Aussenwirtschaft und die international Wirtschaftszusammenarbeit unter den veränderten Verhältnissen auf dem internationalen Erdölmarkt. Ein Ueberblick über einzelnen Auswirkungen“, 04.02.1974, ACH, NL Paul R. Jolles, 923.

<sup>213</sup> On a view of the political proceedings centered around this commission, see the dissertation: Christine Mironesco, *Débat sur l'énergie en Suisse : les processus législatifs fédéraux de 1973 à 1983* (Lausanne: Presses polytechniques romandes, 1986)

<sup>214</sup> See the comments in the confidential minutes: „9. Sitzung des Vororts im Vereinsjahre 1973/74 vom 25. Februar 1974“, p.24-26 ACH, IB-Vorort, 1.5.3.22.

<sup>215</sup> Christopher Dietrich, ‘Oil Power and Economic Theologies: The United States and the Third World in the Wake of the Energy Crisis’, *Diplomatic History*, 40 (2016), p. 500-529.

This can seem paradoxical, as one could assume that Swiss corporations might have displayed an interest in reaching bilateral supply treaties with oil exporters. As evidenced by deliberations among the members of the board of another important Swiss export company, BBC, this was not the case. In an extensive deliberation on the energy crisis in mid-February 1974, its board of directors insisted that governmental bilateral supply treaties of competing companies could actually be “quite dangerous to the general Swiss export industry and to Brown Boveri” in particular.<sup>216</sup> According to the head of Brown Boveri International, his firm already noticed such increased competition resulting from bilateral treaties concluded by other countries. The BBC board therefore displayed a marked distrust of increased government interventions in the form of bilateral treaties with oil producers, and feared prejudice on their sales in foreign markets. The aversion to bilateral agreements was likely rooted in the contradictions between the limited size of the Swiss national economy and the strength of its large multinational corporations. Given that Switzerland, by international comparison, was not a large oil consumer, bilateral treaties in the form of barter agreements would not give the large corporation a sufficient competitive advantage over corporations from larger economies, like France or Western Germany. In case bilateral supply agreement would have generalized, the larger oil consuming economies would have received as counterpart bigger absolute orders from the oil-producing country than the Swiss economy. Swiss companies could not therefore draw any substantial competitive edge from bilateral supply treaties. As a result, they had an interest in multilateral agreements as long as they could stall competitive escalations on the basis of national bilateral supply agreements with rival companies.

BBC president Franz Luterbacher did not read the oil crisis as negative per se; he also saw an opportunity. His company, a builder of power stations and electricity grid installations, could benefit from the shift to electric energy and alternative energy sources. The key Swiss industrialist Max Schmidheiny, who was chief executive of the important Swiss cement company Holderbank, among others, and talking here as vice-president of BBC, confirmed “that the oil-producing countries are currently having very large revenues. It is therefore worthwhile to make special efforts in these countries [where] there are, by all means, still many excellent business opportunities that should be better exploited”.<sup>217</sup>

The BBC’s interest in increasing sales in the Middle East was consistent with the overall reaction by influential private sector actors and public economic policy officials. They largely shared the agenda of affronting potential disruptions to the Swiss current account by increasing export revenues. This became crystal clear in a meeting of the Vorort on June 24, 1974, to which Paul R. Jolles had been invited. In front of this gathering of high-scale Swiss industrialists, he offered his views on world trade policy problems, with special consideration of the oil price increase. Jolles’s views counted. He held key positions in the Federal administration for almost 25 years, heading the

---

<sup>216</sup> See: minutes „Sitzung des Verwaltungsrates der Aktiengesellschaft Brown, Boveri & Cie. vom 18. Februar 1974”, ABB Company Archives, Minutes of the Board of Directors meetings, 605625

<sup>217</sup> *Ibid.*

Division of Commerce between 1966 and 1983. As US ambassador to Switzerland Shelby Davis put it in late 1974, Jolles “is often referred to as the eighth Federal Councilor in recognition of his personal prestige and stature, and to [the] role of [the] Division of Commerce in decision making.”<sup>218</sup> This meeting between the likely most influential unelected official the Swiss administration ever had, and the most powerful Swiss industrialist, is highly illuminating and significant.

Paradoxically, so it seemed to Jolles, the Swiss economy fared well despite the oil crisis. Foreign trade had registered a record growth in the months prior despite what had been the “probably most severe shock of the world economic system in the post-war period”.<sup>219</sup> Treating the oil price increase from a resolutely Swiss economic perspective, he did not anticipate any special monetary problems. He even forecast a balanced current account for the running year. Jolles was persuaded that a possible increase of CHF 2.5 billion on the import side, resulting from the higher oil prices, could be compensated by capital inflows.<sup>220</sup> This view of a relatively comfortable Swiss position was shared by the most important Swiss economic officials, such as the President of the Swiss National Bank, Edwin Stopper.<sup>221</sup> Jolles, still speaking to the Vorort, insisted that securing development opportunities for Swiss exports was “paramount” in this situation.<sup>222</sup> Besides trade with Eastern Europe and China, Middle Eastern markets should figure prominently among Swiss business efforts to increase sales. Jolles warned that an “actual scramble” had already started for these markets, with West Germany and France being particularly active.<sup>223</sup> For Swiss exporters, efforts had remained of negligible quantity until now, Jolles regretted.

In the ensuing discussion, the members of the Vorort dreaded “lean years” for the Swiss export industry.<sup>224</sup> The decent aggregate export figures resulted from past-concluded deals did not inform the conditions of these sales, i.e., profitability.<sup>225</sup> However, representatives of the watch, chemical and machinery industries, all agreed that the Middle East was a “very interesting area” for market expansion.<sup>226</sup> The promotion of exports to the Middle East to offset the increased strain oil put on the balance of payments largely matched West Germany’s approach.<sup>227</sup> It has been labeled the “best

---

<sup>218</sup> Telegram from Davis to the Secretary of State, Washington DC, 19.11.1974, NARA, RG 59, Electronic Telegrams 1974, retrieved from the Access to Archival Databases [AAD] at [www.archives.gov](http://www.archives.gov), January, 2016

<sup>219</sup> See the records on this meeting in the confidential minutes „3. Sitzung des Vororts im Vereinsjahr 1974/75 vom 24. Juni 1974“, ACH, IB-Vorort, 1.5.3.23.

<sup>220</sup> *Ibid.*

<sup>221</sup> See the report on Stopper’s speech at the annual meeting of the SNB in the airgram from Davis, US embassy Bern, to the Department of State, 02.05.1974, NARA, RG 59, P-reel Printouts, Box 44D, P740044-2361

<sup>222</sup> Confidential minutes „3. Sitzung des Vororts im Vereinsjahr 1974/75 vom 24. Juni 1974“, ACH, IB-Vorort, 1.5.3.23

<sup>223</sup> *Ibid.*

<sup>224</sup> See notably the comment by Luk Keller, *ibid.*

<sup>225</sup> See the comments on these issues by Dunant and Frey, *ibid.*

<sup>226</sup> For the watch industry, see Gérard Bauer’s comments. Evaluations for the chemical industry were done by Yves Dunant, and for the machinery industry by René Frey, *ibid.*

<sup>227</sup> See: G. John Ikenberry, ‘The Irony of State Strength: Comparative Responses to the Oil Shocks in the 1970s’, *International Organization*, 40.1 (1986), p. 113-116.

conceivable” form of recycling petrodollars whilst maintaining “steady industrial work at home” for Western powers.<sup>228</sup>

Swiss companies were relatively well placed to affront the disruptions caused by the oil price hikes. Far from being passive victims of these price increases, they actively sought strategies to assure profitability and their position within international competition.<sup>229</sup> They did so, as seen, through a combination of rolling-over price hikes and raising efficiency via a reduction of their workforce. Any increased government intervention in the economy was refuted, markedly contrasting with the increased government management of oil allocations in other small and open European economies.<sup>230</sup> Finally, the increased revenue of the Arab oil states formed powerful incentives for Swiss business to venture into those markets, as well as populous non-oil producing Arab economies, as will be seen later with Egypt.

As Jolles indicated during the June 1974 Vorort meeting, the Swiss economy retained a relatively privileged position over the course of the oil price increase thanks to its ability to attract foreign capital. However, contemporary actors did not unequivocally consider the Swiss banking place’s role as international financial center to be an advantage. Swiss officials repeatedly raised concerns about the possibility of Swiss francs being used for oil payments and destabilizing capital movements, potentially undermining Swiss monetary stability.<sup>231</sup> Swiss bankers, at least in meetings with government officials, seemed less worried. Guido Hanselmann, the general director of the Union Bank of Switzerland (UBS), reported his impressions from a recent trip to the Middle East to Jolles in late January 1974. He found the anxiety of the potentially disrupting effect of Middle Eastern oil producers’ accumulated currency on the international monetary order to be exaggerated. The funds available to the more heavily populated oil exporters, Iran, Iraq and Algeria, would be absorbed by repayment of their considerable foreign debt and for their ambitious national industrial development plans. Saudi Arabia, with a lower population size and foreign debt, was certainly accumulating important foreign exchange surplus. Besides heavily diversifying its investments, a “relatively high sum will probably be supplied to Egypt, Syria and Sudan under the sign of Islamic solidarity for their economic reconstruction”. Hanselmann insisted that in return, this would lead those countries increasing imports from Western Europe.<sup>232</sup>

---

<sup>228</sup> Cf: William Glenn Gray, ‘Learning to “Recycle”’: Petrodollars and the West, 1973-5’, in *Oil Shock: The 1973 Crisis and Its Economic Legacy*, ed. by Elisabetta Bini, Giuliano Garavini, and Federico Romero (London: I.B. Tauris, 2016), p. 187-188.

<sup>229</sup> This matches what Rüdiger Graf has found for other Western governments reaction to the oil crisis, see: Rüdiger Graf, ‘Making Use of the “Oil Weapon”’: Western Industrialized Countries and Arab Petropolitics in 1973–1974’, *Diplomatic History*, 36 (2012), p. 185-208.

<sup>230</sup> Neutral Sweden notably intervened considerably in the domestic allocation of oil, see: Frederic S. Pearson and Michael Nyden, ‘Energy Crisis and Government Regulations: Swedish and Dutch Responses in 1973’, *West European Politics*, 3 (1980), p. 414-417.

<sup>231</sup> See the note bei Zwahlen, “Lignes de force de l’exposé présenté sur le problème du pétrole à la Commission des affaires étrangères du Conseil des États”, 06.11.1973, DDS, dodis.ch/40711

<sup>232</sup> See the confidential note, “Gespräch mit Generaldirektor Hanselmann, Schweizerische Bankgesellschaft, über Erdölprobleme und Lage im Mittleren Osten”, 28.01.1973, ACH, NL Paul R. Jolles, 923

Petrodollars were also flowing into the Swiss financial center. In 1970, the Swiss financial center held the second most foreign assets worldwide, solidifying its place as a significant actor.<sup>233</sup> Unsurprisingly, the US government wanted to know from Swiss bankers “what Arab customers are doing with their money.”<sup>234</sup> Based on his discussions with Swiss bankers, the US consular employee in Zurich was able to make a series of generalizations. He found that the “amount of Arab money handled in various ways by Swiss banks is enormous.”<sup>235</sup> Arab investors were said to be seeking maximum yields without speculating. Dollar investments were favored<sup>236</sup> and therefore, no substantial flows of oil money into the Swiss franc occurred during the summer of 1974.<sup>237</sup> However, oil-exporting countries deposited substantial amounts of dollars in Switzerland.<sup>238</sup> While this did not have a destabilizing effect on Switzerland’s foreign exchange rate, Swiss banks could make substantial profits placing these dollars in the Eurodollar market in London or directly in US financial markets.<sup>239</sup> This would change around November 1974 with a rapid increase in the value of the Swiss franc notably due to the inflow of Arab oil revenues;<sup>240</sup> but for the time being no disruption of the Swiss franc’s exchange rate was detected.

To conclude, the oil shock’s immediate effects on the Swiss economy were not dramatic. As one of the rare developed capitalist economies, the Swiss current account remained positive in 1974, as the SNB noted in its annual report. This in part stemmed from the inflow of foreign assets.<sup>241</sup> It also stemmed from what the SNB labeled a “rather overvalued” Swiss franc. By reducing import prices, the Swiss franc eased the strain the oil price increase had on the current account.<sup>242</sup> Swiss authorities and companies both recognized the price issue as primordial during this oil crisis. At their respective levels, they both sought out the best strategies to avoid deteriorating current accounts. For the time being, they did so quite successfully. Reactions to the oil crisis at the official and business levels responded to the growing vulnerability that had resulted from growing international economic integration.

---

<sup>233</sup> See the figures compiled by: Straumann, *Fixed Ideas of Money ...*, p. 279.

<sup>234</sup> See the arigram from the US consulate in Zürich to the Department of State, 07.02.1974, NARA, RG 59, P-reel Printouts, Box 12D, P740012-2451

<sup>235</sup> *Ibid.*

<sup>236</sup> *Ibid.*

<sup>237</sup> See for example the report by George-André Chevallaz, head of the Federal Department of Finance and Customs, to the Federal council, „Situation monétaire internationale“, 21.06.1974, DDS, dodis.ch/39678

<sup>238</sup> See, Christopher Kopper, ‘The Recycling of Petrodollars’, *Revue d’économie financière*, 9 (2009), p. 38.

<sup>239</sup> Simone Selva, *Before the Neoliberal Turn: The Rise of Energy Finance and the Limits to US Foreign Economic Policy* (London: Palgrave Macmillan, 2017), p. 229-237.

<sup>240</sup> See the report by Chevallaz to the Federal council, „Bundesbeschluss vom 8. Oktober 1971 über den Schutz der Währung“, 19.11.1974, DDS, dodis.ch/39664

<sup>241</sup> Only West Germany and the Netherlands had a positive current account, see: Swiss National Bank, *67. Geschäftsbericht der Schweizerischen Nationalbank, 1974* (Bern: Schweizerische Nationalbank, 1974), p. 16.

<sup>242</sup> See the note bei Jean Zwahlen, “Lignes de force de l’exposé présenté sur le problème du pétrole à la Commission des affaires étrangères du Conseil des États”, 06.11.1973, DDS, dodis.ch/40711

### ***Infitah, the Official Act of Nasser's Death.***

As seen, the October War helped establish the political conditions for the oil price increases, therefore durably modifying the economic conditions on a world scale and on a regional scale. On a lower level, the war enabled Egyptian authorities to promote economic relations with the developed capitalist world, particularly via an attempt in attracting FDI. As seen earlier, one of Sadat's main motivations in going to war against Israel was to overcome the political deadlock and to move to promoting economic development. The open-door economic turn, known as *infitah*, Arabic for opening, was a crucial element not only for the future relations with the West, but also an important rationale for grasping the significance of the October War itself.

This section traces the beginning of the shift in Egyptian economic policy to a stronger accommodation of Western business throughout 1974, exemplified by Swiss-Egyptian economic interactions. As noted previously, Switzerland had retained a privileged position in bilateral economic consultations prior to the October War. It is therefore necessary to inquire into the durability of such a prominent Swiss position in Egypt's economic reform in the period after the war. Initially, Sadat's economic reforms influenced the Swiss analysis of the Egyptian market in three larger steps. First, senior Egyptian officials tried luring Swiss business into reconstruction and direct involvement via investment in Egypt. Second, Swiss officials viewed *infitah* with uncertainty. These economic policy changes, largely associated with the 1974 *October Paper* by Sadat, sought to better the subjective and objective conditions for Western business involvement in Egypt. And finally, under the pretense of what can be described as a scramble for Egypt, Swiss foreign economic policymakers took a bolder step towards Egypt.

Very soon after the guns went silent, the Egyptian side sought to make economic reconstruction palatable to Swiss business. As mentioned previously, the Egyptian Minister for Reconstruction, Osman Ahmed Osman, approached Ambassador Frey in mid-December 1973, proposing opportunities for Swiss business in Egyptian reconstruction. He was not any Egyptian actor, but was a central link between the outside world and the domestic sector, private and public.<sup>243</sup> Osman cited joint ventures with Egyptian capital in the chemical and petrochemical industry, in textile processing and in cement production. He promised that Swiss construction companies could obtain lucrative contracts in road construction. This under the condition that they enter into a joint venture with *Arab Contractors*, a nationalized company that was still run by its former owner, Osman himself.<sup>244</sup> According to Frey, the Minister wished to attract foreign business to Egypt, although he seemed aware that this would only really start once the political situation stabilized. Nonetheless, Osman insisted that “the terrain

---

<sup>243</sup> On Osman, see: Robert Springborg, ‘The Arab Bourgeoisie: A Revisionist Interpretation’, *Arab Studies Quarterly*, 15.1 (1993), p. 23.

<sup>244</sup> See this conversation as reported in a letter from Hans Karl Frey, Swiss ambassador Cairo, to the Division of Commerce, 19.12.1973, SFA, E7110#1984/70#1067\*, 850

could already be explored today, and necessary clarifications conducted” regarding Swiss business’ possible interests in a goodwill mission to Egypt.<sup>245</sup>

Egyptian rapprochements continued into January 1974, as the Egyptian Minister of Industry, Ibrahim Salem Mohamadein, encouraged foreign economic involvement in the form of both capital and know-how transfers. In a meeting with Frey, the Minister focused again on the cement industry, to which he explicitly welcomed Swiss know-how and management contributions.<sup>246</sup> The Egyptian economy was in need of increasing its cement production capacities to assure reconstruction, hence the insistence on this industry. Contacts had already been established with Max Schmidheiny, the CEO of the Swiss cement company *Holderbank*, to follow up on such a possible collaboration.<sup>247</sup> *Holderbank* was not new to the Egyptian market. It had contributed to building up the Egyptian cement industry, by founding a joint-venture company with Belgian and Egyptian capital in 1927, where the Swiss company held a majority.<sup>248</sup> The venture, which had several production sites throughout Egypt, had been entirely nationalized by the Egyptian authorities in 1961.<sup>249</sup> A return of *Holderbank* into the Egyptian market was therefore a spectacular signal. Upon invitation by Arab Contractors, a *Holderbank* representative met with Osman, Mahmoud Loutfi, Head of the Investments and Free Zones Authority, and Sherif Loutfi, President of the newly founded Agency for Arab and International Economic Cooperation in February 1974. *Holderbank* was interested in providing engineering services for the construction of two cement factories, one of which was financed through Libyan capital.<sup>250</sup> As will be seen, these contacts laid the groundwork to *Holderbank*’s reentry into the Egyptian market.

Ambassador Frey interpreted the initial Egyptian advances as promising. Mirroring the evaluation by Swiss bank representative detailed earlier, he insisted that the “huge capital masses of the oil-producing countries seek foremost assets in their own and in the closer Arab area, under the condition, however, that investment could be purposeful, profitable and politically secured.”<sup>251</sup> Frey thought that Sadat’s “most important driving force for peace with Israel” lay in assuring conditions for secure and profitable investment.<sup>252</sup> He concluded that “good opportunities could open up for Swiss participation in reconstruction” and expressed his hopes that Emilio Moser would encourage Swiss business to turn to the Egyptian market, including via a goodwill mission.<sup>253</sup> The Vorort and the Swiss office for commercial expansion (OSEC) both

---

<sup>245</sup> *Ibid.*

<sup>246</sup> See reporting on this conversation in: letter from Frey to the Division of Commerce, 23.01.1974, SFA, E7110#1985/97#1407\*, 850

<sup>247</sup> Frey reported on another meeting with Osman in a letter to Emilio Moser, vice-director of the Division of Commerce, 26.01.1974, SFA, E7110#1985/97#1407\*, 850

<sup>248</sup> See: Paccaud, ‘La proclamation de la République égyptienne en 1953...’, *ibid.*, p. 74-75.

<sup>249</sup> Cf. Zingg, ‘Diplomatischer Erfolg in Ägypten. ...’, *ibid.*, p. 107.

<sup>250</sup> This was reported in a confidential letter Berthoud to the Division of Commerce, 14.02.1974, SFA, E7110#1985/97#2155\*, 873.1

<sup>251</sup> See the letter from Frey to Emilio Moser, vice-director of the Division of Commerce, 26.01.1974, SFA, E7110#1985/97#1407\*, 850

<sup>252</sup> *Ibid.*

<sup>253</sup> *Ibid.*

took a positive stance on Osman's proposal. But they agreed that the political situation needed to stabilize before such a visit could be seriously considered.<sup>254</sup> Half a year after the outbreak of the war caught Western observers off guard, interested Swiss businessmen still had doubts on how political conditions in the region were likely to evolve.

Other countries did not display the same hesitations; large numbers of foreign businessmen and financial backers flocked to Cairo. By February 1974, Frey noted that "businessmen from the whole world are making efforts to establish the necessary relations" with Egypt and participate in its reconstruction. The Egyptian authorities skillfully exploited this scramble to obtain advantageous credit conditions for projects.<sup>255</sup> Interested Swiss construction companies were outbid by competing Western companies who not only offered planning and execution, but also financing for the projects.<sup>256</sup> Swiss companies did not want to financially back projects because the Swiss government offered unfavorable guarantee conditions for business with Egypt.<sup>257</sup> Similarly, Ambassador Frey reported to the Swiss watch industry in early April 1974 that the Japanese government's credit pledge for supporting the reconstruction of the Canal Zone might threaten the position of the Swiss watch industry in Egypt.<sup>258</sup> In this initial scramble for the Egyptian market, Swiss export interests were sidetracked by competitors, mostly due to the lack of advantageous credit conditions.

Besides luring Western companies into Egypt on a bilateral basis, the Egyptian authorities were also eager to reform its economic legislation. They announced a series of legislation accommodating foreign investment. Frey, in a letter to the Division of Commerce in March 1974, although not doubting the sincerity of these announcements, highlighted that the government sought to maintain "the 'image' of economic liberalization under all circumstances, [whilst] those responsible are certainly serious about it."<sup>259</sup> Frequent newspaper reports covering the "new policy of liberalization and opening of the Egyptian economy" should be treated with the necessary caution, he insisted.<sup>260</sup> The Egyptian government had, for example, still not ratified the Swiss-Egyptian IPT concluded almost a year earlier. Emilio Moser was convinced that such a ratification would be "very stimulating among our financial and economic

---

<sup>254</sup> See the letter reporting on Swiss consultations from Moser to Frey, 05.02.1974, SFA, E7110#1985/97#1407\*, 850

<sup>255</sup> See Frey's comments in his letter to the Division of Commerce, 07.02.1974, SFA, E7110#1985/97#1407\*, 850

<sup>256</sup> See the reporting in a letter from Frey to Moser, 28.02.1974, SFA, E7110#1985/97#1407\*, 850

<sup>257</sup> See the letter from Conrad Zschokke to the Division of Commerce, 20.03.1974, SFA, E7110#1985/97#1407\*, 850

<sup>258</sup> Letter from Frey to Gérard Bauer, President of the Fédération Horlogère, 03.04.1974, SFA E7110#1985/97#1938\*, 870

<sup>259</sup> Letter from Frey to the Division of Commerce, 14.03.1974, SFA, E7110#1985/97#455\*, 810

<sup>260</sup> *Ibid.*

stakeholders.”<sup>261</sup> Swiss insistence likely led to a prompt ratification of the IPT on March 20, 1974,<sup>262</sup> further underscoring Egyptian efforts to attract foreign investments.

Sadat’s move to economic liberalization mainly manifested in the so-called *October Paper*, issued in April 1974. This document has been interpreted as both “a definition and a justification of *infitah*”, Egypt’s open-door economic policy.<sup>263</sup> According to the *Middle East Report*, it was an attempt to broaden public support for a policy, reassuring foreign capital. A massive public campaign preceded a popular vote on this document, which was approved by a large margin in mid-May. Here, Sadat gained popular legitimacy for pursuing his policy.<sup>264</sup> The political authority Sadat had obtained with the limited success of the October War permitted him to politically and economically assure conditions for foreign investment in Egypt<sup>265</sup> and shift to a reinforcement of the private sector.<sup>266</sup>

The Swiss embassy in Cairo did not comment on the October Paper until June, and only did so with a boastful undertone. “Despite its ambition, this document [...] presents itself as a mediocre outline whose hollow and vague phraseology barely deserve an in-depth study by your services,” embassy counselor Yves Berthoud commented.<sup>267</sup> The section on economic development was interpreted as “an acrobatic attempt to square the public and the private sector.”<sup>268</sup> Berthoud, however, stated that the announced “reorientation of the public sector” could only signify its weakening at the expense of the private sector, including an appeal to Arab capital and foreign investments. Most importantly, the October Paper showed that “Nasser’s epoch is long gone and [it] constitutes the official act of his demise.”<sup>269</sup>

The most important expression of the policy outlined in the October Paper was the Investment Law No. 43, passed in June 1974. This law aimed to facilitate and protect foreign investment, both of Arab and Western origin. It has been described as the “by far most important step taken in the direction of restructuring the country’s international economic relations.”<sup>270</sup> Unsurprisingly, it attracted considerable Swiss attention. In a letter to Emilio Moser, Frey interpreted it as an attempt to rebalance the structure of the economy from the public to the private sector. Foreign investment was crucial in this respect. The hope was that increased private investment would alleviate labor market

---

<sup>261</sup> See the letter from Moser to Frey, 05.02.1974, SFA, E7110#1985/97#1407\*, 850

<sup>262</sup> See the letter from Berthoud to the Directorate of Public International Law, FPD, 17.04.1974, SFA E7110#1985/97#738\*, 821

<sup>263</sup> Abdel-Khalek, ‘Looking Outside, or Turning Northwest? ...’, *ibid.*, p. 395.

<sup>264</sup> ‘Open Door in the Middle East’, *MERIP Reports*, 1974, p. 20.

<sup>265</sup> Osama Hamed, ‘Egypt’s Open Door Economic Policy: An Attempt at Economic Integration in the Middle East’, *International Journal of Middle East Studies*, 13 (1981), p. 3.

<sup>266</sup> Ikram, *The Egyptian Economy ...*, p. 17-18

<sup>267</sup> See the letter from Berthoud to the Division for political affairs, FPD, 19.06.1974, SFA, E2001E-01#1987/78#2624\*, B.73.0

<sup>268</sup> *Ibid.*

<sup>269</sup> *Ibid.*

<sup>270</sup> See: Abdel-Khalek, ‘Looking Outside, or Turning Northwest? ...’, *ibid.*, p. 397. For the english translation of the law, see: ‘Egypt: Foreign Investment Law, as Amended’, *International Legal Materials*, 16 (1977), p. 1476-88.

pressure and allow the streamlining of public companies. While Frey displayed sincere goodwill towards this Egyptian plan,<sup>271</sup> Emilio Moser in Bern was more sober. The generally skeptical reaction by “otherwise definitely open sections of our industry to the investment protection treaty showed how much distrust has to be dispelled.”<sup>272</sup> According to him, Swiss business’ distrust of Egypt was mainly about the consistency of this new policy, i.e., what would happen after an eventual regime change in Egypt.<sup>273</sup>

Ambassador Frey, answering these doubts from his Cairo perspective, gave an in-depth assessment of the economic situation and reiterated his proposal for an economic diplomacy offensive. Since “everything happened very quickly” after Sadat’s rise to power, he showed understanding of the Swiss business’ reservations as transmitted by Moser.<sup>274</sup> For the rest, he could not see the reason for skepticism. Frey reminded that each investment in a country like Egypt was a risk, as one could not expect the same stability as in Europe. The opening in Egypt and throughout the Middle East was, however, a novel one. New forms of international economic cooperation combining capital from the oil countries, technology from Western industrial countries and Egyptian labor, were being put into place. Albeit still in an early phase of planning, the oil exporting Arab countries had authorized substantial funds for Egypt – according to Frey, over US\$ 3 billion. This important financial commitment was, according to Frey, the best guarantee for a continuation of economic liberalization. The conditions in Egypt attracted businessmen from all over the world, creating a situation where the “activity is bewildering”.<sup>275</sup> Even though the border between facts and fictions on real possibilities in the Egyptian economy remained blurry, Frey considered it advisable to become involved rather sooner than later. “Even if the train is not going to leave so quickly, the fight for the best seats is already in full swing,” he warned.<sup>276</sup> The interested sectors of Swiss business obviously knew for themselves whether the risk of participating in the fight for positions was too high. He, however, recommended reconsidering his January 1974 proposal to prepare a Swiss goodwill mission to Cairo. This would not only create political sympathies without any commitments from the Swiss side, it would also give “interesting insights to the [Swiss] industry representatives,” allowing for a better judgment of the situation and prospects on the ground.<sup>277</sup>

It had become increasingly clear that a scramble for Egypt was in full swing, especially as the US’s engagement grew. Already in April 1974, reporting on German Chancellor Willy Brandt’s visit to Cairo, Frey insisted that European investors needed “to hurry, considering the growing US involvement.”<sup>278</sup> Mirroring the Egyptian conviction that only the US could exercise decisive political pressure on Israel in the negotiations, Egyptian leaders, were likewise convinced that “only the United States has the size to

---

<sup>271</sup> Letter from Frey to Moser, 10.07.1974, SFA, E7110#1985/97#738\*, 821

<sup>272</sup> Letter from Moser to Frey, 29.07.1974, SFA, E7110#1985/97#738\*, 821

<sup>273</sup> *Ibid.*

<sup>274</sup> Letter from Frey to Moser, 07.08.1974, SFA, E7110#1985/97#738\*, 821

<sup>275</sup> *Ibid.*

<sup>276</sup> *Ibid.*

<sup>277</sup> *Ibid.*

<sup>278</sup> See the letter from Frey to the FPD, 01.05.1974, SFA, E2300-01#1977/30#39\*, A.21.31

save them economically,” as Swiss embassy counselor Berthoud communicated.<sup>279</sup> Although they also displayed certain skepticism towards the Egyptian “‘reorientation’ amounting to a total U-turn,” West German authorities and business nonetheless started an intenser collaboration ranging from the conclusion of an IPT in July 1974, to capital aid, to a goodwill mission by the Federation of German Industries.<sup>280</sup> Frey inquired in West Germany’s Cairo embassy on the preparations for this visit and their evaluation of Sadat’s liberalization policy. Following this conversation, he reported that Egypt definitely wanted Western capital investment – and not only know-how. The West should embrace this Egyptian desire on a political basis, Frey advised. Without any direct investment, Western companies’ “influence would be reduced over time.”<sup>281</sup> Furthermore, Frey insisted that Sadat was continuously pleading for a balanced opening, presenting Egypt politically and economically as a “middling country”.<sup>282</sup> This constellation could only be favorable to Swiss economic interests, the ambassador argued.<sup>283</sup>

Visibly, Frey was also seized by the scramble mentality of Western businessmen and diplomats in Cairo. He was convinced that the Swiss economy could carve out a significant market share in Egypt, despite the overbearing weight the US was acquiring. Unfortunately, he would not witness the shift in favor of the goodwill mission he had so consistently pleaded for. The bewildering situation in Cairo took its toll on Ambassador Frey; as he passed away in the Egyptian capital after a heart attack on August 9, 1974.<sup>284</sup> Two weeks later, Emilio Moser sent a letter to the Vorort, announcing that the Swiss authorities considered the situation ripe for a Swiss economic mission to Egypt. He inquired for their opinion on charging the OSEC with organizing such a visit.<sup>285</sup> The Vorort was favorable and insisted on being kept informed of the preparations.<sup>286</sup> The FPD’s Financial and Economic Service welcomed this effort on political grounds, highlighting that “we have an interest accommodating Egyptian attempts in initiating new connections with the West.”<sup>287</sup> A general agreement was established for the opportunity of pursuing efforts in the Egyptian market via a private, yet publicly supported, economic visit. Three months after Jolles had urged Swiss business leaders to pick up their efforts in the Middle Eastern market in the light of the oil price hikes, Egypt had been placed among the target countries. In late October 1974, Moser requested the OSEC to launch the preparations for a Swiss goodwill mission to

---

<sup>279</sup> See the confidential letter by Berthoud to the Division for political affairs, FPD, 22.06.1974, SFA, E2001E-01#1987/78#2624\*, B.73.0

<sup>280</sup> See the letter from Egger, Swiss chargé d’affaires in Bonn, to the Division of Commerce, 19.07.1974, SFA, E2001E-01#1991/17#6286\*, C.41.Eg.113.7

<sup>281</sup> See Frey’s letter to the Division of Commerce, 07.08.1974, SFA, E2001E-01#1991/17#6286\*, C.41.Eg.113.7

<sup>282</sup> *Ibid.*

<sup>283</sup> *Ibid.*

<sup>284</sup> See the obituary „Tod des Schweizer Botschafters in Kairo“ in *NZZ*, 12.08.1974

<sup>285</sup> Letter from Moser to the Vorort, 23.08.1974, SFA, E7110#1985/97#738\*, 821

<sup>286</sup> See the letter from Gerhard Winterberger, Director of the Vorort, to the Division of Commerce, 20.09.1974, SFA, E7110#1985/97#738\*, 821

<sup>287</sup> Letter from Ernst Thurnheer, collaborator at the Financial and Economic Service, FPD, to the Division of Commerce, 12.09. 1974, SFA, E7110#1985/97#738\*, 821

Cairo.<sup>288</sup> The organization of a large Swiss economic delegation to Egypt was on its way.

The newly appointed Swiss ambassador, Daniel Gagnebin, had something concrete to work towards. Previously, the French-speaking Swiss diplomat had been ambassador in Teheran, where he had encountered significant goodwill by the Iranian Shah. Upon arrival in Cairo, he was also warmly received from senior Egyptian officials, as seen when as Gagnebin presented his credentials to Sadat in November 1974. During the brief, “simple and friendly conversation”, Sadat assured Gagnebin of Egyptian friendship towards Switzerland, referring to Graber’s visit in May 1973. Gagnebin was able to underscore Switzerland’s desire to associate its industry to the development of the Egyptian economy.<sup>289</sup> This exchange was underscored when an economic staffer of the Swiss embassy was sent to explore Egyptian interest in a Swiss goodwill mission. The interlocutor from the Egyptian side welcomed Swiss advances with open arms.<sup>290</sup> While approaching the Egyptian market with skepticism after the October War, the Swiss goodwill mission would take place in March 1975, marked by growing economic crisis in developed capitalist countries. The mood among Swiss businessmen was then framed by a bigger sense of urgency.

This public economic diplomacy channel was not the only rapprochement activated during that year. The most spectacular advance into the Egyptian market in 1974 was more of a return to Egypt. After Holderbank had won the aforementioned engineering tenders, the company concluded negotiations on the opening of a consultant office in Cairo in autumn 1974. Holderbank held 49 percent of the shares in this joint venture with Egyptian public companies, a total capital of roughly US\$ 2.7 million. Holderbank would supply all the management to this joint venture, clearly reflecting the Egyptian desire to not only mobilize Swiss capital, but also integrate Swiss know-how into its development scheme.<sup>291</sup> Given that the company had been active in Egypt until thirteen years earlier, and that developing the cement industry was an Egyptian priority, it is not surprising that Holderbank was the first Swiss firm to undertake FDI in Egypt after the announced liberalization measures.

While this private project received full Swiss official support, other private initiatives were less fortunate. This is exemplified in the attempted founding of a *Swiss Egypt Advisory Committee*. In August 1974, Osman Ahmed Osman and Abdel Kader Hatem, deputy Prime Minister and described by Time magazine as “Egypt’s No. 2 man, second only to President Anwar Sadat,”<sup>292</sup> met Walter Custer, professor of architecture and

---

<sup>288</sup> Letter from Moser to Mario Ludwig, Director of the OSEC, 22.10.1973, SFA, E7110#1985/97#738\*, 821

<sup>289</sup> See the letter from Daniel Gagnebin, Swiss ambassador Cairo, to Graber, 27.11.1974, SFA, E2001E-01#1987/78#2579\*, B.15.21

<sup>290</sup> See the Letter from Gagnebin to Moser, 12.12.1974, SFA, E2001E-01#1987/78#2579\*, B.15.21

<sup>291</sup> This was reported in a letter from Berthoud to the Division of Commerce, 15.09.1974, SFA, E7110#1985/97#2545\*, 892.1

<sup>292</sup> See „Egypt's Hatem: A Dangerous Situation“ in *Time*, 05.11.1973

urbanism at the Federal Institute of Technology Zurich (ETH).<sup>293</sup> This committee was designed to be a Swiss-Egyptian research and development commission, tasked with planning studies for the Canal Zone and beyond.<sup>294</sup> Michael Gelzer from the FPD highlighted that both the embassy and the FPD believed that Switzerland, “from the political standpoint, [...] should display its interest in collaboration with Egypt.”<sup>295</sup> Moser from the Division of Commerce did not oppose. Unlike similar commissions envisaged by the US and West Germany, Swiss possibilities to provide credits within this project were “very limited”.<sup>296</sup>

In the light of these possibilities, Berthoud highlighted from Cairo that a Swiss contribution to the “peaceful reconstruction of the region” could surely provide political and economic advantages.<sup>297</sup> Custer, lobbying for official Swiss financial contributions to his project, was persuaded that the Egyptians sought Swiss cooperation “because our country is part of Europe and is neutral.”<sup>298</sup> The Swiss Delegate for Technical Cooperation, Marcel Heimo, insisted that in the light of the Arab oil exporters’ financial support to Egypt, no increased Swiss financial efforts were justified.<sup>299</sup> Even though this project was buried by April 1975,<sup>300</sup> it became abundantly clear to Gelzer that the Swiss authorities had an interest in “showing the Arabs through certain concrete gestures that the Swiss government is still interested in good relations.”<sup>301</sup> Now, it was high time to try and substantiate these interests.

At the outset, the initiative for closer economic ties came chiefly from the Egyptian side. This occurred in the context of its post-war reconstruction, but also its broader scheme for economic liberalization. While the Swiss authorities and business interests initially were skeptical, they became increasingly seduced by the idea of knitting closer ties throughout 1974. Three factors favoring this shift can be highlighted. First, increased legal guarantees within Egypt, notably via a new investment law, constituted an important step. Second, the political and financial backing of the Arab oil states underscored Egypt’s stability and creditworthiness. Finally, other Western industrialized countries’ initial scramble for Egypt increased Swiss business fear of missing out on a promising market. It seems that especially the forceful entry of West German business into Egypt from the summer of 1974 onwards constituted an important incentive for Swiss officials and business to substantiate their own

---

<sup>293</sup> Custer was also co-founder of *Helvetas*, one of the oldest private Swiss development organizations, see the entry in the Swiss historical dictionary: Michael Koch, „Walter Custer“ in *Historisches Lexikon der Schweiz*, [www.hls-dhs-dss.ch/textes/d/D27328.php](http://www.hls-dhs-dss.ch/textes/d/D27328.php)

<sup>294</sup> See the letter from Berthoud to Michael Gelzer, Head of the Division for political affairs, section west, FPD, 28.08.1974, SFA, E7110#1985/97#2146\*, 873.0

<sup>295</sup> Note from Gelzer to the Division of Commerce, 09.09.1974, SFA, E7110#1985/97#2146\*, 873.0

<sup>296</sup> See the letter from Moser to Gelzer, 13.09.1974, SFA, E7110#1985/97#2146\*, 873.0

<sup>297</sup> Letter from Berthoud to the Political Division of the FPD, 25.09.1974, SFA, E7110#1985/97#2146\*, 873.0

<sup>298</sup> See Custer’s statement to Gelzer in a note from Jean-Jacques Indermühle, Political Division, FPD, to the Division of Commerce, 24.09.1974, SFA, E7110#1985/97#2146\*, 873.0

<sup>299</sup> Note from Marcel Heimo, Delegate for technical cooperation to Gelzer, 15.10.1974, SFA, E2001E-01#1987/78#2623\*, B.55.40

<sup>300</sup> Its main broker in Egypt was ousted following corruption rumors, see: confidential letter from Gagnebin to the Political Division, FPD, 24.04.1975, SFA, E2001E-01#1987/78#2623\*, B.55.40

<sup>301</sup> See an unsigned note, 24.12.1974, SFA, E7110#1985/97#2146\*, 873.0

commercial promotion policy. However, precisely because of the increasing presence of other Western businessmen in Egypt, the growing importance of the US in Egypt's foreign economic scheme and the financial backing by Arab oil exporters, Switzerland no longer retained a particularly privileged position.

In this limbo phase in Egypt following the 1973 October War, Swiss economic efforts were subject to contradicting pressure. On the one hand, senior Egyptian officials' encouraging rapprochements and the developed capitalist countries' scramble prompted the Swiss to act so as not to miss out on the opportunities opening up for Swiss business. On the other hand, the persistence of a hazardous political situation and a sluggish move towards liberalization (mainly due to domestic political opposition), as well as what were essentially still precarious economic fundamentals, did not incite a bold Swiss foreign economic policy offensive.<sup>302</sup> By late October 1974, the vice director of the Swiss Division of Commerce, Hermann Hofer, in a letter to the embassy in Cairo, underscored that a certain disillusion after the euphoria of the immediate period after the October War was only natural. The "caution with which our industries still display," Hofer insisted, "is surely not unwise."<sup>303</sup> Not all Swiss officials had succumbed to the scramble mentality.

## **Conclusion**

The October War and the oil price hikes undoubtedly made the Middle East and the Arab-Israeli conflict the principal source of international instability. The Swiss authorities were caught off guard by its outbreak and on occasion struggled to find appropriate reactions. Yet, they were not unfavorably positioned. Thanks to the previous turn towards the Middle East, they retained some goodwill among the Arab countries. Overall, Swiss business and political officials responded to the crisis within the international political and economic systems through stronger international integration. The way they did so, however, reflected the strong contingency of economic opportunities on political constraints and vice-versa.

This chapter has shown how the Swiss foreign policymakers drew on past experiences from their involvement in Arab-Israeli conflicts. By adopting a discrete attitude in the October War, Swiss authorities mitigated political and economic risks arising from the conflict. The extent to which they did intervene reflected the foreign policy conclusions drawn from previous involvement and mediation attempts. Considerations on how official contributions to conflict resolution could better the Swiss position in the Middle East were omnipresent. Overall, the means at their disposal to play a role as an intervener were low. Here, the Cold War context and superpower involvement inhibited a more decisive Swiss attempt in actively intervening on the ground, and during the Middle East Conference held in Geneva in December 1973. The Swiss government's

---

<sup>302</sup> The Egyptian economic development was assessed as such by Berthoud in a letter to the Division of Commerce, 16.10.1974, SFA, E7110#1985/97#558\*, 811

<sup>303</sup> Letter from Hermann Hofer, vice Director of the Division of Commerce to the Swiss embassy, Cairo, 25.10.1974, SFA E7110#1985/97#558\*, 811

attitude in this respect also remained cautious because they feared offending the Arab states. Consequently, this implied largely in abstaining from political positioning. To counter such a truant attitude, the Swiss authorities were actively involved in humanitarian efforts, notably via the support of the ICRC's efforts in POW exchanges. As such, they positively contributed to a crucial precondition for achieving a ceasefire, which yielded them substantial goodwill.

The Swiss authorities' attempts to avoid anything that might expose themselves or the Swiss economy in the Arab-Israeli conflict did not lessen the scope for maneuver by Swiss corporations. On the contrary; while only the pharmaceutical company Ciba Geigy directly supported Egypt materially and financially, important Swiss business sectors increasingly placed their fortunes into the Arab basket. The October War and the differential understanding of its economic impact on warring parties contributed to this shift. Israel, in the meantime, grappled with a growing domestic economic crisis and dropped support from abroad. At this point, these were still only tendencies, resembling an anticipation of a decisive shift in market orientation. Ultimately, the war in and of itself also provided an opportunity for Swiss business. This can be notably applied to considerations of participating in reconstruction, as evidenced shortly after the war ended.

During the international management of the oil crisis, the Swiss authorities were again on the outskirts of the stage. However, as shown, rippling effects on the international economy were the central preoccupation for Swiss policymakers. Studying their reactions to the oil crisis in the broader international web is therefore essential. Even though the Swiss did not play a role in establishing the IEA, their joining was not insubstantial. Swiss participation responded to wider interests of the developed capitalist world, as it contributed to closing the ranks of Western oil consumers. Neutrality did not pose a major stumbling block for the Swiss authorities. On the contrary, by participating in the IEA, they reaffirmed neutrality and helped diffuse the offensive character of that organization during the growing escalation of North-South antagonisms.

As shown, the ultimate effect of the oil crisis on the Swiss economy was not dramatic. Oil supply was never really at stake, and balance of payment difficulties were not forthcoming. Mirroring Swiss free-market, neo-corporatist economic policymaking, the role in overcoming the strain of the oil price hikes on Swiss current account was largely relegated to Swiss companies. This happened through a developed a set of tactics, notably the rolling over of the price increases on workers and consumers. On a higher level, the idea was that Swiss firms should increase their sales abroad, and particularly in the Middle East. This would allow Swiss economic and monetary authorities to avert macroeconomic imbalances without intervening directly in the market, and at the same time, provide the export industry with new profit sources.

After a brief delay, a Swiss export offensive would be on its way for Egypt. Beyond different sectors' interests in reconstruction, overall Swiss industry's reservations

against getting active on the Egyptian market initially remained large. Given the history of nationalization under Nasser and the recent war, this skepticism was not unsurprising. Doubts gradually faltered throughout 1974. Besides growing trust in Egypt's legal commitment to accommodate foreign capital, competition was the main motor for stronger Swiss business orientation towards Egypt. The growing fear of missing out amidst what can be described as a scramble for Egypt, made Swiss foreign economic officials and crucial business associations turn more decisively towards the Egyptian economy. This would assure that Swiss economic interests would not fall through the cracks.



#### **4. A Conscious Turn to Arab Economies Amid International Economic and Political Crisis (1974-1975)**

The October War indeed constituted a turning point in the Middle Eastern political situation and economic balance of power. Besides a sense of acute urgency in the months following the war, it shaped the international situation, creating political and economic crises-prone constellations. Swiss Middle Eastern policy was affected mainly on two bases. First, Middle Eastern conflicts accelerated the already increasing politicization of international organizations. This led to a sense of fragility in international relations, further manifesting itself in Swiss-Arab relations as they repeatedly reacted sensitively to political factors. Second, the crisis was also mainly an economic crisis that appeared in late 1974 alongside the first signs of a recession. The Swiss response to this combined political and economic crisis took the shape of a conscious turn towards the Arab world. One of the sources of crisis was to become a significant means to mitigate its effects.

The period covered in this chapter, mid-1974 through 1975, saw a continuation of US-led mediation attempts in the Arab-Israeli conflict. Kissinger's shuttle diplomacy, directly mediating in numerous trips to the capitals of the conflict parties, helped enable further steps towards a durable settlement of the conflict on the Sinai front. Egypt and Israel agreed to a second disengagement agreement in September 1975, and further Israeli withdrawal in the Sinai opened the path for reopening the Suez Canal.<sup>1</sup> Even though the Swiss noted a partial political stabilization of the Middle East, they did not play a role in it. This chapter will therefore not focus on these steps in the peace process, but rather will first show how Swiss multilateral engagement, in the IEP and in UN specialized agencies, aroused renewed troubles in Swiss-Arab relations. Second, Swiss-Israeli relations will be reviewed in the light of decreasing Swiss economic interest resulting from growing domestic Israeli economic difficulties. This dwindling Swiss business orientation towards Israel was also a consequence of a reorientation towards the Arab economies, induced by economic crisis in the developed capitalist world. The last part of this chapter will investigate this bolder turn towards Egypt, and to a lesser extent, Syria, also in the light of the economic crisis in Switzerland.

##### **4.1 Multilateralism: a Burden on Bilateral Relations with Arab States.**

To avoid the threat that the oil price hike posed to the world economic order, the Swiss government participated in Western industrial consumer nations' coordinated response. This multilateral engagement from the Swiss was presented in solely defensive terms. While it would sporadically incur criticism by the radical Arab states, it did not arouse any systematic furry in the Arab world. The radicals, with Syria in the lead, did react sensibly to controversies involving Swiss financial contributions to UNESCO. While stronger Swiss multilateral engagement was an attempt to escape heavier repercussions of the crisis, it could also complicate its position in the Arab world. The UNESCO incident again brought the Middle Eastern conflict to Switzerland. It provoked criticism

---

<sup>1</sup> See, for instance: Elie Podeh, *Chances for Peace: Missed Opportunities in the Arab-Israeli Conflict*, Reprint edition (Austin: University of Texas Press, 2016), p. 128-130.

from abroad and at home: the Swiss parliament also questioned the federal government's handling of the crisis. This triggered a broader questioning of the scope for Swiss foreign policy in a conflicted world context. The Swiss authorities' balancing of foreign pressure and domestic interests is therefore at the heart of this subchapter.

### ***An Arab Campaign Against Switzerland at UNESCO***

In late 1974, Swiss-Arab relations were again put under strain. Even though Arab states accused Switzerland of violating its neutrality as it joined the US-led IEA,<sup>2</sup> critique in this domain seemed less virulent. The main Arab oil exporters seemed to resign themselves to the IEA constitution.<sup>3</sup> More far-reaching attacks from the Arab world came from another sphere: Swiss participation in UNESCO. This specialized agency, founded in 1945, was mandated to contribute to peaceful international relations and human welfare by deepening mutual knowledge between different cultures, promoting education and supporting the preservation and diffusion of world cultural and intellectual heritages.<sup>4</sup> Historically member states' governments occupied central positions in UNESCO's decision-making processes, a contrast from other UN agencies.<sup>5</sup> Unsurprisingly then, UNESCO was affected by conflicting Cold War political pressures from the inside.<sup>6</sup> In the 1970s, UNESCO, as other specialized agencies of the UN, experienced what was called a growing "politicization". This manifested itself in the UN General Assembly and the call by newly independent Third World countries for a new international economic order. Third World countries had gained majorities in the specialized agencies and were raising political grievances within them – including UNESCO.<sup>7</sup> In the context of the Arab-Israeli conflict, this became apparent on issues relating to Israeli archeological excavations and urban development efforts in Jerusalem, which Israel had occupied since 1967. Arab states criticized that this would change the landscape of Jerusalem and that it constituted an attempt to historically justify Israeli claims on the city. The Arabs mounted pressure in the UNESCO General Assembly, winning a November 1974 vote on resolutions calling for a cut in financial contributions to the Israeli national UNESCO organization and

---

<sup>2</sup> Jolles highlighted this during a meeting in Bern with the US Assistant Secretary of State for Economic, Energy, and Business Affairs, Thomas Enders. See the confidential telegram from Leroy Percival, embassy counselor, US embassy in Bern to the Secretary of State, Washington DC, 22.11.1974, NARA, RG 59, Electronic Telegrams 1974, retrieved from the AAD at [www.archives.gov](http://www.archives.gov), January, 2016.

<sup>3</sup> Reported in a confidential letter from Charles Albert Dubois, Swiss ambassador in Beirut, to François de Ziegler, Head of the Political Division, FPD, 25.02.1975, DDS, <https://dodis.ch/38672>.

<sup>4</sup> See the founding constitution of the UNESCO in: *A Chronology of UNESCO, 1945-1987* (Paris: UNESCO, 1987), p. VIII-IX.

<sup>5</sup> Cf. Phillip W. Jones, 'Globalisation and the UNESCO Mandate: Multilateral Prospects for Educational Development', *International Journal of Educational Development*, 19.1 (1999), p. 23.

<sup>6</sup> Focusing on US pressure on the UNESCO's literacy campaigns until the early 1970s, see Dorn, Charles, and Ghodsee, Kristen, 'The Cold War Politicization of Literacy: Communism, UNESCO, and the World Bank', *Diplomatic History*, 36.2 (2012), p. 373-398.

<sup>7</sup> For a contemporary US view on this issue, see: Gene M. Lyons, David A. Baldwin, and Donald W. McNemar, 'The "Politicization" Issue in the UN Specialized Agencies', *Proceedings of the Academy of Political Science*, 32 (1977), p. 81-92.

evicting it from the European regional group and leaving it without an administrative affiliation.<sup>8</sup>

Western states' reactions to this so-called politicization have been categorized in two ways: reform or withdrawal.<sup>9</sup> The Swiss tended towards the latter. Switzerland, although not in the UN, had been a member of UNESCO since 1949.<sup>10</sup> The Swiss noticed the pressure such processes could exert on international relations, including from within Swiss parliament. The Swiss delegation, supposedly under Arab pressure, had not voted against these resolutions; they abstained. This led to sharp reactions in Swiss parliament during the debates for the 1975 federal budget. Critics accused the government of caving in to Arab blackmail.<sup>11</sup> Socialist member of the Council of States and future federal councilor Pierre Aubert submitted a motion to cut the Swiss contribution to UNESCO by 10 percent, or CHF 183,000, as "a political gesture".<sup>12</sup> Referring to the supposed anti-Semitism of the accepted UNESCO resolutions, Aubert argued that under "pressure from an Arab-Communist political coalition, UNESCO has discredited itself and disgraced itself. It seriously failed to fulfill the important mission entrusted to it by the civilized world in the aftermath of its victory over Hitler's barbarian regime. [UNESCO] has now turned into a politicized and sectarian organization legalizing ostracism and justifying the excesses of racism, of which the end of Nazism seemed to liberate the world forever."<sup>13</sup> Aubert's heavy language and dramatic interpretation of the resolutions helped his motion pass with a large majority.<sup>14</sup> The motion was further supported by extra-parliamentary means, with a 'Pro Israel 74' appeal launched in December by a large number of pro-Israel Swiss politicians, intellectuals and clergymen. Deploring the cut in the UNESCO contribution to Israel, which the UNESCO General Assembly had taken "under political pressure," this appeal aimed at raising money "as a sign of sympathy and solidarity with arraigned Israel."<sup>15</sup> The non-negligible amount of CHF 250,000 raised was put at the disposal of the national Israeli UNESCO commission.<sup>16</sup> Both the budgetary cut and the successful appeal demonstrated that a strong pro-Israeli sentiment prevailed in parliament and the broader Swiss public.

---

<sup>8</sup> On the Arab-Israeli controversies in UNESCO, see notably: William Jr. Preston, Edward S. Herman, and Herbert I. Schiller, *Hope and Folly. The United States and UNESCO, 1945-1985* (Minneapolis: University of Minnesota Press, 1989), p. 132-137. See also: Gfeller, Aurélie Elisa, 'Culture at the Crossroad of International Politics. UNESCO, World Heritage and the Holy Land', *Papiers d'actualité/Current Affairs in Perspective: Fondation Pierre Du Bois*, 3, 2013, p. 2-6. For a brief discussion of these resolutions, see: Clare Wells, *The UN, UNESCO and the Politics of Knowledge* (New York: Palgrave Macmillan, 1987), p. 2-3.

<sup>9</sup> Victor-Yves Ghebali, 'The Politicisation of UN Specialised Agencies: A Preliminary Analysis', *Millennium*, 14.3 (1985), p. 325.

<sup>10</sup> Cf. Altermatt, *La politique étrangère de la Suisse ...*, p. 91.

<sup>11</sup> Briefly discussed in: van Ooyen, *Die Schweizerische Neutralität ...*, p. 191-195. Further in: Kreutner, *Die Schweiz und Israel...*, p. 119-121. And in: Fischer, *Die Grenzen der Neutralität...*, p. 118-119.

<sup>12</sup> See: "Voranschlag der Eidgenossenschaft für 1975" in *Official Bulletin of the Federal Assembly*, Vol. V, 1974, p. 619.

<sup>13</sup> *Ibid.*

<sup>14</sup> *Ibid.*, p. 621

<sup>15</sup> See this appeal, „Aufruf: Pro Israel 74“, 11.12.1974, SFA, E2001E-01#1988/16#3952\*, B.38.21.21.

<sup>16</sup> See the letter from Jacques-Bernard Rüedi, Swiss ambassador in Tel Aviv, to the Division of International Organizations, FPD, 02.11.1976, SFA, E2001E-01#1988/16#3952\*, B.38.21.21.

The Swiss parliament's decision to cut the UNESCO contributions incurred the wrath of an orchestrated Arab campaign. The strong reactions specifically targeting Switzerland can be somewhat puzzling. Not only were the financial cuts to UNESCO by no means substantial, but the Swiss were not the only state reducing their contribution. The French parliament did so as well, and the US Congress outright suspended its UNESCO contributions.<sup>17</sup> Echoing the Netherlands' exposure during the Arab oil embargo, Alfred Hohl from the Political Division of the FPD told US ambassador Davis that the Swiss "were now in the 'Dutch position' with respect to the Arabs."<sup>18</sup> The orchestrated Arab response to the Swiss parliament's decision to cut UNESCO funding was intended to have a deterrent effect on other Western governments. It set an example: whoever followed the Swiss in cutting UNESCO contributions would risk Arab reprisals.<sup>19</sup> The possibility of the Swiss adopting countermeasures was considered less likely by the Arab states than from France or the US, targeting Switzerland hence was also less risky.

Swiss economic interests in Syria seemed particularly exposed to threats in this political controversy. Ambassador Charles Albert Dubois, posted in Beirut since 1970s, was unable to predict what measures might be concretely taken by the Syrian authorities. But he insisted that "it is to be feared that the big contracts (ca. 100 million francs) with Bühler (silos) and Sulzer (looms) might be victims of reprisals."<sup>20</sup> Not even a month earlier, the first Bühler silo installation had been inaugurated in Syria. On that occasion, the Swiss chargé d'affaires in Damascus, William Roch, posted in Syria since the summer of 1973, could still echo the "credit the company Bühler enjoyed in Syria" where it was erecting the "largest silo project worldwide."<sup>21</sup> Three weeks later, Roch was obliged to detail in an extensive letter to Bern how "Syria bullies Switzerland."<sup>22</sup> The Syrian vice-Minister of Foreign Affairs warned that Swiss neutrality was compromised by the parliamentary decision on UNESCO, labeling it a "hostile act towards the Arabs."<sup>23</sup> Roch struggled to evaluate the consequences this criticism might entail, as the supposedly "emotional nature of the Arab does not allow anticipating the extent of his reaction."<sup>24</sup> Although not expecting any "spectacular gestures", he thought that the Syrian government would give its senior officials "discriminatory instructions that would apply to our companies, especially for tenders."<sup>25</sup> Swiss fortunes in Syria were indeed veering off course swiftly and strongly. The rise of Syrian animosity for Swiss business in the wake of the UNESCO incident risked harming their interests throughout the entire Middle East. The uncertainty for Swiss companies would continue

---

<sup>17</sup> Wells, *The UN, UNESCO ...*, p. 19.

<sup>18</sup> This meeting, called for by the US embassy, was reported to Washington in a confidential telegram from Davis to the Secretary of State, Washington DC, 13.12.1974, NARA, RG 59, Electronic Telegrams 1974, retrieved from the AAD at [www.archives.gov](http://www.archives.gov), January, 2016.

<sup>19</sup> See the telegram from Charles Albert Dubois, Swiss ambassador to Syria, Beirut, to the FPD, 09.12.1974, DDS, [dodis.ch/39563](http://dodis.ch/39563).

<sup>20</sup> *Ibid.*

<sup>21</sup> See the letter from William Roch, Chargé d'affaires, Swiss embassy, Damascus to the Division of Commerce, 23.11.1974, SFA, E7110#1985/97#1484\*, 861.1.

<sup>22</sup> Letter from Roch to the FPD, 14.12.1974, SFA, E2300-01#1977/30#27\*, A.21.31.

<sup>23</sup> *Ibid.*

<sup>24</sup> *Ibid.*

<sup>25</sup> *Ibid.*

throughout the following year, with Damascus authorities sending conflicting signals. On some occasions, they would laud Swiss producers; on other occasions, discriminate against them.

Reacting to the accusation of Swiss partiality against the Arabs, the General Secretary of the FPD, Ernesto Thalmann, sent a circular telegram with instructions to the Swiss embassies in the Arab world in mid-December 1974. The UNESCO issue, according to Thalmann, was the culminating point in a series of Arab grievances against Switzerland, including its adhesion to the IEP. Beyond objections that had been expressed bilaterally, he informed the embassies that the General Secretary of the Arab League had urged the Foreign Ministers of the Arab states to take a common stance against Switzerland, likely in the form of economic reprisals. “In view of the seriousness of these recent developments,” the Swiss Federal Council issued a public statement on December 13.<sup>26</sup> Referring to a “campaign against Switzerland,” the Swiss government defended the Swiss parliament’s sovereignty over budgetary matters while insisting on the government’s wish for harmonious relations within all international organizations.<sup>27</sup> Recommending the ambassadors to request audiences from the authorities in their respective host countries, Thalmann instructed them to mention the Swiss government’s inability to influence mass media, which “sometimes leads to a sort of gap between our executive, public opinion, mass media and parliament.”<sup>28</sup> The Swiss authorities under pressure from Syria instructed their ambassadors to distance themselves from their government’s own constituents. They former, the instructions further highlight, wished to “maintain good relations with the Arab countries,” of which Graber’s visit to Cairo in May 1973 was said to have been central to that effort.<sup>29</sup>

In a second circular telegram that same day, Thalmann gave clearer instructions on how to answer any apprehensions from the Arab governments. He insisted that the federal government had, during relevant parliamentary sessions, repeatedly called for maintaining the Swiss UNESCO contribution to its full extent. The ultimate reduction should not be seen as a pro-Israel or anti-Arab gesture, but as an act “against the politicization of the UN special agencies.”<sup>30</sup> Thalmann reminded them that the interpretation of Swiss obligations stemming from its neutrality policy was solely in the competency of the Swiss authorities themselves. Incidentally, the latter had done “everything to continue exercising their good offices,” be it as its “host role for the Geneva Middle East Conference [...] [or] its role as host state of the ICRC,” whose services the Arab side “time and again requires.”<sup>31</sup> The instructions gave two talking points. First, the oral arguments in Swiss parliament favoring cuts in the UNESCO

---

<sup>26</sup> Circular telegram by Ernesto Thalmann to Swiss embassies in the Arab world, 16.12.1974, DDS, dodis.ch/39565.

<sup>27</sup> See the statement published in full in: „Zur arabischen Kampagne gegen die Schweiz“, NZZ, 14./15.12.1973.

<sup>28</sup> Circular telegram by Ernesto Thalmann to Swiss embassies in the Arab world, 16.12.1974, DDS, dodis.ch/39565.

<sup>29</sup> *Ibid.*

<sup>30</sup> See the circular telegram from Thalmann to Swiss embassies in the Arab world, 16.12.1974, DDS, dodis.ch/39566.

<sup>31</sup> *Ibid.*

contribution did often have an anti-Arab undertone. But the second one, Thalmann's reference to Swiss good offices, is more interesting. He instructed the Swiss ambassadors to remind their interlocutors of the services Switzerland had provided to them in the past. Hence, the Swiss government tried appeasing the Arab governments and attempted to reap benefits from its limited but efficient intervention during the October War.

That said, the Swiss could also count on support from within the Arab world. The Egyptian authorities, as during the Swiss-Arab rows arising from Palestinian terrorist activities in 1969/70, displayed a placated attitude during this diplomatic crisis. Gagnebin, in a letter to Thalmann on December 19, relayed a discussion with the Egyptian Under Secretary of State. His counterpart initially did express that Egypt poorly viewed Swiss actions around UNESCO and the IEP. But after Gagnebin explained the Swiss position as per Thalmann's instruction, the Egyptian official's tone changed. The Swiss ambassador had the impression that Foreign Minister Fahmy sent a junior official to this meeting because he wanted to avoid an "onerous task."<sup>32</sup> Not only was the Egyptian side conciliatory, Gagnebin also thought that the Egyptian Foreign Minister would put a break on the Arab League's adoption of a hostile position against Switzerland. "In order to stimulate the Egyptian Foreign Ministry towards reflection," Gagnebin reminded him of a recent Swiss humanitarian delivery of 100 tons of flour to the Canal Zone population.<sup>33</sup> He also mentioned Swiss "industrial aid," notably in the form of an agreement reached at amicable price with the Swiss firm Bühler for the construction of a production site for organic fertilizers in Egypt. Gagnebin concluded that "for the second time – and I insist the second and last time – the climate between our two countries has been safeguarded."<sup>34</sup>

The Swiss authorities analyzed the danger of escalating tensions with the Arab states in the aftermath of the so-called politicization of UNESCO at least in part through an economic lens. They deployed a series of measures to avoid flaring up a disrupting controversy – and therefore economic reprisals. First, they launched a coordinated, proactive attempt to cool tempers in the Arab world. Here, they explicitly distanced themselves from Swiss parliament, Swiss press and Swiss public opinion. The ambassadors reminded the Arab states of their own interest in Swiss good offices in the conflict with Israel, as well as in the humanitarian support and economic cooperation the Swiss provided on favorable terms. The Cairo authorities again played an influencer role for the Swiss in the Arab world, making the Swiss position understood in the region and hampering any further drive to severing relations.

---

<sup>32</sup> Confidential letter from Gagnebin to Thalmann, 19.12.1974, SFA, E2001E-01#1987/78#2579\*, B.15.21.

<sup>33</sup> *Ibid.*

<sup>34</sup> *Ibid.*

### *A New Type of Cold War With the Third World?*

Although it was not clear in advance if it would provoke substantial Arab reprisals against Switzerland, the UNESCO incident ultimately did not lead to retaliation. It did, however, prompt a broader questioning inside Switzerland around its scope for foreign policy. Already in late November and early December 1974, a series of interpellations and motions on the UNESCO issue were submitted in parliament.<sup>35</sup> Among the most significant was one submitted by the historian and conservative member of the National Council, Walther Hofer. His mid-December 1974 interpellation recognized a “new phase of tense political and economic confrontation” on a world scale in the shape of a “new type of Cold War.”<sup>36</sup> In this new phase, the UN and its special agencies were seen as the stage for “political and economic extortion” of Western countries, including Switzerland.<sup>37</sup> Walther Hofer was a leading conservative parliamentarian specialized in foreign policy. A history professor at the University of Bern, he was renowned for his work on totalitarianism.<sup>38</sup> The fact that a specialist on totalitarianism, who was a public figure, denounced newly independent countries’ supposedly extortive policies was certainly not trivial. This interpellation showed a necessity perceived within Swiss parliament to receive a foreign policy evaluation from its government. This concerned the specifics resulting from its participation in specialized international organizations as well as, more broadly, the general scale and scope for Swiss foreign policy in this supposed new period.

The Swiss government did recognize a significant modification in the international order and sought to better understand it. In a February 1975 meeting of the Commission on Foreign Affairs of Parliament, Pierre Graber acknowledged the increased interdependence of political and economic variables influencing the state of international relations. He was convinced that the Arab-Israeli conflict was one of the most significant interlinkages, as it constituted the most severe threat to international peace. The danger emanating from a possible resumption of hostilities in the region was largely analyzed through the lens of eventual economic repercussions – another supply or price crisis in the energy sector. The sense of desperation was heightened by the economic crisis that had, in the meantime, also broken out in Switzerland,<sup>39</sup> as will be seen later.

To sharpen their understanding of the international situation and its implications for Swiss foreign policy, and to answer Hofer’s interpellation, the FPD consulted their diplomatic personnel. Reporting from the Middle East was important, as it was one of the main reliable sources on what was happening at the time. An extensive report from

---

<sup>35</sup> See for instance an interpretation questioning the Swiss delegations’ behavior at the UNESCO General assembly and future Swiss collaboration with this organization in: „Interpellation Gut. Beziehungen zur UNESCO“, in *Official Bulletin of the Federal Assembly*, Vol. II, 1975, p. 832.

<sup>36</sup> See: „Interpellation Hofer-Bern. Internationale Lage“, in *Official Bulletin of the Federal Assembly*, Vol. II, 1975, p. 842.

<sup>37</sup> *Ibid.*

<sup>38</sup> See the entry: “Walther Hofer” in *Historisches Lexikon der Schweiz*, <https://hls-dhs-dss.ch/de/articles/006380/2014-03-11/>.

<sup>39</sup> See the address by Graber to the Commission of Foreign Affairs of the National Council, 25.02.1975, SFA, E1050.12#1995/511#19\*, 1.

late February 1975 by the Swiss ambassador to Syria stationed in Beirut, Charles Albert Dubois, was one prominent example of such coverage. Unlike Walter Hofer, Dubois did not recognize any worsening from his post. On the contrary, the Arab-Israeli conflict was nothing new and could not be interpreted as a deterioration of the international order. The most recent war had even opened the path for “a shaky, but acceptable compromise,” the ambassador was convinced.<sup>40</sup> Instead of an escalation in international conflict, Dubois saw a relative easing of tensions.

According to Dubois, the likely compromise in the Middle Eastern conflict would favor Arab-Western economic relations. The coordinated multilateral response to the price hikes had made the oil issue a material question instead of a political one. It could “therefore be resolved without too much difficulty,” Dubois wrote.<sup>41</sup> To reach a beneficial agreement for the international economic order, Dubois proposed that the OPEC states, particularly the Arab producers, should be “solidly integrated into the Western economy.”<sup>42</sup> Dubois saw the consequences of the oil crisis’s economic disruptions as an opportunity to reaffirm Western dominance in international economic order, rather than a flaring up of continued North-South tensions. In terms of the politicization of international organizations, Dubois was also less pessimistic than Hofer. That confrontations within international organizations were linked to specific conflicts, such as the Arab-Israeli one, did not seem very important to him. Deeper antagonisms manifesting themselves in international organizations linked to the “inexperience of the young African nations, which [made] them overestimate the efficiency of these type of actions.”<sup>43</sup> They were often economic antagonisms between former colonies and the West: a blowback to the “abuses that accompanied the colonial power.”<sup>44</sup>

Dubois’ evaluation of Syrian criticism of Swiss UNESCO and energy policy was somewhat paradoxical. According to the ambassador’s interpretation, Swiss neutrality was finally recognized and appreciated, even by radical Arab states. Swiss relative smallness and neutrality had “in the past yielded advantages for us. Countries that feel weak [could] enter into close relations with us without doubting pressure to which they could not resist.”<sup>45</sup> According to Dubois, however, this led states to hold Switzerland to higher standards. The high expectations that the Arab countries placed on Swiss neutrality had to be measured against the benefits it could induce. This was already starting to materialize in the form of economic opportunities, Dubois claimed in his letter. The October War and the oil price hike had given an “enormous boost” to Swiss activities in Arab markets, with the big Swiss machinery companies BBC and Sulzer at the front of the line. According to the ambassador, heightened Swiss export interest in the regions coincided with the Arab government’s economic reorientation towards the

---

<sup>40</sup> Confidential letter from Charles Albert Dubois, Swiss ambassador in Beirut, to François de Ziegler, Head of the Political Division, FPD, 25.02.1975, DDS, <https://dodis.ch/38672>.

<sup>41</sup> *Ibid.*

<sup>42</sup> *Ibid.*

<sup>43</sup> *Ibid.*

<sup>44</sup> *Ibid.*

<sup>45</sup> *Ibid.*

West. Because of “technical requirements,” i.e., acquiring know-how, they would precisely need to seek rapprochement with the industrial economies that could provide it.<sup>46</sup>

Dubois clearly disagreed with a number of issues raised by National Council member Hofer. From his post in Beirut, he did not see the Middle Eastern situation as worse than in the past. In fact, a peaceful settlement of the Arab-Israeli conflict seemed possible. The arm wrestling between developed capitalist countries and the Arab oil producers had ended in a draw. The Arab states’ politicization of international organizations was, in the end, of little importance and likely temporary. It was, however, important that Switzerland, to support its export industry in the Middle East, maintain its neutral position and image of smallness while managing high Arab expectations. The signs pointed to not increased confrontation, or even a new Cold War with the Third World, but to opportunity – especially business opportunity in a Western-led international order. This evaluation left its mark on Pierre Graber’s foreign policy outline in Swiss parliament under heightened international interdependence.

In the meantime, Switzerland was integrating into this recomposed international order. In March 1975, Swiss parliament was to sanction the membership in the IEA. The Federal Council’s message to parliament was mostly a descriptive assessment of the recent evolution of the oil market and its economic consequences, with, obviously, a special focus on the Swiss situation and Swiss position towards the establishment of the IEP.<sup>47</sup> It highlighted that the changes in the oil market reflected a “fundamental modification of international economic relations,” which would require “extensive and sustained cooperation.”<sup>48</sup> The text failed to discuss any viable options for Switzerland outside of the IEA, while nuancing its political character. The weight of the US in the IEA was certainly acknowledged. The federal government, however, insisted that the provisions of the agreement prevented the US from imposing its will on the other member states.<sup>49</sup> Besides some parliamentary criticism from both the extreme left and right, which Federal Council member Brugger labeled as “anti-American reflexes,”<sup>50</sup> the vote in early March on Swiss membership in the IEA was uncontested.<sup>51</sup> Concerns regarding the potentially negative impact it could have on Swiss-Arab relations were not raised during parliamentary debates. No reactions from the Arab world have been found in the consulted archives, suggesting that these states did largely accommodate the constitution of the IEA.

---

<sup>46</sup> *Ibid.*

<sup>47</sup> See sections 1 and 2 in: „Botschaft des Bundesrates an die Bundesversammlung über die Beteiligung der Schweiz am Übereinkommen über ein Internationales Energieprogramm“ in *Federal Gazette*, Vol. 1, Nr. 9, 1975, p. 751-770. The message also contains a useful section on the history of Western oil consumption and the important changes that occurred in the structure of the international oil market throughout the 1960s and early 1970s, and obviously the 1973/74 oil crisis itself.

<sup>48</sup> *Ibid.*, p. 780.

<sup>49</sup> *Ibid.*, p. 781-782.

<sup>50</sup> *Ibid.*, p. 342.

<sup>51</sup> The National council voted 149 to 10 for joining: „Internationales Energieprogramm“, in *Official Bulletin of the Federal Assembly*, Vol. II, 1975, p. 346 and the Council of States approved it by 32 to 1, see: „Internationales Energieprogramm“, in *Official Bulletin of the Federal Assembly*, Vol. II, 1975, p. 186.

The Swiss joining of the IEA, largely uncontested both domestically and internationally, and the relative soothing of relations with the Arab states, did not dissipate the general climate of crisis and uncertainty dominating Swiss foreign policy at the time. This was notably expressed in April 1975 by the General Secretary of the FPD, Ernesto Thalmann, during a meeting of the working group ‘historische Standortbestimmung,’ an advising group on foreign policy composed of high-scale foreign affairs officials, members of parliament and academics. Thalmann insisted that the “profound power shift” created in part by the energy crisis and geopolitical developments in the Middle East forced “new dimensions on our foreign policy.”<sup>52</sup> Thalmann argued that the Swiss response should be a more active foreign policy, at the bilateral and multilateral levels. Besides Swiss involvement in the CSCE,<sup>53</sup> he mentioned a second field that would be “trendsetting” for future Swiss foreign policy: Swiss-Arab relations. After showing how Swiss diplomatic efforts, Graber’s visit to Cairo two years earlier in particular, managed to stabilize tense relations with the Arab countries, Thalmann came to the “major setback” of the past year. He wrote that these obstructions were countered with “systematic information campaigns in the different Arab capitals and Bern” which helped “to avert the menacing storm.”<sup>54</sup> The Arab world was therefore at the core of both the crisis and its hoped resolution in Swiss foreign policy.

This foreign policy dilemma between a feeling of generalized crisis in world relations on the one hand and a favorable outlook in the Arab world on the other, was reflected in the economic reporting from the Swiss embassy in Damascus. In late April 1975, Swiss chargé in Damascus, William Roch, described growing Swiss exports to Syria.<sup>55</sup> As seen in Graph 25, Swiss exports to Syria had more than doubled in real value from 1971 to 1974, and were continuing to grow. Not only did Roch notice Swiss firms’ considerable interest in establishing business relations with Syria, he also reported “an undeniable goodwill for Switzerland” in his host country.<sup>56</sup> Despite the UNESCO incident of December 1974, and despite high prices on Swiss goods, “Syrians appreciate our products and commercial practices,” and purchased the goods they considered “indispensable to the development of their country.”<sup>57</sup> He reiterated his proposal for senior Swiss foreign policy officials and an OESC representative to visit Damascus.<sup>58</sup>

---

<sup>52</sup> See Thalmann’s contribution in the minutes of the Arbeitsgruppe historische Standortbestimmung, „Möglichkeiten und Grenzen der schweizerischen Aussenpolitik in einer sich wandelnden Welt: kleinstaatliche Methoden für den Umgang mit Abhängigkeit“, 05.04.1975, DDS, <http://dodis.ch/34216>.

<sup>53</sup> On Swiss involvement in the CSCE process in this period, see Fischer, *Die Grenzen der Neutralität* ..., p. 140-158.

<sup>54</sup> *Ibid.*

<sup>55</sup> Letter from Roch to Alfred Hohl, Deputy of the Head of the Political Division II, FPD, 28.04.1975, SFA, E2001E-01#1988/16#5645\*, C.41.111.0.

<sup>56</sup> *Ibid.*

<sup>57</sup> *Ibid.*

<sup>58</sup> *Ibid.*

Just a couple weeks later, Roch again had to reverse his evaluation. He deplored that his “apprehensions regarding discriminatory instructions” against Swiss tenders were indeed materializing in the Syrian administration.<sup>59</sup> This concerned a tender submitted by the Swiss engineering consultancy *Société Générale pour l’Industrie* for sanitization projects in Damascus, Homs and Hama which, had been dismissed by the Syrian authorities for supposed political reasons.<sup>60</sup> This discrimination against a Swiss company was perhaps not as severe as Roch painted it. Nonetheless, it provoked a prompt reaction in Bern, leading to efforts to increase direct bilateral contacts. In a note to the Division of Commerce, Jürg Iselin, the head of the Political division II of the FPD, acknowledged that Syria had little time for the Swiss’ efforts to develop and better contacts with the Arab world. Fierce Syrian criticism of Swiss parliament’s UNESCO decision would now have “practical consequences”, i.e., disregarding the aforementioned Swiss tender for “political reasons.”<sup>61</sup> Iselin agreed with Roch that bilateral relations could be substantially bettered through a gesture of official Swiss interest. He therefore requested that the Division of Commerce include Syria among the countries where official Swiss delegations would visit as part of the general scheme to develop closer economic relations with Arab countries.<sup>62</sup> While the possibility for such a visit was not pursued until the end of the year, once the discrimination case against *Société Générale pour l’Industrie* took place, the federal authorities started moving to ameliorate bilateral relations. Swiss foreign policy, as seen in the example of relations with Syria, could expose Swiss business to risks. However, it was through the renewal of political ties that the fate of Swiss economic interests could improve. The Swiss foreign policy turn towards the Third World during the 1970s must be understood as an attempt to compensate for the dwindling benefits drew from its lack of a colonial past.

In mid-June 1975, Walther Hofer’s interpellation was finally discussed in parliament.<sup>63</sup> Hofer asked the Federal Council for an assessment of the state of international relations and Switzerland’s position in them. Hofer recognized that the oil crisis had opened a new conflicted situation, which was reflecting in the politicization of UN organizations. He viewed these as the two most important security problems of the time.<sup>64</sup> A minority of “democratic states” was supposedly being “continuously raped” in the international organizations.<sup>65</sup> Hofer used heavy language to cry of crisis and actual abuse. The Arab-Israeli conflict and changes in international economic relations resulting from the oil crisis were, for Hofer, crucial elements of this new situation.

---

<sup>59</sup> See the telegram from the Swiss embassy in Damascus, to the FPD, 13.05.1975, SFA, E2001E-01#1988/16#5645\*, C.41.111.0.

<sup>60</sup> *Ibid.*

<sup>61</sup> See the note from Jürg Iselin, Head of the Political Division II, FPD, to the Division of Commerce, 21.05.1975, SFA, E2001E-01#1988/16#5645\*, C.41.111.0.

<sup>62</sup> *Ibid.*

<sup>63</sup> On this, see also: Fischer, *Die Grenzen der Neutralität ...*, p. 131-132.

<sup>64</sup> See: „Interpellation Hofer-Bern. Internationale Lage“, in *Official Bulletin of the Federal Assembly*, Vol. II, 1975, p. 843.

<sup>65</sup> *Ibid.*

Pierre Graber gave a lengthy answer to Hofer's motion in parliament. His speech amounted to a general outline of the Federal Council's perception of the international dynamics at play and the consequential Swiss foreign policy orientation. Again, relations with the Third World were a crucial element. He noted that an acceleration of international diplomacy had led to a questioning of "the fundamental notions on which the world equilibrium was based on."<sup>66</sup> This process, Graber continued, was set in motion by the 1973 October War and was characterized by three variables that in turn determined the international situation they were in. First, Cold War conflict between the superpowers reaffirmed itself. Second, political independence of the former colonies had created a new balance of forces on a global scale. And third, developed capitalist countries had to recognize the vulnerability of their economic systems caused by their dependency on raw materials and sources of energy. These overlapping variables could lead to situations of political and economic crisis, but could also benefit international affairs. In fact, Graber saw space for a neutral country like Switzerland as multi-polarization mitigated the excessive concentration of powers.<sup>67</sup>

Throughout his speech, Graber stressed the role of the Third World in shaping this new international order. But he did not place blame on these "new members" of the "international society."<sup>68</sup> Graber considered it normal that most aspects of international life were challenged, that history had developed without considering those who formerly were "simple objects, [but] now have become its most numerous subjects."<sup>69</sup> As such, he interpreted the supposed politicization of international organizations within the context of decolonization. Graber did not think the notion of politicization was relevant, as all international organizations consisted of sovereign states with their own interests and were therefore always "political in a way."<sup>70</sup> At the same time, he did deplore political debates encroaching on organizational mandates.<sup>71</sup>

On the conflicted relations between developed and developing countries, Graber emphasized Switzerland's openness to the establishment of new rules governing international economic relations. Using oil as an example, he insisted that the balance of forces between producer and consumer states had again become steadier. Initially the oil crisis had a shocking effect on the West, especially as it coincided with the "gravest structural crisis" the West had experienced in more than a generation.<sup>72</sup> Affronting this shift in international power relations, developed capitalist countries had to insist on converging interests with the developing world, Graber claimed. This meant reminding the oil-producing countries of their dependence on Western technology and capital goods.<sup>73</sup> He considered the Third World countries unable to articulate common

---

<sup>66</sup> See Graber's answer, *ibid.*, p. 844.

<sup>67</sup> *Ibid.*, p. 844-845.

<sup>68</sup> *Ibid.*, p. 845.

<sup>69</sup> *Ibid.*

<sup>70</sup> *Ibid.*

<sup>71</sup> *Ibid.*

<sup>72</sup> *Ibid.*, p. 846.

<sup>73</sup> *Ibid.*, p. 845-846.

positions and consequently, unable to form a cohesive bloc that would antagonize the interests of developed capitalist countries.<sup>74</sup>

But the Swiss image abroad, and particularly in the Third World, was damaged. Graber blamed the abuses of Swiss banking secrecy and his government's low contribution to development aid for this deterioration. For too long, "we have lived with the idea that our humanitarian tradition and our attachment to the virtues of liberty, democracy and neutrality preserved us [...] from the vast movements of the world."<sup>75</sup> Things had changed and Switzerland was now perceived to be "a country like the others, seeking [...] to defend its national interests," no longer judged with the command of neutrality.<sup>76</sup> He concluded by appealing to the Swiss parliament and general public "to open up without fear to the world, and [...] to help us defend Switzerland's place, its own values and legitimate interests."<sup>77</sup>

Graber's call for a dauntless opening to the world certainly reflected this perceived crisis in Swiss foreign policy. The crisis unfolded both in the realm of Swiss-Arab relations and in the general context of deteriorating North-South relations, indeed reflecting the severing of the dividends Switzerland had retained in the Third World since the beginning of decolonization. Critique of unequal relations in the post-colonial world had shifted away from former colonial powers. Increasingly questioned was the entire relation of production and unequal exchange. A more engaging Swiss foreign policy was in the making, particularly in regard to the Third World. The US ambassador in Bern, Peter H. Dominick, reporting on Graber's address to Parliament to Washington, aptly commented on this turn. His interpretation was that the Swiss "will surely cling to their neutrality policy to the bitter end. They are also very clear-eyed about wanting to defend their economic interests to the utmost."<sup>78</sup> This is precisely how Graber's concluding remarks can be interpreted. While he certainly proposed a stronger outward orientation of Swiss politics and society, his reference to Swiss values and interests meant an unwavering abidance to neutrality and a virulent defense of its 'legitimate interests', i.e. business interests. These Swiss foreign policy rationales were not seen as contradictory to a stronger political opening towards the Third World. Judging from the ensuing Swiss presence in the Middle East, this foreign policy turn materialized in Swiss attempts to approach countries with fewer preconceived ideas. But the main Swiss focus would continue to lie in developing economic relations.

Swiss multilateral involvement in world affairs began to take its toll on Switzerland's position in the Third World and at home. Neutrality only partially isolated the Swiss government from foreign pressure. On the contrary, it could even, on occasion, increase them. The crisis provoked by the UNESCO incident did not lead to disengagement from foreign policy; the Swiss never attempted to fully withdraw from UNESCO under

---

<sup>74</sup> *Ibid.*, p. 847.

<sup>75</sup> *Ibid.*

<sup>76</sup> *Ibid.*

<sup>77</sup> *Ibid.*, p. 848.

<sup>78</sup> See the Airgram from Peter H. Dominick, US Ambassador in Bern, to the State Department, 25.06.1975, NARA, P-reel Printouts, RG 59, Box 115A, P750115-0219.

pressure stemming from its politicization. In fact, it set the stage for more active Swiss involvement abroad, particularly in the Arab World. Here, Swiss authorities began to review their overall position in an increasingly complex world. They understood the crisis of international interdependence as a long-term consequence of colonialism and decolonization, which was now imposing on Swiss foreign relations. But despite awareness of the shortcomings its strict neutrality policy might have, a loosening of this foreign policy doctrine was not on the table.

#### **4.2. Dwindling Swiss Business Interest in Israel**

International attention to the Middle East considerably increased following the October War. Unlike the Arab countries that skillfully sought to exploit their increased bargaining power in international political and economic relations, Israel's position on the world stage was diminishing. In the mid-term, the war opened a phase of generalized crisis in Israeli society, politics and economy,<sup>79</sup> as was noted by the Swiss authorities half a year after the conflict.<sup>80</sup> Swiss interest in maintaining business relations with Israel had already diminished prior to and immediately after the war, and it now fell further. Dwindling Swiss business interest was not solely contingent on the war itself. The war gave way to a durable shift of Swiss companies' economic priorities in the Middle East. This subchapter shows that between 1974 and 1975, Israeli authorities did not accept its falling standing, internationally or in Switzerland. They sought to escape from this growing isolation by proposing economic rapprochements to the Swiss. These offerings chiefly concerned commercial relations, ranging from potential reciprocity for Swiss tariff preferences for Israel, to a possible Swiss-Israeli free trade agreement. Given the dire state of the Israeli business cycle after the October War, Swiss authorities and business associations were reluctant to engage Israeli advances.

##### ***Reciprocity in Unilateral Swiss Trade Preferences for Israel***

The main Swiss-Israeli bilateral economic contacts after the war revolved around tariffs. The Swiss authorities' unilateral tariff preferences on industrial imports from developing countries, introduced in 1971, formed the backdrop for these discussions. These measures had been taken in the Generalized System of Preferences (GSP), elaborated by the OECD for developed economies, and by UNCTAD for developing economies.<sup>81</sup> Gradually, tariffs on imports from developing countries were reduced. In the Swiss law on these preferences, the Federal Council explicitly retained the authority

---

<sup>79</sup> See, for example: Susan Hattis Rolef, 'The Domestic Fallout of the Yom Kippur War', in *Revisiting the Yom Kippur War*, ed. by P. R. Kumaraswamy (London: Frank Cass Publishers, 2000), p. 177-94.

<sup>80</sup> See the letter from Hansjörg Hess, Swiss ambassador in Tel Aviv, to Graber, 10.04.1974, SFA, E2300-01#1977/30#83\*, A.21.31.

<sup>81</sup> For an overview of the lengthy negotiations leading to the GSP introduction, see: Norma Breda dos Santos, Rogério Farias, and Raphael Cunha, 'Generalized System of Preferences in General Agreement on Tariffs and Trade/World Trade Organizations', *Journal of World Trade*, 39.4 (2005), p. 637-650.

to modify beneficiary countries if substantial Swiss economic interests were at stake.<sup>82</sup> By October 1973, the Swiss authorities were preparing the second stage of tariff reductions. The Vorort, consulted on the topic by the federal authorities, proposed narrowing the circle of countries benefiting from the second tariff reduction. For “political reasons” they wanted “certain Mediterranean countries” to be excluded from further concessions.<sup>83</sup>

Swiss tariff preferences for Spain, Greece and Israel were contested. For its part, the EEC had not included Israel in its arrangement on unilateral tariff reductions.<sup>84</sup> So unsurprisingly, Swiss business doubted the soundness of Swiss preferences for Israel. Despite the GSP having “one of its main features non-reciprocity,” since it was presented as a measure of development aid,<sup>85</sup> the Swiss authorities now started requesting de facto reciprocal treatment of Swiss exports to Israel. This happened during a Swiss-Israeli meeting on May 22, 1974, between the main international trade negotiators of the two states: Pierre Languetin, Federal Council’s Delegate for Commercial Treaties, and Adin Talbar, Deputy Director for Foreign Trade of the Israeli Ministry of Commerce and Industry. Languetin explained Swiss consideration to include Israel among the countries benefiting from preferences. Given the recent Middle East wars, the federal authorities did not want to disadvantage Israel vis-à-vis other developing countries. However, considering the high Israeli per capita revenue and the prospective Free Trade Agreement (FTA) with the EEC, Languetin requested a “certain reciprocity” from Israel.<sup>86</sup> He communicated that Swiss industrial milieus “did not support preferential treatment of Israel” and expected concessions.<sup>87</sup> Although he admitted to the autonomous character of Swiss preferences accorded within the GSP, Languetin nonetheless insisted on potential Israeli concessions, proposing to do so on a most-favored nation (MFN) basis. Wishing for informal and discrete discussions, Languetin showed understanding for the difficult situation Israel was facing so as not want to put pressure on his counterpart. However, “the sooner the Israeli tariff concessions would be accorded, the better they would be greeted here,” Languetin intimated.<sup>88</sup>

---

<sup>82</sup> „Botschaft des Bundesrates an die Bundesversammlung über die Handelspolitik der Schweiz gegenüber den Entwicklungsländern und insbesondere über die Beteiligung der Schweiz am allgemeinen System von Zollpräferenzen zugunsten dieser Länder“ in *Federal Gazette*, Vol. 1, Nr. 15, 1971, p. 689-724.

<sup>83</sup> See the note from Klaus Jacobi, Delegate of the Federal Council for commercial treaties, to Ernst Brugger, Federal Council, FDEA, „2. Etappe der Zollpräferenzen im Rahmen des allgemeinen Präferenzensystems zugunsten der Entwicklungsländer“, 01.10.1973, DDS, dodis.ch/38606.

<sup>84</sup> See: Simon H. Langer, ‘The Israel-EEC Free Trade Agreement: An Analysis of the Agreement and Its Effect on Investments’, *Syracuse Journal of International Law and Commerce*, 9 (1982), p. 73.

<sup>85</sup> This was clearly noted in the Swiss government’s message to parliament upon introducing the GSP, see: Botschaft des Bundesrates an die Bundesversammlung über die Handelspolitik der Schweiz gegenüber den Entwicklungsländern und insbesondere über die Beteiligung der Schweiz am allgemeinen System von Zollpräferenzen zugunsten dieser Länder“ in *Federal Gazette*, Vol. 1, Nr. 15, 1971, p. 694.

<sup>86</sup> See the note from Fritz Staehelin, Head of the International Organizations for Development Aid Section, Division of Commerce, „Unterredung über die Handelsbeziehungen Schweiz-Israel, und insbesondere über die Möglichkeit von israelischen Zollsenkungen zugunsten der schweizerischen Exporte“, 22.05.1974, SFA, E7110#1985/97#539\*, 810.

<sup>87</sup> *Ibid.*

<sup>88</sup> *Ibid.*

Adin Talbar, the main Israeli trade negotiator of the late 1960s and early 1970s, welcomed these talks as there hadn't been any Swiss-Israeli trade discussions in twenty years. His government was thankful that Switzerland included them in the GSP. According to Talbar, Israel was willing to show goodwill to the Swiss export industry and promised to send a list of customs posts where autonomous tariff reductions could be undertaken. But he signaled that in the long term, a Swiss-Israeli FTA should be considered.<sup>89</sup> Languetin, albeit willing to prepare a list of posts where Swiss industry could be interested in obtaining tariff reductions, again insisted on the Swiss wish to avoid actual negotiations. A possible FTA with Israel could only be envisaged in the "very distant future."<sup>90</sup>

This encounter offers three noteworthy conclusions. First, as highlighted in Swiss parliament upon introduction of the GSP, the Federal Council's decision on which countries to include should be taken according to "objective criteria and not on the basis of political considerations."<sup>91</sup> Given Languetin's statement in his meeting with Talbar, political factors were actually significant when granting tariff preferences to Israel, as that country's development level did not justify its inclusion in the GSP. Second, the Swiss insistence on discrete discussions with Israeli authorities on possible tariff reductions was officially justified by the need to avoid raising to high hopes among Swiss business. However, given the economic escalation of the Arab-Israeli conflict via the use of the oil weapon and already erratic Swiss-Arab political relations, it is likely that the Swiss authorities wanted to avoid public association with Israel. Third, it is noteworthy that Pierre Languetin referred to Swiss business circles' opposition to the preferences for imports from Israel. As demonstrated above, Israeli economic development ambitions were hampering Swiss commercial interests – at least in important sectors of the Swiss economy like the pharmaceutical industry. Hence, excluding Israel from the second round of GSP would have constituted a retaliatory measure against the discrimination of Swiss commercial interests in Israel. This suggests that many Swiss business sectors were not such liberal free-traders after all. While the Swiss ultimately did not exclude Israel from the Swiss application of the GSP, they did raise a noticeable caveat to Israeli commercial practices.

### ***A Difficult Context for Swiss Business Interest in Israel***

Although there appear to have been discussions between Swiss foreign policy officials and Swiss business on economic prospects in Israel,<sup>92</sup> evidence on these matters is scarce in the consulted archives. But it is clear, as exemplified by a lack of interest from the Vorort in substantial discussions on economic relations with Israel, Swiss business interest further dipped in the period following the October War. In the words of the

---

<sup>89</sup> *Ibid.*

<sup>90</sup> *Ibid.*

<sup>91</sup> See the statement by Roger Mugny, conservative National council member and reporter from the Commission on Foreign Trade in: "Zollpräferenzen zugunsten der Entwicklungsländer. Gewährung" in *Official Bulletin of the Federal Assembly*, Vol. III, 1971, p. 460.

<sup>92</sup> See for example the circular letter from A. Agocs, Secretary at the OSEC, to the Member Companies, 04.06.1974, ACH, IB-Vorort, 366.7.

Vorort Secretary Paul Veyrassat, a summer 1974 discussion with Jacques-Bernard Rüedi, the new Swiss ambassador to Israel, had remained “general.”<sup>93</sup> There was no concerted effort to capitalize on a new Swiss ambassador to improve business relations with Israel.

This applied not only to higher-level economic relations, but also to specific, potentially interesting ventures. In October 1974, Jacques-Bernard Rüedi was still settling into the Swiss ambassador’s residency in Tel Aviv after having a more than four-year consular post in Munich. This was his first posting as an ambassador. A few weeks after his move, a Swiss citizen and President of the Swiss society of Tel Aviv, Saly Kimche, brought up the possibility of “subcontracting” deals between the Israel Aircraft Industries (IAI) and Swiss companies facing labor shortages. The IAI, owned and controlled by the Israeli Ministry of Defence, was actively seeking to attract foreign business. The aim was to utilize productive capacities and compensate for the exhausted demand stimulus that the October war had induced.<sup>94</sup> Michael Gelzer from the FPD, in an urgent telegram, omitted “serious reserves” to this proposition.<sup>95</sup> “Even if a cooperation could be established with Swiss companies in the field of civilian products, there is a considerable risk that this collaboration could one day nolens volens extend to military sectors, which would then amount to a form of military assistance. We do not need to describe the consequences that this could have in the current political context, both for the Swiss firms concerned and for our relations with the Arab countries,” Gelzer warned.<sup>96</sup> Unsurprisingly, the Division of Commerce also found subcontracting agreements with the IAI “totally inopportune.”<sup>97</sup> These serious objections were not surprising, considering the IAI was the same company that had started producing Israeli fighter jets based on plans obtained through industrial-military espionage in Switzerland some five years earlier. The harsh Arab reactions to this so-called Frauenknecht affair were by no means forgotten. If anything, risks of Arab reprisals in the period following the oil embargo must have been considered higher than before, and with potentially far-reaching consequences.

Potential Arab economic and political reprisals were not the only factors determining the precariousness of business relations with Israel. Local political and economic conditions were deteriorating; the October War had opened a period of crisis in Israel.<sup>98</sup> Swiss Chargé d’affaires in Tel Aviv, Bernard de Riedmatten, insisted that the new Labor government under Prime Minister Yitzhak Rabin was weak. Since the war, “everything is in constant change in this country: the most solid prevailing ideas are

---

<sup>93</sup> Note from Paul Veyrassat, Secretary of the Vorort, to Pointet, 27.08.1974, ACH, IB-Vorort, 366.7.

<sup>94</sup> See the letter from Rüedi to the Division of Commerce, 10.10.1974, SFA, E7110#1985/97#1962\*, 870.

<sup>95</sup> See the urgent letter from Gelzer to the Division of Commerce, 17.10.1974, SFA, E7110#1985/97#1962\*, 870.

<sup>96</sup> *Ibid.*

<sup>97</sup> This was communicated in a letter from Max Krell to Rüedi, 22.10.1974, SFA, E7110#1985/97#1962\*, 870.

<sup>98</sup> See the letter from Hess to Graber, 10.04.1974, SFA, E2300-01#1977/30#83\*, A.21.31.

tossed aside.”<sup>99</sup> Rabin had succeeded Golda Meir as Israeli Prime Minister in spring 1974, after the latter abdicated following public protest against her conduct in the war. According to economist Paul Rivlin, Rabin had to undertake “the difficult task of adjusting the economy to the harsh realities of the post-Yom Kippur War period.”<sup>100</sup> Rabin had come to power amidst growing domestic political and economic crisis in Israel.

Swiss diplomatic personnel in Tel Aviv also considered economic realities in the country to be harsh. Chargé de Riedmatten, in a letter to the Division of Commerce in early November 1974, reported a “rapid deterioration of the economic situation” in Israel.<sup>101</sup> The main reason, according to de Riedmatten, was the “alarming situation of the trade balance,” which had massively deteriorated since 1972.<sup>102</sup> A continuing increase of foreign debt, which was already standing at US\$ 5.5 billion, could bring Israel “to the verge of bankruptcy, with all that this would imply on the political and economic front.”<sup>103</sup> He was convinced that a new wave of austerity was coming. And indeed, just two weeks later he reported the introduction of brutal austerity measures in Israel, measures that provoked a general popular unrest.<sup>104</sup> Besides budget cuts and reduction in subsidies, including on a series of energy sources, the Israeli currency was devaluated by 43 percent and import restrictions were introduced.<sup>105</sup> These last two measures made exporting goods towards Israel extremely difficult as import prices rose. Politically, Israel’s economic difficulties led to a growing dependency on the US, since that country was the only possible source to “bridge the enormous [Israeli] deficits,” de Riedmatten’s was convinced.<sup>106</sup>

Covering the Israeli current account deficit became more difficult because foreign capital transfers fell, partially due to the shutting down of two prominent Jewish banks in Europe in summer and autumn of 1974. First the Israel-British Bank closed in July 1974.<sup>107</sup> Matters worsened for the Israeli economy, but also for Israeli politics, as the Geneva-based International Credit Bank (ICB) closed in October 1974. The bank’s director, Tibor Rosenbaum, a Swiss of Hungarian-Jewish origin, had engaged in speculative operations via shadow companies in Liechtenstein.<sup>108</sup> Besides such risky

---

<sup>99</sup> See the confidential letter from Bernard de Riedmatten, Swiss Chargé d’affaires, Tel Aviv, to François Ziegler, Head of the Political Division of the FPD; 29.05.1974, SFA, E2001E-01#1987/78#3588\*, B.73.0.

<sup>100</sup> Rivlin, *The Israeli Economy ...*, p. 48.

<sup>101</sup> Letter from de Riedmatten to the Division of Commerce, 07.11.1974, SFA, E7110#1985/97#448\*, 804.

<sup>102</sup> *Ibid.*

<sup>103</sup> *Ibid.*

<sup>104</sup> Letter from de Riedmatten to the Division of Commerce, 14.11.1974, SFA, E7110#1985/97#448\*, 804.

<sup>105</sup> *Ibid.*

<sup>106</sup> This was one of the conclusions drawn in the letter from de Riedmatten to the Division of Commerce, 07.11.1974, SFA, E7110#1985/97#448\*, 804.

<sup>107</sup> For a brief discussion of this banks default, see: Margaret Reid, *The Secondary Banking Crisis, 1973–75. Its Causes and Course* (London: Palgrave Macmillan, 1982), p. 114-115.

<sup>108</sup> See the note from Louis Rochat, Financial and Economic Service of the DPF to the Political Division II of the DPF, “Délégation de parlementaires suisses en Israël.”, 27.01.1975, SFA, E2001E-01#1988/16#3959\*, C.41.111.0.

deals, mostly in real estate, the ICB's "principal legitimate activities" had, according to the economist R.T. Naylor, been "the collection of funds for Israel from the Jewish communities of Europe and acting as banker to joint business ventures of European Jews and the State of Israel."<sup>109</sup> This affair launched a political scandal in Israel and generated financial repercussion. The ICB had channeled considerable Jewish foreign capital to Israel and, according to the *New York Times*, its troubles threatened "to damage the country's fund-raising efforts abroad when the Israeli economy is stretched tighter than ever in its struggle for survival."<sup>110</sup>

Consequences of that bank's failure were far-reaching in Israel, driving political crisis and adding to the difficulties to balance the current account deficit. And while the SNB feared reputational damage to the Swiss banking system,<sup>111</sup> the closure did not create any more concern in Switzerland or influence Swiss-Israeli relations. This partly stems from the fact that the ICB, despite being based in Switzerland, was not considered a Swiss bank. The aforementioned *New York Times* article noted that it was "not an Israeli bank, [it] was a Jewish bank",<sup>112</sup> so certainly not a Swiss bank. Indeed, according to the US ambassador in Bern, the Swiss authorities did not take "major interest in ICB problems" and the SNB reportedly "did not consider ICB as really a bank serving Switzerland."<sup>113</sup> Swiss officials noted that the bank was not even a member of the important Swiss Bankers Association. Consequently, only the Geneva legal authorities treated the issue on the Swiss side.<sup>114</sup> The lack of Swiss federal involvement likely stemmed from wanting to avoid all association with ICB activities. The ICB seems to have been knee-deep in illegal activities in both Israel and Europe, and an important pillar for the Israeli secret services' operations in Europe. Any association with such a bank was likely to harm Switzerland's position in the Arab world and the reputation of its financial center.

To be clear, Israel still retained considerable goodwill in Switzerland, at least in general public opinion. This was reflected in the reactions to the resolutions passed by the UNESCO General assembly in late 1974. The Swiss labor movement also maintained cordial relations with the Israeli Histadrut, notably dispatching a representative to the latter's conference in April 1974.<sup>115</sup> However, FPD documentation from early March 1975 around a visit to Israel from Swiss members of parliament already noted a more nuanced Swiss public opinion of Israel since the October War. This especially applied

---

<sup>109</sup> Robin Thomas Naylor, *Hot Money and the Politics of Debt* (London ; Sidney: Unwin Paperbacks, 1987), p. 22.

<sup>110</sup> Clyde H. Fransworth „A Global Bank Tangle and its Lost Millions“, *The New York Times*, 09.04.1975.

<sup>111</sup> Cf. the Minutes of the SNB's Board of Directors, No. 1009, p. 1492, 17.10.1974, ASNB.

<sup>112</sup> See the article by Clyde H. Fransworth „A Global Bank Tangle and its Lost Millions“, *The New York Times*, 09.04.1975.

<sup>113</sup> See the telegram from Davis to the Department of State, 22.10.1974, NARA, RG 59, Electronic Telegrams 1974, retrieved from the AAD at [www.archives.gov](http://www.archives.gov), January, 2016.

<sup>114</sup> Note of Louis Rochat, Financial and Economic Service of the DPF to the Political Division II of the DPF, "Délégation de parlementaires suisses en Israël.", 27.01.1975, SFA,E2001E-01#1988/16#3959\*, C.41.111.0.

<sup>115</sup> See the letter from Alfred Hohl, Deputy of the Head of Department, Political Division II, FPD, to Waldemar Jucker, Swiss trade union federation, 26.04.1974, SFA, E2001E-01#1987/78#3545\*, A.14.63.4.2.

to Swiss exporters. “Taking advantage of their diplomatic and psychological victory, the Arab countries have by all means sought to increase Israel's isolation. In this respect, their usage of the weapon of the oil embargo has a very pronounced impact on mercantile spirits,” the note said.<sup>116</sup> A slackening of Swiss sympathies with Israel was on its way under the umbrella of an increasingly tense Israeli economy and substantial commercial opportunities opening in the Arab world.

### ***Reasons Not to Enter Into a Free Trade Agreement With Israel***

Traces of Swiss-Israeli deliberations or support for Swiss business in Israel were sparse. Ambassador Rüedi reported on a visit of Leo Schürmann, member of the Governing body of the SNB to Israel, in an extremely brief message from around May 1975. Schürmann went to Israel upon invitation from the Israeli ambassador in Bern. Besides information referring to a “charged program” and him meeting “numerous personalities,” no further traces on this meeting is found.<sup>117</sup> This scarce archival evidence on Swiss-Israeli relations likely reflects the lower interest in promoting Swiss presence in the Israeli market: meaning less written accounts. It also likely shows that when contacts did occur, Swiss discretion and caution during this period was high.

In 1975, the only bilateral consultations found in the archives concern bilateral trade relations. After lengthy negotiations, Israel and the EEC concluded an FTA in May 1975.<sup>118</sup> Although this implied discrimination of Swiss exports to Israel, it was Israel that reached out to Switzerland to resolve the matter. They did so in July 1975, via the European Free Trade Association (EFTA), of which Switzerland was a leading member. The EFTA had been founded in 1960 by Switzerland, Liechtenstein, Austria, Great Britain, Denmark, Norway and Sweden as an alternative trading bloc to the EEC. The main Swiss aim was to maintain a trade policy autonomous from the larger European economies, while keeping market access in Europe.<sup>119</sup> Now, Israel was also interested in access to the EFTA. Sergio Minerbi, Director of the department for the EEC of the Israeli Foreign Ministry, visited the EFTA secretariat in Geneva and announced the interest of his government in reaching an FTA with EFTA countries, multilaterally or bilaterally.<sup>120</sup>

The Swiss, however, excluded both offers right from the outset. In an internal note from FPD General Secretary Ernesto Thalmann to Foreign Minister Pierre Graber, dating from late October 1975, he outlined the Swiss position. The EFTA, unlike the EEC, had not been designed to act as a common bloc in foreign economic relations and

---

<sup>116</sup> See the note from the Political Division of the FPD to the Documentation service of the Federal assembly, “Visite de parlementaires en Israël”, 06.03.1975, DDS, dodis.ch/39967.

<sup>117</sup> See the letter from Rüedi to the Political Division II, FPD, 28.05.1975, SFA, E2001E-01#1988/16#3959\*, C.41.111.0.

<sup>118</sup> On the negotiations and provisions of this treaty, see: Langer, ‘The Israel-EEC Free Trade Agreement ...’, *ibid.*, p. 63-85.

<sup>119</sup> For a brief overview of Swiss EFTA policy, see: Halbeisen, and Straumann, ‘Die Wirtschaftspolitik im internationalen Kontext,’ *ibid.*, p. 1041-1044.

<sup>120</sup> See the note, “Relations commerciales avec Israël”, 04.09.1975, SFA, E2001E-01#1988/16#3961\*, C.41.117.0.

therefore should not conclude FTAs with non-European countries. On a bilateral level, Thalmann was also skeptical. He feared “predictable reactions from the Arab countries.”<sup>121</sup> However, conflicting domestic interests, i.e. the persistent sympathies with Israel, could put the Swiss government under pressure to respond positively to the Israeli probes. This could arise if other EFTA countries responded positively to the Israeli requests. Luckily, the likelihood of such a situation was low. The Swiss attitude towards these Israeli advances, Thalmann insisted, should therefore be negative.<sup>122</sup> The FDEA supported to this recommendation. Yet it brought up the fact that Switzerland had autonomously granted tariff preferences to Israel in 1972 and again in 1974. Swiss exports to Israel were now, discriminatory vis-à-vis EEC exports. The Division of Commerce kept other options open, as a future “reassessment of trade relations might be necessary.”<sup>123</sup>

Swiss skepticism of a bilateral trade agreement with Israel was primarily rooted in dreaded negative reactions from the Arab world. This was indeed a likely scenario given the sharp Arab reactions to the EEC’s FTA with Israel, as reported by the Swiss chargé in Damascus to Bern in late May 1975.<sup>124</sup> The Swiss ambassador in Tel Aviv noted a tendency in Israel to, “in a period of tension, not miss an opportunity to accentuate and occasionally puff up even the smallest success,” including the EEC agreement.<sup>125</sup> Described by the Israeli authorities as the most important treaty since independence,<sup>126</sup> it was not surprising that Arab governments protested it.

Despite this clear opposition to closer economic association with Israel, the Swiss authorities received Moshe Alon, Deputy General Director of the Israeli Foreign Ministry at Alon’s request.<sup>127</sup> In this meeting on December 8, 1975, with Pierre Languetin, Alon insisted on the informal nature of his demarche. He underlined the Israeli government’s desire to avoid any discrimination against its important trading partners in the light of the FTA reached with the EEC. He reiterated the inquiry into the EFTA countries’ interest in a solution similar to the treaty Israel had agreed on with the EEC.<sup>128</sup> Switzerland was “obviously” also anxious about trade relations, being that “concerns are on our side,” Languetin reminded him.<sup>129</sup> Echoing the special status the Swiss accorded Israel within the GSP, Languetin again expressed the desire of a reciprocal treatment for Swiss exports to Israel. The Swiss government had failed to follow up on this matter after the meeting with Talbar in May 1974 given Israel’s

---

<sup>121</sup> Note by Ernesto Thalmann, General secretary, FPD, to Pierre Graber, “Relations des pays de l’AELE avec Israël”, 31.10.1975, SFA, E2001E-01#1988/16#3961\*, C.41.117.0.

<sup>122</sup> *Ibid.*

<sup>123</sup> See the confidential report of the FDEA to the Federal Council, 04.11.1975, DDS, dodis.ch/39898.

<sup>124</sup> Letter from William Roch, Swiss chargé d’affaires in Damascus, to the Political Division of the FPD, 20.05.1975, SFA, E2001E-01#1988/16#5614\*, A.15.41.10.

<sup>125</sup> See the letter from Rüedi to the Division of Commerce, 09.05.1975, SFA, E7110#1986/24#1995\*, 822.

<sup>126</sup> *Ibid.*

<sup>127</sup> The request was sent in a telegram from Rüedi to the FPD, 17.11.1975, SFA, E7110#1986/24#1994\*, 821.

<sup>128</sup> On this meeting, see the confidential note by Max Krell, Division of Commerce, “Beziehungen Israels zu den EFTA-Staaten”, 15.12.1975, SFA, E7110#1986/24#1994\*, 821.

<sup>129</sup> *Ibid.*

“enormous economic and financial difficulties.”<sup>130</sup> Reacting to the Israeli desiderata, Languetin asserted that Switzerland did not want to extend EFTA’s free-trade zone beyond Europe. An agreement could not be further envisaged, given the running negotiations within the GATT Tokyo-round and given that “countries like the US precisely want to avoid such special solutions.”<sup>131</sup> Since the GATT negotiations were in a prolonged deadlock,<sup>132</sup> acknowledging their priority caused an indefinite delay of any bilateral Swiss or multilateral EFTA rapprochement with Israel. Languetin again proposed a provision on an MFN basis and brought up the possibility of the two countries evaluating what other domains beyond trade relations could be tackled. This could be, the Swiss official proposed, substantiated in a framework agreement for technological and scientific collaboration.<sup>133</sup> Alon reluctantly accepted this Swiss dismissal. While he conceded that Israel belonged to Asia geographically, Alon insisted that his country wanted to be “treated equal to the European producers” regarding trade and be a possible FTA partner for the EFTA.<sup>134</sup> Consoling Israel by pointing to the prospects of the GATT negotiations did not help, since the Israeli government did not seem to have high hopes in the effect this could have on its relation with EFTA countries.<sup>135</sup>

Alon’s statements indicate that the Israeli government considered Switzerland an important trading partner. This concerned both imports and exports. As seen in Table 7, Switzerland was the sixth most important outlet for Israeli goods between 1970 and 1975. Swiss goods in return ranked eighth and ninth in the most important sources for Israeli imports between 1970 and 1975 (see annex, Table 12). If the EEC countries were grouped, it was the third or fourth most important source of imports and destination of exports for Israel. It therefore seemed intuitive, from the Israeli side, to seek a trade agreement with Switzerland. Indeed, the general argument that Israeli efforts to reach FTAs in the 1970s was to obtain market access<sup>136</sup> is not convincing when it comes to Switzerland. An important set of Israeli merchandise already benefited from preferential tariffs under the GSP. It therefore is more likely that political considerations guided these Israeli advances. As mentioned, the Israeli authorities tended to politically hype any economic agreement reached. The FTA with the EEC has therefore been interpreted in the literature as “a significant political act,”<sup>137</sup> going beyond its economic content. Any success in the realm of foreign economic relations would raise Israeli legitimacy on the international stage at a time when it was falling behind. This conclusion can also be drawn from the Israeli proposals to Switzerland.

---

<sup>130</sup> *Ibid.*

<sup>131</sup> *Ibid.*

<sup>132</sup> On the reasons for this deadlock in the GATT negotiations 1974-1977, see: Gilbert R. Winham, *International Trade and the Tokyo Round Negotiation* (Princeton: Princeton University Press, 2014), p. 128-167.

<sup>133</sup> Confidential note by Max Krell, Division of Commerce, “Beziehungen Israels zu den EFTA-Staaten”, 15.12.1975, SFA, E7110#1986/24#1994\*, 821.

<sup>134</sup> *Ibid.*

<sup>135</sup> *Ibid.*

<sup>136</sup> See : Gabai and Rob, ‘The Import-Liberalization ...’, *ibid.*, p. 282.

<sup>137</sup> See: François Duchêne, ‘Israel in the Eyes of Europeans: A Speculative Essay’, in *Europe and Israel: Troubled Neighbours*, ed. by Alain Greilsammer and Joseph H. H. Weiler (Berlin/New York, W. de Gruyter, 1988), p. 22.

The Swiss authorities did not have an interest in honoring this Israeli request. Languetin's reference to the GATT negotiations and the US's reticence to isolated bilateral trade agreements seem convincing. As seen previously, in a period when the Swiss government feared menacing protectionism, it stuck to a multilateral approach for trade regimes. However, the fact that the Swiss authorities accorded Israel preferential tariffs within the GSP did give them some leverage for claiming reciprocity. Although nobody highlighted this for the time being, the matter would be raised again in the coming years.

Languetin's prodding for a Swiss-Israeli framework agreement must be seen as no more than a sign of political consolation. In January 1976, the Vorort secretary Alexandre Jetzer insisted that the important Swiss machinery and chemical/pharmaceutical industry had no interest in an eventual cooperation treaty with Israel. Indeed, "[v]arious sectors are about to conclude contracts of extreme importance for our entire economy with Arab states that must not be disturbed," he said.<sup>138</sup> Emilio Moser, vice-director of the Division of Commerce, was reassured by this reluctance of Swiss business, as seen by his handwritten comment on this letter. "The Vorort did not understand," Moser wrote in the margins, "[that] we wanted reasons to justify non-occurrence to the idea of a treaty!"<sup>139</sup> Economic alienation from Israel was well on its way, among Swiss foreign policymakers and among Swiss business.

The two years following the October War, therefore, signal a growing Swiss economic estrangement from Israel. Any continued preferential treatment for Israeli imports into Switzerland was rooted in Swiss political considerations. Suspending Israel from the Swiss system of GSP would have likely caused some domestic stir given the persisting pro-Israel stance of the broader public. However, this historical solidarity was eroding from the top. The main Swiss business associations did not show any marked interest – at times, it was an active disregard for Israel. This was for two main reasons. Firstly, worsening local market conditions and Israeli import regulations meant it was not interesting enough an outlet to sustain. Secondly, the economic shift to Arab markets corresponded to a falling engagement in Israel. Following the October War, as seen in Graph 29, Swiss exports to Israel were inversely related to those towards both Syria and Egypt. After years of growing Swiss exports to Israel, 1974 was the turning point that led to a protracted drop. This apparent trade-off was mediated by market mechanisms, but it also had its roots in a differentiated evaluation – and hence, official promotion of economic relations from Swiss foreign policymakers.

---

<sup>138</sup> See the letter from Alexander Jetzer, first Secretary and P. Brügger, legal collaborator of the Vorort, to the Division of Commerce, 20.01.1976, SFA, E7110#1987/20#2064\*, 821.

<sup>139</sup> See Emilio Moser's handwritten comments on the letter from Alexandre Jetzer, first Secretary and P. Brügger, legal collaborator of the Vorort to the Division of Commerce, 20.01.1976, SFA, E7110#1987/20#2064\*, 821.

### 4.3 Reorienting the Swiss Economic Stance in the Middle East After Economic Crisis in the North.

A growing Swiss focus on the Middle Eastern Arab markets was well on its way in the aftermath of the oil price increase. The idea was that foreign earnings should be increased through exports to the region, in order to counter possible balance of payments shocks following the growth of the oil import bill. At the end of 1974, this focus would heavily reaffirm itself. The Swiss economy was gliding into a crisis, which became full-fledged by 1975. As shown earlier, the crisis caused heavy turmoil in the export industry. This sub-chapter will show how the economic crisis in the developed capitalist world further cemented the emerging foreign economic orientation to the Arab world, and particularly to Egypt.

From the outset, official Swiss discussions on the economic crisis and how to react to it focused on promoting exports. In late December 1974, the Federal Council held an urgent meeting with economic experts and policymakers. SNB representatives insisted that while the export industry might have been able to stomach the recession of the world economy, the appreciation of the Swiss franc hampered its competitiveness.<sup>140</sup> The revaluation of the Swiss franc since October 1974 was at least partially due to diversification of Arab oil states' assets.<sup>141</sup> Paul Rudolf Jolles, the director of the Division of Commerce, outlined the implications of the crisis for Swiss foreign economic policy. He foresaw three possible measures. Besides containing a further revaluation of the Swiss currency, he underscored the necessity to reinforce Swiss export policy through an expansion of the ERG and through general measures of trade promotion.<sup>142</sup> Presumably because of the bad blood created in the Arab world following the UNESCO incident, Jolles feared that measures against the inflow of petrodollars might endanger Swiss oil supply.<sup>143</sup> Furthermore, Swiss banks likely were opposed to any more stringent capital market intervention from the SNB. Ultimately, the SNB refrained from directly intervening in the foreign exchange market, given that it "did not allow offsetting an exchange rate increase dictated by the fundamental market trend."<sup>144</sup> For the time being, export promotion seemed to be the best measure to support the Swiss economy and combat the crisis without instigating conflicts of interest between the equally powerful Swiss financial sector and the Swiss export industry.

---

<sup>140</sup> See the minutes of this meeting, „Klausurtagung des Bundesrates vom 20.12.1974“, 30.12.1974, DDS, [dodis.ch/39577](https://dodis.ch/39577).

<sup>141</sup> See the minutes of the SNB directorate meeting, „Nr.1225, Devisenpolitik“, 19.12.1974, DDS, [dodis.ch/39578](https://dodis.ch/39578).

<sup>142</sup> See Jolles's comments in „Klausurtagung des Bundesrates vom 20.12.1974“, 30.12.1974, DDS, [dodis.ch/39577](https://dodis.ch/39577).

<sup>143</sup> This was related to the SNB directorate meeting, „Nr.1338, Konjunkturlage und allgemeine Notenbankpolitik“, 19.12.1974, DDS, [dodis.ch/39579](https://dodis.ch/39579).

<sup>144</sup> Cf. Banque nationale suisse, 68. *Rapport de la Banque Nationale Suisse* (Berne: Banque nationale suisse, 1975), p. 10.

### ***Substantiating Business Interest in Egypt via a Private Sector Goodwill Mission***

The Arab world was central for the shape the crisis took in the Swiss economy, i.e., the appreciation of the Swiss franc. It was also where the Swiss offensive occurred to counter its deteriorating market position. As previously agreed upon in October 1974 during the initial scramble for Egypt, an export promotion mission to Egypt was under way. The OSEC had the lead in its organization and its president, Gérard Bauer, headed the Swiss delegation. The visit's aims were to establish contact with Egyptian Ministries in charge of foreign trade, to consult with local economic associations, and to evaluate investment opportunities as well as market conditions and potential for Swiss trade expansion. In Bauer's view, the delegation should not be too big, preferably consisting of upper management from the major Swiss industries interested in expanding trade with Egypt.<sup>145</sup> The Swiss-Arab Chamber of Commerce and Industry (CASCI), which had officially launched its activities in January 1975, supported the preparations of this economic delegation. The CASCI had found considerable interest among Swiss companies. Reflecting their substantial stakes in Arab markets, over 300 Swiss companies joined this chamber. Thirty Arab entities likewise became members of this private organization, among whom a dozen Egyptian firms and individuals active in advertising or trade.<sup>146</sup> Supporting the OSEC visit to Cairo was among the very first activities of the CASCI. And, although the visit was labeled as purely private, Ambassador Daniel Gagnebin significantly contributed to preparations.<sup>147</sup>

The goodwill mission to Cairo took place March 3-12, 1975. The Swiss delegation consisted of 16 men. Besides the president of the OSEC and the secretary of the Vorort, representatives were dispatched from the Swiss watch industry, trading companies, one bank, and the machinery and electric equipment industry.<sup>148</sup> Notably, Swiss pharmaceutical and chemical companies doubted the efficiency of a Swiss goodwill mission to Egypt and none of the big companies – Ciba-Geigy, Roche or Sandoz – were willing to send a representative. While the pharmaceutical companies did not oppose an active Swiss trade policy in Egypt, they deplored not having been consulted during the preparations of the visit, which seemed to them of “debatable value. Companies that have regular business relations with Egypt are not dependent on such events.”<sup>149</sup> The aim and form of the visit was of no use to the pharmaceutical and chemical companies. Their absence notwithstanding, the Swiss delegation was indeed high-scale and significant.

In a slim report on the visit to the Division of Commerce from March 20, Gagnebin mentioned that the Egyptian authorities were “very interested in a closer collaboration

---

<sup>145</sup> Letter from Pierre Addor, General Secretary, OSEC, and Yves Martin, Assistant Director, OSEC, to the Division of Commerce, 06.01.1975, SFA, E7110#1986/24#1227\*, 821.

<sup>146</sup> See the list of the founding members in: *Chambre Arabo-Suisse du Commerce et de l'Industrie*, „Liste des membres fondateurs en Janvier 1975“, 30.01.1975, SFA, E7110#1986/24#1227\*, 821.

<sup>147</sup> See the confidential note from Alfred Hohl, Deputy of the Head at the Political Division II, FPD, “Projekt Prof. Custer”, 04.03.1975, SFA, E2001E-01#1987/78#2623\*, B.55.40.

<sup>148</sup> See the report by Mario Ludwig, Director of the OSEC, „Die Arabische Republik Ägypten als Handelspartner der Schweiz“, 09.04.1975, SFA, E7110#1986/24#1227\*, 821.

<sup>149</sup> See the letter from the Swiss Association of Chemical Industries to the OSEC, 30.01.1975, ACH, IB-Vorort, 360.2.2.3.

with Switzerland.”<sup>150</sup> Mario Ludwig from the OSEC extensively reported on the Cairo mission with detailed accounts of every meeting. The Swiss delegation had nine meetings with ministries, economic state organizations and business associations, during which they met five Egyptian ministers. The ministers repeatedly highlighted Egypt’s open-door policy and interest in joint ventures with Western companies. The meeting with Egyptian Minister of Industry, Mahmoud Ali Hassan, was particularly encouraging. Hassan, who had studied in Switzerland and was fluent in German, remarked that it was “high time Switzerland comes to Egypt.”<sup>151</sup> Trying to attract Swiss investments, he insisted that Egypt was the best place to cultivate the entire Middle Eastern market. According to Hassan, trade was “much too low” as Switzerland was “strongly disadvantaged” on the Egyptian market because of the overvalued Swiss franc.<sup>152</sup> The foreign value of the Swiss currency had clearly been registered by Egyptian economic policymakers, pointing to a difficult market expansion for Swiss business despite significant Egyptian goodwill.

The overall results of the visit were satisfying for Ludwig. He was convinced the visit took place at the right moment and he evaluated the opportunities for Swiss business as excellent: “On the Egyptian side there is clearly a strong will for cooperation with Swiss companies. Switzerland, as a small neutral country, still enjoys a leap of faith [and] is also very welcome as an alternative trading partner to the bigger powers.”<sup>153</sup> Egyptian liberalization measures were duly noted, as was the repeated insistence that “Egypt wished and needed peace.”<sup>154</sup> Given the repeated insistence of Swiss officials and industry representatives on the need for a peaceful resolution to the conflict in order to enable commercial expansion, these conclusions were certainly significant. Building on his positive evaluation of the Egyptian market for Swiss business, Ludwig proposed a series of follow-up measures, including a Swiss industrial exhibition in Cairo in 1976 or 1977.<sup>155</sup>

The Egyptian side took the Swiss visit seriously, evidenced by the numerous meetings with Egyptian state officials at the highest level. Judging from Ludwig’s enthusiastic report, Swiss companies retained considerable assets in Egypt, including positive ripple effects from Swiss neutrality. Ludwig had an interest in highlighting the positive results of this visit, especially considering the doubts raised by the large pharmaceutical companies. As will be seen shortly, he also represented the special interests of the watch industry, which had obtained Egyptian concessions during this visit. Although the goodwill that the Swiss delegation encountered in Cairo is undeniable, the report from a private industry delegate gave a somewhat more sober evaluation of the visit. Adrian W. Roth, CEO of the Swiss machinery and electrical equipment company *Sprecher & Schuh*, sent Gérard Bauer his evaluation of the visit a week after its completion. Roth

---

<sup>150</sup> Letter from Gagnebin to the Division of Commerce, 27.03.1975, SFA, E7110#1986/24#1227\*, 821.

<sup>151</sup> See Hassan’s statements as reported by Ludwig, „Die Arabische Republik Ägypten als Handelspartner der Schweiz”, 09.04.1975, SFA, E7110#1986/24#1227\*, 821.

<sup>152</sup> *Ibid.*

<sup>153</sup> *Ibid.*

<sup>154</sup> *Ibid.*

<sup>155</sup> *Ibid.*

noted that Swiss electrical equipment was well adapted to Egyptian needs and that productive capacities in Switzerland were sufficient to respond to the potential demand. His company therefore was interested in expanding into the Egyptian electric market. However, the bitter pill that must be taken was the “paramount importance of financing.”<sup>156</sup> To assure competitive financing conditions, the coverage accorded by the ERG was crucial for trade deals with Egypt. The ERG’s coverage of just 65 percent of the export values for trade with Egypt was deemed unacceptable. In the context of economic crisis, Swiss companies were already supposedly competing on international markets at prices that “offered nil profit margin.”<sup>157</sup> The lower the ERG coverage, the lower the potential margins in an export deal. Roth was advocating for the ERG to become a more vigorous foreign economic promotion tool, “allowing our electric industries to take risks in order to guarantee full employment” in Switzerland. Egypt’s “close relations with the oil-producing states” only reinforced Roth’s conviction that the coverage by the ERG should be raised to 95 percent, or even 100 percent.<sup>158</sup>

Although this account reflected the high hopes that Swiss companies out on the Egyptian market, it also reflected the hard time they had facing international competition during this period of recession. As historian Margrit Müller shows, the high profitability of Swiss companies in the previous boom years helped them cover up low profits or even losses. While this seems to have applied to Sprecher & Schuh, Müller’s claim of a lack of Swiss business response<sup>159</sup> is not substantiated. Adrian W. Roth sought to increase the profitability of his company by enhancing conditions for financing foreign trade through significant public financial guarantees. Sprecher & Schuh’s request for a higher coverage of foreign trade risks did not find its way into Ludwig’s final report and, for the time being, did not yield any change in policy. Only a year later, in May 1976, had the ERG-coverage for business with Egypt been increased to 75 percent. This occurred as “the political and economic situation in Egypt noticeably improved,” Moser said without elaborating.<sup>160</sup> However, as will be seen, Swiss business still did not consider this higher coverage sufficient.

Swiss policymakers’ unwillingness to increase the ERG coverage for exports to Egypt at least partially explains the private nature of the Swiss goodwill mission. Swiss officials had learned from recent visits to Egypt made by other Western European economic delegations. Gagnebin saw Austrian Trade Minister Josef Staribacher’s visit as a flop, for he arrived empty-handed to Egypt in January 1975. The Swiss ambassador recommended against official participation in the economic delegation, considering that no significant Swiss financial contribution to Egyptian economic development could be granted. While neither Switzerland nor Austria were in a position to offer

---

<sup>156</sup> Letter of Adrian W. Roth, CEO of Sprecher and Schuh to Gérard Bauer, President of the OSEC, 19.03.1975, ACH, IB-Vorort, 360.2.2.3.

<sup>157</sup> *Ibid.*

<sup>158</sup> *Ibid.*

<sup>159</sup> Müller, ‘The Role of Firms in Overcoming ...’, *ibid.*, p. 73.

<sup>160</sup> See the letter from Emilio Moser, vice-Director of the Division of Commerce, to Gagnebin, 17.05.1976, SFA, E7110#1987/20#1183\*, 861.1.

credit to the Egyptian government, the French delegation was,<sup>161</sup> as was the West German delegation, which provided a public credit of DM 245 million.<sup>162</sup> Owing to their own visit, Swiss companies expanded their goodwill among Egyptian economic policymakers. However, prospects for substantial orders from Egypt did not seem particularly promising. The paramount importance of financial conditions in trade deals, and soft-term credit provisions from competing European states, were blocking Swiss export opportunities in Egypt.

### *The Watch Industry's Interest*

Beyond building goodwill, Swiss interests in particular industries were at stake during this visit. The Swiss watch industry delegates had the highest hopes for the mission. The head of delegation, Gérard Bauer, was not only president of the OSEC, but also of the *Fédération horlogère* (FH), the Federation of the Swiss Watch Industry. At least since 1973, the FH had been eager to secure the liberalization of Egyptian watch imports. But a planned visit for Bauer to go to Egypt had been canceled when the October War broke out.<sup>163</sup> Undertaking such a visit as part of a larger Swiss economic delegation was certainly of interest to the FH, which could leverage the visit to obtain even more Egyptian goodwill. The sectoral interests of the watch industry that he represented can at least partially explain Bauer's eagerness to organize the mission. At the time, Swiss watches could only be imported to Egypt for duty-free stores through state companies, not imported privately for the general market. The lion share of the roughly one million watches imported by Egypt was smuggled and sold on the black market.<sup>164</sup> Stakes for the Swiss watch industry in Egypt did seem substantial, especially as they were facing Japanese competition since 1974.<sup>165</sup>

The goodwill mission was successful in this respect, as the Egyptian Minister of Foreign Trade, Fathy Ahmed el-Matbouli, assured Bauer that watches would soon figure on the list of freely importable goods.<sup>166</sup> However, the Egyptian cabinet was reshuffled and el-Matbouli was replaced shortly after the Swiss visit.<sup>167</sup> Upon the FH's request, Gagnebin met the new minister, Zakaria Tawfik Abdel Fattah. Fattah had not been informed of the Swiss watch industry's plight.<sup>168</sup> This exemplifies the complications that arose for Swiss business as a result of the Egyptian political reshuffling. The following months, Gagnebin deployed a great deal of effort to

---

<sup>161</sup> Letter from Gagnebin to Emilio Moser, vice-director of the Division of Commerce, 23.01.1975, SFA, E7110#1986/24#1227\*, 821.

<sup>162</sup> See the letter from Gagnebin to the FPD, 24.04.1975, SFA, E2300-01#1977/30#39\*, A.21.31.

<sup>163</sup> See the letter of the Division of Foreign Business of the FH to the Division of Commerce, 19.11.1973, SFA, E7110#1984/70#1072\*, 870.

<sup>164</sup> See the memorandum by Swiss Watch Federation, "Etat des relations entre l'industrie horlogère suisse et l'Egypte", 27.04.1973, SFA, E2004B#1990/219#8276\*, a.726.1.

<sup>165</sup> Ambassador Frey alerted the Swiss watch industry of this in a letter to Gérard Bauer, 03.04.1974, SFA, E7110#1985/97#1938\*, 870.

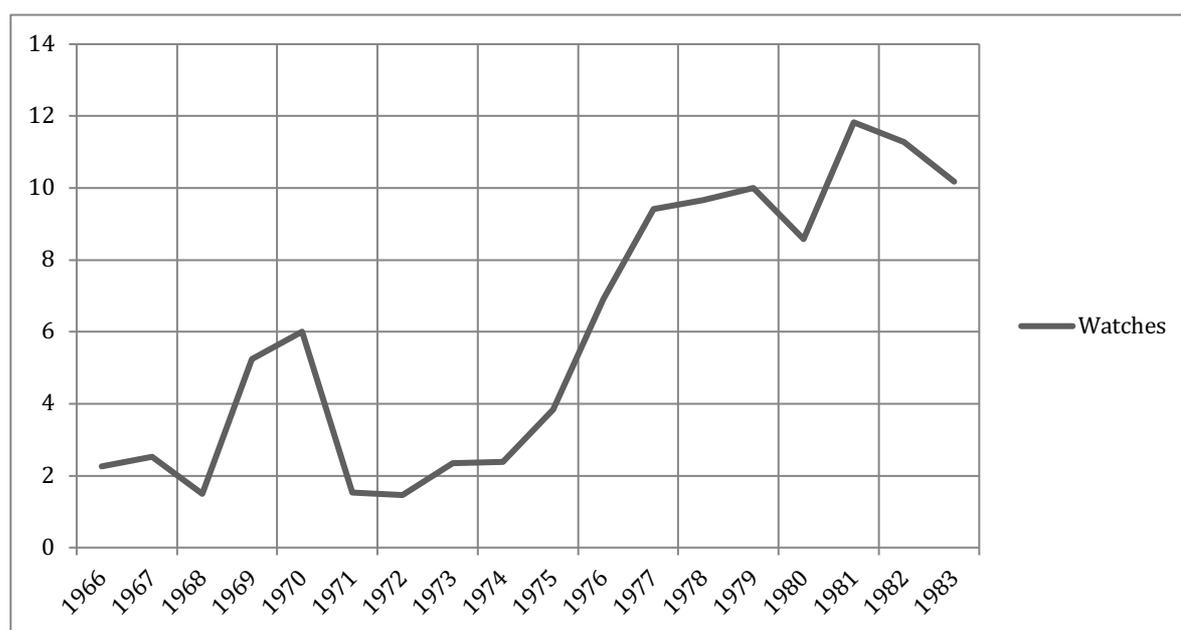
<sup>166</sup> See the letter from Bauer to Fathy Ahmed el-Matbouli, Egyptian Minister of Foreign Trade, 26.03.1975, SFA, E7110#1986/24#1236\*, 870.

<sup>167</sup> Gagnebin reported on this in a letter to the Division of Commerce, 17.04.1975, SFA, E7110#1986/24#1236\*, 870.

<sup>168</sup> See the letter from Gagnebin to the FH, 22.05.1975, SFA, E7110#1986/24#1230\*, 842.0.

liberalize watch imports, making him on occasion feel as a mere “messenger” for the FH.<sup>169</sup> Considering the “dire state of our watch industry,” vice-Director Moser from the Division of Commerce instructed him to carry on with his efforts.<sup>170</sup> Gagnebin was ultimately successful – watch imports were liberalized over the course of the general dismantling of the state monopoly on foreign trade.<sup>171</sup> Gagnebin, in a telegram from late October 1975 to the Division of Commerce, boasted that his numerous interventions, including to the Egyptian Prime Minister Hegazy, had “resulted in the intended aim;” watches were included among the freely importable goods under a new decree.<sup>172</sup>

The official Swiss lobbying for the watch industry in Egypt was justified by this critical period of international recession. The liberalization obtained had an important effect on Swiss watch exports. As seen in Graph 31, sales increased strongly after 1975. Their share in overall Swiss exports to Egypt increased from roughly three percent to almost six percent in 1977/78. But this is relative: although Swiss watch exports were among the more dynamic sectors in trade with Egypt after 1975, in comparison the industry was by no means the most important. The success, however, is a telling example of how the economic crisis affronting important sectors of the Swiss economy spurred active diplomatic support in foreign markets.



**Graph 31: Swiss watch exports to Egypt (million constant 1970 Swiss francs). 1967-1983.**

<sup>169</sup> He complained about this in a letter from Gagnebin to the Division of Commerce, 29.07.1975, SFA, E7110#1986/24#1236\*, 870.

<sup>170</sup> See the instructions in the letter from Moser to Gagnebin, 07.10.1975, SFA, E7110#1986/24#1236\*, 870.

<sup>171</sup> For a brief discussion on the new trade regime in Egypt, see: Abdel-Khalek, ‘Looking Outside, or Turning Northwest? ...’, *ibid.*, p. 398-400.

<sup>172</sup> Telegram from Gagnebin to the Division of Commerce, 30.10.1975, SFA, E7110#1986/24#1230\*, 842.0.

Source: Eidgenössische Oberzolldirektion (ed.), *Schweizerische Aussenhandelsstatistik*, (Eidgenössische Oberzolldirektion: Bern, 1966-1984). Values deflated by the author, using an import and export price index calculated based on: Kammerer, et al., “Q.16b Gross domestic product (expenditure approach) in real 1990 prices and nominal, 1945-2005 in Million Swiss Francs (Economic history of Switzerland during the 20th century)”, in *Historical Statistics of Switzerland Online (HSSO)*: <http://www.hssso.ch>.

### ***Pushing Business to Arab Markets Without Official Financial Support***

The link between the economic crisis at home and efforts to increase exports in the Arab world was no small affair. The Swiss authorities repeatedly urged businesses to increase their efforts in Middle Eastern markets to counter the dip in demand in Western export markets. The Swiss export industry had already increased sales in the Middle East. The Vorort secretary Bernhard Wehrli, in a late April 1975 meeting, presented this as “the result of the spontaneous entrepreneurial initiative of industry and commerce.” The question now, Wehrli wondered, was whether the Swiss export industry would “need more[.] Is there now a need for more organizational measures from above, ‘coordinating measures’?”<sup>173</sup> Indeed, the issue of state involvement in promoting foreign sales would become a key issue in business discussions with the Swiss authorities during the crisis. From the business side, the Middle East was certainly a promising market. According to a 1975 Division of Commerce survey among Swiss companies, the Middle East was among the regional priorities for expanding Swiss sales efforts.<sup>174</sup> An important focus lay on the oil-rich Middle Eastern states. From 1974 onwards, the historically friendly political relations with the regime of Shah Mohammed Reza in Iran were extended to deepen economic relations.<sup>175</sup> After the beginning of the economic crisis, special efforts were also deployed in Saudi Arabia. The President of the SNB, Fritz Leutwiler, and Paul Rudolf Jolles, undertook an exploratory visit to Saudi Arabia in April 1975,<sup>176</sup> which ultimately led to the foundation of a Swiss-Saudi mixed commission for economic cooperation later that year.<sup>177</sup>

The Middle Eastern oil exporting countries were becoming increasingly significant export markets. Yet, the major Swiss companies were also conscious of limits to this expansion. By July 1975, the BBC board of directors had already insisted that the boundaries of absorbing capacities of the markets around the Persian Gulf were soon reached.<sup>178</sup> In August 1975, Franz Luterbacher, Chairman of the board, identified a

---

<sup>173</sup> For a discussion on this issue in the Vorort, see the confidential minutes, „1. Sitzung des Vororts im Vereinsjahre 1975/76 vom 28. April 1975“, ACH, IB-Vorort, 1.5.3.24.

<sup>174</sup> This was related to the summary of a presentation from Mario Ludwig at the Swiss Conference of Ambassadors, 02.09.1976, DDS, dodis.ch/48248.

<sup>175</sup> For an overview of deepening Swiss-Iranian economic relations prior to the 1979 revolution, see: Daniela Meier, *Helvetias guter Draht zum Pfauen thron ...*, p. 79-85 and p. 282-286.

<sup>176</sup> See Jolles’s report on this visit, „Besuch in Saudi Arabien. Djeddah 12./13.4; Riad 14.-16.4.1975“, April 1975, DDS, dodis.ch/37738.

<sup>177</sup> On the Swiss side, the Federal Council made the decision to found such a commission, see the minutes: „Bildung einer schweizerisch-saudiarabischen Gemischten Kommission für wirtschaftliche Zusammenarbeit“, 03.09.1975, DDS, dodis.ch/37740.

<sup>178</sup> See the report from Giuseppe Bertola, Head of Brown Boveri International, on a visit to the Gulf in the minutes of the board, „12. Direktions-Sitzung vom 10. Juli 1975“, ABB Company Archives, Protokolle der Direktionssitzungen, 1975, 605614.

slowing boom in the oil-exporting countries “without an upswing taking place simultaneously in the developed countries,” which could result in a heavy blow to incoming orders.<sup>179</sup> He concluded that other markets, besides the oil-exporting countries, should also receive more attention.<sup>180</sup>

This eagerness to diversify markets also applied to the Middle East itself. There, Egypt was the most important market of the non-oil-exporting countries that Swiss business targeted. In July 1975, Gagnebin reported to the OSEC that the considerable publicity accompanying Egypt’s economic liberalization echoed in Switzerland. He noted a “strong increase” in the number of Swiss companies interested in the Egyptian market.<sup>181</sup> But by October, Swiss diplomatic representatives in Cairo called for caution. They felt the need to manage expectations and relativize the economic perspectives for Egypt. Swiss Chargé d’affaires, Yves Berthoud, cited growing domestic political risks – the Egyptian public was growing disillusioned about the potential benefits that they might draw from the open-door economic policy. Beyond the political hazards, Berthoud also highlighted the continuing scarcity of foreign exchange, which he expected to persist in the foreseeable future. It was indispensable, Berthoud argued, to provide suppliers’ credits for Egyptian purchases of capital goods and for consumer goods.<sup>182</sup>

The statement from the Swiss in Cairo does seem accurate. In a note from October 1975, the Division of Commerce insisted that, in the first eight months of 1975, Swiss exports had already surpassed those of the entire previous year. This was reflected in the strong increase in values covered by the ERG, with guarantees in principle accepted for almost CHF 320 million, compared to deals already covered amounting to just CHF 79 million.<sup>183</sup> Considering the importance the ERG had for the provision of suppliers credits, the Swiss financial market was at least partially responding to Swiss companies’ attempts to penetrate the Egyptian market. Trade figures, as seen in Graph 20, started increasing substantially, with all categories of Swiss exports to Egypt growing in 1975. Raw materials and semi-finished goods, comprised mainly of chemical products, were still the most important Swiss export. The growth in absolute value and in relative importance of non-electrical machinery in overall Swiss sales to Egypt was, however, the most significant evolution.

The importance of pricing, credit terms and official diplomatic support for Swiss sales in Egypt is exemplified by a BBC deal. To win an important tender to supply electrolyzers for a fertilizer factory in Aswan, BBC requested that Gagnebin make a personal appeal to the Minister of Industry. The Egyptian Minister promised that he would “bring all his weight to bear” in favor of BBC, under the condition that the

---

<sup>179</sup> See the minutes, „Protokoll der 6. CH-Sitzung vom 28. August 1975“, ABB Company Archives, Protokolle der CH-Sitzungen, 605618.

<sup>180</sup> *Ibid.*

<sup>181</sup> Letter from Gagnebin to the OSEC; 15.07.1975, SFA, E7110#1986/24#1238\*, 872.1.

<sup>182</sup> Letter from Yves Berthoud to the Division of Commerce, 09.10.1975, SFA, E2001E-01#1987/78#2626\*, C.41.100.0.

<sup>183</sup> See the note by Alois Heuberger, staffer at the Division of Commerce, 22.10.1975, SFA, E7110#1986/24#1242\*, 877.3.

company would make price concessions. Ultimately, an Egyptian order was placed at a value of CHF 50 million.<sup>184</sup> This order had the backing of a Swiss bank, the Zurich Cantonal Bank, which supplied the Egyptian General Organization for Industrialization with a credit valuing almost CHF 20 million for importing goods from BBC.<sup>185</sup>

Commercial expansion in Egypt clearly required official diplomatic intervention, narrow margins and private Swiss exporter's credits. But this method was reaching its limits, as the Egyptian economy increasingly required foreign financial support at soft conditions. Middle Eastern oil states supplied soft loans,<sup>186</sup> which helped Egypt service its substantial short-term foreign obligations. This increase in Arab capital aid helped Egypt foot its import bill, which included paying for a growing number of goods from Western companies. But Western governments also became increasingly important sources of Egyptian foreign exchange, as seen in the cases of France and West Germany.<sup>187</sup> These bilateral loans were usually tied, and therefore provided important support for those countries' export industries in the Egyptian market.<sup>188</sup> The Swiss authorities were also considering the possibility of financially contributing to the reconstruction of the Suez Canal. But such a loan was ultimately considered too complex an issue, not only for domestic political reasons, but also due to Swiss uncertainty on the possibility of tying such a loan to Swiss supply.<sup>189</sup>

Swiss companies were quite certain that a government loan to Egypt would have beneficial effects on their business prospects. For instance, the Swiss restaurant and hotel company *Mövenpick*, participating in the construction of a hotel in Egypt, highlighted that such a contribution would not only generate "much sympathy for our country," but also facilitate exports of Swiss goods and services.<sup>190</sup> The Egyptian authorities were also interested in a Swiss financial contribution to Egypt's economic development.<sup>191</sup> But Swiss authorities remained skeptical. Emilio Moser annotated the letter from *Mövenpick* by hand: "no government loans!"<sup>192</sup> Jürg Iselin, head of the Political Division II of the FPD, doubted the efficiency of a public loan. In handwritten annotations on a telegram, he speculated that, "our millions would get lost in the desert sand or in the pockets of the new bourgeoisie in power."<sup>193</sup> For the time being, he

---

<sup>184</sup> See the letter from Gagnebin to the Division of Commerce, 06.11.1975, SFA, E7110#1986/24#1240\*, 873.1.

<sup>185</sup> See the SNB's authorization of this capital export in the minutes of the Directorate of the SNB, „Nr. 1289“, 27.11.1975, ASNB, Protokolle des Direktoriums.

<sup>186</sup> For a short discussion on Egyptian economic difficulties relating to its external debt and the limits of Arab financial assistance, see: Ikram, *The Egyptian Economy ...*, p. 16-17.

<sup>187</sup> See the Swiss diplomats' reporting on this in, for example, the letter from Gagnebin to Moser, 18.11.1975, SFA, E7110#1986/24#1245\*, 892.1.

<sup>188</sup> See the letter from Gagnebin to the Financial and Economic Service of the FPD, 11.11.1975, SFA, E2001E-01#1988/16#3037\*, C.41.152.0.

<sup>189</sup> *Ibid.*

<sup>190</sup> Cf. the letter from P. Näf, *Mövenpick*, to Moser, 28.11.1975, SFA, E7110#1986/24#1241\*, 875.2.

<sup>191</sup> This information from the Egyptian embassy was in a telegram from Rolf Wilhelm, vice-Director of the FPD's Direction for Development and Cooperation, to Marcel Heimo, Director of the Direction for Development and Cooperation and Sigismund Marcuard, delegate of the Swiss Federal Council for Technical Cooperation, temporarily at the Swiss mission to the UN in New York, 23.01.1976, SFA, E2001E-01#1988/16#3037\*, C.41.152.0.

<sup>192</sup> *Ibid.*

<sup>193</sup> See Iselin's handwritten comments in *ibid.*

thought, Swiss exporters should seek suppliers' loans on a private basis, with support by the ERG.

Despite the economic crisis burdening the Swiss economy and increased competition with other Western countries for the Egyptian market, and despite the beneficial effects a Swiss official loan could have on exports of goods and services to Egypt, it was still not seriously considered by the federal authorities. Four factors can help explain this hesitation. First, worries of a domestic political reaction to a public loan to Egypt were strong, considering the public pro-Israeli sentiments in Switzerland. Second, private credit facilities via Swiss banks were considered sufficient to support Swiss business' efforts on the Egyptian market. Third, doubts on the efficiency of a public loan matched the perceived risks of corruption. And finally, Egyptian default risks were likely too high for the Swiss federal authorities.

While official financial engagement was dropped, private Swiss capital involvement in Egypt was increasing. This took place via bank loans financing trade as well as direct Swiss investment. As seen, Swiss FDI to Egypt had already started again in 1974, with the participation of the cement company Holderbank in a joint venture. In 1975, Swiss FDI to Egypt took off with no less than 15 Swiss direct investments undertaken, as seen in Table 11. In comparison, there were no known US direct investments in Egypt in 1975, Ambassador Gagnebin reported in the spring of 1976.<sup>194</sup> By the end of 1976, of the 66 operating ventures with FDI,<sup>195</sup> 25 were with Swiss participation. It must be added, however, that this explosion of Swiss FDI largely remained unnoticed by the Swiss authorities,<sup>196</sup> even until the early 1980s.<sup>197</sup> The remarkable Swiss FDI boom was rooted in changes in Egyptian legislation. In June 1975, Egyptian authorities had published the provisions of the aforementioned investment law introduced in 1974. While most potential foreign investors were still waiting on the concrete realization of projects,<sup>198</sup> as Gagnebin insisted, Swiss capital was clearly at the forefront.

For reasons explained earlier, information on Swiss FDI is scarce. It is therefore difficult to evaluate overall and company-specific drivers for investing in Egypt. The qualified yet low-paid Egyptian labor force, the proximity to Arab oil capital and the growing size of the Egyptian market itself are mentioned in literature as main

---

<sup>194</sup> See the letter from Gagnebin to the Division of Commerce, 06.04.1976, SFA, E7110#1987/20#1189\*, 871.0.

<sup>195</sup> Cf. Leslie Sklair, 'The Costs of Foreign Investment: The Case of the Egyptian Free Zones', in *Essays on the Economic History of the Middle East*, ed. by Sylvia G. Haim and Elie Kedourie (London: Routledge, 1988), p. 110.

<sup>196</sup> Note by Heinrich Gattiker, staffer at the Financial and Economic Service of the FPD, 12.06.1975, SFA, E2001E-01#1987/78#2631\*, C.41.157.0.

<sup>197</sup> See the letter from Jean Cuendet, Swiss Ambassador in Cairo, to Wagih Shindi, Egyptian Minister of Investment Affairs and International Cooperation, 03.06.1983, SFA, E2010A#1995/313#5813\*, C.41.111.0.

<sup>198</sup> The Swiss ambassador reported this to Bern in a letter from Gagnebin to the Division of Commerce, 17.06.1975, SFA, E7110#1986/24#1245\*, 892.1.

motivations for growing FDI in Egypt under the new law.<sup>199</sup> The Swiss investors in Egyptian ventures are only occasionally known, as are the values of investment and the extent of participation by the respective partners. Information on the objects of the venture was, however, more readily available. Ranging from agencies and technical offices, to touristic ventures, to banking and insurance representations, to trading and actual manufacturing companies, Swiss investors had no clear preference for a single type of activity.<sup>200</sup>

The most important Swiss FDI in 1975, both in terms of value and aim, was the opening of *Arab Elevators Co. Schindler-Egypt*. Founded in December 1975, it was a model for triangular ventures combining Arab capital and Western know-how with Egyptian labor. The Swiss elevator company Schindler contributed just five percent to the overall capital of CHF 20 million. The rest of the capital came to roughly a third from an Egyptian state company (*Elevators & Building Material Co., Cairo*), and from Schindler agents in Saudi Arabia (30%), Kuwait (35%) and Libya (9%). The company was to locally assemble a basic elevator model, with Schindler providing the technology, management and quality control. Initially, only the cabins and doors were produced locally, with motors and electronic components imported from Switzerland. Gradually, all components would be produced in Egypt. Half of the estimated output of 500 elevators per year would be exported to Arab countries. The revenues of these exports would provide the company with the foreign currency necessary for its imports.<sup>201</sup> This first elevator factory in the Middle East was well received in Egypt. Not only would it employ 500 workers, it was perfectly aligned with the Egyptian authorities' development strategy.<sup>202</sup> Certainly, Schindler's Swiss FDI did aim for local production. Yet, at least initially, it surely placed a supplementary burden on the Egyptian balance of payments, since Egypt depended on substantial imports from the Swiss parent company. With considerable share of production destined for export to other Middle Eastern countries, the Schindler case reflected the centrality of the Egyptian economy in the regional market.

Swiss FDI appears to have been a forerunner for other countries to follow. While no evidence has been found demonstrating the promotional effect of the bilateral investment protection treaty, it is likely to have played a role in Swiss firms' investment decisions. More generally, the SNB was very supportive of capital exports from Switzerland, including FDI. In its attempts to counter the revaluation of the Swiss franc, capital exports were actually a crucial element of the Swiss authorities' foreign

---

<sup>199</sup> See for instance: Jeswald W. Salacuse, and Theodore Parnall, 'Foreign Investment and Economic Openness in Egypt: Legal Problems and Legislative Adjustments of the First Three Years', *The International Lawyer*, 12 (1978), p. 759-763.

<sup>200</sup> This reflected the broad scope of potential projects prioritized under this law, see: George E. Bushnell, 'The Development of Foreign Investment Law in Egypt and Its Effect on Private Foreign Investment', *Georgia Journal of International & Comparative Law*, 10 (1980), p. 304-305.

<sup>201</sup> Gagnebin reported in depth on the modalities of this FDI in a letter to the Division of Commerce, 11.12.1975, SFA, E7110#1986/24#1245\*, 892.1.

<sup>202</sup> See, for instance, the reporting in a French-language Egyptian newspaper article recognizing an end to the "elevator crisis" in the country: « Une innovation de la grande firme ,Schindler'. La première usine au Moyen-Orient pour la fabrication des ascenseurs », in *Journal d'Egypte*, 13.12.1975, SFA, E7110#1986/24#1245\*, 892.1.

exchange policy.<sup>203</sup> In contrast to precursory Swiss economic relations with Egypt, the Swiss authorities were still hesitant to vigorously promote commercial expansion via public financial support that went beyond public guarantees. The economic and political risks of using public funds to stimulate Swiss exports to Cairo were still too large.

### ***The Primacy of Political Precariousness in Syria***

Contrasting with the Egyptian interest in increasing economic relations with the developed capitalist world, signals from Syria were ambivalent. As seen, Swiss commercial opportunities in Syria were influenced by local political conditions. Swiss exports to Syria also suffered from the revaluated Swiss franc, particularly in the consumer goods sector.<sup>204</sup> The Syrian authorities attracted substantial capital support from abroad, allowing it to launch a large-scale investment and industrial development program. This at least made Syria a potentially interesting market for Swiss exporters, and in particular, for the machinery industry. Unlike the Egyptian case, financial aid came almost exclusively from Arab oil states, mainly Saudi Arabia; barely any aid came from Western governments or IFIs.<sup>205</sup> The Swiss did not see growing Saudi financial involvement unfavorably, as it also had a political component. According to the Swiss chargé in Damascus, Saudi involvement was designed to counter the Soviet presence in Syria.<sup>206</sup> Despite these attempts in changing local political conditions, these still had a decidedly negative impact on Swiss economic presence in Syria, especially when compared to Egypt.

Despite continued skepticism, the Swiss administration's political evaluation of the Syrian regime was changing in 1975. The Saudi scheme seemed to yield results; by June 1975, François de Ziegler, deputy director of the FPD, noted an increasing Syrian detachment from Moscow. "Although there is no doubt that Syria is following a harder line than [Egypt], we do wonder whether its inclusion in the camp of extremists is still justified, or if there are not certain signs of moderation in Syrian policy," de Ziegler mused.<sup>207</sup> Growing Syrian political estrangement with the USSR did not, however, have an unequivocally favorable impact on Swiss business presence in Syria. In October 1975, the ERG still did not guarantee deals with Syria.<sup>208</sup> With Swiss business interest in Syria on the rise amidst growing industrial investments, major Swiss companies increased their pressure on the federal authorities via the Swiss chargé in Damascus, William Roch.

---

<sup>203</sup> See: Banque nationale suisse, *68. Rapport ...*, p. 54.

<sup>204</sup> This was namely the case for Swiss textile exports to Syria, see the letter from Chamber of Commerce of St. Gallen and Appenzell to the Division of Commerce, 18.02.1974, SFA, E7110#1986/24#2132\*, 842.0.

<sup>205</sup> Cf. Volker Perthes, *The Political Economy of Syria ...*, p. 33-42. For a study on foreign support to Syrian economic development until 1979, see: David W. Carr, 'Capital Flows and Development in Syria', *Middle East Journal*, 34 (1980), p. 455-67.

<sup>206</sup> See the letter from Roch to the FPD, 17.01.1975, SFA, E2300-01#1977/30#27\*, A.21.31.

<sup>207</sup> See the letter from de Ziegler to Gagnebin, 16.06.1975, SFA, E2001E-01#1988/16#5644\*, B.73.0.

<sup>208</sup> See the handwritten comments of Hermann Hofer, vice-Director of the Division of Commerce, on the letter from Roch to the Division of Commerce, 22.10.1975, SFA, E7110#1986/24#2135\*, 861.1.

The Swiss machinery industry was yet again a crucial actor in this respect. In autumn 1975, BBC was competing against a Czech competitor, Skoda, for an electrical power plant in Homs. Its main disadvantage was failing to provide preferential financial conditions.<sup>209</sup> Swiss Chargé Roch insisted that the criteria for granting ERGs to Syria “may be too restrictive, especially at a time when this rapidly developing country is resolutely turning towards Western Europe and is thus offering us great business opportunities.”<sup>210</sup> Similar issues arose for the Swiss machinery company *Sulzer*, which was competing against a Belgian and French company for two tenders to supply the Syrian General Organization of Textile Industries with 70 looms. The Syrian authorities’ preference for Sulzer’s offer on technical grounds was overruled by the price issue. Sulzer’s representative in the Middle East insisted that an ERG would allow his company to better its offer. Given the more generous guarantee policies by the West German and French ERG organizations (Hermes and Coface, respectively), Roch added that in Syria “our restraint is perceived as an unjustified mistrust because public authorities and state organizations in Syria generally respect their commitments.”<sup>211</sup>

Major Swiss companies’ repeated insistence for ERGs did not go unrequited by Swiss officials in Bern. In late December 1975, the vice-Director of the Division of Commerce and President of the ERG Commission, Hermann Hofer, reported to Roch that the ERG had increased its overall engagements since mid-1973. The “changed economic situation and the specific difficulties of individual sectors of the export industry” had allowed them to provide guarantees more generously.<sup>212</sup> Given the situation in Syria had “notably bettered,” Swiss exports could also again receive an ERG.<sup>213</sup> Both BBC’s and Sulzer’s submission for Syrian deals had, in the meantime, received such guarantees.<sup>214</sup>

Parallel to these developments in the financing of Swiss exports to Syria, a shift was also taking place in the consideration of an official Swiss visit. In September 1975, during a meeting with the FPD and the Division of Commerce,<sup>215</sup> Albert Natural, the newly appointed Swiss ambassador to Syria based in Beirut, reported that a Swiss delegation would be warmly welcomed by the Syrian political and economic authorities. Moser, from the Division of Commerce, requested an evaluation on the economic situation in Syria before ruling on the opportunity of such a visit.<sup>216</sup> In a letter to Moser in November 1975, Chargé Roch judged it as well. He understood that an official visit was not politically timely in the context of the Lebanese civil war. He did, however, rhetorically ask: was it “appropriate to wait for better times with a risk of

---

<sup>209</sup> See the confidential note by Roche „BBC, Baden. – Projet d’extension de la centrale électrique de Homs“, 22.10.1975, SFA, E7110#1986/24#2135\*, 861.1.

<sup>210</sup> Roch to the Division of Commerce, 22.10.1975, SFA, E7110#1986/24#2135\*, 861.1.

<sup>211</sup> See the letter by Roch to the Division of Commerce, 07.11.1975, SFA, E7110#1986/24#2135\*, 861.1.

<sup>212</sup> Letter from Hofer to Roch, 29.12.1975, SFA, E7110#1986/24#2135\*, 861.1.

<sup>213</sup> *Ibid.*

<sup>214</sup> *Ibid.* It is unclear whether these tenders were ultimately won.

<sup>215</sup> See the letter from Roch to Iselin, 04.10.1975, SFA, E2001E-01#1988/16#5645\*, C.41.111.0.

<sup>216</sup> Letter from Moser to Albert Natural, Ambassador, Swiss embassy in Beirut, 22.10.1975, SFA, E2001E-01#1988/16#5645\*, C.41.111.0.

being surpassed by our competition?”<sup>217</sup> While the Syrian-Soviet estrangement was viewed positively from Bern, regional political conditions now became decisive. For the FPD, the civil war in Lebanon prevented concretization of an official Swiss visit to Damascus and hence, a more supportive foreign economic policy. Only an easing of the political situation would allow federal authorities to entertain the possibility of initial contact with the Syrian government. In a letter from mid-December 1975, Iselin instructed Roch to stop raising the possibility of such a visit with the Syrian authorities.<sup>218</sup>

It is telling that the Swiss commercial authorities lacked the economic information on Syria needed to make an informed decision on a potential official visit. This evidences that, at least for the time being, Syria had not been a market where Swiss authorities wanted to actively promote Swiss business. It was only after two large Swiss corporations from the machinery and electric industry made private advances in Syria, that decided official interest in promoting ventures in Syria can be noted. Political relations in return largely determined this low interest. In a note to Pierre Graber in early December 1975, Jürg Iselin insisted that the authorities in Damascus had “ambivalent feelings towards Switzerland.”<sup>219</sup> While Switzerland had a certain number of “friends” among government officials, its “pro-Zionist reputation” provoked periodical criticism in Syria.<sup>220</sup> Their ambivalent political feelings were mutual. Economically, Syria was going through a boom period and was “an interesting partner, not leaving the Division of Commerce indifferent” – both countries were clearly interested in increased economic contact.<sup>221</sup> Despite the overall favorable conditions for such closer contacts, political conditions in Syria and the larger Middle East inhibited, at least for the time being, a decisive rapprochement. By the end of 1975, the Swiss began to support economic contacts more substantially via a generous supply of guarantees for exports to Syria. But private credit arrangements were still considered sufficient to promote Swiss commercial activity in Syria.

## Conclusion

This chapter has demonstrated how the trend of economic estrangement with Israel and increased interest in the Arab states – already noticeable during the October War and in its immediate aftermath – deepened. Initially, Swiss orientation to Arab markets was driven by an oil-shock induced balance of payments considerations. By that time, the economic crisis in the developed capitalist world became crucial to understand growing Swiss economic interest and engagement in the Arab world. The loss of export markets in the developed capitalist world drove Swiss producers to seek outlets elsewhere, including the Arab world. Arab markets seemed so promising that attempts to deepen Swiss commercial presence there increasingly happened at the expense of economic contacts with Israel. Even when Israeli officials proposed negotiating a trade agreement

---

<sup>217</sup> Letter from Roch to Moser, 24.11.1975, SFA, E2001E-01#1988/16#5645\*, C.41.111.0.

<sup>218</sup> Letter from Iselin to Roch, 17.12.1975, SFA, E2001E-01#1988/16#5645\*, C.41.111.0.

<sup>219</sup> Note from Iselin to Graber, 05.12.1975, SFA, E2001E-01#1988/16#5624\*, B.15.21.

<sup>220</sup> *Ibid.*

<sup>221</sup> *Ibid.*

and ending the tariff discrimination of Swiss products, Bernese officials and major Swiss business associations rebutted such advances. This reflected how sales in the Arab markets had become more promising. Swiss interests in the Arab countries should by no means be disturbed by news of potential economic cooperation with Israel. This all the more since growing Israeli economic instability did not make it a particularly promising market. The shifting opportunities in the Middle East were not limited to oil-rich states, as evidenced by growing Swiss business interest in the Egyptian and, to a lesser extent, Syrian markets.

Although this reorientation was a done deal for Swiss business interests and the state, it was by no means easy to bring to fruition in the targeted markets. In the non-oil exporting Arab states, Egypt and Syria in this case, a series of factors blocked export promotion. The Swiss franc revaluation made imports from Switzerland costly. Beyond monetary policy, the still shy official Swiss trade promotion policy inhibited the increase of Swiss market share in the region. The ERG for exports to Egypt and Syria, as well as the lack of official soft loans to bridge the foreign revenue gap in those countries, did not support sales. Hence, the significant role of the state in supporting foreign economic expansion in the Third World became apparent, but only marginally translated into a foreign economic policy adaptation.

Political considerations further obstructed, or at least risked interfering with, sustained Swiss export promotion. In the wake of sensitive reactions from Swiss parliamentarians and the public to the Israel-critical measures adopted in UNESCO, Arab resentment and discrimination against Swiss companies rose again. The politicization of UN agencies, geopolitical developments in the Middle East and the oil crisis all induced a feeling of crumbling post-war international order. Swiss foreign policy was heavily questioned by Swiss parliament and the administration. As shown, this scrutiny did not lead to a retreat but to a reinforcement of Swiss orientation to the Third World – especially the Middle East – for both foreign policy and foreign economic policy. The efficient Swiss humanitarian intervention during the armed conflict of October 1973, and Swiss neutrality policy at large, now served to mitigate any anti-Swiss resentment in the Arab world. The Swiss authorities explicitly reminded their Arab interlocutors of those positive Swiss contributions. This further demonstrates that Swiss foreign policy involvement was heavily interest-driven and did not respond to altruistic commitment to a peaceful Middle East. The discarding of political reservations on the Arab side was then complemented by a Swiss business charm offensive in the region, supported by the diplomatic corps. For the time being, however, federal officials appeared more liberal than the Swiss business sector. They considered private means of commercial expansion, supported by private bank loans, as sufficient. Public guarantees for these loans were growing, but at a controlled and slow pace. This method of export promotion was soon reaching its limits.

## **5. All Eyes on Egypt. Setting Straight Swiss Economic Priorities in the Middle East (1976-1978)**

In the aftermath of the oil price hikes and economic crisis in the developed capitalist world, it had become clear that Swiss export industries had high fortunes in the Middle East. A differentiated appreciation of market opportunities in the region had already begun to emerge, with a noted restraint from engaging in Israel and an emphasis on the Arab states. Israel attempted to build economic goodwill in Switzerland via tariff concessions. Yet under Israel's hardening political position in the conflict, Swiss restraint started to turn into suspicion. But this did not necessarily translate into closer economic association with all Arab countries. Nuanced engagement had yet to substantiate itself into a more meaningful and vigorous build-up of Swiss presence on the ground. While such efforts had already been picked up in Egypt, they were still timid in Syria until 1976. Thereafter, Swiss market penetration attempts first grew in intensity in both these Arab countries. In a second phase, a renewed differentiation of market opportunities between Egypt and Syria occurred. This chapter will address continued Swiss economic interactions with the three states within the context of local and regional economic and political conditions between 1976 and 1978.

The years covered here were largely characterized by a suspension of conflict resolution attempts. The US election cycle and the new administration headed by Jimmy Carter put the political settlement of the Arab-Israeli conflict on hold for the bigger part of 1976 and into 1977. In the Middle East itself, 1977 saw a series of dramatic political changes: Syrian intervention in the Lebanese civil war from the summer of 1976 onwards; a political upheaval in Israel with the demise of the Labor Party and the arrival of the right-wing Likud bloc in May 1977; Egyptian domestic policy shaken by days of rioting in January 1977; and finally, Sadat's historic visit to Jerusalem in November 1977. The focus of this chapter will therefore be on how Swiss foreign policy and economic orientation in the region were linked to these changing conditions on the ground. As the Swiss authorities did not have any substantial role in achieving a negotiated settlement, the geopolitical aspects of the Arab-Israeli conflict, including Cold War elements, were not crucial for this Swiss orientation. And given that Switzerland's neutrality policy had been substantiated amidst re-emerging Arab criticism after the October War, a more interest-driven Swiss foreign policy could emerge. Political risks for Swiss economic relations were therefore no longer as substantial as they had been during the wars and the height of the oil crisis. As will be shown, the regional political issues mentioned above, but mostly also local economic conditions, heavily influenced the scope for developing Swiss economic presence in the Middle East.

A later chapter will give an account of the Swiss evaluation of the peace process and how it gave rise to a differentiated optimism within the Helvetic authorities. This chapter will first examine Swiss-Israeli relations. It will show how government changes dwindled Israel's international position, not leaving the Swiss indifferent. Then, the first steps of a decided Swiss rapprochement with Syria will be analyzed, explaining

their ultimate failure. And finally, the sequence leading to decisive Swiss engagement in Egypt will be presented.

### **5.1 Confusing Israeli Policies Amidst Economic Crisis and Government Change.**

In the period that would ultimately lead up to the Egyptian-Israeli peace treaty, Israel was in a dire condition politically and economically. Following the Israeli defeat during the October War and corruption scandals involving top Labor party leaders, this traditionally dominant party of Israeli politics lost significant popular support.<sup>1</sup> In the May 1977 elections, the right-wing *Likud* alliance became the dominant political force in Israel<sup>2</sup> and Menachem Begin took office as Prime Minister.<sup>3</sup> This represented a major shift in Israeli political history. It broke the dominance of the social national project of labor Zionism and gave way to a more explicitly colonial view of building the Jewish state. Unsurprisingly, given this massive shift, the coming to power of the right wing has been described as “dramatic economic, social, political, and cultural changes in Israel.”<sup>4</sup> This electoral shift also embodied a change in the national outlook of Israel. The Likud’s hard line on Israeli settlements in the occupied West Bank led to a relative weakening of its international standing in Europe and the newly installed Carter administration.<sup>5</sup>

Among the various interpretations of this major shift in Israeli politics, economic factors appear prominently. Long-term changes of business concentration and conditions for capital accumulation led to the dissolution of long-standing alliances in the workers’ movement and the decomposition of domestic power structures. These in turn led to a loss in legitimacy of the labor Zionist project.<sup>6</sup> This process was accelerated after the 1973 October War as the Israeli economic situation continuously worsened, which expressed itself in a deteriorating balance of payments and growing inflation rates. Public confidence in the Labor Party dropped amidst its inability to resolve these problems.<sup>7</sup> The new Likud government therefore immediately faced significant economic challenges. It responded with a major policy reversal, paving the way for what has been described as a neoliberal dismantling of the Israeli development state.<sup>8</sup>

---

<sup>1</sup> On the drop in support for the Labor Party during this period, see: Shapira, *Israel: A History* ..., p. 359-360.

<sup>2</sup> On the long-term rise of the Likud alliance, see: Colin Shindler, *The Land Beyond Promise: Power, Politics and Ideology from Begin to Netanyahu* (London New York: I.B. Tauris, 2001).

<sup>3</sup> For a brief portrait of Menachem Begin and his government, see: Colin Shindler, *The Rise of the Israeli Right* (Cambridge: Cambridge University Press, 2015), p. 312-316.

<sup>4</sup> Tal Elmaliach, ‘The Decline of the Israeli Labor Movement: Mapam as a Test Case, 1954–77’, *Jewish Social Studies*, 22.3 (2017), p. 71.

<sup>5</sup> For the growing estrangement of the Carter administration with successive Israeli governments, see: Druks, *The Uncertain Alliance* ..., p. 163-171.

<sup>6</sup> Cf. Shimson Bichler, ‘Political Power Shifts in Israel, 1977 and 1992: Unsuccessful Electoral Economics or Long Range Realignment?’, *Science & Society*, 58.4 (1994), p. 415-439.

<sup>7</sup> Placing this power shift in a longer perspective, see: Daniel Galily and David Schwartz, ‘The Decline of the Israeli Labor Party: An Economic and Political Crisis in the Years 1967-1977’, *International Journal of Research in Social Sciences and Humanities*, 6.4 (2016), p. 123-127.

<sup>8</sup> Lev Grinberg, ‘Paving the Way to Neoliberalism. The Self-Destruction of the Zionist Labor Movement’, in *Neoliberalism as a State Project: Changing the Political Economy of Israel*, ed. by Asa Maron and Michael Shalev (Oxford: Oxford University Press, 2017), p. 29-36.

The Swiss authorities did not respond positively to these domestic power shifts in Israel. On the contrary, skepticism continued to rise. In the period shortly before the May 1977 elections, and up until 1978, there was a marked reserve among Swiss officials towards interactions with Israel. With Swiss exports to Israel dropping, bilateral economic relations did not aid in abating Swiss political reluctance. Contrasting with Syria and Egypt, as will be seen, Swiss-Israeli interactions were notably low throughout 1976. Only by late 1978 did contacts deepen again. This primarily concerned, from the Swiss side, receiving Israeli concessions for tariff reductions. Two further fields of bilateral contacts were more contested. The Swiss authorities displayed marked reserve in negotiating a bilateral treaty on social security. Furthermore, existing contacts in the field of military cooperation were constantly submitted to criticism from within the Swiss administration.

### ***Unexpected Israeli Tariff Concessions in Growing International Isolation***

As of January 1976, the bar for low Swiss-Israeli bilateral interactions had been set. None of the crucial Swiss business associations were interested in opening negotiations for an economic cooperation treaty with Israel. Israeli economic constraints were an important element in this lack of Swiss business enthusiasm. But they could not alone account for this reluctance, as Syrian or Egyptian macroeconomic conditions did not fundamentally differ. All faced precarious financial situations, making the price issue vital when acquiring goods from abroad. And in Switzerland, industrial companies were still suffering from the economic crisis. Even when Swiss businesses were interested in entering the Israeli market to secure badly needed orders, their chances were bleak<sup>9</sup> even with diplomatic support.<sup>10</sup> This matched the results for Israel in the Vorort's 1976 survey on foreign markets. In the short term, market outlook in Israel was described as "moderate".<sup>11</sup> While in the midterm it might be "better", in the long run it depended on political conditions and financial support from the Jewish diaspora.<sup>12</sup> These factors that could lead to better commercial perspectives in Israel were outside the realm of Swiss authorities and firms' market cultivation possibilities. The main conclusion that could be drawn from this survey was that low-level official interactions were largely sufficient to cultivate this market that was, for the time being, not very promising.<sup>13</sup>

---

<sup>9</sup> See for instance the vain attempt of the Swiss train coach producer Schindler Waggon to win a tender for 120 freight cars: letter from Schindler Waggon AG, Pratteln, to the Division of Commerce, 02.04.1976, SFA, E7110#1987/20#2076\*, 872.1.

<sup>10</sup> Ambassador Rüedi's intervention was reported in a letter from Max Krell, Head of Section of the Country Service Israel, Division of Commerce, to Schindler Waggon AG, Pratteln, 27.04.1976, SFA, E7110#1987/20#2076\*, 872.1.

<sup>11</sup> See the note with the compiled answers for Israel, 12.07.1976, ACH, IB-Vorort, 462.1.15.

<sup>12</sup> *Ibid.*

<sup>13</sup> This is reflected in the unanimous conclusion that Swiss companies did enough in the Israeli market, and that nobody desired a strengthening of the embassy's economic services or the deployment of an official Swiss economic delegation, see: *ibid.*

This stalemate in Swiss-Israeli relations mirrored a standstill in the Arab-Israeli peace process, largely paralyzed due to the US election cycle.<sup>14</sup> In August 1976, Kissinger told the Israeli ambassador to Washington that “Israel could go on a vacation,” for Washington would not take any initiative in the Middle East before the autumn elections.<sup>15</sup> Once the US presidential elections passed, it was Israel’s turn to experience a political blockade. In late 1976, the government was dissolved and new elections were announced for May 1977. Swiss Ambassador Jacques-Bernard Rüedi was convinced that chances for advancement in the peace process were low before the snap elections.<sup>16</sup> Shortly before these elections, Rüedi reported to Bern that Israel was lacking a “real leader.” Anxiety prevailed in the country regarding the US’s Middle Eastern policy, to which the warm meeting between Carter and Assad in Geneva, treated in the following chapter, had contributed.<sup>17</sup> Rüedi was convinced that the diminished standing Israel had in the new US administration was among the roots of Israeli anxiety.<sup>18</sup> The Swiss ambassador expressed his surprise at the clear victory of Menachem Begin’s Likud bloc in the May 1977 Israeli elections. He considered that this new Israeli administration would reduce the likelihood for peace.<sup>19</sup> With the arrival of Begin to power, Swiss caution towards Israel noticeably increased even further.

Swiss exports to Israel, with the exception of diamonds, had been dropping since 1974 (cf. Graph 14). Since the spring of 1976, the Division of Commerce had been dreading stronger discrimination against Swiss goods in the Israeli market due to the aforementioned FTA between Israel and the EEC, which indeed further depressed exports.<sup>20</sup> But it would take the Swiss administration over a year to raise this issue again. Signs of Israeli concessions on tariffs did not seem promising at first. In summer 1977, Max Krell, the section head at the Division of Commerce in charge of Israel, visited Jerusalem<sup>21</sup> where, according to Emilio Moser, the Israeli authorities “trivialized [the] increased discrimination of Swiss products.”<sup>22</sup> Just a few weeks later, to the great surprise of the Swiss authorities, the head of the Economic Service of the Israeli Foreign Ministry told Swiss ambassador Rüedi that Israel would grant equal treatment to Swiss and EEC goods.<sup>23</sup> Given the dropping trade figures and attempts to

---

<sup>14</sup> Cf. for instance: Quandt, *Peace Process ...*, p. 171.

<sup>15</sup> This was reported to Bern in the letter from the Swiss embassy in Israel to the FPD, 18.08.1976, SFA, E2300-01#1988/91#77\*, A.21.31.

<sup>16</sup> For the Swiss embassy reporting on the Israeli government crisis, see the letter from Jacques-Bernard Rüedi, Swiss ambassador to Israel, to the FPD, 05.01.1977, SFA, E2300-01#1988/91#171\*, A.21.31.

<sup>17</sup> This Israeli anxiety was reported on in the letter from Jacques-Bernard Rüedi, Swiss ambassador to Israel, to the FPD, 11.05.1977, SFA, E2300-01#1988/91#171\*, A.21.31.

<sup>18</sup> The Swiss ambassador reported this in a telegram to the FPD, 04.05.1977, SFA, E2001E-01#1988/16#3958\*, B.73.0.

<sup>19</sup> See Rüedi’s telegram to the FPD, 18.05.1977, SFA, E2001E-01#1988/16#3958\*, B.73.0.

<sup>20</sup> See the note from the Division of Commerce to Ernst Brugger, 02.04.1976, DDS, dodis.ch/48380.

<sup>21</sup> No systematic evidence on this visit to Israel has been found in the Swiss federal archives. The visit is only mentioned in a note from Carlo Jagmetti, Head of the Swiss Permanent Mission to the EFTA and the GATT, „Israel“, 12.07.1977, SFA, E2001E-01#1988/16#3961\*, C.41.117.0.

<sup>22</sup> This was transmitted to Ambassador Rüedi, requesting a follow-up in Jerusalem. See the letter from Moser to Rüedi, 01.07.1977, SFA, E7110#1988/12#2294\*, 841.0.

<sup>23</sup> See the telegram from Rüedi to the Division of Commerce, 27.07.1977, SFA, E7110#1988/12#2294\*, 841.0.

reverse Israeli trade discrimination, this was certainly welcomed by the Swiss authorities.

Surprised by these Israeli concessions, the Swiss authorities tried making sense of them. Their interpretation was that the Israeli accommodation was likely due to Israel's growing international isolation. Ambassador Rüedi reported on an EC statement on the Middle East, issued in late June 1977. It called for translating Palestinian identity into fact, i.e. recognizing their rights to a homeland. To the Swiss ambassador, this declaration "that almost all commentators have accused of being the most anti-Israeli ever made in Europe," seemed to have additional motives.<sup>24</sup> Hinting at European accommodation of Arab interests, he wondered: was it "really a coincidence that the declaration of the Nine was issued the day before the disappearance of the last customs restrictions on Israeli industrial products imported into EEC member countries?"<sup>25</sup> Facing growing European distancing from Israel<sup>26</sup> and anxiety over the course the Carter administration would adopt, the Israeli foreign ministry turned to Switzerland in an attempt to harness political sympathy. Jürg Iselin from the FPD was doubtful whether the newly appointed Israeli policymakers were actually decided on the trade policies they could and should adopt. He explained the Israeli rapprochements "by the fact that Israel is increasingly isolated on the international scene and now even in Europe, no longer knows where to turn to gather information or to benefit from political sympathy. [...] Israel has reached a point where its administration no longer knows what policy it should and could have. It is striking to note, in this respect, that the representatives of different ministries are making completely opposite and uncoordinated statements."<sup>27</sup> This led him to conclude that, "it is clear that those responsible for Israeli policy, and in particular its trade policy, must suffer from disorientation."<sup>28</sup> As will be seen, this evaluation of Israeli confusion in commercial policy was accurate. Turning to the traditionally friendly Swiss authorities appeared as a means for Israel to curb its growing international isolation.

The Swiss, aware of these motivations, did not enthusiastically welcome the Israeli attention. This wariness was also becoming apparent in political relations. In September 1977, the new authorities in Jerusalem sent Benjamin Akzin, an eminent figure of revisionist Zionism and professor of political science and constitutional law, to convey their policies to Swiss officials in Bern. Akzin had acted as de facto Foreign Secretary of the revisionist Zionist movement in the US during the Second World War, promoting Jewish resettlement to Palestine.<sup>29</sup> Whether he was then more diplomatic in his discussions is not clear. In Bern, he virulently exposed the Likud government's political

---

<sup>24</sup> See the letter from Rüedi to the FPD, 06.07.1977, SFA, E2300-01#1988/91#171\*, A.21.31.

<sup>25</sup> *Ibid.*

<sup>26</sup> On these worsening relations under early Begin leadership, see: Costanza Musu, *European Union Policy towards the Arab-Israeli Peace Process: The Quicksands of Politics* (Basingstoke: Palgrave Macmillan, 2010), p. 36-38.

<sup>27</sup> Letter from Iselin to the Swiss permanent mission to the EFTA and the GATT, 21.07.1977, SFA, E2001E-01#1988/16#3961\*, C.41.117.0.

<sup>28</sup> *Ibid.*

<sup>29</sup> See: Gil S. Rubin, 'Vladimir Jabotinsky and Population Transfers Between Eastern Europe and Palestine.', *The Historical Journal*, 62.2 (2019), p. 511-513.

project in his discussion with Jürg Iselin. Akzin mostly used this conversation to denounce the Palestinians as “a group of terrorists with whom Israel will never discuss,” to scapegoat the Arabs for the stalemate in the peace talks and to justify the continued build-up of Israeli settlements in the occupied territories.<sup>30</sup> Even though the Israeli ambassador to Switzerland, Yaakov Shimoni, had to occasionally intervene “to give his countryman's interventions a more ‘diplomatic’ character,” Iselin described the conversation as “relaxed and friendly.”<sup>31</sup> Yet, this Swiss-Israeli meeting “allowed the Israeli ambassador and Akzin to realize that the Israeli point of view [was] met with considerable skepticism and doubts” from the Swiss administration.<sup>32</sup>

Instead of the sympathy as expected, the new Israeli administration received skepticism from the Swiss authorities. However, if the Israeli isolation provided an occasion for reaping economic benefits, Swiss officials displayed greater interest. This especially was the case considering that Israel’s new finance minister, Simcha Erlich, had begun what has been described in literature as a “partial capitalist revolution.”<sup>33</sup> The economic liberalization announced in late October 1977 consisted of a set of reforms, including various subsidy cuts. It focused on eliminating foreign exchange management as well as fiscal and tariff measures that restricted imports or promoted exports.<sup>34</sup> Begin promised that this self-described economic revolution would transform Israel into a “free state according to the model of Switzerland or the US.”<sup>35</sup> While it would ultimately be unsuccessful both economically, as it did not reverse the crisis tendency in Israel,<sup>36</sup> and socially, as it increased inequality and domestic political stability,<sup>37</sup> Swiss policymakers fully welcomed these measures. Ambassador Jacques Rüedi embraced this “spectacular new economic program” as the “boldest economic policy step ever taken by the Israeli government since the founding of the state. It represents a real departure from the ideologically founded state interventionism in monetary policy and foreign trade, as well as from state-controlled subsidy policies and represents a shift towards liberal economic thinking.”<sup>38</sup> An official in Bern likened the reforms to the reforms introduced in Chile a few years earlier under Pinochet’s dictatorship and upon US advice. Rüedi was not convinced that this attempt “to put the Israeli economy

---

<sup>30</sup> Note by Pierre Luciri, collaborator at the Political Division II, FPD, “Entretien avec M. Benjamin Akzin”, 21.09.1977, SFA, E2001E-01#1988/16#3958\*, B.73.0.

<sup>31</sup> *Ibid.*

<sup>32</sup> *Ibid.*

<sup>33</sup> These reforms have been recognized as a radical break in Israeli economic policy, cf for example: Adelman, *The Rise of Israel ...*, p. 139-140. For critical views on this interpretation, which see the reforms in continuity with the corporatist functioning of the Israeli economy, and hence, a less radical rupture with previous economic policy, see: Aharoni, *The Israeli Economy ...*, p. 191-193. See also: Michael Shalev, ‘Have Globalization and Liberalization “Normalized” Israel’s Political Economy?’, *Israel Affairs*, 5.2–3 (1998), p. 124-125.

<sup>34</sup> For a brief account of this liberalization, see: Daniel Schiffman, Warren Young, and Yaron Zelekha, *The Role of Economic Advisers in Israel’s Economic Policy: Crises, Reform and Stabilization* (Springer International Publishing, 2017), p. 100-101.

<sup>35</sup> Cited in: Schiffman *et al.*, *The Role of Economic Advisers ...*, p. 100.

<sup>36</sup> Cf. Ben-Zion Zilberfarb, ‘From Socialism to Free Market – The Israeli Economy, 1948–2003’, *Israel Affairs*, 11.1 (2005), p. 15-16.

<sup>37</sup> Shindler, *The Land Beyond Promise ...*, p. 102.

<sup>38</sup> See the telegram from Rüedi to the Division of Commerce, 31.10.1977, SFA, E2001E-01#1991/17#8557\*, C.41.Isr.100.0.

on a healthier footing by means of a drastic cure” would be successful.<sup>39</sup> He wrote: “The answer to this question depends primarily on the unpredictable behavior of its economic subjects [i.e.] of organized labor.”<sup>40</sup> So while the Swiss authorities were sympathetic to Israeli reform, it was too early for an evaluation of its prospects. They therefore did not thoroughly discuss what liberalization might mean for Swiss economic interests – although it does seem plausible that the liberalization of foreign trade could at least raise the interest of Swiss business in the Israeli market and prompt officials to discuss bilateral trade relations.

Such hopes were quickly deterred as inconsistencies in Israeli trade policy towards Switzerland became ever more apparent. The discrepancies must be read against the backdrop of competence disputes in the new Israeli administration. As the Swiss embassy and Israeli foreign ministry were determining which Swiss merchandise should be treated on an equal basis to EEC goods,<sup>41</sup> the Israeli Ministry for Trade and Industry put an end to these talks. By November 1977, the Deputy General Director for Foreign Trade, Jaakov Cohen, insisted that his office was solely responsible for tariff issues, not the foreign ministry. In an unpleasant and even humiliating conversation with the first Swiss Embassy secretary, Jörg Kaufmann, Cohen “with an, even for local conditions, raised voice” unmistakably made clear that the Swiss ought to abandon any hopes for Israeli market penetration. “The embassy must finally understand that it is not possible for Israel to grant unilateral tariff preferences, especially when these are mini-positions,” Kaufmann reported.<sup>42</sup> The tone in Swiss-Israeli bilateral discussions, in Bern and in Jerusalem, had noticeably become rougher.

After this sharp Israeli clarification, Jacques-Bernard Rüedi left Israel at the end of 1977 without having achieved a major breakthrough on tariffs. While the Bern authorities increasingly took their distance, Rüedi, in his end-of-mission report, described political relations at the time of his departure to be, all in all, “excellent. This is due [...] to the interest that the vast majority of Swiss people have always shown in Israel and that a significant number of members of our Chambers, or even cantonal authorities, regularly raise their concerns either through actions in Switzerland or through visits to Israel.”<sup>43</sup> While the solidarity expressed by the Swiss population and lower-level politicians were positive, the federal authorities were passive. Swiss absence from the UN actually contributed to its good standing with Israel, as the Swiss authorities did not participate in the denunciations Israel suffered in the General Assembly. A lack of voice within the UN, however, also relegated Switzerland to what Rüedi labeled as “mere decoration.”<sup>44</sup> He explained the deteriorating bilateral economic

---

<sup>39</sup> See the note by Gregor Kündig, staffer at the Financial and Economic Service, FPD, „Israel. Neues Wirtschaftsprogramm“, 01.11.1977, SFA, E2001E-01#1991/17#8557\*, C.41.Isr.100.0.

<sup>40</sup> *Ibid.*

<sup>41</sup> See, for example, the Israeli proposal as communicated in a letter from Rüedi to Moser, 07.09.1977, SFA, E7110#1988/12#2294\*, 841.0.

<sup>42</sup> See this encounter as transmitted in a letter from Rüedi to the Division of Commerce, 28.11.1977, SFA, E7110#1988/12#2294\*, 841.0.

<sup>43</sup> End of mission report by Rüedi, 12.12.1977, SFA, E2001E-01#1991/17#8436\*, B.15.21.Isr.

<sup>44</sup> *Ibid.*

exchanges by the strong Swiss Franc and Israeli economic lull. But he had hopes that the Erlich liberalization could lead the way out of Israeli stagnation.<sup>45</sup>

In early 1978, it was unclear to the Swiss authorities what the future Israeli tariff policy would bring. In a letter to the new Swiss ambassador to Israel, Ernest Bauermeister, Emilio Moser from the Division of Commerce highlighted Israeli contradictions in their discussions with Swiss officials. Switzerland was at times the “most important trading partner within the EFTA;” and then, a “quantité négligeable.”<sup>46</sup> Bauermeister was in Israel for the second time in his diplomatic service. After a brief posting of a bit more than half a year as embassy secretary in 1964, he now found himself in his first posting as ambassador. Amidst a flood of new laws, provisions and decrees since the introduction of economic liberalization measures in October 1977, he had difficulties evaluating overall Israeli intentions and discrimination against specific Swiss products. It required considerable effort to obtain an English-language translation of Israeli customs.<sup>47</sup> On this basis, the Division of Commerce finally produced a list of which Swiss export products were discriminated against in Israel. The Israeli authorities acknowledged these discriminated customs posts in a May 1978 meeting in Bern between Jaakov Cohen and Emilio Moser. While Israel had reduced tariffs on all imports by 20 percent in the course of the 1977 reforms, this did not eliminate the difference in rates between Swiss and EEC goods. Cohen promised to match tariffs on electromechanical tools, cables, electronic apparatuses and watches to the EEC rates. According to the Swiss, the Israeli authorities granted these concessions autonomously and on a bilateral basis because they wanted to avoid cementing them within the framework of the GATT.<sup>48</sup>

Textiles were still excluded from these tariff rate reductions.<sup>49</sup> Unluckily for Israel, the Swiss textile industry had precisely been the most vocal critics of the preferential tariffs granted to Israel under the GSP, as Moser underscored during the May 1978 negotiations.<sup>50</sup> In a memorandum to the Israeli side, the Swiss Division of Commerce requested that the Israeli authorities reconsider the textiles custom rate.<sup>51</sup> The Division of Commerce deplored that not only had the volume of Israeli orders for Swiss textiles heavily dropped; but orders that had already been placed were canceled because of the higher tariffs.<sup>52</sup> The Swiss textile industry had been hit hard by the 1975 crisis and experienced heavy competition, even on its home market. This pushed the industry to

---

<sup>45</sup> *Ibid.*

<sup>46</sup> Letter from Moser to Ernest Bauermeister, Swiss Ambassador in Tel Aviv, 17.01.1978, SFA, E7110#1989/32#2409\*, 841.0.

<sup>47</sup> Letter from Bauermeister to Moser, 08.02.1978, SFA, E7110#1989/32#2409\*, 841.0.

<sup>48</sup> See the report on these negotiations in a letter from Moser to Bauermeister, 05.05.1978, SFA, E7110#1989/32#2409\*, 841.0.

<sup>49</sup> The Division of Commerce considered Israeli concessions for Swiss textiles as “rather unrealistic,” see the letter from Krell to Bauermeister, 28.02.1978, SFA, E7110#1989/32#2409\*, 841.0.

<sup>50</sup> Letter from Moser to Bauermeister, 05.05.1978, SFA, E7110#1989/32#2409\*, 841.0.

<sup>51</sup> Unsigned memorandum, 29.05.1978, SFA, E7110#1989/32#2409\*, 841.0.

<sup>52</sup> Note, „Schweizerische Vorschläge für eine Lösung des Textilproblems“, not dated, SFA, E7110#1989/32#2412\*, 842.4.

focus on export markets again,<sup>53</sup> and efforts to improve its competitive position in Israel must be seen in this context.

Again, to the Swiss' surprise, Israeli negotiators offered to adjust these customs posts to the EEC rates. It seemed obvious to Moser that the concessions proposed during this July 1978 meeting were intended to "improve Swiss-Israeli relations."<sup>54</sup> This mostly applied to Israel's attempt to more closely associate with the EFTA, to which the Swiss continued their skeptical attitude.<sup>55</sup> Israeli concessions likely also related to two further considerations. First, threats against Israel's preferential access to the Swiss market via the GSP for developing countries were raised most vocally by the Swiss textile industry. Concessions to this sector must have aimed to curb this pressure. Second, in a period of Israel's growing international political isolation, creating goodwill within the Swiss economy and administration was not devoid of interest.

Swiss officials were not the only ones trying to react to the falling exports to Israel. The Swiss-Israeli Chamber of Commerce resented the dwindling Swiss trade with Israel. In late June 1978 its president, Jean-Jacques Brunshawig, proposed to the OSEC that a Swiss economic delegation should visit Israel. This would enable Swiss business leaders to better assess the "rapid development of Israeli industry."<sup>56</sup> As the Arab countries had recently welcomed such visits, Brunshawig insisted, "it should now also be Israel's turn."<sup>57</sup> To underscore the importance of such a visit, he hoped a Swiss public figure could lead the delegation – for instance, the former Federal Council member Ernest Brugger, now retired.<sup>58</sup>

The directors of the OSEC and the Division of Commerce were both open to this proposal. However, after consultations among the important machinery companies BBC and Sulzer, the Secretary of the Vorort, Bernhard Wehrli, insisted that "no one has any interest in exposing themselves [in Israel]. Under no circumstance do the Swiss firms want to be put on an Arab black list."<sup>59</sup> So, OSEC Director Mari Ludwig – who had headed a delegation to Cairo a few years earlier, politely informed Brunshawig that business associations and important individual companies showed considerable skepticism.<sup>60</sup> Beyond Swiss business, the Economic and Financial Service of the FPD was likewise doubtful of the chamber's plans. Ironically, considering the falling trade, they called the development of bilateral commercial relations "satisfactory" so as to avoid justifying a goodwill mission.<sup>61</sup> Although "in principle [...] not opposed" to such

---

<sup>53</sup> See: Müller, 'Die Schweiz in der internationalen Arbeitsteilung. Einleitung', *ibid.*, p. 323.

<sup>54</sup> Letter from Moser to Bauermeister, 19.07.1978, SFA, E7110#1989/32#2412\*, 842.4.

<sup>55</sup> *Ibid.*

<sup>56</sup> Letter from Jean-Jacques Brunshawig, President of the Swiss-Israeli Chamber of Commerce, to Mario Ludwig, Director of the OSEC, 27.06.1978, SFA, E2001E-01#1988/16#3959\*, C.41.111.0.

<sup>57</sup> *Ibid.*

<sup>58</sup> *Ibid.*

<sup>59</sup> See the transcript of Wehrli's statements in a telephone conversation with an FPD official in the unsigned note to Moser, 06.07.1978, SFA, E7110#1989/32#2414\*, 870.

<sup>60</sup> Letter from Ludwig to Brunshawig, 14.07.1978, SFA, E2001E-01#1988/16#3959\*, C.41.111.0.

<sup>61</sup> See the note from Marcel Disler, staffers at the Financial and Economic Service, FPD, to the Political Division II, FPD, "Projet de visite d'une mission économique suisse en Israël", 21.07.1978, SFA, E2001E-01#1988/16#3959\*, C.41.111.0.

a visit, a series of factors spoke against it.<sup>62</sup> The FPD doubted that “such a mission could add much to what is already being done through the usual channels.”<sup>63</sup> The political situation in the region supposedly made a visit premature; companies would risk being subjected to Arab boycott measures, and a prominent head of delegation would provoke Arab enmity. The political inopportunity of visiting Israel was rooted in an unequal balance of economic power between the Jewish state and its Arab neighbors. As will be seen in the following sub-chapters, Egypt was a strong focal point of private economic diplomacy. But even the politically unstable Syria received greater attention and attracted more Swiss business interest than Israel. Facing this skepticism by both the Swiss administration and business, the Swiss-Israeli Chamber of Commerce changed its approach. Perhaps an Israeli delegation to Switzerland was better suited.<sup>64</sup>

### ***Reluctant Negotiations on a Social Security Treaty with Cautioned Military Cooperation***

The Swiss authorities’ interactions with Israel were heavily influenced by Arab sensitivities. This was demonstrated by the second significant rapprochement with Israel. In May 1978, the Israeli authorities opened a new field for bilateral consultations by insisting on negotiations for a bilateral social security treaty. Such treaties essentially coordinate social security benefits, notably pensions, between the contracting countries. The competent Swiss official, Jean-Daniel Baechtold from the Federal Office of Social Security (FOSS), did not consider an agreement with Israel to be of great interest for the Swiss. Many of the Swiss nationals living in Israel were dual citizens and would remain there in retirement after having contributed to the Israeli pension scheme. Others would only work there for a short time, making the potential transferable sums negligible. However, Baechtold was preoccupied by the impact such a treaty might have on Swiss bilateral relations with “other states,”<sup>65</sup> i.e., the Arab world. Furthermore, it seemed to the FPD that Israel was much more interested in the conclusion of a treaty per se than in its actual substance. Ambassador Ernest Bauermeister observed that Israel tried to “conclude all sorts of bilateral treaties to get out of its increasing isolation,”<sup>66</sup> an interpretation similar to the one prevailing as Israel sought an FTA with the EFTA countries. Even the FPD’s Swiss Nationals Abroad Service, charged with representing the interests of Swiss citizens living in other countries, did not see an interest for their constituents, or sufficient political reasons that might justify the conclusion of such a treaty.<sup>67</sup>

---

<sup>62</sup> See the letter from Zwahlen of the Financial and Economic Service, FPD, to the Division of Commerce, 23.08.1978, SFA, E7110#1989/32#2414\*, 870.

<sup>63</sup> *Ibid.*

<sup>64</sup> See Moser’s handwritten comments on the letter from Zwahlen of the Financial and Economic Service, FPD, to the Division of Commerce, 23.08.1978, SFA, E7110#1989/32#2414\*, 870.

<sup>65</sup> See the letter from Jean-Daniel Baechtold, Deputy Director at the Federal Office of Social Security, to the Political Division II of the FPD; 10.05.1978, SFA, E2001E-01#1991/17#8493\*, B.31.31.Isr.0.

<sup>66</sup> This was highlighted in a letter from Bauermeister to the Swiss Nationals Abroad Service, FPD, 15.06.1978, SFA, E2001E-01#1991/17#8493\*, B.31.31.Isr.0.

<sup>67</sup> See the letter from Max Leippert, Deputy at the Swiss Nationals Abroad Service, FPD to the Federal Office of Social Security, 28.06.1978, SFA, E2001E-01#1991/17#8493\*, B.31.31.Isr.0.

These doubts did not ultimately block negotiations, as the FPD did not raise any fundamental political objections. The reluctance did reflect an increasingly widespread reticence by the Swiss administration to associate with Israel. Upon opening negotiations, the FPD insisted that they were, for the Swiss side at least, a purely technical matter. If the Arab states should react to these Swiss-Israeli negotiations, the FPD proposed offering the conclusion of analogous treaties with them.<sup>68</sup> By November 1978, the FOSS entered into talks with Israel through bilateral expert meetings.<sup>69</sup> As will be seen later, Swiss skepticism towards these negotiations was not entirely ill founded. The social security treaty would put bilateral relations under strain at the moment of its signature in 1980. But for now, suffice it to highlight that even on a seemingly technical matter, the Swiss foreign policy administration had considerable reservations of too close an association with the state of Israel.

Such political skepticism towards Israel was not shared by all Swiss government services. Different divisions of the FMD had significant contact with Israeli bodies. In this contact, they often breached the reservations expressed by the FPD. The FMD, but also private Swiss officers' organizations, regularly sought to send delegations to Israel<sup>70</sup> or receive Israeli military personnel in Switzerland.<sup>71</sup> Even though no traces of Swiss military orders from Israel can be found in the consulted archives, the possibility for arms imports from Israel was sporadically examined by Swiss military services.<sup>72</sup> The Swiss Army not only had substantial security interest in military cooperation, its close contacts with Israel were likely also rooted in sustained political sympathies along Cold War logic.<sup>73</sup>

The FPD displayed an extremely skeptical attitude to the friendly FMD policy towards Israel. In October 1977, Iselin sent a confidential letter to a Swiss colonel, highlighting the FPD's political reservations in welcoming Israeli military missions.<sup>74</sup> "Ever since 1967, and therefore for the past ten years," Iselin wrote, "we have regularly responded to your various requests for advice that the arrival of Israeli military missions in Switzerland is in principle not appropriate for political reasons. In all these cases, we particularly had in mind the following reasons: policy of neutrality; refusal to make a positive contribution to a belligerent's war effort; desire to moderate a one-sided

---

<sup>68</sup> Highlighted in a note by Hansjakob Kaufmann, deputy at the Political Division II, FPD, to the Swiss nationals abroad service, FPD, 16.08.1978, SFA, E2001E-01#1991/17#8493\*, B.31.31.Isr.0.

<sup>69</sup> This decision became evident in a letter from Adelrich Jacob Schuler to the FPD, 08.11.1978, SFA, E2001E-01#1991/17#8493\*, B.31.31.Isr.0.

<sup>70</sup> For an account of private Swiss officers' visit to Israel, see the letter from Iselin to the Director of the Federal Military Administration, FMD, 13.05.1977, SFA, E2001E-01#1988/16#3917\*, A.14.41.04.

<sup>71</sup> See, for instance, the letter from Erich Kipfer, Head of the Military Protocol, FMD, to the Political Division of the FPD, 24.03.1977, SFA, E2001E-01#1988/16#3934\*, B.15.31.2.

<sup>72</sup> See for instance the Federal Council decision to authorize, against the FPD's recommendation, discrete and informal consultations with Israeli official bodies about possible purchases of fire control systems for the artillery: confidential decision of the Federal Council, "Beschaffung eines israelischen Artillerie-Feuerleitgeräts", 30.06.1976, SFA, E2001E-01#1988/16#3918\*, A.14.41.09.

<sup>73</sup> Indeed, foreign military groups appear to historically have been friendly with Israel, see: James Petras, "The U.S. and the Middle East: Recolonization or Decolonization?", *Arab Studies Quarterly*, 2.2 (1980), p. 152.

<sup>74</sup> This letter was sent primarily because of the Swiss military's announced reception of an Israeli General in November 1977.

inclination of our public opinion in favor of Israel; concern not to provide the Israeli authorities with additional terrain favorable to their propaganda; expression of our displeasure following the Frauenknecht case; concern to defend Swiss economic interests in the Arab world or in connection with the oil crisis; doubts about the legitimacy of the Israeli positions in the light of international law.”<sup>75</sup> These already numerous reasons had only been amplified after Begin’s rise to power and the open Israeli ambitions of incorporating the occupied territories. While Switzerland had not publicly condemned this policy because of the discretion it bestowed on itself as the host of the Geneva Peace Conference, this did not encapsulate Swiss indifference. Given that “the Israeli government appears to oppose any peaceful conflict solutions,” too close a military association could leave the impression that Switzerland approved of this Israeli attitude.<sup>76</sup> By this point, Swiss estrangement with Israel had deeply penetrated on several levels; the list of Swiss grievances was indeed long. Even though criticism had spread to the highest level of its bureaucracy, the Swiss authorities showed restraint in publicly reprimanding Israel.

Switzerland obtained substantial Israeli commercial concessions against the backdrop of Israel’s changing economic policy, but also vis-à-vis its shifting international political standing. The Israeli signaling of these concessions was contradictory and did not give the image of a unified government policy. This likely increased Swiss officials’ political reservations towards the new Israeli government, even in low-level bilateral interactions. Low Swiss interest in Israel, when compared to its Arab neighbors, was certainly also conditioned by low economic interest from the part of Swiss business. Even when Swiss sales efforts were undertaken in Israel, these were by no means promising – often unsuccessful. Swiss foreign policymakers’ guards were up, when facing sensitive military cooperation, but also during relatively insignificant consultations on a bilateral social security agreement.

## **5.2 The Limits of Economic Treaties and Political Goodwill for Market Promotion in Syria.**

With renewed business interest and the decline of Swiss suspicions of Syria, official Swiss efforts in promoting economic relations with that country accelerated from spring 1976 onwards. A senior-level Swiss visit, two bilateral economic treaties and the appointment of a Swiss ambassador posted in Damascus whose main task was stimulating Swiss exports, were the main manifestations of these efforts. The timing for this Swiss foreign economic offensive can be puzzling when read against the backdrop of the Syrian position in the regional conflict. By the end of 1975, the Syrian authorities were frustrated by the Egyptian-Israeli political rapprochement. This weakened Syrian bargaining power and, from the Damascene perspective, barred a negotiated settlement of the conflict with Israel.<sup>77</sup> Making matters worse, the Syrian

---

<sup>75</sup> Confidential letter from Iselin to Colonel Meister, 04.10.1977, SFA, E2001E-01#1988/16#3934\*, B.15.31.2.

<sup>76</sup> *Ibid.*

<sup>77</sup> For an in-depth assessment of the events leading to this Syrian resignation in 1975, see: Seale, *Assad of Syria...*, p. 250-266.

army became directly involved in the Lebanese civil war. From June 1976 onwards, the Syrian army undertook a “massive military incursion into Lebanese territory.”<sup>78</sup> So the Syrian position was not one of conciliation, but of escalating regional tensions. This raises the question of the influence that these shaky political conditions had on the Swiss authorities’ decision to become economically engaged in Syria. But the timing of the Swiss foreign economic policy offensive goes beyond the political question. Economically, rapprochement did not, in retrospect, create positive effects. Aggregate trade figures, seen in Graph 25, show that real Swiss exports to Syria actually dropped after peaking in 1976. This subchapter therefore aims to show the Swiss interests behind its foreign economic policy offensive in Syria between 1976 and 1978, and the reasons behind its ultimate limitations.

### ***Constraints of the Syrian Intervention in Lebanon on Swiss Economic Diplomacy***

As seen before, Swiss officials were attentive to political conditions in Syria. This led them to suspend preparations for an official visit until late March 1976. The insistence of the Swiss companies BBC and Sulzer on a more supportive Swiss economic diplomacy in late 1975 significantly influenced the reopening of preparations for a visit to Syria. Arrangements in Bern concerned the drafting of a bilateral treaty on trade and economic cooperation. It would form the basis for discussions in Damascus led by two senior Swiss foreign policy officials: Emilio Moser from the Division of Commerce and Jürg Iselin, Head of the FPD’s Political Division II.<sup>79</sup> The Syrian government welcomed such a visit. In April 1976, Albert Natural, the new Swiss ambassador to Syria based in Beirut, reported that President Assad would warmly receive a senior-level Swiss visit to Damascus. As Natural presented his credentials, Assad had expressed wishes “for an intensification of economic relations with Switzerland.”<sup>80</sup> The path for a visit was open, Natural concluded, and it should no longer be delayed.<sup>81</sup> But the Syrian military’s entry into Lebanon on June 1, 1977, postponed Moser’s and Iselin’s trip,<sup>82</sup> with Bern failing to analyze the implications of such force.

The war in Lebanon was just a temporary political impediment in deploying a Swiss delegation. From Damascus, Swiss Chargé William Roch was uncertain that a visit would be beneficial. Syrian intervention in Lebanon put a break on Syrian trade, its foreign revenues and import ability falling, Roch reported in June 1976. Iraq stopped

---

<sup>78</sup> Fred H. Lawson, ‘Syria’s Intervention in the Lebanese Civil War, 1976: A Domestic Conflict Explanation’, *International Organization*, 38 (1984), p. 452. For a brief historiographical discussion of Syrian intervention in Lebanon, see: Taku Osoegawa, *Syria and Lebanon: International Relations and Diplomacy in the Middle East*, (London: I.B., 2013), p. 1-6.

<sup>79</sup> Confidential letter from Emilio Moser to various FPD services and the Vorort, 24.03.1976, SFA, E7110#1987/20#2186\*, 821.

<sup>80</sup> See the letter from Albert Natural, Swiss embassy in Beirut, to the FPD, 06.04.1976, SFA, E2001E-01#1988/16#5645\*, C.41.111.0.

<sup>81</sup> *Ibid.*

<sup>82</sup> Even before the Syrian intervention in Lebanon, a handwritten comment on Moser’s cover letter to the draft treaty indicated that Iselin could not go to Damascus before June. See the handwritten annotations on the confidential letter from Emilio Moser to various FPD services and the Vorort, 24.03.1976, SFA, E2001E-01#1988/16#5645\*, C.41.111.0.

its oil transit through Syria,<sup>83</sup> ending Syrian royalties, and Kuwait and Saudi Arabia cut their financial aid. This was part of Saudi Arabia's continued attempt to pressure the Syrian authorities into loosening their ties with the Soviet Union, notably for military supply. The Saudi financial pressure also responded to economic aims, wanting to force Syria into more careful planning of industrial projects and to put a brake on high-scale corruption. The consequence of this pressure was, for now, contrary to its intention, as it actually increased Soviet-Syrian rapprochement.<sup>84</sup>

This Swiss embassy's skeptical evaluation of economic conditions in Syria contrasted with a Vorort survey among Swiss firms on opportunities in that market. The results showed a surprisingly positive outlook. According to a June 1976 compilation of answers, the majority of respondents saw Syrian economic perspectives as good in the short- and mid-term. The possibilities to deepen Swiss economic presence were considered high for both consumer and capital goods, as well as for Swiss services, especially engineering consultancies. However, respondents also noted that companies from other countries had advantages over Swiss offers – Eastern European companies for political reasons, and companies from unspecified Western countries owing to their government's financial aid.<sup>85</sup> By summer 1976, Swiss business not yet in Syria welcomed official efforts aimed at deepening ties with that country. The administration raised again, precisely at this moment, the possibility of dispatching a Swiss delegation to Damascus.<sup>86</sup> The timing of planning for the visit suggests that the influence of economic interests in reopening was significant. The Syrian intervention in Lebanon therefore only temporarily stalled an official Swiss visit, and it did not negatively impact the outlook of Swiss business in Syria.

The aforementioned draft treaty on bilateral economic cooperation, as well as a proposition for a bilateral investment protection treaty (IPT), were submitted to Damascus before the official visit.<sup>87</sup> Starting the negotiations before the visit could allow for a rapid conclusion during the Swiss officials' stay in Damascus – and therefore, a clear win. While the former treaty was largely uncontested,<sup>88</sup> Syrian-proposed addenda to the IPT aroused discord in Bern. The FPD Directorate of International Law raised serious reservations against the Syrian wish to have Swiss individuals and companies excluded from the guarantees of an eventual treaty in the case they were subjected to Arab boycott measures.<sup>89</sup> This went counter to the long-standing Swiss policy of not officially recognizing the Arab boycott of Israel.<sup>90</sup> Beyond that, this directorate, as well as the FPD's Economic and Financial Service, were

---

<sup>83</sup> Cf. Carr, 'Capital Flows and Development in Syria', *ibid.*, p. 458.

<sup>84</sup> See the letter from William Roch to the FPD, 01.06.1976, SFA, E2300-01#1988/91#26\*, A.21.31.

<sup>85</sup> The companies' answers were compiled in an unsigned note, 13.07.1976, ACH, IB-Vorort, 462.1.15

<sup>86</sup> This was done in a letter from Iselin to the Swiss embassy in Damascus, 13.07.1976, SFA, E2001E-01#1988/16#5645\*, C.41.111.0.

<sup>87</sup> Roch was requested to submit the drafts to the Syrian authorities, see the letter from Pierre Louis Girard from the Division of Commerce to Roch, 19.08.1976, SFA, E7110#1987/20#2186\*, 821.

<sup>88</sup> The Syrian side only requested minor modifications, see the letter from Roch to the Division of Commerce, 06.10.1976, SFA, E7110#1987/20#2186\*, 821.

<sup>89</sup> Letter from Jean Monnier, Directorate for international law, FPD, to Moser, 13.10.1976, SFA, E7110#1987/20#2186\*, 821.

<sup>90</sup> Cf. Pfenniger, 'La Guerre des Six Jours ...', p. 83-85.

actually opposed to seeking an agreement with Syria. Such treaties should only be concluded if they had “obvious advantages for our economy.” They doubted that this was the case for a Swiss-Syrian treaty.<sup>91</sup>

Despite these doubts, the two treaties remained the most significant material support for Emilio Moser’s and Jürg Iselin’s exploratory mission to Syria in autumn 1976. Taking place between October 24 and 29, the aim of the visit, as stated retrospectively in an extensive report, was twofold. First, Moser and Iselin were interested in getting to know Syrian political views, insisting on Swiss efforts to nurture good relations with all Middle Eastern states. Second, they wanted to express Swiss interest in intensifying bilateral economic relations, which aimed at “in particular strengthening the position of the Swiss export industry on the Syrian market.”<sup>92</sup> The bilateral economic treaties were not insignificant in this respect, as they substantiated tangible bilateral interests and could generate goodwill. Given that it was the first mission of this kind to Syria by senior Swiss officials, the delegation did not want to show up empty-handed to their meetings with Syrian ministers and high officials.

“Syria, a poorly known country with a very ancient history and culture, has made significant progress in recent years, both in political and economic terms,” Moser and Iselin commented.<sup>93</sup> While “former governments had left-wing radical tendencies, today, under President Hafez al Assad, [...] a more moderate regime is in power,” they concluded.<sup>94</sup> Although Syria was certainly under a firm authoritarian rule, Moser and Iselin were convinced that its “economic opening produced a certain ideological easing.”<sup>95</sup> Economically, the report went on, Syria was promising owing to its well-educated elites and low wage levels. Swiss officials were convinced that if the political situation in the region stabilized and military expenditure was cut, important capital volumes could be liberated for economic development and orders from abroad. According to their report, it “would certainly be erroneous to contrast Syria, a war-loving and Eastern-oriented country, with peace-loving, western-oriented Egypt,” which was still a widespread view.<sup>96</sup> Moser and Iselin noted a Syrian distancing from unspecified radical Arab states and highlighted the aforementioned Saudi and Kuwaiti pressure loosen Syria’s relations with the Soviet Union.<sup>97</sup>

In the confidential sections of their report, Iselin and Moser recounted their meeting with Deputy Foreign Minister Abdel Ghant Rafii, which was dedicated to political issues. Both Iselin and Rafii highlighted that the bilateral relations were well. The tone of this high official noticeably contrasted with Syrian criticism of Switzerland in

---

<sup>91</sup> See the letter from Jean Zwahlen, Financial and Economic Service of the FPD, to Moser, 19.10.1976, SFA, E2001E-01#1991/17#12385\*, C.41.Syrie.157.0.

<sup>92</sup> See the report by Jürg Iselin and Emilio Moser, 15.11.1976, p. 1, SFA, E2001E-01#1988/16#5624\*, B.15.21.

<sup>93</sup> *Ibid.*, p. 2

<sup>94</sup> *Ibid.*

<sup>95</sup> *Ibid.*

<sup>96</sup> *Ibid.*, p. 4.

<sup>97</sup> *Ibid.*, The growing Soviet-Syrian rift was due to Syrian intervention in Lebanon, see: Golan, *Soviet Policies in the Middle East ...*, p. 151-153.

previous years. Rafii in particular insisted that Syria appreciated Swiss neutrality. Geneva as the host city of international organizations conferred upon the Swiss additional international importance.<sup>98</sup> The Swiss visit to Damascus took place shortly after Saudi Arabia successfully convened a mini-summit of the Arab League in Riyadh on October 16, where a ceasefire in the Lebanese conflict had been agreed upon.<sup>99</sup> Rafii used the opportunity of the Swiss visit to present the Syrian analysis of the civil war. He blamed Israel and the Palestinians for the instability in the neighboring country. He denounced an alleged Israeli plot to divide the Arab population in Lebanon along religious lines. Rafii presented Palestinian resistance organizations and its left-wing Lebanese allies as a danger for Lebanese political integrity. The Syrian intervention, he continued, was based on an invitation by the Lebanese authorities and was meant to reestablish order.<sup>100</sup> Commenting on the results of the Riyadh summit, the Swiss reporters highlighted that Syria now had a firm presence in Lebanon within the Arab Deterrent Forces. The Arab League had tasked them with surveying and guaranteeing the ceasefire between the civil war parties. Furthermore, the “enormous costs” of Syrian presence in Lebanon were now largely bankrolled by Saudi Arabia and Kuwait.<sup>101</sup> So ultimately, though on shaky grounds, the Syrian army’s intervention in Lebanon took place within the framework of international law and the oil states’ financial support to alleviate financial pressure in Syria.

Swiss and Syrian positions were close in terms of a settlement to the Arab-Israeli conflict. Both Iselin and Rafii agreed on three crucial preconditions: Israeli withdrawal to the 1967 border; the right of all states and people to secure and recognized borders; and finally, the fulfillment of the Palestinian right to self-determination. Exchanges around a possible Swiss contribution to a peaceful settlement did not go beyond generalities. The Syrians welcomed any contribution to establishing a durable peace in the Middle East, and Iselin reminded them of Swiss permanent availability for both good services and for Geneva as a host city for international meetings.<sup>102</sup> Switzerland would indeed be solicited by the Syrians to provide its territory for a Syrian-US encounter in 1977 at head of state level. But for now, exchanges on political issues remained rather vague – but nonetheless significant as they reassured both parties of their common positions.

Although political sympathies were deepening, the economic components of the visit took precedence. The most prominent encounters occurred with the Syrian Minister of Planning and the Syrian Minister of Economy and Foreign Trade; though the content did not go beyond the senior Damascus officials’ affirmation of Syrian interest in

---

<sup>98</sup> Report of Jürg Iselin and Emilio Moser, 15.11.1976, p. 6-7, SFA, E2001E-01#1988/16#5624\*, B.15.21.

<sup>99</sup> On this summit, see: Naomi Joy Weinberger, *Syrian Intervention in Lebanon : The 1975-76 Civil War* (New York: Oxford University Press, 1986), p. 228-230.

<sup>100</sup> See Rafii’s statements as accounted for in the confidential section of the report by Iselin and Moser, 15.11.1976, p. 7-9, SFA, E2001E-01#1988/16#5624\*, B.15.21.

<sup>101</sup> *Ibid.*, p. 9.

<sup>102</sup> Confidential section of the report by Iselin and Moser, 15.11.1976, p. 9-11, SFA, E2001E-01#1988/16#5624\*, B.15.21.

intensifying economic relations.<sup>103</sup> Deputy-level meetings were more substantive, for that was where the two Swiss-Syrian draft economic treaties were negotiated. An agreement was reached on the treaty on trade and economic cooperation, which was in the end inconsequential as it contained mostly declarations of intent. The IPT negotiations were not finalized. The Syrians requested an exchange of letters over an Israel-boycott clause. Counter to the position of his colleagues in Bern, Moser promised to submit a new proposal to the Syrian authorities that would take into consideration their request.<sup>104</sup>

During their five-day visit, Iselin and Moser visited the major cities of the country: Damascus, Homs, Aleppo and Latakia. The final part consisted in meetings with representatives from Swiss and Syrian companies. The Swiss visitors were most impressed by their tour of the Bühler silo installations, which were said to be the largest project of its kind in the world. The company representative in Syria gave the Swiss officials a valuable evaluation of Syrian commercial practices. He insisted that “almost all international contracts are practically awarded before the tender is launched. Competition begins much earlier, particularly in the negotiation of the commissions and in contacts with decision-making bodies and their relevant figures. [Companies] must be very familiar with local conditions.”<sup>105</sup> The visit to a state-owned Syrian textile factory employing 2,700 workers also impressed Moser and Iselin. One hundred forty-four Sulzer looms were in use in a new factory hall, and a supplementary order of some 500 looms from the Swiss company was being discussed. Three Swiss Sulzer technicians had been delegated to Syria to support the Syrian company as it operated the looms. In their first-hand account, Moser and Iselin commented that, “the problem is the workers' work ethic (getting to work late, smoke breaks, early departures, poor control and supervision of workers, lack of accountability).”<sup>106</sup> But these challenges did not tarnish Moser and Iselin's overall enthusiasm for Swiss economic opportunities in Syria. On the contrary, the visits to these projects showed the Swiss officials that successful market penetration could be achieved and sustained.

Iselin and Moser felt that the Syrian authorities appreciated their visit. Considering their positive political evaluation of the Syrian regime, the Swiss officials likely were deeply impressed by what they saw in Damascus. The political climate was good, and both sides were disposed to intensifying bilateral trade. Large companies were already well integrated in the Syrian market. New arrivals only had chances with a carefully chosen local representative and a solid lawyer,<sup>107</sup> which indicates that the market was not that easy after all. The visit underscored the good Swiss disposition towards Syria, which was already reflected in the promoting the post of the Swiss head diplomat in Damascus to that of ambassador in July 1976.<sup>108</sup> William Roch, who now had become the first

---

<sup>103</sup> See the section on economic issues in the report by Iselin and Moser, 15.11.1976, p. 12-13, SFA, E2001E-01#1988/16#5624\*, B.15.21.

<sup>104</sup> *Ibid.*, p. 14-15.

<sup>105</sup> *Ibid.*, p. 15.

<sup>106</sup> *Ibid.*, p. 15-18.

<sup>107</sup> *Ibid.*, p. 19.

<sup>108</sup> See the entry on the Swiss embassy in Damascus in DDS, dodis.ch/R9910.

ambassador posted in the Syrian capital, added a more nuanced tone to the optimistic Swiss market perspectives. Roch reminded officials in Bern that, although the Syrian Minister of Planning had praised the quality of Swiss products, at the same time he regretted high Swiss prices and strict payment requirements. Moser, for his part, responded that the Swiss could not compete with the terms offered by the French and West German official loans, as they were not able to supply public credits to Syria. But private commercial credits from Switzerland had lower interest rates than those of their northern and western neighbors, Moser insisted.<sup>109</sup> Syrian officials clearly had prominently brought up the price issue during his visit. This would increasingly touch the core of Swiss-Syrian economic contact as bilateral relations intensified.

### ***Finalizing the Bilateral Investment Protection Treaty***

Upon return to Switzerland, discussions on economic relations with Syria continued, focused on the IPT. Moser, as promised to the Syrians during his visit, was ready to make concessions. He drafted a letter of exchange stipulating that Swiss investors in Syria would have to comply to Syrian legal requirements. This tacitly included Syrian Israel-boycott measures. He met resistance: a representative of the FPD's Directorate of International Law deplored that such a formulation would "devoid the treaty of its content and [...] usefulness."<sup>110</sup> The objections were not only concerned with the principle of not recognizing Arab boycott measures. The phrasing proposed by Moser would allow Syrian legislation to neutralize the bilateral agreement at any moment.<sup>111</sup> This argument prevailed. The Federal Council authorized Moser in mid-November to sign the trade and economic cooperation treaty, as well as the IPT, as long as the IPT did not include any reference to Syrian boycott measures or national legislation.<sup>112</sup>

Moser, on his way back to Switzerland from the Swiss industrial exhibition in Cairo – discussed in the following sub-chapter – made a pit stop in Damascus to sign the treaty on trade and economic cooperation in late November 1976. This treaty contained a standard MFN clause and framework articles on economic, industrial, technological and touristic cooperation.<sup>113</sup> While not very substantial per se, Ambassador Roch was convinced that its conclusion and the two visits by Moser "proved to be fruitful. I have echoes of this in my contacts with the authorities and businessmen. Goodwill for Switzerland is growing. We need to maintain momentum."<sup>114</sup> This was all the more important, as Syrians "undoubtedly [...] are opening up towards the West. They are

---

<sup>109</sup> See the note by Roch, "Voyage en Syrie de l'Ambassadeur J. Iselin et du Ministre E. Moser", 01.11.1976, SFA, E2001E-01#1988/16#5645\*, C.41.111.0.

<sup>110</sup> See the note by Monnier, "Accord de protection des investissements avec la Syrie", 04.11.1976, SFA, E2001E-01#1991/17#12385\*, C.41.Syrie.157.0.

<sup>111</sup> *Ibid.*

<sup>112</sup> See the Decision by the Federal Council, „Wirtschaftsverhandlungen mit Syrien“, 17.11.1976, SFA, E2001E-01#1988/16#5645\*, C.41.111.0.

<sup>113</sup> The treaty was submitted for approval to the Federal Council, see the request by Ernst Brugger to the Federal Council, "Verhandlungen mit der Arabischen Republik Syrien", 07.12.1976, SFA, E7110#1988/12#2428\*, 821.

<sup>114</sup> Letter from Roch to Moser, 15.12.1976, SFA, E7110#1987/20#2186\*, 821.

receptive to the interest that Europe, and Switzerland in particular, is showing them.”<sup>115</sup> This positive momentum should be maintained for finalizing the IPT, Roch advised.<sup>116</sup>

Momentum was also rising among Swiss business circles. The Vorort’s president and secretary, in a letter to the Division of Commerce, thanked them for their efforts to increase the Swiss economy’s standing in Syria. Mirroring the discussions on market promotion in the Middle East, they recognized that the Swiss economy had not yet sufficiently harnessed possibilities in Syria, despite the aforementioned positive evaluation of opportunities. The signed treaty and the possibility of an IPT “should encourage Swiss firms to intensify their efforts in Syria.”<sup>117</sup> The effect of such bilateral economic treaties was intended not only to create positive fallouts in Syria, but also to reassure and further stimulate Swiss corporate interest in that Middle Eastern market.

Corporate interest gave all the more reason to quickly finalize negotiations. Unfortunately, traces of the ensuing Swiss-Syrian IPT discussions are scarce. By the time the economic cooperation and trade treaty was signed, it seemed that the IPT was also ready for signature. According to Federal Council member Brugger, there were no Syrian objections to the Swiss draft that precluded references to boycott-related restrictions. However, since it was the first treaty of this nature negotiated by the Syrian authorities, it still required approval by other ministries.<sup>118</sup> The Syrian side dragged out the matter. Apparently, the Syrian authorities had more pressing issues at stake. The domestic political situation was worsening as opposition grew to the intervention in Lebanon,<sup>119</sup> which had culminated in a coup attempt in late December 1976.<sup>120</sup>

With the Syrian authorities occupied with more acute concerns, the IPT was only picked up again in April 1977 upon Swiss initiative. This mirrored the aforementioned Swiss business interest in such a treaty, but also Assad’s upcoming visit to Switzerland. While Syria agreed to exclude references to its legislation, they now contested a provision of the draft treaty stipulating retroactivity.<sup>121</sup> Despite initial Swiss insistence, Moser was willing to drop this paragraph<sup>122</sup> as Roch did not find any past Swiss investment that could even fall under the treaty.<sup>123</sup> This opened the path to signing the treaty with the Syrian Deputy Minister for Economy and Trade on May 22 in Bern.<sup>124</sup> It contained the

---

<sup>115</sup> *Ibid.*

<sup>116</sup> *Ibid.*

<sup>117</sup> Letter from Gerhard Winterberger, Director, and Paul Veyrassat, Secretary of the Vorort, to the Division of Commerce, 14.12.1976, ACH, IB-Vorort, 369.9.

<sup>118</sup> Request by Ernst Brugger to the Federal Council, “Verhandlungen mit der Arabischen Republik Syrien”, 07.12.1976, SFA, E7110#1988/12#2428\*, 821.

<sup>119</sup> See for instance A. I. Dawisha, ‘Syria under Asad, 1970-78: The Centers of Power’, *Government and Opposition*, 13 (1978), p. 345.

<sup>120</sup> This was reported to Bern in a telegram from the Swiss embassy in Damascus to the FPD, 04.01.1977, SFA, E2001E-01#1988/16#5644\*, B.73.0.

<sup>121</sup> See the telegram from Roch to Moser, 26.04.1977, SFA, E7110#1988/12#2428\*, 821.

<sup>122</sup> See Moser’s handwritten comments on Roch’s telegram to Moser, 20.05.1977, SFA, E7110#1988/12#2428\*, 821.

<sup>123</sup> Cf. the telegram from Roch to Moser, 16.05.1977, SFA, E7110#1988/12#2428\*, 821.

<sup>124</sup> On the signing of the treaty, see the Division of Commerce press release, “Unterzeichnung eines Abkommens betreffend die Förderung und den gegenseitigen Schutz von Investitionen mit der Arabischen Republik Syrien”, 22.06.1977, SFA, E7110#1988/12#2428\*, 821.

usual provisions guaranteeing the transfer of profits, assuring appropriate compensation in case of expropriations and an arbitration court in case of disputes.<sup>125</sup> The Federal Council ratified the IPT in August 1977.<sup>126</sup> Similarly to the IPT concluded with Egypt in 1973, the Swiss were again precursory in reaching an agreement with Syria. However, as will be seen, the IPT did not substantiate into any Swiss FDI in Syria until the early 1980s.

The official Swiss visit to Syria in autumn 1976 helped overcome the resentment caused by the UNESCO dispute of 1974. By summer 1977, Roch wrote in his end-of-mission report to the FPD that “the dark hours of Swiss-Syrian relations are in the past.”<sup>127</sup> Moser and Iselin’s trip to Damascus helped consolidate bilateral relations and Assad’s private stay in Switzerland after his meeting with Carter in Geneva of May 1977, which will be discussed in the next chapter, was interpreted as a “significant gesture” towards Switzerland.<sup>128</sup> Neutrality seemed to confer to the Swiss a certain moral authority. Yet Roch insisted that the Syrians did not “absolutely want to cultivate friendship” with the Swiss authorities, citing Switzerland’s lack of ability to pressure Israel and its absence from the UN.<sup>129</sup> The Swiss foreign policy principle and its consequences could therefore be both an asset and an impediment for deepening interactions with the Syrian authorities. On its own, neutrality was not enough to improve Swiss political or economic standing in Damascus. Achieving this called for heavy lifting from Swiss diplomats and companies. William Roch insisted that it was important for Swiss companies to “know the Arab mentality” of Syrian negotiators; it was “crucial to identify influential men and, through a reliable intermediary, satisfy their personal appetites.”<sup>130</sup> Roch’s advice did not go unheard by his successor, who attempted to pull out all stops, including dubious ones, to promote Swiss commercial interests in Syria.

### ***The Limits of Symbolic Bilateral Agreements. Syrian Insistence on Preferential Credits***

Accelerating Swiss economic activities in Syria was on the program for the Swiss Foreign Service. In October 1977, Robert Beaujon arrived in Damascus as the second Swiss ambassador to Syria. As will become abundantly clear, he assiduously pushed for expanding economic relations and was quite outspoken in these efforts. On his previous post as consul in Frankfurt, he also chiefly on Swiss economic interests. He now found himself in a politically sensitive Third World country: an entirely different context. The main obstacle he faced was the Syrian insistence on preferential credits as a precondition for privileged treatment of Swiss exporters. Similarly to what the Bühler company representative in Syria had told Moser and Iselin during their October 1976 visit, Beaujon reported to Bern that a framework credit arrangement with favorable

---

<sup>125</sup> On the provisions of the treaty, see: the request from Brugger to the Federal council, „Verhandlungen mit der Arabischen Republik Syrien“, 08.07.1977, SFA, E7110#1988/12#2428\*, 821.

<sup>126</sup> See the decision of the Federal Council, 10.08.1977, SFA, E7110#1988/12#2428\*, 821.

<sup>127</sup> See Roch’s end of mission report to the FPD, 19.07.1977, SFA, E2001E-01#1988/16#5624\*, B.15.21.

<sup>128</sup> *Ibid.*

<sup>129</sup> *Ibid.*

<sup>130</sup> *Ibid.*

conditions could give way to “over-the-counter” Swiss supplies, without an international tender being opened.<sup>131</sup> Clearly, such informal access to the Syrian market would be in the strong interest of Swiss businesses that were interested in increasing their presence.

Mirroring this business interest in Syria, Ambassador Beaujon considered it his “priority task” to promote bilateral economic relations.<sup>132</sup> Beaujon increased his efforts in convincing the authorities in Bern to offer a soft loan to Syria – done in coordination with, and possibly on direct request of, Swiss business. As he noted in a letter to the Vorort secretary, Beaujon “often and with pleasure remember[ed] the conversation” they had had where Beaujon “was asked to make a proposal in Bern” on the subject of a Swiss soft loan.<sup>133</sup> By late December 1977, he did exactly this and laid out his export promotion strategy in a fundamental report to the Division of Commerce. In his numerous meetings with Syrian cabinet members, his *libretto* had until then consisted in recalling the official visit by Iselin and Moser, the two bilateral economic treaties concluded, and Assad’s visit to Switzerland earlier that year. After inquiring on possible Swiss contributions to “Syrian development,” he noted that in “all conversations” the crucial problem of financing was raised.<sup>134</sup> While his counterparts highlighted Syria’s economic potential, they deplored its trade deficit. This deficit could, to a certain extent, be bridged by credits from the Eastern bloc, the Arab oil states and Western Europe. The Syrian authorities labeled the former two sources of capital as political levers and hence, as haphazard. Several Syrian ministers bluntly requested Swiss mixed credit, totaling CHF 200 million, with a “symbolic” Swiss official contribution of CHF 50 million.<sup>135</sup> The Syrian five-year development plan for 1976-1980 had a serious financial gap, with foreign resources making up for almost half of its funding.<sup>136</sup> Gaining access to credits beyond the traditional sources of the Soviet Union and Arab oil states seemed crucial.<sup>137</sup>

The Syrian authorities, Ambassador Beaujon and Swiss companies all lobbied for mixed credit for Syria. Such credit facilities were increasingly popular financial loans to Third World countries, furnished by both public and banking funds. While provided with favorable conditions, they were tied to the purchase of goods from the granting country.<sup>138</sup> From their very design and conception, mixed credits contained a strong

---

<sup>131</sup> Beaujon reported this in a letter to the FPD, 27.10.1977, SFA, E7110#1988/12#2441\*, 870.

<sup>132</sup> Letter from Beaujon to the Division of Commerce, 27.12.1977, SFA, E7110#1988/12#2436\*, 861.5.

<sup>133</sup> Letter from Beaujon to the Vorort, 28.12.1977, ACH, IB-Vorort, 369.9.

<sup>134</sup> Letter from Beaujon to the Division of Commerce, 27.12.1977, SFA, E7110#1988/12#2436\*, 861.5.

<sup>135</sup> *Ibid.*

<sup>136</sup> Raymond A. Hinnebusch, ‘The Political Economy of Economic Liberalization in Syria’, *International Journal of Middle East Studies*, 27.3 (1995), p. 309-310.

<sup>137</sup> Cf. Perthes, ‘Kriegsdividende und Friedensrisiken ...’, *ibid.*, p. 261.

<sup>138</sup> For a basic definition of Swiss mixed credits, see: Antoine Brawand, ‘La Coopération de la Suisse au développement: Mesures économiques et commerciales’, *Annuaire suisse de politique de développement*, 1982, p. 215.

tension of development components, financial and commercial interests.<sup>139</sup> At this time, the Swiss federal government was preparing a message for a new credit line to Swiss parliament, destined for financing development aid. It would be published in August 1978 and contain CHF 110 million for official contributions to mixed credits.<sup>140</sup> So, at least potentially, there were funds available for granting a mixed credit to Syria.

In the aforementioned report, Beaujon evaluated the Syrian credit request under the viewpoint of political opportunity and potential economic impact. He was persuaded that Syria, for political reasons, did not want to rely too heavily on Arab oil money and credits from the Eastern bloc as a way to bridge its currency needs. Syrian interest in obtaining Swiss credit went beyond the immediate easing of its balance of payments. According to the Swiss ambassador, “the ‘badge of approval’ is a determining factor for Syria: the country obviously wants a Swiss loan to underline its own creditworthiness. We could capitalize on this element for the benefit of our export economy.”<sup>141</sup> In the growing competition with other Western states, especially in the high-technology sector, a soft credit could tip the scale in favor of Swiss business. Besides vaguely mentioning Syria’s long-term development potential, Beaujon was less concerned with the development impact such a mixed credit might have for Syria, and more with providing outlet opportunities for the Swiss export industry.<sup>142</sup> Right from the first discussion on a possible Swiss mixed credit to Syria, commercial interests of Swiss industry took precedence over the development aid component.

But perhaps more importantly, this new field of economic consultations showed that the signing of bilateral economic treaties was by no means sufficient to enhance real exchanges of merchandise and capital. The treaties concluded did not have a noticeable impact besides giving Beaujon the opportunity to cite them as signs of mutual goodwill during his conversations with Syrian officials. The limits were, from the Swiss perspective, largely due to conditions in Syria. Not only was trade financing slack, Swiss FDI to Syria was also not forthcoming. In January 1978, Beaujon reported to the Division of Commerce that he had been searching for possibilities for Swiss FDI since his arrival in Damascus. The Syrian authorities were undoubtedly interested in attracting foreign investment and granted a series of concessions to FDI – tax breaks, tariff exemption and provision of free land. Nevertheless, bureaucratic hurdles made it difficult for any foreign investor to seriously consider getting directly involved in Syria.<sup>143</sup>

Confronted with this stagnation, Ambassador Beaujon deployed more versatile tactics to follow through on his vow to increase Swiss economic involvement in Syria. As

---

<sup>139</sup> This tension was frequently highlighted in the OECD’s Development Assistance Committee deliberations in the early 1980s, see: Livia Fritz, Werner Raza, Manuel Schuler, and Eva Schweiger, *Export Promotion or Development Policy? A Comparative Analysis of Soft Loan Policies in Austria, Denmark, Germany and the Netherlands* (Südwind Publishing, 2014), p. 109-110.

<sup>140</sup> „Message concernant le financement de mesures de politique économique et commerciale au titre de la coopération internationale au développement“, *Federal Gazette*, Vol. 2, Nr. 36, 1978, p. 407.

<sup>141</sup> Letter from Beaujon to the Division of Commerce, 27.12.1977, SFA, E7110#1988/12#2436\*, 861.5.

<sup>142</sup> *Ibid.*

<sup>143</sup> Letter from Beaujon to the Division of Commerce, 09.01.1978, SFA, E7110#1988/12#2428\*, 821.

seen, Syria's interest in increasing economic interactions with Switzerland was equally rooted in political considerations of balancing its foreign relations.<sup>144</sup> Beaujon repeatedly insisted on this aspect in discussions with Syrian officials. He nourished these considerations in an attempt to utilize them for commercial promotion. In a meeting with a senior Syrian official in January 1978, he insisted on the "absence of political agendas in our economic relations."<sup>145</sup> His Syrian interlocutor valued this commitment. But it was insufficient as he nonetheless said that "Syria counts on fully taking advantage of international competition."<sup>146</sup> For goods of the same quality, the price issue would prevail. Beaujon had to acknowledge again that if "we want to have success on the Syrian market, we have to compensate the evolution of the Swiss franc through an additional facility: a favorable credit."<sup>147</sup> So, while Swiss neutrality was certainly appreciated by Syrian officials, it was not per se sufficient to lure them into increased orders from Switzerland. The Syrian balance of payment difficulties clearly did not favor this, especially also considering the revaluation of the Swiss franc. The most viable option to bridge this gap seemed to consist in granting a mixed credit.

Beaujon's repeated insistence on Syrian interest in a Swiss mixed credit did not go unnoticed in Bern. By early January 1978, Division of Commerce representatives and the OSEC prioritized countries for allocating mixed credits with the limited financial resources at their disposal. Egypt held the priority. Syria was at that time under review by a big Swiss bank for a framework credit, which would be publicly guaranteed and make up for lacking mixed credit.<sup>148</sup> According to Moser, the rejection of granting Syria preferential treatment did not preclude it from being considered for a future mixed credit.<sup>149</sup> This decision was not rooted in Swiss considerations specific to Syria but reflected necessary prioritization stemming from the limited financial resources available. An official contribution to such a credit was far from symbolic to the Swiss authorities, as Syrian officials had labeled it. So even though Swiss business interest in the Syrian market might have been big, they were even bigger in the Egyptian market.

Facing this negative answer, the tone of Beaujon's reporting to the Division of Commerce became increasingly marked by a sense of urgency and desperation. In mid-February, he noted that the exchange rate between the Swiss franc and the Syrian pound had decreased by 23 percent since his arrival half a year earlier. This had "fatal consequences" for Swiss companies' prospects to develop their business in Syria.<sup>150</sup> Swiss private companies, increasing their pressure on the Division of Commerce from May 1978 onwards, complemented Beaujon's alarmist reporting. Beaujon kept the

---

<sup>144</sup> On the link between Syrian foreign aid flows and political alignment, see: Hinnebusch, 'The Politics of Economic Liberalization ...', *ibid.*, p. 122.

<sup>145</sup> See the report on this conversation, described by the Swiss ambassador as "symptomatic," in the letter from Beaujon to the Division of Commerce, 14.01.1978, SFA, E7110#1989/32#2585\*, 821.

<sup>146</sup> *Ibid.*

<sup>147</sup> *Ibid.*

<sup>148</sup> See the note by Klaus Jacobi, Delegate of the Federal Council for Trade Agreements, to Max Jaeger, deputy in the Section Technology and International Industrial Questions, Division of Commerce, "Mischkredit an Aegypten", 11.01.1978, SFA, E7110#1989/32#1337\*, 861.5.

<sup>149</sup> Cf. the letter from Moser to Beaujon, 18.01.1978, SFA, E7110#1989/32#2590\*, 861.5.

<sup>150</sup> Letter from Beaujon to the Division of Commerce, 16.02.1978, SFA, E7110#1989/32#2596\*.

Vorort directly up-to-date on Syrian economic developments, which illustrates coordinated efforts between the ambassador and Swiss business to pressure Bern.<sup>151</sup> Syrian officials informed representatives of the Swiss company Bühler on a trip to Damascus that they had good chances in obtaining follow-up orders for their silo project, under condition of a Swiss mixed credit. In a letter to Moser, the company claimed they had “the greatest interest in the realization of a mixed credit desired by Syria [...], because if such a credit were granted, we would see significant potential for sales.”<sup>152</sup> Moser, in his answer, regretted the lack of funds for such a credit but proposed Bühler to inquire after the possibilities of the big banks granting a framework credit at commercial conditions and with the ERG coverage.<sup>153</sup>

Since the ERG resumed coverage exports to Syria, Swiss banks had indeed been granting suppliers' credits.<sup>154</sup> However, as exemplified by the Swiss telecommunications company *Radio-Schweiz AG's* attempted engagement in Syria, credits at commercial conditions were not always sufficient for the success of Swiss tender submissions. As Beaujon reported to the director of the company in August 1978, Syria had “no interest at all in financing via the international capital market,” for these did not represent “preferential terms” as had been granted by France and West Germany.<sup>155</sup> These were the “hard facts” of doing business in Syria, according to Beaujon.<sup>156</sup> With Syria a valid candidate, perhaps even a priority, for a future mixed credit,<sup>157</sup> a series of Swiss companies continuously lobbied for it.<sup>158</sup> Beaujon, in a letter to the Vorort, deplored his “possibilities (impossibilities?) of working here” in the absence of a more supportive federal policy to deepen the Swiss export industry's standing in Syria.<sup>159</sup>

On the basis of Swiss business' growing interest in the Syrian market, the Swiss authorities attempted to establish deeper economic relations with Damascus from 1976 onwards. Syrian involvement in the Lebanese civil war only temporarily countered this drive. The Syrian military intervention actually strengthened its standing with the Swiss authorities. The Swiss tried to substantiate Swiss interest by sending a senior official delegation to Damascus that would prepare bilateral economic agreements. These treaties did not, however, give way to deeper economic relations, remaining little more

---

<sup>151</sup> At the latest from April 1978 onwards, Beaujon essentially forwarded reports addressed to the Division of Commerce directly to the Vorort secretary. See a series of correspondences, starting with the first letter from Beaujon to Veyrassat, 03.05.1978, ACH, IB-Vorort, 369.9.

<sup>152</sup> See the letter from S. Giger and W. Kesselring, staffers at Bühler, to Moser, 02.05.1978, SFA, E7110#1989/32#2590\*, 861.5.

<sup>153</sup> Letter from Moser to Bühler, 08.05.1976, SFA, E7110#1989/32#2590\*, 861.5.

<sup>154</sup> See for instance: Jacobi to Max Jaeger, “Mischkredit an Aegypten”, 11.01.1978, SFA, E7110#1989/32#1337\*, 861.5.

<sup>155</sup> Confidential letter from Beaujon to Hofer, director at Radio-Schweiz AG, Consulting and Engineering, 06.08.1978, ACH, IB-Vorort, 369.9.

<sup>156</sup> *Ibid.*

<sup>157</sup> See the internal note from Alois Heuberger, Division of Commerce, Peter Saladin, Service for Development Policy, 23.08.1978, SFA, E7110#1989/32#2590\*, 861.5.

<sup>158</sup> Besides Bühler, the engineering companies Motor-Colombus and Electrowatt intensified their efforts for such mixed credit to Syria in autumn 1978. See the letter from Bettschart to Beaujon, 07.11.1978, SFA, E7110#1989/32#2590\*, 861.5.

<sup>159</sup> Beaujon's handwritten note to Veyrassat, 07.08.1978, ACH, IB-Vorort, 369.9.

than signs of mutual goodwill. The revaluation of the Swiss franc further complicated private sector initiatives, as the price aspect overweighed the quality issue. To respond to Swiss business interest in increasing sales in the Syrian market, official efforts had to be more substantial. As Swiss authorities precluded a preferential credit arrangement with Syria, the competitiveness of Swiss companies markedly dropped when compared to firms from European countries whose governments did offer such soft loans. This Swiss denial was not due to any reservations towards the Syrian regimes economic policy or political role in the region. It was simply a reflection of a larger interest in deepening Swiss economic standing in Egypt.

### **5.3 Fierce Economic Competition for Egyptian Market Share. A Swiss Industrial Exposition in Cairo and a Mixed Private-Public Loan to Egypt.**

In the first years after the announcement of Sadat's open-door economic policy, *infitah*, Swiss economic efforts focused on what could be considered classic commercial promotion, attempting to build goodwill in Cairo for Swiss offers via economic delegations and supporting private financial vehicles for Egyptian imports. Despite Egypt's persistent financial difficulties reaching "alarming proportions" in 1976, the Western scramble for Egypt went unabated. Western governments' deployment of aid acted as "seed money for the development of a potentially large market for their exports," as Waterbury argues.<sup>160</sup> Swiss firms and officials' great interest in breaking through on the Egyptian market led to two fields of intervention. First, an exclusively Swiss industrial exhibition was held in Cairo in 1976. That was not enough; breakthrough was later secured with the granting of a mixed public-private Swiss credit to the Egyptian authorities, tied to purchases from Swiss companies.

This change in Swiss economic policy towards Egypt forced commercial aspects to interact closely with political considerations. In an attempt to create the political conditions for attracting capital from Saudi Arabia and the West, Egyptian parliament pulled out of the friendship treaty with the Soviet Union in mid-March 1976.<sup>161</sup> Swiss Ambassador Daniel Gagnebin warned that it was now crucial for "Western partners" to support Egypt's capital needs, otherwise "the days of President Sadat might well be counted."<sup>162</sup> Facing this political urgency, the Arab oil states jumped in. Immediately after the cancelation of the Egyptian-Soviet friendship treaty, they founded the *Gulf Organization for the Development of Egypt* (GODE). This organization paid off Egypt's accumulated short-term debt.<sup>163</sup> Western governments also contributed to Egyptian economic stabilization; US sent economic aid to Egypt valuing over US\$ 1

---

<sup>160</sup> Waterbury, *The Egypt of Nasser and Sadat ...*, p. 406-407.

<sup>161</sup> This move has been labeled as the culmination of deteriorating Soviet-Egyptian relations by: Golan, *Soviet Policies in the Middle East ...*, p. 94. For a detailed account of Sadat's motivations and the USSR's reaction to the Egyptian withdrawal from the treaty, see: Alvin Z. Rubinstein, *Red Star on the Nile: The Soviet-Egyptian Influence, Relationship since the June War*, A Foreign Policy Research Institute Book (Princeton: Princeton University Press, 1977), p. 324-329.

<sup>162</sup> See the letter from the Swiss embassy in Cairo, to the FPD, 16.03.1976, SFA, E2300-01#1988/91#37\*, A.21.31.

<sup>163</sup> Ikram, *The Egyptian Economy ...*, p. 26.

billion in 1976,<sup>164</sup> and West German, French and Italian governments made substantial pledges.<sup>165</sup> This aid aimed, amongst others, at stabilizing Sadat's domestic political position as he affronted a domestic opposition from workers, students and farmers protesting continued austerity.<sup>166</sup> This opposition would give way to an unexpected outbreak of public protest in January 1977, after attempts by the Egyptian government to dismantle subsidies on basic consumer goods.<sup>167</sup> Sadat's de facto recognition of Israel via his historic trip to Jerusalem in November 1977, an event that constituted a significant step in the peace process,<sup>168</sup> reinforced Western attempts to assure Egypt's political stability via economic stabilization.

A series of reasons for Western interests in economically stabilizing Sadat's Egypt emerge: commercial interest, assuring domestic stability of Sadat's regime, and supporting his foreign policy steps towards a settled agreement with Israel. This subchapter will retrace the direct Swiss official economic engagement. It will attempt to show if and how the multiple variables determining Western economic policy towards Egypt weighed on the decision of the Swiss state to become actively involved as a creditor to Egypt.

### ***The Swiss Expo in Cairo and the Limits of Traditional Commercial Promotion***

Unlike policymakers, the Swiss business community did not see growing Western financial aid to Egypt through a political lens. What counted for them was its effect on hard-hitting competition. Swiss business had a vowed interest in tied, official Swiss credit<sup>169</sup> and in increased ERG coverage for exports to Egypt.<sup>170</sup> Both these measures would better their competitive standing in Cairo. Emilio Moser from the Division of Commerce insisted that the ERG commission already granted guarantees more generously because of the difficulties of the export industry during the economic crisis.<sup>171</sup> Furthermore, the OSEC successfully convinced a Swiss banking consortium to provide a framework credit to finance Egyptian purchases of Swiss goods.<sup>172</sup> So in early 1976, Swiss authorities still considered private financial vehicles sufficient to bankroll Swiss commercial expansion in Egypt. Indeed, substantial export credits to

---

<sup>164</sup> The US ambassador to Egypt, Hermann Eilts, provides this figure. See the letter from the Swiss embassy, Cairo, to the FPD, 31.03.1976, SFA, E2300-01#1988/91#37\*, A.21.31.

<sup>165</sup> The FRG granted US\$ 230 million, France roughly US\$ 180 million and Italy US\$ 30 million, see the letter from the Swiss embassy in Cairo, to the FPD, 15.04.1976, SFA, E2300-01#1988/91#37\*, A.21.31.

<sup>166</sup> On the decaying internal situation, see the letter from the Swiss embassy in Cairo, to the FPD, 08.04.1976, SFA, E2300-01#1988/91#37\*, A.21.31.

<sup>167</sup> For an account of this uprising, see: Ghafar, *Egyptians in Revolt: ...*, p. 104-108.

<sup>168</sup> Kenneth W. Stein, *Heroic Diplomacy. Sadat, Kissinger, Carter, Begin and the Quest for Arab-Israeli Peace* (New York: Routledge, 1999), p. 227-228.

<sup>169</sup> The Swiss chemical and pharmaceutical industry explicitly raised this in a letter from Sandoz AG to the Swiss Society of Chemical Industry, 28.04.1976, ACH, IB-Vorort, 462.1.15.

<sup>170</sup> Ambassador Gagnebin lobbied for this on behalf of the Swiss export industry, see the letter from Gagnebin to the Division of Commerce, 29.04.1976, SFA, E7110#1987/20#1183\*, 861.1.

<sup>171</sup> See the letter from Moser to Gagnebin, 17.05.1976, SFA, E7110#1987/20#1183\*, 861.1.

<sup>172</sup> The consortium consisted of the three biggest banks – Crédit Suisse, Union Bank of Switzerland and the Swiss Bank Corporation – and was willing to provide a CHF 45 million loan. See the letter from Hans Rudol Voegeli, Central director at the Swiss Bank Corporation, to the 1. Department of the SNB Directorate, 26.03.1976, ASNB, 2.6/2662, 264.291.

commercial conditions were granted, presumably for Swiss textile machinery exports to Egypt, in summer 1976.<sup>173</sup> Internationally, the US authorities had become more insistent on the political importance of Western capital aid to Egypt.<sup>174</sup> As the US could not bankroll all of Egypt's capital requirements, US representatives rallied support for financial involvement by arguing that such aid would create a politically peaceful Middle East.

Indeed, foreign financial aid to Egypt was becoming crucial. It became all the more urgent as the Egyptian government abandoned negotiations for an IMF emergency credit in early August 1976. They considered the IMF proposed adjustment programs too risky, as it might stir domestic political opposition. Financial aid from the Arab oil states, Egypt's most important source of foreign capital, however, was conditioned on an agreement with the IMF. Consequently, despite substantial Western aid, Egypt still faced a precarious financial situation in the second half of 1976. The Egyptian Minister of Finance conveyed an outstanding need for US\$ 2 billion in financial aid for 1977 to a Swiss banker.<sup>175</sup> But despite the US and Egyptian underscoring the political significance of foreign financial aid to Cairo, the Swiss authorities did not seriously consider such an option.

Despite these financial difficulties, Egypt remained an interesting market for Western economies. Competition was hence fierce. Pressure was rising to increase the standing of Swiss companies in that market via public support.<sup>176</sup> In this delicate situation, Swiss business' offensive towards Egypt had to grow in intensity if it were to be successful. In the second half of September 1976, Egypt was the honorary guest at the *Comptoir Suisse* fair in Lausanne,<sup>177</sup> with attendance by the Egyptian Minister of Trade and Supply, Zakaria Tawfik Abdel Fattah.<sup>178</sup> But for Swiss business, the *Swiss Expo* from November 23 to December 3, 1976, in Cairo was decidedly more important. This "most important Swiss exhibit ever in the Arab world," as the CASCI labeled it,<sup>179</sup> was organized by the OSEC as a result of a May 1975 survey amongst its 1,600 members

---

<sup>173</sup> The SNB authorized credits valuing CHF 18 million and CHF 32 million, respectively, in the minutes of the Directorate of the SNB, „Nr. 463“, 20.05.1976, and “nr. 726”, 19.08.1976, ASNB, Protokolle des Direktoriums.

<sup>174</sup> The growing political rationale behind US aid to Egypt has been highlighted in: Weinbaum, 'Egypt's "Infatih" ...', *ibid.*, p. 214.

<sup>175</sup> The Swiss ambassador reported this in a letter to the Financial and Economic Service, FPD, 16.08.1976, SFA, E2001E-01#1988/16#3029\*, C.41.100.

<sup>176</sup> This can be seen in the fierce competition between on the one hand, Alusuisse and its partner of the French firm SOFREMINE, and on the other, US company Ralph Parsons, for the tender for a big Egypt phosphate mining project. See the letter from Emanuel Richard Meyer, President of the Board of Directors and Paul Heinrich Müller, CEO of Alusuisse to Gagnebin, 12.08.1976, SFA, E2001E-01#1988/16#3038\*, C.41.157.0.

<sup>177</sup> On this subject, see the Monthly Bulletin of the Swiss-Arab Chamber of Commerce and Industry, No. 11/12, August/September 1976, ACH, IB-Vorort, 360.2.2.5.

<sup>178</sup> Abdel Fattah's opening speech at this fair was reproduced by the OSEC, see: Di Clemente, a secretary at the Foreign markets division of the OSEC, "République Arabe d'Egypte", 27.09.1976, SFA, E2001E-01#1988/16#3029\*, C.41.100.

<sup>179</sup> Circular letter of the Swiss-Arab Chamber of Commerce and Industry, 23.08.1976, SFA, E2001E-01#1988/16#3031\*, C.41.111.0.(1).

that showed the desire to pick up export promotion efforts in the Arab world.<sup>180</sup> As with Graber's 1973 visit to Cairo, the Swiss authorities expected important signaling effects throughout the Middle East, with Egyptian capital at the core of the larger Swiss commercial expansion scheme. The deployment of Ernest Brugger, the Swiss government's Head of Economic Affairs, and a senior team from the Division of Commerce and the FPD, to Cairo for this occasion, demonstrates the importance the Swiss government attached to this event.<sup>181</sup>

Reporting on the Swiss Expo in January 1977, the OSEC considered it a success. In this massive display of Swiss industrial potential, 250 Swiss companies from all sectors deployed 600 employees to Cairo and presented their exhibits to as many as 60,000 visitors. It was held at the centrally located fair grounds on Gezira Island, which now houses the Cairo Opera House and Museum of Modern Egyptian Art.<sup>182</sup> The Swiss Expo received considerable publicity. Besides numerous Egyptian press articles, the economic weekly *The Middle East Observer* published a special edition featuring articles authored by prominent officials and businessmen. The Egyptian Minister of Economy and Economic Cooperation, Zaki Shafei, particularly welcomed Swiss presence, as it was "at the front among countries of the EEC, which expressed their willingness to cooperate and participate in development projects in our country after the President al Sadat's declaration of the open-door economic policy."<sup>183</sup>

The OSEC certainly appreciated the presence of Federal Council member Brugger and the official delegation, as it gave the exhibit more weight.<sup>184</sup> And while his contribution to the special issue of the *Middle East Observer* was a sober description of Swiss-Egyptian relations,<sup>185</sup> Brugger's speeches were much warmer. During his six-day stay, he first traveled to Luxor in a touristic excursion, like Graber had done three years earlier. This made an impression on him. Upon his return, during a speech at the dinner hosted by the Egyptian Minister of Commerce, he lauded the "prodigious [Egyptian] civilization, giving birth to agriculture, to architecture, and to the art of government!"<sup>186</sup> The following day, in his opening speech for the Swiss Expo held before more than 1,000 guests, he underscored that Egypt, "situated at the crossroads of three continents [...] was the obvious choice" for the Swiss Expo.<sup>187</sup> After reminding the public of the

---

<sup>180</sup> This was highlighted in the report by Mario Ludwig, Director of OSEC, "Swiss Expo Kairo 76. Kurzbericht", January 1977, DDS, dodis.ch/48547.

<sup>181</sup> See Brugger's request to the Federal Council, „Schweizerische Industrieausstellung in Kairo: Zusammensetzung der offiziellen Delegation“, 10.08.1976, SFA, E2001E-01#1988/16#3031\*, C.41.111.0.(1).

<sup>182</sup> See the report by Mario Ludwig, Director of OSEC, "Swiss Expo Kairo 76. Kurzbericht", January 1977, DDS, dodis.ch/48547.

<sup>183</sup> See his contribution: "Growing Economic relations Between A.R.E and Switzerland", *The Middle East Observer*, 10.11.1976, SFA, E2001E-01#1988/16#3031\*, C.41.111.0.(1).

<sup>184</sup> See the report by Mario Ludwig, Director of OSEC, "Swiss Expo Kairo 76. Kurzbericht", January 1977, DDS, dodis.ch/48547.

<sup>185</sup> For Brugger's article, see: "Relations Between Egypt and Switzerland", *The Middle East Observer*, 10.11.1976, SFA, E2001E-01#1988/16#3031\*, C.41.111.0.(1).

<sup>186</sup> See Brugger's address at a dinner hosted by the Egyptian Minister of Commerce, 22.11.1976, SFA, E2001E-01#1988/16#3031\*, C.41.111.0.(1).

<sup>187</sup> Reported in Brugger's opening speech at the Swiss Expo, 23.11.1976, SFA, E2001E-01#1988/16#3031\*, C.41.111.0.(1).

historic nature of Egyptian-Swiss relations, he underscored basic characteristics of the Swiss economy and foreign policy. Because of its lack of sea access and raw materials, Switzerland had to “export finished products with a considerable skilled labor content. To remain competitive,” he added in what amounted to a well-timed ‘product placement,’ “Swiss industry has to maintain its technological advance, its superior quality and an impeccable after-sale service.”<sup>188</sup> Presenting the Swiss “principle of permanent and armed neutrality,” Brugger, while not referring explicitly to the Middle Eastern context, insisted that this was “not synonymous with passivity. On the contrary, Switzerland supports all endeavors for political appeasement and participates actively in initiatives tending to promote international co-operation as long as they are compatible with the principles of neutrality.”<sup>189</sup> He concluded by underscoring that it “is my sincere wish that Swiss Expo may provide new and fruitful impulses to promote our trade and may intensify cultural and human contacts between your country and mine.”<sup>190</sup>

These remarks by Brugger at least in part came to fruition. One Swiss worker traveled to Cairo by road and then by sea via Venice to present his companies’ mobile emergency power system. The trip had a lasting impact on his life. He and the young translator that BBC had recommended got along so well that they married a few years later.<sup>191</sup> But while human contacts were knit during the Swiss Expo, the trade promotion was not as straightforward. Evaluating the success of this expo, the OSEC director wrote that it certainly helped Swiss firms established new contacts in Egypt and present their goods and services to an Arab public. Its concrete results were, however, rather disappointing, as barely any direct sales or additional orders followed. The OSEC defended the meager results with the Egyptian foreign currency shortage and the fact that other Western countries offered more attractive, non-commercial conditions for business deals.<sup>192</sup> It was undoubtedly impressive; but the Swiss Expo achieved little more than raising interest for Swiss goods in Egypt. The limitations of these commercial expansion initiatives were quickly becoming apparent.

Egypt was already among the most important markets on the African continent, right after South Africa and Nigeria. Besides the ceremonial aspects of Brugger’s visit during the Swiss Expo, there was also an official side. As OSEC President Gérard Bauer put it in his contribution to the Middle East Observer, “naturally, the Swiss government encourages [Swiss-Egyptian] policy of cooperation.”<sup>193</sup> While he mentioned the expansion of the diplomatic corps, participating in fairs, etc., the most significant state support provided until then were export guarantees. In an attempt to facilitate potential

---

<sup>188</sup> *Ibid.*

<sup>189</sup> *Ibid.*

<sup>190</sup> *Ibid.*

<sup>191</sup> See the website that documents the personal memories of this worker, Robert Suter, which include photos. He made the site after retiring: [http://sutersweb.bplaced.net/orient\\_kairo.html](http://sutersweb.bplaced.net/orient_kairo.html) (consulted on 17.10.2019).

<sup>192</sup> Report by Mario Ludwig, Director OSEC, “Swiss Expo Kairo 76. Kurzbericht”, January 1977, DDS, dodis.ch/48547.

<sup>193</sup> Mario Ludwig, “The Development of Economic Relations Between Switzerland and the Arab Countries”, *The Middle East Observer*, 10.11.1976, SFA, E2001E-01#1988/16#3031\*, C.41.111.0.(1).

deals of the Swiss companies at the Swiss Expo, ERG coverage was increased to up to 80 percent.<sup>194</sup>

There were no concrete Swiss or Egyptian proposals ready to be negotiated for deepening economic relations nor bilateral economic litigations;<sup>195</sup> so official discussions between Brugger and senior Egyptian officials did not go much beyond a mutual reassuring of interest in economic cooperation. A series of Swiss projects in Egypt were vaguely addressed, such as the possibility for the Swiss machinery company *Rüti*, owned by *Georg Fischer AG*, to supply a significant number of textile machines to Egypt. The most explicit point raised by the Egyptian Minister for Trade and Supply, Abdel Fattah, was a request for an official Swiss framework credit. Brugger promised to consider this possibility. As discussions with the Egyptian Minister for Economic Cooperation revealed, the Swiss wished to limit raising further credits at commercial conditions.<sup>196</sup> This was reflected in the collapse of negotiations between the Swiss banking consortium and the Egyptian authorities, as the former was reluctant to grant lower interest rates for the aforementioned possible framework credit.<sup>197</sup>

The main conclusion that private and public actors drew from the Swiss Expo in Cairo was that without the provision of a suppliers' credit at preferential terms, Swiss exports in Egypt would run into a wall. And indeed, at the end of his six-day stay, Brugger seemed aware of this, if the reporting of an Egyptian newspaper can be trusted. The *Journal d'Égypte* paraphrased Brugger saying that "the current political course of action followed by the Egyptian Government provided circumstances that could reassure all foreign capitalists."<sup>198</sup> This concretely meant, as the article stated further, that Brugger promised to refer "to Swiss parliament the interest his country might have in participating, through the provision of loans, in the promotion of Egyptian economic development."<sup>199</sup>

On the political side of the bilateral talks, FPD General secretary, Albert Weitnauer, headed the delegation. Weitnauer was a career diplomat who had worked mostly in Bern in the FPD and the FDEA, climbing to the highest levels of unelected officials in Swiss foreign policy. He was a defendant of traditional Swiss neutrality policy of an abstentious type, while at the same time being a notoriously anti-communist 'Realpolitiker'.<sup>200</sup> On November 22, he met with the Egyptian Minister of State for Foreign Affairs, Mohammed Riad, on November 22. Riad observed the "moderate and

---

<sup>194</sup> Unsigned note, „Wirtschaftsbeziehungen Schweiz – Ägypten“, 10.09.1976, ACH, NL Paul R Jolles, 1144.

<sup>195</sup> See the note from Jean Zwahlen, Head of the Financial and Economic Service, FPD, to Albert Weitnauer, head of the Political Direction of the FPD, 16.11.1976, SFA, E2001E-01#1988/16#3030\*.

<sup>196</sup> See the confidential report by Rudolf Staub, Secretary, Swiss embassy in Cairo, „Gespräche der schweizerischen Regierungsdelegation unter Leitung von Bundesrat Ernst Brugger mit ägyptischen Ministern in Kairo“, 06.12.1978, DDS, dodis.ch/48547.

<sup>197</sup> Telegram from Gagnebin to Brugger, 19.11.1976, SFA, E2001E-01#1988/16#3031\*, C.41.111.0.(1).

<sup>198</sup> "Le Ministre suisse de l'Économie Nationale", *Journal d'Égypte*, 26.11.1976, SFA, E2001E-01#1988/16#3031\*, C.41.111.0.(1).

<sup>199</sup> *Ibid.*

<sup>200</sup> For a brief sketch of Albert Weitnauer and his foreign policy convictions, see: Fischer, *Die Grenzen der Neutralität...*, p. 205-209.

reasonable position” Egypt had adopted in the Arab-Israeli conflict.<sup>201</sup> He underscored this by highlighting his government’s willingness to conclude a formal peace treaty with Israel. His conditions were an Israeli withdrawal to the borders of 1967, as stipulated by the UN resolution 242, including Palestinian national territory in the West Bank and Gaza. To achieve such an agreement, Riad insisted on negotiations under appropriate auspices, which for him were still the US and the Soviet Union. As the position of the newly elected Carter-administration remained unknown, Weitnauer interpreted Riad’s renewed insistence on the USSR’s role in finding a resolution to Middle Eastern problems as a return to a Cold War policy of balancing West against East.<sup>202</sup> Considering his clear orientation towards the Western bloc, Weitnauer certainly disapproved of this Egyptian policy. While this could be potentially beneficial to Swiss interests in Egypt, in a similar way as with Syria, Weitnauer did not further evaluate what this meant for Switzerland.

Troubles for Egypt did not come from abroad, but from within. Despite attempts by Western governments to prop up Sadat’s regime, domestic politics were seriously shaken in January 1977. The IMF and the Arab oil states’ withholding of financial aid had not missed its effect; Egypt complied with the IMF conditions for financial aid. As part of this conditionality, the Egyptian Minister of Finance and Economy announced subsidy cuts on January 18 and as such, significant price increases on a series of consumer goods. The same day, public protests erupted in Egypt, ending in violent confrontations with the police and armed forces, which led to dozens, if not hundreds, of deaths.<sup>203</sup> Gagnebin highlighted three alarming characteristics of the protests: they erupted throughout the country, they were massive in terms of participation, and they led to the Egyptian army’s first domestic intervention since the 1952 revolution. Armed troops were withdrawn from the front line with Israel to bring order in Suez. Visibly, the main threat to Sadat’s government no longer came from Israel but his own country. The sheer scale of the protests led the Egyptian authorities to swiftly reverse these cuts, which, in combination with the repression, alleviated popular pressure.<sup>204</sup>

Gagnebin had already predicted Egyptian social contradictions stemming from economic liberalization. This now became acute. He attributed popular outrage to deteriorating living conditions. The economic situation “of the broadest population strata (80-90%) has steadily deteriorated since the October War [,] while only a small

---

<sup>201</sup> The discussion was relayed in a confidential report from Iselin, “Gespräche des Generalsekretärs, Botschafter Weitnauer, mit Staatsminister Mohamed Riad und dem Ersten Unterstaatssekretär Gamal Mansour”, 30.11.1976, SFA, E2001E-01#1991/17#6187, B.15.21.Eg.

<sup>202</sup> *Ibid.*

<sup>203</sup> For an in-depth World Bank perspective on the discussions between the Egyptian authorities and the IMF leading up to these events, as well as their effects, see: Ikram, *The Political Economy of Reforms in Egypt ...*, p. 226-252. For an interpretation of these riots’ effects on long-term Egyptian food and subsidy policy, see: John William Salevurakis, and Sahar Mohamed Abdel-Haleim, ‘Bread Subsidies in Egypt: Choosing Social Stability or Fiscal Responsibility’, *Review of Radical Political Economics*, 40.1 (2008), p. 37-38 and Tamar Gutner, ‘The Political Economy of Food Subsidy Reform: The Case of Egypt’, *Food Policy*, 27.5 (2002), p. 462.

<sup>204</sup> After a series of urgent telegrams during the two days of open protests, the first lengthy report was sent to Bern in a letter from Gagnebin to the FPD, 25.01.1977, SFA, E2300-01#1988/91#134\*, A.21.31.

stratum was able to enrich itself tremendously,” the ambassador noted<sup>205</sup> Abdallah Ali El-Erian, the Egyptian ambassador in Bern, shared this evaluation. In a conversation with François de Ziegler, head of the Direction for International organizations of the FPD, the ambassador insisted on the great risks the Egyptian authorities were taking in both economic and foreign policy. “The leaders of the Western world and even more so the moderate Arab rulers should be aware of this. Not only their duty [...] but their interest should encourage them to help the Sadat regime. Indeed, if the latter collapses and gives way to an extremist left-wing government, it would not only upset the Middle East situation, but – given Egypt's strategic position – it could also affect the entire global balance,” El-Erian warned.<sup>206</sup> Sadat himself publicly took a position only in early February. He labeled it a communist plot and reversed rapprochement with the Soviet Union that had been emerging in late 1976,<sup>207</sup> attempting to shift the interpretation of these events into Cold War tensions.

### ***Commercial Promotion or Development Aid? Common Ground for a Soft Loan to Egypt***

Some of the main conclusions from these riots were that food subsidies would not be tackled quickly, and that Egypt had to multiply its sources of foreign capital aid.<sup>208</sup> Such aid, it became clear by early April 1977, would also come from Switzerland. The Swiss government had just extended its own credit line for technical cooperation and financial aid for developing countries, of which a part would be allocated to a mixed credit. In an evaluation of whom would be granted such credit, Peter Saladin, Head of Section at the Division of Commerce's Service for Development Policy, favored Egypt, as explicitly requested in Cairo during Brugger's visit in late 1976. Officially, commercial, development and general foreign economic policy rationales led him to this conclusion.<sup>209</sup> Given the timing of the decision, it is not unlikely that political considerations also influenced this decision.

Swiss commercial interest in Egypt was uncontested, as were the dampening influences of its foreign currency shortage and other countries' provision of capital goods on preferential terms for Swiss exports. “The granting of a mixed credit linked to equipment purchases in Switzerland is ultimately in the direct interest of our industry, which is still in a recessionary phase,” the report by Saladin specified.<sup>210</sup> Despite increased revenues from the reopened Suez Canal and from tourism, Egypt's balance of payments deficit and foreign debt were growing rapidly. The report credited the Egyptian authorities with taking measures to counter these problems, especially through its general economic liberalization and increasing foreign earnings via export

---

<sup>205</sup> See the letter from Gagnebin to the Financial and Economic Service, FPD, 27.01.1977, SFA, E2001E-01#1988/16#3029\*, C.41.100.

<sup>206</sup> See the Egyptian ambassador's evaluation as reproduced in a note from de Ziegler to Weitnauer, 31.01.1977, SFA, E2001E-01#1991/17#6283\*, B.73.Eg.0.

<sup>207</sup> See the letter from Gagnebin to the FPD, 07.02.1977, SFA, E2300-01#1988/91#134\*, A.21.31.

<sup>208</sup> This was highlighted by the former World Bank official Ikram, *The Egyptian Economy*, ..., p. 33.

<sup>209</sup> Note from Peter Saladin, Service for Development Policy, Division of Commerce to, amongst others, the Service for Technical Cooperation, FPD, 05.04.1977, SFA, E7110#1988/12#1287\*, 861.5.

<sup>210</sup> *Ibid.*

promotion. Egypt could not, however, accomplish its ambitions without outside capital support, the report went on to say. The risks associated with such a credit were considered low, as funding from the OPEC states, the US and West Germany provided a certain security for Egypt's ability to pay off its debt.<sup>211</sup>

At the beginning of their consideration of a mixed credit to Egypt, commercial interests were obvious to the Swiss authorities. But they were still unsure of how to justify this financial aid in terms of development policy. This indicates the primacy of economic interest over development aspects in the initial favoring a Swiss mixed credit for Egypt. Furthermore, the large financial presence of the conservative Arab oil states and larger Western powers was an important condition for the Swiss to become financially involved. On this occasion, Switzerland was not only tailing bigger Western states, but advancing in their slipstream.

The second federal service in charge of development aid, the Division for Technical Cooperation of the FPD, had no principled objections to the mixed credit as detailed by the Division of Commerce. On the contrary; as seen in their May 10 response, the FPD insisted that it would be “advantageous, from a foreign policy point of view, if we showed our interest in developing our relations with the Arab world in general, and with Egypt in particular, through a concrete measure of this kind.”<sup>212</sup> However, they insisted on a more in-depth assessment of a set of crucial points that an eventual credit program should consider: Egypt's main economic problems, its financial needs, and its development policy. This last point was “all the more important because Egypt's image today, after the liberalization of the economic system, is rather that of a bustling society where fortunes are made quickly and the fate of the poorest barely improves.”<sup>213</sup> Egyptian economic authorities did not have any clear development strategy at the time,<sup>214</sup> which made a systematic evaluation of the positive contribution a Swiss loan could provide difficult. Swiss officials nonetheless continued their planning. Right from the start of the internal Swiss inquiries on Egypt's eligibility for a mixed credit, a cleavage appeared between the interested Swiss services. Unsurprisingly, the Division of Commerce insisted on Swiss commercial interests while the Division for Technical Cooperation lay stronger accent on the development impact that such a Swiss credit could have.<sup>215</sup>

To deepen their understanding of the state of the Egyptian economy, the Division of Commerce turned to IMF and World Bank expertise. They asked the Swiss embassy in Washington to gather relevant information on Egypt from the two international

---

<sup>211</sup> *Ibid.*

<sup>212</sup> See the note by Rolf Wilhelm, vice-Director of the Division for Technical Cooperation, FPD, to the Division of Commerce, „Crédit mixte à l’Egypte“, 10.05.1977, SFA, E7110#1988/12#1287\*, 861.5.

<sup>213</sup> *Ibid.*

<sup>214</sup> Cf. Ikram, *The Egyptian Economy*, ..., p. 233.

<sup>215</sup> The ambivalence of Swiss development aid was already clear by the 1960s, see: Catherine Schümperli Younossian, *La politique suisse de solidarité internationale: de la coopération au développement global* (Lausanne: Presses polytechniques et universitaires romandes, 2007), p. 31-34.

organizations.<sup>216</sup> After talking with an economist from the World Bank and one from the IMF, a staffer at the Swiss embassy in Washington was able to give a balance sheet of Egypt's economic situation. In the short run, Egypt's alarming financial situation had been avoided thanks to important pledges during the first meeting of a Consultative Group (CG) for Egypt, organized by the World Bank with the participation of major donor countries. In the mid-term, however, the situation was still considered delicate, as any substantial Egyptian development project still required imports before export earnings could grow. Much funding for this transitional period, set at three to four years, was still outstanding. Once this period passed, development perspectives were described as "good, or even excellent."<sup>217</sup> Egypt's foreign earnings could be sustained through Suez Canal fees, oil exports and remittances from Egyptian workers abroad. Regarding Egypt's credit worthiness, the Swiss embassy staffer transmitted the opinion of US commercial bankers. Even though Egypt was often late on payments, in the end they always came through.<sup>218</sup> The evaluations from these IFIs focused on showing that Egypt could increase its export earnings in the mid- to long-term and that it was therefore a potentially solvable creditor.

Ambassador Gagnebin's evaluation from Cairo was equally important for Bern. In late May 1977, he sent an in-depth evaluation of Egypt's economic policy and development since 1974. The first years of the opening policy "aroused exaggerated hopes of big deals in the western industrialized countries[.] The recession in the industrialized countries at the same time intensified the storm of businessmen, who overcrowded the few good hotels in Cairo in search of new sales markets".<sup>219</sup> But 1976 had been a disappointing year for Egypt as its balance of payment swiftly deteriorated, leading to a fall in overall imports. The 1974 legislation aiming to attract FDI failed to yield any substantial capital inflows. And the previously immense financial support of the Arab oil states had also been considerably reduced for known reasons. Gagnebin interpreted the subsidy cuts announced in January 1977 as a calculated risk taken by the Egyptian authorities to regain financial commitments from abroad. It did this quite successfully – the IMF granted a new balance of payments loan and the GODE, bankrolled by the Arab oil states, also increased their commitments. Gagnebin mentioned that these funds were "used to pay all short-term liabilities to commercial banks [this] improved Egypt's economic situation and its creditworthiness."<sup>220</sup> Instead of moderating the exaggerated hopes by Swiss business in Egypt, Gagnebin's conclusions indicated that a mixed credit was not a too large risk.

The Swiss authorities considered capital contributions from larger Western powers, Arab oil states and IFIs as guarantees for Egypt's creditworthiness. The references for the height a possible Swiss financial contribution might have, smaller European states.

---

<sup>216</sup> Telegram from Klaus Jacobi, Delegate of the Federal Council for Commercial Treaties, to the Swiss embassy in Washington, 20.05.1977, SFA, E7110#1988/12#1287\*, 861.5.

<sup>217</sup> Telegram from Silvio Airoli, staffer at the Swiss embassy in Washington, to Jacobi, 20.05.1977, SFA, E7110#1988/12#1287\*, 861.5.

<sup>218</sup> *Ibid.*

<sup>219</sup> Letter from Gagnebin to the Division of Commerce, 26.05.1977, SFA, E7110#1988/12#1287\*, 861.5.

<sup>220</sup> *Ibid.*

Austria, Belgium, Denmark, the Netherlands and Norway had all already granted Egypt official financial aid. It seems that the first two governments had, until 1977, pledged less than the CHF 15 million that the official part of the Swiss mixed credit would end up being, while the latter three granted considerably higher assistance. It also seems that a larger share, if not the integrality, of these credits and donations were tied to the supply of goods or services from the granting country.<sup>221</sup> While the references for the amount of a possible credit to Egypt were the smaller European states, bettering the competitive edge of Swiss business on the Egyptian market was vis-à-vis all developed capitalist countries. By late July 1977, Gagnebin insisted in a letter to the Division of Commerce that “competition among Western suppliers is likely to increase. As a rule, it is primarily price and payment conditions that determine the final purchase decision,” providing yet more arguments or an official credit at soft terms.<sup>222</sup>

Swiss banks were interested in contributing to a mixed credit for Egypt. As informed by the General Director of the Swiss Bank Corporation in September 1977, a consortium composed of the UBS, the Swiss Volksbank and Crédit Suisse, with the latter leading the consortium, was willing to participate in a loan with up to CHF 45 million.<sup>223</sup> In October, Klaus Jacobi, the successor of Languetin, thanked the banks for their intended participation. Jacobi, who would later become Secretary of State at the FPD, explained the rationale behind the mixed credits, insisting that the banking share considerably increased the credit volume and hence the efficiency of this facility at medium conditions. Jacobi went so far as to say that it “goes without saying that mixed loans are a very welcome supplement to our trade policy instruments. This is quite evident in the case of Egypt.”<sup>224</sup>

Only after the interest of Swiss business, foreign economic policymakers and banks was affirmed did preparations for bilateral negotiations advance, including an assessment of the political situation in Egypt. In a telegram to the FPD in early October 1977, Gagnebin observed numerous sources of tension. Interestingly enough, he made no reference to relations with Israel. His evaluation concerned the domestic political situation that had worsened in 1977.<sup>225</sup> Iselin, answering this reporting from Egypt, insisted that the Division of Commerce was interested in “positive ‘high politics’ arguments” that would support their proposal for a mixed credit.<sup>226</sup> With Sadat’s unexpected historic trip to Jerusalem in November, discussed in the following chapter,

---

<sup>221</sup> The quality of the information that Ambassador Gagnebin obtained on this matter was rather poor, see his letter to the Division of Commerce, 02.06.1977, SFA, E7110#1988/12#1287\*, 861.5.

<sup>222</sup> This letter was concerned with the possibility of opening an OSEC office in Cairo to support Swiss tender submissions. Gagnebin emphasized that price and payments conditions were more important in obtaining orders than the concrete work of company representatives and personal contacts. See the letter from Gagnebin to the Division of Commerce, 28.07.1977, ACH, IB-Vorort, 360.2.2.5.

<sup>223</sup> Letter from Franz Lütolf, General Director, and Hans Spörndli, Deputy Director, Swiss Bank Corporation, to the Division of Commerce, 12.09.1977, SFA, E7110#1988/12#1287\*, 861.5.

<sup>224</sup> Letter from Jacobi to Crédit Suisse, the Swiss Bank Corporation, UBS and the Swiss Volksbank, 17.10.1977, SFA, E7110#1988/12#1287\*, 861.5.

<sup>225</sup> Confidential telegram from Gagnebin to the Political Direction II, FPD, 05.10.1977, SFA, E2001E-01#1988/16#3037\*, C.41.152.0.

<sup>226</sup> Telegram from Iselin to Gagenbin, 13.10.1977, SFA, E2001E-01#1988/16#3037\*, C.41.152.0.

such arguments were forthcoming.<sup>227</sup> The Swiss authorities were less interested in a critical evaluation of the political opportunity for official assistance to Egypt than in being able to politically justify this financial involvement.

By the end of October 1977, the Division of Commerce had prepared a draft requesting the Federal Council's authorization to negotiate a mixed credit. Mirroring the information collected in Washington and in Cairo, this draft highlighted Egypt's relative poverty, high unemployment, and aging, repair-prone infrastructure and productive facilities. Egypt's economic policy aimed at tackling these problems, according to the draft. Projects intended to create jobs and increase agricultural production – and therefore, domestic food supply – had priority. So did ventures that could immediately be implemented and that would either substitute imports or increase export earnings. Because of its chronic balance of payments deficit, such a policy could only be achieved by raising capital abroad, for it required a substantial increase in imports of capital goods, services and spare parts.<sup>228</sup>

Conveniently, this characterization of Egypt's economy and development ambitions matched the aims of Swiss development aid as stipulated by the Swiss legislation on international development cooperation and humanitarian aid from 1976.<sup>229</sup> But, as abundantly noted during the drafting of the request, the Swiss export industries' high stakes took precedence. The high trade deficit Egypt had with Switzerland had grown considerably in 1975 and 1976 (cf. Graph 20). This raised doubts on the sustainability of future exports growth. The provision of funds at preferential terms were thought to "strongly affect" prospective trade relations.<sup>230</sup> By granting a mixed credit, the draft continued, "we could demonstrate our interest in an economic strengthening and political stabilization of this country and protect our export interests in view of the concretization of Egypt's development."<sup>231</sup> Even though it was not crucial to do so, the Swiss government included political factors in its evaluation of financial support for Egypt. In late August, Gagnebin had reported to Bern that leading circles in Cairo declared that, without such support, Egypt was at risk "swinging to the extreme left."<sup>232</sup> This mirrors Egypt's attempt to use the political instability that had exploded in the January 1977 riots to secure support in the West, including in Switzerland. A Swiss financial contribution to Egypt would by no means be substantial enough to significantly influence that country's economic and political stability. Such political arguments likely served to further justify the provision of a credit and to signal political goodwill to the Egyptian authorities.

---

<sup>227</sup> For a brief discussion on Sadat's visit to Jerusalem, see: Lippman, *Hero of the Crossing ...*, p. 139-145.

<sup>228</sup> See the draft request to the Federal Council, „Aegypten: Abkommen über die Gewährung eines Mischkredites“, p. 2-4, attachment to the letter from Saladin to a series of FPD services, 31.10.1977, SFA, E2001E-01#1988/16#3037\*, C.41.152.0.

<sup>229</sup> See article 5 of the „Bundesgesetz über die internationale Entwicklungszusammenarbeit und humanitäre Hilfe“, in *Federal Gazette*, Vol. 1, 1976, p. 1058.

<sup>230</sup> Draft request to the Federal Council, „Aegypten: Abkommen über die Gewährung eines Mischkredites“, p. 5, attachment to the letter from Saladin to a series of FPD services, 31.10.1977, SFA, E2001E-01#1988/16#3037\*, C.41.152.0

<sup>231</sup> *Ibid.*, p. 5-6.

<sup>232</sup> Letter from Gagnebin to the FPD, 24.08.1977, SFA, E2300-01#1988/91#134\*, A.21.31.

The section of the draft on the provisions of the Swiss financial aid to Egypt stated that a mixed credit would allow the matching of Egyptian import needs with Swiss export potential. As a novelty in Swiss mixed credit agreements, this draft stipulated adding services to the catalog of Swiss supplies in addition to capital goods. It anticipated an official tranche of the credit to be over CHF 15 million, with an interest rate as low as zero percent. Provisions of the banks' share would be negotiated separately between the consortium and the Egyptian government – although it would ideally be valued at CHF 45 million.<sup>233</sup> Even though Rolf Wilhelm, the vice-Director of the Division for Technical Cooperation, underscored that his service was still concerned about “the usefulness of our contribution to the development of Egypt than on the request of the Swiss private economy,”<sup>234</sup> he communicated the FPD's principled agreement to this request for opening mixed credit negotiations. As in the earlier internal consultation, the differing goals of the Division of Commerce and the Division for Technical Cooperation persisted. But it did not lead to a modification of the draft submitted to the Federal Council. Commercial rationales in this Swiss financial aid weighed heavier.

By December 21, 1977, the Swiss government authorized the Division of Commerce to begin negotiations.<sup>235</sup> A principled agreement with the banking consortium regarding the aim, value and conditions of the credit was reached in a meeting on January 19, 1978. Yet many provisions remained open for negotiations, such as the share of the credit that should be dedicated to services, and the interest rate on the banking credit. The consortium did not want to enter into binding commitments to the federal authorities before the negotiations with the Egyptians. The interest rate on their share would also depend on the guarantees provided by the ERG-commission.<sup>236</sup> The banks' interest in participating in a mixed credit stemmed from the increased guarantees such a joint financial loan gave them, as well as other loans they committed. In case of payment difficulties by the Egyptian authorities, the Swiss government would likely take all steps necessary to ensure Egypt did not default this loan, for this would weigh heavily on the publicly guaranteed ERG.<sup>237</sup>

But the *de facto* enhanced guarantee provided by official Swiss financial involvement did not suffice for the banking consortium. In early February, Jacobi requested the ERG office to reconsider its decision of covering 85 percent, and not 95 percent, of the value

---

<sup>233</sup> Draft request to the Federal Council, „Aegypten: Abkomme über die Gewährung eines Mischkredites“, p. 6-8, attachment to the letter from Saladin to a several FPD services, 31.10.1977, SFA, E2001E-01#1988/16#3037\*, C.41.152.0.

<sup>234</sup> Note from Wilhelm to the Division of Commerce, „Crédit mixte à l'Égypte“, 10.11.1977, SFA, E2001E-01#1988/16#3037\*, C.41.152.0.

<sup>235</sup> See the decision of the Federal Council, “Aegypten: Abkommen über die Gewährung eines Mischkredites”, 21.12.1977, SFA, E7110#1988/12#1287\*, 861.5.

<sup>236</sup> See the report by Guillaume Pictet, staffer at the Division of Commerce, “Crédit mixte Égypte. Compte rendu de la réunion du 19 janvier 1978”, 26.01.1978, SFA, E7110#1989/32#1337\*, 861.5.

<sup>237</sup> For such an interpretation of Swiss banks' interests in mixed credit agreements, see: Daniel Diserens, ‘Exportförderung oder “Entwicklungshilfe”?. Die Finanzhilfe an die Türkei 1963-1972 und die erstmalige Erteilung von Mischkrediten an Indien 1966 und an Pakistan 1970’, in *Von der Entwicklungshilfe zur Entwicklungspolitik*, ed. by Peter Hug and Beatrix Mesmer, (Bern, 1993), p. 354-355.

of deals concluded under the mixed credit. Jacobi warned that not providing the highest possible coverage for this mixed credit would, “from an Arab borrower, whose sensitivities are known and who is likely to learn about it despite all discretion, cause the greatest difficulties, or even put into question the whole operation.”<sup>238</sup> While he did agree that Egypt was not very stable politically and economically, Jacobi referenced guarantees provided by politically motivated financial backing of larger donors, such as Saudi Arabia.<sup>239</sup> The ERG commission was reluctant to accept this request out of consideration for Egypt’s high debt and recurrent arrears on payments. They would only be willing to comply if there were sufficient commercial reasons. In a letter to the newly elected Federal Council member and head of the FDEA, Fritz Honegger, Jolles underscored that the mixed credit would serve to maintain and extend the Egyptian market for Swiss exports, as favorable credit conditions would help preserve Egyptian import capacities. The bilateral treaty would imply a direct guarantee by the Egyptian state, reducing risks.<sup>240</sup> Fritz Honegger was a member of the Swiss liberal party. He came from an industrialist family and had previously worked for the engineering and financial company Electrowatt.<sup>241</sup> He likely did not have to be convinced of these arguments since he called for the highest possible coverage, reiterating the highest Swiss governmental backing of a mixed credit at the best possible terms.<sup>242</sup> The discussions on the ERG coverage for the banks’ share of the mixed credit show the powerful position the banking consortium retained. It could successfully pressure the Swiss government into convincing the independent ERG commission to increase guarantees. That the highest Swiss political levels responded to this pressure further reflects the great importance they attached to this soft loan to Egypt and business opportunities for Swiss corporations.

### *Negotiating the First Swiss Mixed Credit to Egypt*

In early February 1978, Swiss officials informed Egyptian counterparts of their intention to grant a mixed credit, which was very well received.<sup>243</sup> Negotiations opened on April 17 in Bern, with Peter Saladin from the Division of Commerce’s Service for Development Policy leading the Swiss side and Gamal El Nazer heading the Egyptian delegation. El Nazer was the Under Secretary of State in the Ministry for Economy and Economic Development who had negotiated all Egyptian credit agreements in recent months – meaning he was highly competent. Besides the “normal haggling”, i.e., the

---

<sup>238</sup> Note from Jacobi to the ERG office, „Mischkredit Aegypten / Wiedererwägungsantrag“, 02.02.1978, SFA, E7110#1989/32#1337\*, 861.5.

<sup>239</sup> Note from Jacobi to the ERG office, „Mischkredit Aegypten / Wiedererwägungsantrag“, 02.02.1978, SFA, E7110#1989/32#1337\*, 861.5.

<sup>240</sup> Letter from Jolles to Fritz Honegger, Head of the FDEA, 27.02.1978, SFA, E7110#1989/32#1337\*, 861.5.

<sup>241</sup> See the entry on Firtz Honegger in “Honegger, Fritz”, DDS, dodis.ch/P26594.

<sup>242</sup> See Honegger’s recommendation as reproduced in a note from Saladin to Jacobi and Hermann Hofer, President of the Commission for ERG, „Mischkredit Aegypten“, 08.03.1977, SFA, E7110#1989/32#1337\*, 861.5.

<sup>243</sup> Both the Egyptian ambassador in Bern and the trade minister in Cairo, Abdel Fattah, greatly appreciated this offer. See the telegram from Saladin to the Swiss embassy in Cairo, 07.02.1978, SFA, E7110#1989/32#1337\*, 861.5, and the telegram from Gagnebin to the Division of Commerce, 10.02.1978, SFA, E7110#1989/32#1337\*, 861.5.

Egyptian request for a higher total credit value, an increase in its public share, and a lower bank interest rate, it became clear that Egypt wanted to conclude the treaty as soon as possible.<sup>244</sup> Accommodating the FPD's Division of Technical Cooperation, El Nazer proposed to provide a list of projects that could be funded with this Swiss credit.<sup>245</sup> This would allow a better evaluation of the compatibility of the Swiss goods and services with Egyptian development efforts. Negotiations were deferred until after the upcoming scheduled World Bank CG for Egypt meeting, where Egypt would present its next Five-Year Plan. Here the Swiss could better appraise Egyptian development projects and make a more specific "shopping list."<sup>246</sup>

Negotiations underway for Switzerland to become a creditor to Egypt, the World Bank, at the recommendation of the Egyptian government, invited the Swiss to participate in the mid-June 1978 Paris meeting of the CG for Egypt.<sup>247</sup> The Swiss authorities accepted this invitation,<sup>248</sup> and credit negotiations with Egypt were continued on the sidelines.<sup>249</sup> An agreement was reached regarding the overall credit valuing at CHF 60 million, with one quarter provided by the federal government interest-free. The rate on the banks' share was still under discussion as Egypt pushed for a lower rate.<sup>250</sup> In a letter to the banking consortium, the Division of Commerce supported Egyptian efforts and requested the banks to reduce their interest rate, given that risks of a mixed credit were lower than those of purely private credit.<sup>251</sup> The banks, having obtained the highest possible coverage by the ERG, reluctantly complied.<sup>252</sup>

The last pending points in the negotiations concerned the utilization of this credit within Egypt's development plans, and how credit conditions would be passed on to private Egyptian importers.<sup>253</sup> After a slowdown due to Ramadan, an agreement was reached on these issues and the treaty to open the credit line was concluded on September 12, 1978. While quite general, article 4, paragraph 1 of the treaty stipulated that the credit should be used to implement projects in Egypt conforming to its development policy. The development policy's main objectives, as stated in the treaty, were job growth and

---

<sup>244</sup> On the negotiations as viewed from the Division of Commerce, see the note from Saladin to Jacobi, 21.04.1978, „Négociations Egypto-Suisse à Berne“, SFA, E7110#1989/32#1337\*, 861.5.

<sup>245</sup> See the note by Wilhelm, „Verhandlungen über den Mischkredit mit Aegypten: Einschluss von Dienstleistungen und entwicklungspolitische Aspekte“, 21.04.1977, SFA, E7110#1989/32#1337\*, 861.5.

<sup>246</sup> See the note from Saladin to Jacobi, 21.04.1978, „Négociations Egypto-Suisse à Berne“, SFA, E7110#1989/32#1337\*, 861.5.

<sup>247</sup> This invitation was sent in a telegram from Munir P. Benjenk, Chairman of the Consultative Group for Egypt, World Bank, to the Division of Commerce, 31.05.1978, The World Bank Group Archives [WBGA], 1158951.

<sup>248</sup> Telegram from Jacobi to Benjenk, 08.06.1978, WBGA 30044420.

<sup>249</sup> See the Telegram from Jacobi to the Swiss embassy, Cairo, 07.06.1978, SFA, E7110#1989/32#1337\*, 861.5.

<sup>250</sup> The results of this negotiation round was communicated in a telegram from Saladin to the Swiss embassy, Cairo, 19.06.1978, SFA, E7110#1989/32#1337\*, 861.5.

<sup>251</sup> Letter from Jacobi to C. Walter Fessler, General Director, Crédit Suisse, 22.06.1978, SFA, E7110#1989/32#1337\*, 861.5.

<sup>252</sup> Letter from Lieb and Häusermann, vice-Directors, Crédit Suisse, to Saladin, 21.07.1978, SFA, E7110#1989/32#1337\*, 861.5.

<sup>253</sup> See the telegram from Saladin to the Swiss embassy in Cairo, 22.08.1978, SFA, E7110#1989/32#1337\*, 861.5.

social distribution of benefits from economic development. The credit should prioritize infrastructure or agricultural projects, electricity production, and industrial projects, specifically mentioning agro-industry ventures, as well as the building materials industry.<sup>254</sup> Two letters of exchange specified further provisions. One was a “shopping list,” loosely speaking, as it included no less than fifteen categories of capital goods.<sup>255</sup> A second letter specified that the conditions to which the credit share would be passed on to the private sector’s profit-oriented productive ventures depended on the profitability of these specific projects. However, the terms would have to be competitive with other possible sources of funding.<sup>256</sup>

The Swiss banking consortium and the Egyptian authorities had also reached an agreement, also concluded on September 12. This treaty specified the conditions of the banks’ share in the credit. It valued at CHF 45 million with the three big banks (Crédit Suisse, Swiss Bank Corporation and the UBS) contributing 30 percent each, and the smaller Swiss Volksbank coming up for the remaining 10 percent. The interest rate was set to 1.625 percent over average interest rate the Swiss banks paid on newly issued eight-year term notes.<sup>257</sup>

This credit proved highly competitive. As highlighted in a note by Klaus Jacobi to Federal Council member Fritz Honegger, the combination of public and private capital allowed for an attractive interest rate. It was considerably lower than what the private financial market would demand, and it was also lower than rates on World Bank loans. Jacobi calculated an average rate of 2.83 percent p.a., which was more than five percent lower than World Bank interest rates, allowing him to conclude that the Swiss credit was indeed a soft loan.<sup>258</sup> After listing a series of examples where Swiss suppliers could alleviate Egyptian bottlenecks, Jacobi was convinced that “satisfying basic human needs in developing countries – a particular concern of committed development policymakers – and the pursuit of the donor state’s own economic goals can very well concur.”<sup>259</sup> Considerations on the compatibility of development aid and Swiss economic interests were important for the Federal Council to pass the final version of

---

<sup>254</sup> This was specified in the treaty between the Swiss and the Egyptian governments on the opening of the mixed credit, „Accord entre le Gouvernement de la Confédération suisse et le Gouvernement de la République Arab d’Egypte concernant l’ouverture d’un crédit mixte“, 12.09.1978, SFA, E2001E-01#1991/17#6291\*, C.41.152.0.

<sup>255</sup> The Swiss representative Jacobi confirmed the reception of this letter from Gamal El Nazer, under-Secretary of State, Ministry of Economy and Economic cooperation, Egypt, in a letter from 12.09.1978, SFA, E2001E-01#1991/17#6291\*, C.41.152.0.

<sup>256</sup> Again, see the confirmation of this by Jacobi in a letter to El Nazer, 12.09.1978, SFA, E2001E-01#1991/17#6291\*, C.41.152.0.

<sup>257</sup> The bank agreement can be found: „Loan agreement between the Government of the Arab Republic of Egypt and the ‘Swiss Banks’“, 12.09.1978, SFA, E2001E-01#1991/17#6291\*, C.41.152.0.

<sup>258</sup> Note from Jacobi to Honegger, „Die Kompatibilität zwischen entwicklungspolitischen Zielsetzungen und der Berücksichtigung eigener wirtschaftlicher Anliegen im Falle von Mischkrediten, illustriert am Beispiel unserer Kredithingabe an Aegypten“, 20.09.1978, SFA, E7110#1989/32#1337\*, 861.5.

<sup>259</sup> *Ibid.*

the mixed credit agreement, which the Swiss government ratified in early November 1978.<sup>260</sup>

The functioning, sectoral distribution and commercial expansion effect of this mixed credit will be examined in the following chapter. It was neither the first nor the last mixed credit deployed by the Swiss authorities. Since the late 1970s, mixed credits had become the most important Swiss development policy instrument. This allows for a brief comparison of this agreement with preceding Swiss mixed credit practices. By 1996, credits valuing CHF 2 billion had been granted, a Swiss official confirmed the late 1990s. By then, Egypt was the second most important recipient, outpaced only by China.<sup>261</sup> The first Swiss experiences with mixed credits go back to the late 1960s, with India receiving the first-ever Swiss mixed credit in 1966. Pakistan followed in 1970. Both had previously received transfer credits by Swiss banks. Besides Swiss commercial interests, banking interests were also at stake here, as the mixed credits largely socialized risks on their already granted credits. The credit to Pakistan also reflected political considerations, i.e., a sense of equity in the Indo-Pakistani conflict.<sup>262</sup> After India received a second mixed credit in 1973, Tunisia was the third country to obtain one in 1976.<sup>263</sup> While granting this mixed credit was conditioned by the recession in Switzerland, as the Federal Council highlighted, Tunisia had been a target country for Swiss technical cooperation since the early 1960s.<sup>264</sup> Egypt was not among the countries prioritized by Swiss development aid, further substantiating the significant influence commercial interests had in granting this mixed credit. Even though the mixed credit to Egypt was not the highest value the Swiss authorities had ever committed via mixed credits, the Catholic-conservative Swiss president Hans Hürlimann, when meeting with the Egyptian ambassador to Switzerland in early 1979, nonetheless stated that it was: “the largest credit ever granted by our country. This gesture is an expression not only of our friendship with your country but also of our confidence in its economic policy.”<sup>265</sup>

The granting of mixed credit to Egypt, while not an entirely novel tool of Swiss foreign economic policy, reveals a set of issues specific to Swiss-Egyptian economic relations. An undeniable commercial interest in the Egyptian market is clear. But this interest could not be sustained by classic means of commercial expansion – mutual visits,

---

<sup>260</sup> Decision of the Federal Council „Ratification de l’Accord du 12 septembre 1978 entre le Gouvernement de la Confédération suisse et le Gouvernement de la République Arabe d’Egypte concernant l’ouverture d’un crédit mixte”, 08.11.1978, SFA, E7110#1989/32#1337\*, 861.5.

<sup>261</sup> For a brief overview of Swiss mixed credits programs, see: Laurent Guye, ‘Entwicklungszusammenarbeit: Für eine echte Partnerschaft zwischen Bund und Privatwirtschaft’, *Schweizerisches Jahrbuch für Entwicklungspolitik*, 17 (1998), p. 119-121.

<sup>262</sup> On these first Swiss mixed credits, see: Diserens, ‘Exportförderung oder “Entwicklungshilfe...’, *ibid.*, p. 350-62.

<sup>263</sup> See the unsigned note to Jacobi, „Bedingungen Mischkredite“, 29.08.1978, SFA, E7110#1989/32#1337\*, 861.5.

<sup>264</sup> See the Federal Council message, „Botschaft betreffend eine Vereinbarung über einen Transferkredit an Tunesien vom 11. August 1976“, in *Federal Gazette*, Vol. 2, 1976, p. 1150-1151.

<sup>265</sup> The conversation between Hürlimann and the Egyptian ambassador El-Erian was reported in a telegram from Klaus Jacobi to the Swiss embassy in Cairo, 18.01.1979, SFA, E7115A#1990/60#1336\*, 861.5.

industrial exhibits and private suppliers' credits. In the initial period of growing interest in the Egyptian market, such methods still seemed able to sustain Swiss business export efforts. The tightening of the Egyptian balance of payments and foreign aid from mid-1976 onwards made this increasingly difficult. Facing serious competition from other Western states, the Swiss authorities resorted to offering financial aid via a mixed credit to the Egyptian government. This mixed credit responded perfectly to the Swiss policy of mobilizing private capital as extensively as possible in its foreign aid to developing countries. The banks were willing to participate in this mixed credit because their engaged capital would be largely publicly guaranteed, socializing their risk.

Regional political conditions, especially the state of the Arab-Israeli conflict, were largely absent in the Swiss's decision to grant Egypt such a credit. If anything, the relevant Swiss services sought to politically justify this measure that responded to Swiss export industries' interests. Considerations of Egypt's domestic political situation were biased. Contributing to Egypt's economic stabilization would in turn contribute to its political stabilization, which would make it a more stable, interesting market for economic penetration. These Swiss rationales were not shared among competing agencies. The Division of Commerce insisted on Swiss commercial interest while the Division for Technical Cooperation focused on development. The voice of the ERG commission, raising doubts about Egypt's creditworthiness on a political and financial level, was simply cast aside. The best way to assess the relative weight of these rationales had in the decision to grant in the mixed credit is to evaluate its actual functioning, as a later section will do.

## **Conclusion**

The Swiss economic drive to the Middle East during this period was largely an attempt to mitigate the crisis in the developed capitalist system. As shown in this chapter, Swiss economic efforts were differentiated according to political and economic conditions in the three countries. For Israel, the Swiss authorities resented discrimination in the competitive position of its corporations vis-à-vis the EEC countries. Bern officials welcomed the opportunity to receive concessions on tariffs, provided by Israel's international isolation with the arrival of the Likud to power. However, as they realized that Israel was using this rapprochement precisely to break out of its isolation and increase its international standing, Swiss receptiveness changed to skepticism. The international standing of a partner state had a significant impact on the scope for receiving material benefits in bilateral negotiations and also its limitations. For the part of the Swiss, once they were aware that they could not simply gain from Israel's growing international isolation without a counter-part, they resorted to neutrality policy arguments to justify a certain *prise-de-distance* with the Israeli authorities. This was especially pronounced given the clear distribution of economic interest in the region. The Swiss distancing intended to avoid shaking up relations with the Arab states, where interests in and efforts towards rapprochement were more pronounced.

Despite Syria's hardened attitude in the conflict with Israel and despite its military intervention in Lebanon, historic steps were undertaken to deepen Swiss-Syrian relations. Private sector interests were significant enough to put aside Swiss apprehensions around Syria's bellicose political role in the region. Indeed, a senior-level visit and the conclusion of bilateral economic treaties intended to drive forward the interest of Swiss companies in this market. The Swiss ambassador mobilized Swiss neutrality in attempts to convince the Syrian authorities to increase purchases from Switzerland. These accords and the emphasis on Swiss foreign policy innocence, however, proved insufficient to stimulate Swiss export growth – the explicit aim of Swiss foreign policy towards Syria. The evermore costly Swiss franc was an important impediment to private commercial expansion. Despite the interest of particular Swiss business sectors in the Syrian market, overall stakes were not high enough to justify an official soft loan. The mere existence of economic interest in a given market, in this case Syria, did not automatically translate into a foreign policy to support economic success. As a result, the perspectives for deepening Swiss economic presence became increasingly bleak.

This contrasted with Swiss policy in Egypt. Even when domestic political unrest reached the verge of insurrection, there were no political impediments to Swiss commercial promotion. On the contrary; continued Egyptian commitment to a peaceful resolution of its conflict with Israel, its opening to the West and its accommodating policy for foreign capital, transformed the country into a prime target for foreign economic interests. In the context of fierce Western competition, classic commercial expansion measures – including publicly supported ones – and the symbolic display of Swiss economic power at the 1976 industrial exhibit in Cairo, proved insufficient to substantiate Swiss market penetration. Upon the insistence of numerous Swiss companies wanting to deepen their presence in the Egyptian market, the Swiss government support increased economic involvement via the provision of a mixed credit. It is important to recall that only after avowed Swiss business interest in such a facility, and only after the Swiss banks' agreement, did the federal authorities consider the political opportunity of providing the mixed credit. A Swiss soft loan in the shape of a mixed credit was intended to not only directly provide Egypt with the financial resources needed to purchase of Swiss goods, but also to build the goodwill necessary for further private commercial expansion. When deciding on whether to grant this credit, commercial and financial interests in a competitive environment took precedence over development policy and political opportunity. The scramble mentality of Swiss commercial interests quelled political opportunities in the formulation of foreign policy.



## 6. Reaping the Benefits of an Egyptian-Israeli Agreement? Peace Treaty in a Powder Keg (1977-1981)

Rapprochement between Egypt and Israel in the second half of the 1970s, culminating in the 1979 peace agreement, was the first time that political settling of conflicts was understood as part of a 'peace process'. This reflects what has been labeled as "bewildering and unique transitional political arrangements" associated with successive steps to settlement.<sup>1</sup> It has been suggested that economic issues were "absolutely pivotal to the form and functioning of a peace process," with uncertain outcomes.<sup>2</sup> For Egypt, the drive for peace with Israel can be situated in the continuation of Sadat's economic policies since the post-October War period. For Israel, economic costs of the war were also rising even though their interests in the peace agreement were far more political – the international pressure had been rising since the oil crisis.<sup>3</sup> Although it does not disregard the crucial relation economic and political interests had in the peace process,<sup>4</sup> this chapter does not have the ambition to describe the different stages of the conflict resolution in detail.<sup>5</sup> As will become clear, the Swiss government played a limited role in this respect; the peace process was not decisive for their involvement in the region. The focus in this chapter is on what Egyptian-Israeli rapprochement meant to Swiss foreign economic diplomacy in terms of opportunities and secondary risks.

The first subchapter draws out the Swiss involvement in, and understanding of, the peace process. It covers a 1977 US-Syrian high-level meeting in Geneva. As will be seen, this encounter was not inconsequential for the Egyptian-Israeli settlement. On several occasions, the Swiss authorities received first-hand accounts from those directly involved in the peace process. Yet their role as proactive agents in the process remained negligible. The second subchapter will show how the peace agreement opened new lines of conflict in the region, particularly regarding Egypt's position in the larger Arab world. Only a partial settlement, the peace treaty by no means resolved a broader set of issues. These issues were nevertheless crucial for the Middle Eastern conflict – for instance, the fate of the occupied Palestinian territories figured prominently. Both Egypt and Israel attempted to convince the Swiss authorities of their plans for these lands. Official Israeli annexation of East Jerusalem in 1980 and the continued occupation of Gaza and the West Bank became a major source of discord in Swiss-Israeli bilateral relations. In the third subchapter, continued Swiss economic interaction with Egypt on the basis of the recently granted preferential credit will be scrutinized. And finally, the final subchapter will examine the Swiss ambassador to Syria's renewed

---

<sup>1</sup> Jan Selby, 'The Political Economy of Peace Processes', in *Whose Peace? Critical Perspectives on the Political Economy of Peacebuilding*, ed. by Michael Pugh, Neil Cooper, and Mandy Turner, (Basingstoke: Palgrave Macmillan, 2008), p. 14.

<sup>2</sup> *Ibid.*, p. 11.

<sup>3</sup> For such an interpretation, see: Michael N. Barnett, *Confronting the Costs of War. Military Power, State, and Society in Egypt and Israel* (Princeton: Princeton University Press, 1993), p. 132-140.

<sup>4</sup> The interconnection between these two factors over the long-term Egyptian-Israeli peace process has been studied by: Galia Press-Barnathan, *The Political Economy of Transitions to Peace: A Comparative Perspective* (Pittsburgh: University of Pittsburgh Press, 2009), p. 33-56.

<sup>5</sup> Prominent among these are the first-hand accounts in: William B. Quandt, *Camp David: Peacemaking and Politics*, (Washington, D.C: Brookings Institution Press, 2016) and *Peace Process....*

attempts to convince his superiors in Bern to deploy more export promotion measures. As will be seen, remaining in a state of war with Israel did not necessarily harm Syria, including in its relations with Switzerland.

### **6.1 Geneva, Jerusalem, Camp David. Switzerland Meanders through the Peace Process**

Over the course of 1977, once the new US and Israeli governments were firmly in power, efforts for a peaceful settlement of the Arab-Israeli conflict picked up again. US President Carter would launch what Salim Yaqub has labeled “the most ambitious Middle East peace initiative ever attempted by a US president.”<sup>6</sup> Switzerland was on the map of this process owing to its potential role as host country for a possible Middle Eastern summit in Geneva.<sup>7</sup> While these efforts promoted by the Carter administration ultimately failed, even the possibility of convening such a conference had an important effect on the peace process. It made Sadat turn more firmly towards a US-brokered peace with Israel, excluding the Soviet Union. These ambitions met success: for once, the opportunity for reaching an agreement was not missed. The resulting Egyptian-Israeli peace treaty concluded in Washington in March 1979.<sup>8</sup> In this subchapter, the crucial steps towards this peace treaty will be reviewed from the viewpoint of Swiss official analysis and official involvement through good offices or bilateral talks.

#### ***A Historic Meeting Between Carter and Assad in Geneva. Opportunities for the Swiss***

A significant instance in which Switzerland played a role in the Middle Eastern proceedings was when it hosted a meeting between President Carter and President Assad on May 9, 1977, in Geneva.<sup>9</sup> Unfortunately, there is only scattered evidence of this encounter in the Swiss archives consulted. An evaluation must therefore be based on US State Department and press sources. The initiative for arranging this meeting came from the US administration in March 1977. US Secretary of State Cyrus Vance instructed his ambassador in Bern, Nathaniel Davis, to convey to the Swiss authorities that US and Syrian officials had agreed on the principle of such a meeting in Geneva. It was chosen as a neutral ground because unlike other Middle Eastern leaders, Assad refused to travel to Washington.<sup>10</sup> Iselin and Moser’s offer of Swiss mediation during their visit to Damascus in late 1976, offering Geneva to their disposal for meetings, did not go unheard. As it appears from US sources, Anton Hegner, Head of the Political Division I of the FPD, responded positively to the US request without hesitation. The

---

<sup>6</sup> Yaqub, *Imperfect Strangers* ..., p. 239.

<sup>7</sup> The Carter administration worked towards such a conference for much of 1977, see: Stein, *Heroic Diplomacy* ..., p. 187-189.

<sup>8</sup> For a reading of the Arab-Israeli conflict as a series of missed opportunities for peace, with exception of the 1979 treaty, see: Podeh, *Chances for Peace* ....

<sup>9</sup> The place of this meeting in the Carter administration’s Middle East policy can be found in: William B. Quandt, *Camp David*..., p. 57-59.

<sup>10</sup> See the secret telegram from Cyrus Vance, US Secretary of State, to Nathaniel Davis, US Ambassador to Switzerland, 25.03.1977, NARA, RG 59, Electronic Telegrams 1977, retrieved from the AAD at [www.archives.gov](http://www.archives.gov), January, 2016.

“Swiss are delighted” that President Carter and President Assad wished to meet in Switzerland, Davis reported.<sup>11</sup>

Even though the Swiss government did not have any substantial role in the meeting of these two presidents,<sup>12</sup> they still greatly appreciated this meeting. It occurred during Carter’s first trip to Europe as acting president of the US. He attended the G7 summit in London before traveling to Geneva for the day, returning to Britain the same evening for a NATO ministerial meeting.<sup>13</sup> But more importantly for the Swiss, it was the second visit of a US President to Switzerland ever, after the one by Dwight Eisenhower in 1955. The Swiss government was therefore keen to use this occasion for a meeting with Carter,<sup>14</sup> but the US authorities were not willing to go beyond a brief courtesy meeting. Carter’s schedule for his European trip was extremely tight, and Carter and Assad would ideally have a working dinner after their afternoon talks. As reported by US Ambassador Richard Murphy from Damascus, the Syrian president was “most relaxed in such a setting” and could provide more in-depth insights into his perspectives about the peace process than during the formal talks.<sup>15</sup> Carter, after all, went to Switzerland to meet Assad and not the Swiss government. All his attention was on the Syrian president and only a brief ten-minute meeting between Carter and Federal Council members Kurt Furgler and Pierre Graber took place. This discussion limited itself to multilateral issues where Switzerland and the US had common positions.<sup>16</sup> As reported by the influential Swiss daily the *NZZ*, the meeting with Carter was nonetheless exceptional. Rarely did the Swiss government insist on an encounter with foreign statesmen traveling to Switzerland for conferences. Furthermore, the news outlet reported that the Federal Council had not had any preliminary discussions on the actual substance the Carter-Assad meeting would have.<sup>17</sup> Therefore, beyond Geneva being in the photo captions of these meetings, the Swiss authorities remained on the sidelines – but from where they had brief access to Carter.

Talks between the Syrian and the US presidents took place in the context of the Carter administration’s ambition to reconvene a Middle Eastern conference in Geneva later in 1977. Carter, while offering US brokerage of a settlement of the Arab-Israeli conflict, presented himself as eager to hear Assad’s position. The discussions mostly concerned

---

<sup>11</sup> Hegner’s positive answer was transmitted in a secret telegram from Davis to the Secretary of State, 28.03.1977, NARA, RG 59, Electronic Telegrams 1977, retrieved from the AAD at [www.archives.gov](http://www.archives.gov), January, 2016.

<sup>12</sup> This is reflected in the (false) claim that Carter invited Assad to meet in Geneva, cf. Itamar Rabinovich, *The Brink of Peace: The Israeli-Syrian Negotiations* (Princeton: Princeton University Press, 1998), p. 31.

<sup>13</sup> Carter’s annotated schedule of this trip can be found in his diary, see: Jimmy Carter, *White House Diary* (New York: Farrar, Straus and Giroux, 2010), p. 46-51.

<sup>14</sup> Hegner raised this point to Ambassador Davis, who reported it in a confidential telegram to the Secretary of State, 15.04.1977, retrieved from the AAD at [www.archives.gov](http://www.archives.gov), January, 2016.

<sup>15</sup> Transmitted in a secret telegram from Robert Murphy, US Ambassador, Damascus, to the Secretary of State, 04.04.1977, retrieved from the AAD at [www.archives.gov](http://www.archives.gov), January, 2016.

<sup>16</sup> The detailed program of Carter’s visit to Geneva can be found in a confidential telegram from Roger Sorenson, US chargé d’affaires ad interim, US mission Geneva, to the Secretary of State, 01.05.1977, retrieved from the AAD at [www.archives.gov](http://www.archives.gov), January, 2016.

<sup>17</sup> This was highlighted in an article, „Mehr als Courtoisie? Zum Treffen des Bundesrates mit Präsident Carter“, *NZZ*, 06.05.1977.

Palestinian rights, border issues and possible security guarantees within a peace agreement. The recognition of the Palestinian people and their right to a homeland was arguably one of the crucial novelties in the US's approach to the Middle Eastern conflict.<sup>18</sup> For Assad, this meeting represented the "highest peak," which he hoped would assure him a prominent place in the peace process.<sup>19</sup> The two presidents undoubtedly got along during the meeting. In his diary, Carter described it as "very interesting and enjoyable experience. He and I hit it off well. We had a lot of humor between us, and I found him to be constructive toward the need for a Middle Eastern settlement and somewhat flexible in dealing with the more crucial items involving peace."<sup>20</sup> Nonetheless, their focuses diverged. While Carter was mostly interested in the procedure towards a settlement, Assad was concerned with its content.<sup>21</sup> As will be seen, the significance this meeting would lay not so much in its substance, but in the unintended fallouts it had for the peace process on the Egyptian-Israeli front.

The Swiss authorities boasted of the positive disposition that emerged in Geneva. Upon their arrival in Switzerland, both Assad and Carter lauded what can be labeled the 'spirit of Geneva.'<sup>22</sup> The Swiss and international press prominently and positively covered Carter's visit. French-language Swiss television undertook a major operation to broadcast the events live to millions of viewers worldwide.<sup>23</sup> US Ambassador Davis reported that the Swiss people and Swiss President Furgler were "obviously delighted and fascinated" by what was Carter's "first official visit to a small European country."<sup>24</sup>

Assad, less busy than Carter, stayed in Switzerland for two more days. He spent the night in the renowned luxury hotel *Bürgenstock*, overlooking Lake Lucerne and the Swiss Alps. On this occasion, Assad viewed a Swiss folkloric performance with a yodel group striking their best tones in traditional garb. Beyond simple pleasure, the Syrian president also met with Kurt Furgler and Pierre Graber for deeper discussions on May 10.<sup>25</sup> In his press conference prior to the meeting, Furgler, acting as President of the Confederation, insisted that there were no bilateral problems and that relations were good. He was convinced that the previous days' presidential meeting in Switzerland had contributed to a peaceful solution.<sup>26</sup> The Geneva daily, *Journal de Genève*, went

---

<sup>18</sup> The meeting was documented from the US side, see the Memorandum of Conversation, 09.05.1977, in Foreign Relations of the United States, 1977-1980, Vol. VIII, p. 239-258.

<sup>19</sup> This meeting has been covered in: Seale, *Assad of Syria* ..., p. 295-298.

<sup>20</sup> See: Carter, *White House Diary*, ..., p. 50.

<sup>21</sup> This evaluation comes from: Seale, *Assad of Syria* ..., p. 257-258.

<sup>22</sup> Assad arrived on May 8, 1977 and made a brief statement, see „Der syrische Staatschef in Genf“, *NZZ*, 08.05.1977. Carter arrived the following day, making remarks to the press upon arrival at the airport, see: „Geneva, Switzerland. Remarks Upon Arrival at Cointrin International Airport“, National Archives and Records Service General Services Administration, ed., Public Papers of the Presidents of the United States, Jimmy Carter, 1977, Book 1: January 20 to June 24, 1977 (Government Printing Office), p. 841-842.

<sup>23</sup> Footage of Carter's and Assad's visit and the press conference can be viewed here: <https://www.rts.ch/archives/8597483-carter-assad-une-rencontre-en-direct.html> (consulted on 11.10.2019)

<sup>24</sup> The US ambassador extensively reported on Swiss official and media reaction to Washington in a confidential telegram Davis to the Secretary of State, 12.05.1977, retrieved from the AAD at [www.archives.gov](http://www.archives.gov), January, 2016.

<sup>25</sup> Again, no traces on this meeting were found in the consulted archives.

<sup>26</sup> See: "Die Gespräche mit Carter und Assad", *NZZ*, 11.05.1977.

even further. It said that the return Bern could draw from contributing to an established dialogue – as a small state – “is not negligible.”<sup>27</sup> Assad’s visit to Switzerland went beyond its multilateral component, the paper further stated; it also had a bilateral significance.<sup>28</sup> As will be seen, the Syrian side regularly referred to Assad’s fond memories from his visit to Switzerland in later bilateral consultations. On his way to the airport, his caravan drove through the picturesque town of Lucerne. Before boarding his plane, he displayed a smile,<sup>29</sup> visibly rested and impressed by the picturesque image he had received of Switzerland. While on this occasion, Swiss good offices limited themselves to passively hosting negotiations, this still had positive effect on its relations with Syria.

### ***Sadat’s Trip to Jerusalem Forestalls Another Geneva Conference***

Leveraging the momentum of the Assad-Carter meeting, the US administration increased efforts for reconvening a Geneva conference. As in 1973, the question of the fate of the Palestinian territories and their representation at such a conference proved decisive. In their attempt to achieve a durable settlement, the US government brought the USSR on board. An October 1, 1977, joint US-Soviet statement on the Middle East in preparation of Geneva, however, increased distrust within the region.<sup>30</sup> In early November 1977, Swiss ambassador to Israel, Jacques-Bernard Rüedi, reported on a conversation with Israeli Foreign Minister Moshe Dayan, in which the latter had doubts on the success of a renewed multilateral meeting in Geneva.<sup>31</sup> A Middle East conference with broad Arab participation did not favor Jerusalem’s bargaining position. As shown earlier, the meeting between Carter and Assad in Geneva had provoked considerable anxiety in Israel. It therefore likely led to Israel’s resolute rejection of a Geneva conference.

The final blow to such a conference came from Sadat’s spectacular visit to Israel in November 1977.<sup>32</sup> William Quandt views Sadat’s decision to go to Jerusalem as an attempt to forestall a likely fiasco of a conference. Sadat hoped a renewed Geneva conference would not, similar to 1973, be more substantial than a facade of an agreement previously brokered by the US.<sup>33</sup> Hence, Sadat took the initiative and from November 19 to 21, proceeded to the “courageous act” of visiting Jerusalem, as labeled by Swiss Ambassador Daniel Gagnebin in Cairo.<sup>34</sup> The new Egyptian Minister of State for Foreign Affairs and future UN Secretary General, Boutros Boutros-Ghali, declared to the foreign ambassadors in Cairo that the trip aimed to overcome the inertia of the

---

<sup>27</sup> „Le président syrien reçu à Berne: Vers une intensification des échanges“, *Journal de Genève*, 11.05.1977

<sup>28</sup> Ibid.

<sup>29</sup> On Assad’s private stay, see: “Abreise des syrischen Staatspräsidenten”, *NZZ*, 12.05.1977.

<sup>30</sup> For a summary of the Carter administration’s efforts to reconvene a Geneva conference, see: Quandt, *Peace Process* ..., p. 184-191.

<sup>31</sup> Letter from Jacques-Bernard Rüedi to the FPD, 02.11.1977, SFA, E2300-01#1988/91#171\*, A.21.31.

<sup>32</sup> For such an interpretation of Sadat’s (in)famous trip to Jerusalem, see: Cook, *The Struggle for Egypt* ..., p. 145-148.

<sup>33</sup> Quandt, *Camp David* ..., p. 127-128.

<sup>34</sup> See the confidential letter from Daniel Gagnebin, Swiss ambassador, Cairo, to the FPD, 29.11.1977, SFA, E2300-01#1988/91#134\*, A.21.31.

peace process. Gagnebin highlighted that this trip gave Sadat a new international stature and underscored his peace drive. He nonetheless raised the doubts expressed by experienced diplomats on the likelihood of such a direct approach's success. The main risk of this ill-prepared peace drive was that Sadat's lone ranger approach undermined Arab unity. This became apparent as Syrian-Egyptian relations, only reestablished in 1976, crumbled.<sup>35</sup> Ambassador Beaujon reported the Syrian position, according to which "Sadat [had] broken Arab solidarity, the unity of [an Arab delegation to the Geneva Conference] is broken. Syria would therefore not participate in the Geneva Conference."<sup>36</sup> Beaujon thought that, because Syrian efforts to participate in a peace agreement were real, they dreaded a separate Egyptian-Israeli peace. He viewed Syrian reliance on "the [Arab] radicals" as increasing the risk of the Damascus authorities maneuvering themselves into a corner.<sup>37</sup> The first reactions to Egypt break Arab unity therefore preempted severe reactions after the conclusion of the peace treaties with Israel.

Despite increasing Arab resentment towards Egypt and persisting Israeli stubbornness, notably around the destiny of Palestine, Boutros-Ghali told Gagnebin in late December 1977 that something irreversible was happening. Boutros-Ghali insisted on the important role not only the US, but also Western European governments, could play in influencing Israel. He explicitly mentioned the positive reinforcement Switzerland could provide with its moral authority and humanitarian tradition.<sup>38</sup> These words to the Swiss ambassador were in no way substantiated, especially in the light of the US administration's undisputed centrality in mediating between Egypt and Israel. Facing a lack of substantial progress in negotiations throughout 1978, in August the US took the initiative of inviting Sadat and Begin to Camp David with direct mediation by Carter. Both readily accepted and a new stage of US involvement began.<sup>39</sup>

Up until the Camp David meetings, the Swiss Foreign Service tried to make sense of what was happening with mixed success, as the analyses they received from their diplomats were quite diverse. In April 1978, Gagnebin reported that, facing the stalemate in the negotiations, Egyptian diplomacy was fumbling in this confusing context.<sup>40</sup> But he clearly noted the US's undisputed centrality in Sadat's foreign policy scheme.<sup>41</sup> Boutros-Ghali, in a conversation with Gagnebin in May 1978, hinted that Egypt's economic difficulties were one of the drivers for rapprochement with Israel.<sup>42</sup> Swiss Ambassador Ernest Bauermeister reported from Israel in mid-August on what he perceived as a shift within the Jewish state. Growing international isolation and

---

<sup>35</sup> *Ibid.*

<sup>36</sup> See the letter from Robert Beaujon, Swiss ambassador, Damascus, to the FPD, 30.11.1977, SFA, E2300-01#1988/91#122\*, A.21.31.

<sup>37</sup> This was reported in a letter from Beaujon to the FPD, 20.01.1978, SFA, E2300-01#1988/91#219\*, A.21.31.

<sup>38</sup> See the confidential letter from Gagnebin to the FPD, 28.12.1977, SFA, E2300-01#1988/91#134\*, A.21.31.

<sup>39</sup> Quandt, *Peace Process ...*, p. 191-197.

<sup>40</sup> Letter from Gagnebin to the FPD, 12.04.1978, SFA, E2300-01#1988/91#230\*, A.21.31.

<sup>41</sup> Letter from Gagnebin to the FPD, 10.05.1978, SFA, E2300-01#1988/91#230\*, A.21.31.

<sup>42</sup> Letter from Gagnebin to the FPD, 23.05.1978, SFA, E2300-01#1988/91#230\*, A.21.31.

domestic Israeli support for the peace process – seen with mass demonstrations organized by the *Peace Now* movement<sup>43</sup> – incited the Israeli “ruling class” to consider the possibility of peace.<sup>44</sup> So the Swiss viewed the shaky domestic positions of both Sadat and Begin as significantly influencing their decision to seek an agreement.

On September 17, 1978, after almost two weeks of negotiations mediated by Carter, Begin and Sadat signed two agreements in Camp David, which would be the roadmap for an official peace agreement.<sup>45</sup> According to Ambassador Bauermeister’s reporting from Tel Aviv three days later, the Israeli public was stunned. “[A]ll of Israel was in front of the television [...] to follow the signing of the Camp David agreements and see this incredible event: the first peace agreement duly signed by the Israeli Prime Minister and the head of the most important Arab state, in an atmosphere of general jubilation, Begin giving Sadat a hug.”<sup>46</sup> Beyond the high symbolism of this event, the agreements contained substantial concessions made on both sides. Israel would return the Sinai, including its entire infrastructure, to Egypt, and would dismantle settlements in northern Sinai. Sadat renounced the key Arab demand for an Israeli withdrawal from Gaza and the West Bank. The status of Jerusalem and the Golan heights were not mentioned.<sup>47</sup> Consequently, while observers in Cairo were equally surprised by the outcome of the negotiations, Ambassador Gagnebin did not see any enthusiasm in the population. Sadat’s shift towards a separate peace with Israel would further deteriorate Egypt’s relations with other Arab states.<sup>48</sup> In an attempt to abate Arab criticism, the Egyptian government presented Camp David as the basis for an overall settlement, which would include the other Arab states concerned – Syria and Jordan – as well as the Palestinian people.<sup>49</sup> In the meantime, the Swiss ambassador in Damascus found the Syrian leadership frustrated and helpless. This not because of the Egyptian-Israeli accords as such, but rather due to the lack of any Syrian claims, i.e., the Golan heights, in the discussion.<sup>50</sup>

### ***A First-Hand Account of the Peace Process. Moshe Dayan’s Visit to Bern***

Besides the reporting from the Swiss embassies in the region, the Swiss authorities in Bern also received first-hand accounts. They had invited the Israeli and Egyptian Foreign Ministers for return visits to Graber’s trip to Israel and Egypt in 1973. The Egyptian visit was delayed because of Boutros-Ghali’s busy calendar, who was now

---

<sup>43</sup> On the history of the Peace Now movement, see: David Hall-Cathala, *The Peace Movement in Israel, 1967-87* (New York: St. Martin’s Press, 1990), p. 43-64.

<sup>44</sup> Letter from Ernest Bauermeister, Swiss ambassador, Israel, to the FPD 30.06.1978, SFA, E2300-01#1988/91#268\*, A.21.31.

<sup>45</sup> For a balance sheet of Egypt and Israel’s respective gains and losses in these agreements, see: Quandt, *Camp David ...*, p. 262-265.

<sup>46</sup> Letter from Bauermeister to the FPD, 20.09.1978, SFA, E2300-01#1988/91#268\*, A.21.31.

<sup>47</sup> *Ibid.*

<sup>48</sup> See the confidential telegram from Gagnebin to the FPD, 19.09.1978, SFA, E2300-01#1988/91#230\*, A.21.31.

<sup>49</sup> See for example Boutros-Ghali’s comments to Western European diplomats in the letter from Gagnebin to the FPD, 26.09.1978, SFA, E2300-01#1988/91#230\*, A.21.31.

<sup>50</sup> Confidential letter from Robert Beaujon, Swiss ambassador, Syria, to the FPD, 29.09.1978, SFA, E2300-01#1988/91#219\*, A.21.31.

mostly concerned with negotiating the peace treaty with Israel. Moshe Dayan's visit was scheduled for early December 1978.<sup>51</sup> This first-ever official visit of an Israeli Foreign Minister to Switzerland took place during the intense negotiations of an Egyptian-Israeli peace agreement after Camp David. This led the Swiss press to conclude that Bern was the first foreign capital after Washington to receive "precise information" on the state of the talks.<sup>52</sup> Unsurprisingly, the Swiss authorities were keen on obtaining a first-hand account of those talks. The visit took place just ten days before the expiry of the three-month deadline that the Camp David accords set for reaching an actual peace treaty.

The newly elected Swiss Federal Council Member in charge of foreign affairs, Pierre Aubert,<sup>53</sup> received the Israeli delegation. Aubert, 50 years of age at his election, was a lawyer just like his father, even though from the heavily working-class watchmaker's town of La Chaux-de-Fonds.<sup>54</sup> For the second time in a row, a French-speaking social democrat headed Swiss foreign policy. Aubert had been president of the Switzerland-Israel Society and a member of the leading body of the Swiss-Israeli Chamber of Commerce. Perhaps Israel could expect more sympathy from him – or at least, a reversal of the distancing that had occurred under his predecessor Pierre Graber. But Aubert's encounter with Moshe Dayan showed that this was not the case.

Aubert started the December 6, 1978, meeting with a brief presentation of Swiss foreign policy and the components of its neutrality policy. Following an assurance of mutual sympathies, Dayan gave an overview of the state of the Egyptian-Israeli negotiations. He said that an agreement with Egypt had nearly been reached. Dayan insisted that there were no issues of formula remaining, only substance. "Sadat is before a dilemma," Dayan insisted. "If he makes peace with Israel, if he does what is right for Egypt, but at the same time loses the support of Arab countries, it could influence the Egyptian people. He must thus decide what he prefers: to stop the policy of war, make peace with Israel, and enter into conflict with other Arab countries, or remain on good terms with Arab countries and maintain the state of war with Israel."<sup>55</sup> Questioned on the issue by the Swiss side, Dayan considered the likelihood of other Arab states joining Egypt and negotiating peace treaties non-existent. The status of Palestine was the major point of interest to the Arab world, and, so it seems, also for the Swiss. On that, Dayan's position was clear: the West Bank should be integrated into Jordan. Israel would not accept

---

<sup>51</sup> See the Boutros Ghali's message transmitted via the Swiss embassy in Washington: Telegram from Franz Muheim, Swiss embassy Washington, to Iselin, 26.10.1978, SFA, E2001E-01#1991/17#6187\*, B.15.21.Eg.

<sup>52</sup> See: „La Suisse bailleur de fonds après la paix“, *Journal de Genève*, 07.12.1978.

<sup>53</sup> For an outline of Swiss foreign policy under Aubert's mandate, see: Altermatt, 'Vom Ende des Zweiten Weltkrieges ...', *ibid.*, p. 74–77.

<sup>54</sup> For basic biographic information on Pierre Aubert, see the entry in the Swiss historical dictionary: "Pierre Aubert", <https://hls-dhs-dss.ch/de/articles/004732/2016-07-04/>.

<sup>55</sup> See the confidential minutes, „Entretiens entre Monsieur P. Aubert, Conseiller fédéral, et Monsieur M. Dayan, Ministre des Affaires étrangères d'Israël“, 29.12.1978, p. 4, SFA, E2001E-01#1991/17#8436\*, B.15.21.Isr.

Palestinian self-determination, putting forward that such a state would have the sole aim of destroying Israel.<sup>56</sup>

While these talks were certainly of interest for the Swiss authorities as it allowed them to gain political insight into the peace process, the Swiss-Israeli meeting barely touched on bilateral issues. As Emilio Moser, vice-Director of the Division of Commerce, underscored in a letter to the FPD before the meeting, his service did not see the necessity to discuss bilateral economic issues, despite their explicit recognition of falling Swiss exports. He attributed the drop in Swiss sales to the appreciating Swiss franc exchange rate and the saturation of the Israeli market for major Swiss exports, i.e., textile machinery, machine tools, and communication apparatuses. While the Division of Commerce also considered Israel's FTA with the EEC as one of the reasons for falling exports,<sup>57</sup> and while they anticipated only potential Israeli economic interest in bilateral consultations in closer cooperation with the EFTA,<sup>58</sup> they were not willing to move on this question. Israeli authorities had repeatedly brought up this point in recent years and did so again during this visit. Despite Israeli insistence on the negative effect reciprocal discrimination already had and might still have in the future, and despite their underscoring of high Swiss activity on Arab markets, the Swiss position remained firm.<sup>59</sup> The Swiss delegation, at an EFTA meeting in late November 1978, observed that a close association between EFTA and Israel contained "delicate political aspects" that they wanted to avoid.<sup>60</sup> It would likely provoke Arab resentment. The Israeli delegation expressed interest in hosting a Swiss commercial delegation headed by Jolles, which the Swiss politely refused.<sup>61</sup> Israel was still not a priority for Swiss foreign economic policymakers<sup>62</sup> and they did not use the occasion of the senior-level visit to relaunch economic relations.

Nonetheless, Jolles was highly interested when the Israeli delegation raised the possibility of Swiss contributions to Egyptian-Israeli economic cooperation after the conclusion of a peace treaty. Jolles immediately wanted details, as rumors circulating in the press suggested that Switzerland would facilitate the construction of a "peace

---

<sup>56</sup> See the confidential minutes, „Entretiens entre Monsieur P. Aubert, Conseiller fédéral, et Monsieur M. Dayan, Ministre des Affaires étrangères d'Israël“, 29.12.1978, SFA, E2001E-01#1991/17#8436\*, B.15.21.Isr.

<sup>57</sup> Emilio Moser, vice-Director of the Division of Commerce to the Political Division II, FPD, 13.11.1978, SFA, E7110#1989/32#2416\*, 877.3.

<sup>58</sup> See the note from Iselin to Jolles, 27.11.1978, SFA, E2001E-01#1991/17#8436\*, B.15.21.Isr.

<sup>59</sup> Confidential minutes, „Entretiens entre Monsieur P. Aubert, Conseiller fédéral, et Monsieur M. Dayan, Ministre des Affaires étrangères d'Israël“, 29.12.1978, p. 18-20, SFA, E2001E-01#1991/17#8436\*, B.15.21.Isr.

<sup>60</sup> See this statement, attached to the confidential note by Franz Blankart, Head of the Office of integration, FPD/FDEA, to the Political Division of the FPD, "Relations AELE/Israël", 28.11.1978, SFA, E2001E-01#1991/17#8436\*, B.15.21.Isr.

<sup>61</sup> Confidential minutes, „Entretiens entre Monsieur P. Aubert, Conseiller fédéral, et Monsieur M. Dayan, Ministre des Affaires étrangères d'Israël“, 29.12.1978, p. 20, SFA, E2001E-01#1991/17#8436\*, B.15.21.Isr.

<sup>62</sup> This was further confirmed in early 1979, as the Division of Commerce did not consider it necessary to survey Swiss companies on possible discrimination of Swiss exports in Israel vis-à-vis to exports from the EEC. See the letter from Max Krell, head of section at the Division of Commerce, to the Vorort, 19.02.1979, SFA, E7115A#1990/60#2456\*, 841.0.

infrastructure” via financial support.<sup>63</sup> Yet, given that a final agreement with Egypt was still lacking, the Israeli delegation was unable to provide any details on the scope for a possible Swiss contribution. He could only underscore the importance of Swiss availability on this matter, stressing that this would positively support the peace process.<sup>64</sup> As will be seen in the following chapter, Swiss officials monitored such opportunities closely.

The Swiss did not use this visit to raise bilateral issues but seized an opportunity to gather a first-hand account of the peace process. While the timing of this meeting was certainly interesting for the Swiss authorities, it also contained risks. The FPD assumed, or at least dreaded, that Dayan’s visit might lead to “frowns” in the Arab countries. They briefed the Swiss embassies beforehand with talking points in case the issue would be raised by their host governments. They were instructed to emphasize that Egypt had also been invited and that Dayan coming first did not reflect any Swiss foreign policy priorities.<sup>65</sup> Dayan’s visit did not, however, lead to any noticeable negative reactions in the Arab capitals. According to the Swiss ambassador in Tunis, “moderate” Arab milieus even favorably viewed the rumors of Swiss participation in the economic development of land returned through a hypothetical peace agreement with Israel.<sup>66</sup>

Domestically, some criticism of Dayan’s visit was raised. In parliament, the social-democratic Swiss parliamentarian Gilbert Baechtold criticized the Federal Council, between the lines, for providing Israel with a platform to deploy international propaganda on the understanding of the Camp David accords.<sup>67</sup> From outside parliament, Hans Ellenberger, the president of the Swiss-Arab Friendship Association, sent Aubert a letter where he interpreted the visit as inopportune because of the crisis in which the Egyptian-Israeli peace negotiations had found themselves in.<sup>68</sup> Given that the Egyptian foreign minister had also been invited, Aubert was able to highlight a balanced Swiss approach. And on the Palestinian question, Aubert indicated privately that he was committed to directly learning the Palestinian point of view<sup>69</sup> – while publicly stating that any lasting settlement of the Middle Eastern conflict had to take into account Palestinian rights.<sup>70</sup>

---

<sup>63</sup> See, for example, the press article written by a correspondent in Jerusalem: „La Suisse bailleur de fonds après la paix“, *Journal de Genève*, 07.12.1978.

<sup>64</sup> Confidential minutes, „Entretiens entre Monsieur P. Aubert, Conseiller fédéral, et Monsieur M. Dayan, Ministre des Affaires étrangères d’Israël“, 29.12.1978, p. 20-21, SFA, E2001E-01#1991/17#8436\*, B.15.21.Isr.

<sup>65</sup> Circular telegram from Hansjakob Kaufmann, Political Division II, FPD, to the Swiss embassies in the Arab world, 01.12.1978, SFA, E2001E-01#1991/17#8436\*, B.15.21.Isr.

<sup>66</sup> See the confidential letter from Heinz Langenbacher, Swiss ambassador, Tunisia, to the Political Division II, FPD; 19.01.1979, SFA, E7115A#1990/60#2469\*, 875.0.2.

<sup>67</sup> See the ordinary question by Gilbert Baechtold: “Politique étrangère. Visite du Ministre Dayan”, in *Official Bulletin of the Federal Assembly*, Vol. VII, 1978, p. 1960.

<sup>68</sup> Letter from Hans Ellenberger, President of the Swiss-Arab friendship association, to Pierre Aubert, 04.12.1978, SFA, E2001E-01#1991/17#8436\*, B.15.21.Isr.

<sup>69</sup> See the letter from Aubert to Ellenberger, 19.12.1978, SFA, E2001E-01#1991/17#8436\*, B.15.21.Isr.

<sup>70</sup> He stated this in Parliament, answering the ordinary question from Gilbert Baechtold: “Politique étrangère. Visite du Ministre Dayan”, in *Official Bulletin of the Federal Assembly*, Vol. VII, 1978, p. 1960.

Commenting on Dayan's visit to Bern, the US ambassador to Switzerland, Marvin Warner, highlighted Aubert's repeated insistence of Swiss availability to host parts of the negotiations in the quest for Middle Eastern peace.<sup>71</sup> However, as negotiations between Israel and Egypt continued under US auspices, there was no room for any substantial Swiss good services. Had there been any role for the Swiss authorities to play, Boutros-Ghali's visit would certainly not have been delayed until after the finalization of peace negotiations.

In the meantime, political processes in the Middle East further shook the balance. The earthquake of the Iranian revolution increased the likelihood of an Egyptian-Israeli peace agreement. It made the conclusion of an Egyptian-Israeli peace treaty more urgent, as Ambassador Gagnebin reported from Cairo in early March 1979. For Israel, the fear of an anti-Israeli front strengthened with Iran weighed heavily. The US sought to replace Iran with Egypt as its regional policeman. The Egyptian government was willing to fulfill this role with broader aims than obtaining increased US economic and military assistance. Sadat had gone out on a limb with his peace initiative. Lack of success would make him lose prestige domestically and therefore destabilize his rule, according to the Swiss ambassador.<sup>72</sup>

On March 26, 1979, an Egyptian-Israeli peace treaty was signed. "Three signatures. Three speeches. Thirty years of war ends," Ambassador Bauermeister reported from Tel Aviv.<sup>73</sup> That peace had been signed was not enough: Bauermeister was convinced that "henceforth, it must be done."<sup>74</sup> If the question of Palestine could not be resolved and if the schism between Egypt and the other Arab states would deepen, then the peace agreement would become another source of instability in the Middle East.<sup>75</sup> Alfred Rüegg, deputy at the Political Division II of the FPD, informed the US Chargé d'affaires in Bern, Edward Crowley, that the Swiss authorities welcomed the agreement as a "major step towards resolving [the Middle East] conflict," while refraining from making a public statement on it.<sup>76</sup>

The role of Switzerland in the Egyptian-Israeli peace process was negligible. The meeting between Assad and Carter in Geneva, during which the Swiss authorities played no more than an accessory role, did have an impact on the peace process – but not as intended. Instead a step on the way to a comprehensive Arab-Israeli settlement, it propelled Sadat's propensity to enter into a bilateral rapprochement with Israel. Sadat's lone-rider approach to a settlement, as was becoming clear to the Swiss early

---

<sup>71</sup> See the telegram from Marvin Warner, US ambassador, Switzerland, to the Secretary of State, 01.12.1978, NARA, RG 59, Electronic Telegrams 1978, retrieved from the AAD at [www.archives.gov](http://www.archives.gov), January, 2016.

<sup>72</sup> Letter from Gagnebin to the FPD, 01.03.1979, SFA, E2010-02A#1991/19#38\*, A.21.31.

<sup>73</sup> See the letter from Bauermeister to the FPD, 29.03.1979, SFA, E2010-02A#1991/19#75\*, A.21.31.

<sup>74</sup> *Ibid.*

<sup>75</sup> *Ibid.*

<sup>76</sup> See the confidential telegram from Edward Crowley, US chargé d'affaire, Switzerland, to the Secretary of State, 02.04.1979, NARA, RG 59, Electronic Telegrams 1979, retrieved from the AAD at [www.archives.gov](http://www.archives.gov), January, 2016.

on, would shake up the Arab world. A certain skepticism of the effect this peace agreement would have in the region arose among Swiss authorities. Yet, an asserted interest in opportunities to influence the economic aspects of the settlement can be noted. How these risks and opportunities would materialize remained to be seen.

## **6.2 Swiss Political Reserve and Economic Constraints Despite a Peace Agreement.**

Since Egypt's open-door economic policy, the Swiss authorities and business community had insisted on the stimulus that peace with Israel would provide to those two economies. This, so the discourse went, would allow for stronger Swiss economic involvement. However, as dreaded by the Swiss ambassador in Israel, the Egyptian-Israeli treaty revealed new lines of conflict in the region. As positive as the agreement might be, it opened the space for other contradictions to the forefront, existing and newly emerging: the inner-Arab conflict and the occupied territories.<sup>77</sup> This subchapter will address how these contradictions influenced Swiss Middle Eastern relations. As will be seen, the shaking up of Arab relations provided a sensitive framework within which the Swiss Foreign Service remained cautious. The Palestinian question largely discarded from any comprehensive plan for a settlement, both Egyptian and Israeli foreign officials tried winning over the Swiss for their respective positions on the occupied territories. This translated to a cautious attitude towards claims of Israeli territoriality when dealing with the Jewish state.

### ***The Limits of Peace: The Inner-Arab Conflict and Economic Difficulties in Israel***

As during the October War, after the conclusion of the Egyptian-Israeli peace agreement, the Swiss government had refrained from taking a public stance on the Middle Eastern situation. In late April 1979, the federal authorities' cautious attitude was justified. Emilio Moser, vice-Director of the Federal Office for Foreign Economic Affairs (FOFEA) as the Division of Commerce was now called, made a statement that aroused Arab resentment. In the General Assembly of the CASCI, he had implied that the peace treaty might lead other Arab states to follow the same path. This prompted a strong replay from the Iraqi ambassador present: "Moser's statements hurt us and undermine the Baghdad [sanctions against Egypt]. In the past we have been very lenient towards Switzerland, but this attitude may be reconsidered."<sup>78</sup> As Ambassador Beaujon reported from Damascus, the Syrian foreign ministry had warned Western heads of mission that "any support of the Treaty between Egypt, Israel and the USA would have negative repercussions on the bilateral relationship between the State concerned and all Signatory States of the Baghdad Resolution."<sup>79</sup> Such threats did not materialize against Switzerland, because the government maintained a relatively low profile on Middle Eastern issues, abstaining from any public declaration on the peace treaty.

---

<sup>77</sup> For a brief overview of these Arab conflicts, see: Lippman, *Hero of the Crossing* ..., p. 200-205.

<sup>78</sup> See the reporting by *Agence France Presse*: „Incident Arabe-Suisse“, *AFP*, 21.04.1979, SFA, E2001E-01#1991/17#12350\*, B.15.21.Syrie.

<sup>79</sup> Confidential letter from Beaujon to the FOFEA, 21.04.1979, SFA, E7115A#1990/60#2614, 861.5\*.

Egypt's burgeoning economic engagement with the Western capitalist world was an important drive for Sadat to enter into a peace agreement with Israel; the peace agreement would also cause serious economic dislocations. Immediately after the signing of the Egyptian-Israeli peace agreement, the Arab states met in Baghdad and adopted sanctions against Egypt.<sup>80</sup> As the Swiss embassy in Baghdad reported to Bern, the sanctions concerned the discontinuation and halt of loans and other financial credits. Economic aid to Egypt was interrupted.<sup>81</sup> The Egyptian authorities systematically downplayed the effect these sanctions might have on its economy. Trade with Arab countries represented a small fraction of overall Egyptian trade and it had become largely self-sufficient in oil thanks to the return of the Sinai and its oil fields.<sup>82</sup> The Egyptian tactic, Boutros-Ghali explained to the Swiss ambassador, was to wait out the storm.<sup>83</sup>

Ambassador Gagnebin, however, thought the Arab sanctions would substantially impact Egypt's balance of payments. Aid and credits from Arab states and Arab organizations had bankrolled Egypt's trade deficit for years. Now, the US and Western financial aid would have to become even more important.<sup>84</sup> Indeed, the most significant economic consequence of the peace treaty for Egypt came not from the normalization of relations with Israel, but in the deepening of economic ties to third parties – namely, the US and the rest of the Western world.<sup>85</sup> Providing substantial financial aid responded not only to attempted stabilizing of the Egyptian market, but also to political considerations. Ambassador Gagnebin was convinced that it was crucial to sustain the domestic credibility of Sadat's peace policy by raising living standards for Egyptians.<sup>86</sup> Similar to Dayan's statement during his official visit in Bern, the Swiss ambassador dreaded the psychological impact and domestic political reactions in Egypt that the growing isolation from the Arab world might provoke.<sup>87</sup> In fact, Gagnebin considered "the obvious goal of the Arabs, both hard-liners and moderates, is to bring about the fall of Sadat."<sup>88</sup> So in the view of the Swiss ambassador, the peace agreement risked undermining Egyptian stability.

The Swiss focus on effect that the Egyptian-Israeli peace process might have in the Middle East mostly concerned Egypt, given the heavy Swiss private sector engagement there. The Swiss analysis was two-sided. On the one hand, they dreaded that the Arab

---

<sup>80</sup> Cf. Victor Lavy, 'The Economic Embargo of Egypt by Arab States: Myth and Reality', *Middle East Journal*, 38.3 (1984), p. 419-32.

<sup>81</sup> The sanctions were reported in a telegram from Arnold Hugentobler, Swiss Ambassador, Bagdad, to the FOFEA, 01.04.1979, SFA, E7115A#1990/60#1328\*, 822.

<sup>82</sup> See the telegram from Gagnebin to the FOFEA, 30.04.1979, SFA, E7115A#1990/60#1328\*, 822.

<sup>83</sup> Gagnebin reported this to the FPD in a letter from 09.04.1979, SFA, E2010-02A#1991/19#38\*, A.21.31.

<sup>84</sup> An extensive report on Egypt's balance of payment and debt can be found in a letter from Gagnebin to the FOFEA, 30.04.1979, SFA, E7115A#1990/60#1336\*, 861.5.

<sup>85</sup> For such an interpretation of the economic aspects of peacemaking, see: Galia Press-Barnathan, 'The Neglected Dimension of Commercial Liberalism: Economic Cooperation and Transition to Peace', *Journal of Peace Research*, 43.3 (2006), p. 267-271.

<sup>86</sup> See the letter from Gagnebin to the FDFA, 30.04.1979, SFA, E2010-02A#1991/19#38\*, A.21.31.

<sup>87</sup> Letter from Gagnebin to the FOFEA, 14.05.1979, SFA, E7115A#1990/60#1336\*, 861.5.

<sup>88</sup> This evaluation was reported in a letter from Gagnebin to the FDFA, 15.05.1979, SFA, E2010-02A#1991/19#38\*, A.21.31.

sanctions against Egypt might have negative effects on that country's ability to honor its payments.<sup>89</sup> On the other hand, it could provide opportunities as spelled out during Dayan's visit. Just two weeks after the peace agreement had been reached, unspecified Swiss engineering companies showed interest in obtaining contracts for infrastructure planning projects in the Sinai, which were now back under Egyptian control.<sup>90</sup> But Gagnebin thought that it was still too early to assess opportunities for foreign companies to enter in Egypt.<sup>91</sup> From Israel, Ambassador Bauermeister initially thought that foreign companies could be hired in the Jewish State. But by mid-June, he was obliged to report that Israeli companies could get the job done themselves.<sup>92</sup> It therefore appears that, at least in the short run, positive ripple effects for Swiss economic present in Egypt were not forthcoming.

Swiss diplomats considered Egypt's economic situation unstable – but so was Israel's. 1979 ushered in several years of hyperinflation, caused by the second round of oil price hikes after the Iranian revolution and “a lack of consensus” among Israeli economic policymakers.<sup>93</sup> “We often talk about Egypt's economic need to achieve peace with Israel. The opposite is also true,” Bauermeister insisted. “The Israeli economy is entering peace in a very bad position.”<sup>94</sup> The peace agreement was not only an economic necessity for Egypt, it was also for Israel. The Israeli economy was in a dire state. Rampant inflation, speculation, poor public planning, dropping productivity, growing budget deficit and an unsustainable foreign debt all weighed heavily. And although Bauermeister reported potential benefits for the Israeli economy from the peace treaty, they could not outweigh these economic difficulties. An ‘economic peace dividend’ for Israel, consisting mostly of a shift in funds from the military to economic development, could not kick in without an overall settlement of the Middle Eastern conflict.<sup>95</sup>

Despite the persisting difficulties of the Israeli economy, the OSEC explored the possibility of an Israeli economic visit to Switzerland. Interest did not seem great. In a May 1979 letter to the director of the Manufacturers' Association of Israel, the OSEC proposed that businessmen interested in Swiss know-how and licenses could come to Switzerland for an unofficial visit.<sup>96</sup> While a private Israeli delegation was scheduled to be in Switzerland in mid-April 1980, it was canceled due to lack of demand from

---

<sup>89</sup> The pharmaceutical company Sandoz, which had shares in the Swiss pharmaceutical joint venture Swisspharma in Cairo, requested information on this matter from the Swiss authorities. See the letter from the Division for economic questions of Sandoz to the FOFEA, 06.07.1979, SFA, E7115A#1990/60#1347\*, 890.1.

<sup>90</sup> Bern requested information on opportunities for Swiss engineering companies in this field, see the telegram from Max Jaeger, FOFEA, to the Swiss embassies in Cairo and Tel Aviv, 10.04.1979, SFA, E7115A#1990/60#2470\*, 875.2.

<sup>91</sup> See Gagnebin's telegram to the FOFEA, 24.04.1979, SFA, E7115A#1990/60#2470\*, 875.2.

<sup>92</sup> Reported in a telegram from Bauermeister to the FOFEA, 15.06.1979, SFA, E7115A#1990/60#2470\*, 875.2.

<sup>93</sup> Rivlin, *The Israeli Economy ...*, p. 65.

<sup>94</sup> See the letter from Bauermeister to the FDFEA, 19.07.1979, SFA, E2010-02A#1991/19#75\*, A.21.31.

<sup>95</sup> *Ibid.*

<sup>96</sup> Letter from Attila Agocs, staffer at the OSEC, to Yair Shepon, Director at the Manufacturers Association of Israel, Department of Foreign Trade and International Relations, 14.05.1979, SFA, E7115A#1990/60#2471\*, 877.3.

Israeli business.<sup>97</sup> Slim interests in economic relations were visibly mutual. And the Israeli economic situation was far from bettering. In February 1980, Bauermeister described it as the “great domestic problem of Israel.”<sup>98</sup> Almost one year after the peace treaty with Egypt, the military still absorbed 40 percent of the Israeli budget and debt servicing absorbed another 30 percent. Bauermeister was convinced that anti-inflation measures the Israeli government might adopt would cause serious domestic disruptions.<sup>99</sup>

Unsurprisingly, Swiss trade with Israel was still stagnating in 1980 (cf. Graph 14). After Israel had lowered tariffs on a series of Swiss goods in 1978 to the levels accorded by the EEC, Moser of the FOFEA now saw the overvalued Swiss franc and the saturation of the Israeli market as reasons for this stagnation. Given that macroeconomic factors impeded Swiss sales in Israel, there were not really any means to try to improve trade relations. As a result, the Federal Council member in charge of economic affairs, Fritz Honegger, did not have any bilateral economic issues to discuss with the newly appointed Israeli ambassador to Switzerland. Moser did, however, insist on mutual interest in developing economic relations,<sup>100</sup> and the Israeli ambassador wanted to raise Swiss companies’ interest in participating in industrial exhibits in Tel Aviv. However, according to the OSEC, recent surveys among Swiss businesses showed that interest in the Israeli market was so low that the OSEC did not even consider participating with an official stall.<sup>101</sup>

### ***Maintaining A Balanced Approach on the Palestinian Question.***

Contacts with Egypt were deepening economically thanks to the mixed credit, as the following sub-chapter will show. Political relations were also in a period of revival. Politically, significant steps were taken during a four-day visit by *de facto* Foreign Minister Boutros-Ghali to Switzerland February 17-20, 1980.<sup>102</sup> He used this visit to put forward the Egyptian position on the fate of the Palestinians; for despite the US administration’s attempt to include this issue in the Egyptian-Israeli settlement, it remained unresolved.

Extensive discussions with Aubert covered: the most recent evolution of the global environment in the aftermath of the USSR’s Afghan invasion, the state of the Non-Aligned Movement, and the CSCE. Judging from the international topics discussed, Egypt had clearly emerged as an important player in international relations. The Egyptian government had achieved this increased standing thanks to its peace initiatives. Boutros-Ghali recounted the journey to peace starting from Sadat’s trip to Jerusalem in 1977 all the way to the moment of his visit to Switzerland. He stressed

---

<sup>97</sup> There were not enough participants, see the letter from A. Schmitt, Chamber of Commerce Switzerland in Israel, to the FOFEA, 03.04.1980, SFA, E7115A#1990/142#2577\*, 877.3.

<sup>98</sup> Letter from Bauermeister to the FDFA, 21.02.1980, SFA, E2010-02A#1991/19#160\*, A.21.31.

<sup>99</sup> *Ibid.*

<sup>100</sup> See the note from Moser to Fritz Honegger, 31.03.1970, SFA, E7115A#1990/142#2574\*, 870.

<sup>101</sup> See the note from Moser to Honegger, 28.04.1980, SFA, E7115A#1990/142#2562\*, 810.

<sup>102</sup> For the visit’s official program, see „Visite en Suisse de Son Excellence Monsieur Boutros Boutros-Ghali“, 12.02.1980, SFA, E2001E-01#1991/17#6187\*, B.15.21.Eg.

Egypt's wish for a comprehensive settlement of the Arab-Israeli conflict. Palestinian autonomy, as the peace treaty vaguely called for,<sup>103</sup> was a precondition for such a settlement, Boutros-Ghali insisted. On the inner-Arab conflict, he insisted on not giving it too much importance. And finally, questioned by Aubert on possible Swiss contributions, he highlighted that "Switzerland also has an important role to play, as it is a true international platform and hosts the world's elite. In addition, Switzerland, with the ICRC, has an important instrument. But this does not mean that Europe or Switzerland should take sides in inner-Arab disputes."<sup>104</sup> They should, rather, ease the disputes via support for Palestinian aspirations – specifically, moderate factions of the Palestinian national movement.<sup>105</sup>

Before Boutros-Ghali's visit, the federal administration expected him to politically exploit his stay.<sup>106</sup> These doubts were not unfounded, as Boutros-Ghali admitted to this in an exclusive interview with a Swiss daily, the *Nouvelliste du Valais*. His mission was to raise European interest in Middle Eastern problems and especially the issue of Palestine. Raising these issues in Switzerland held resonance, serving to "beat the drum" within Europe.<sup>107</sup> During the concluding press conference of his visit in Bern, Boutros-Ghali highlighted that the Swiss, like the Egyptian authorities, considered Israeli settlements in the West Bank as incompatible with international law; they were an obstacle to peace and they heightened inner-Arab tensions. The Swiss Federal Department of Foreign Affairs (FDFA), as the FPD was now called, publicly denied this assertion. They did say, however, that they regretted new settlements and saw them as an obstacle to the peace process.<sup>108</sup>

Israeli authorities also tried to convince the Swiss of their position on Palestine. Israeli Prime Minister Begin sent an influential Swiss-Israeli businessman, Reuben Hecht, as an emissary to Bern.<sup>109</sup> Hecht was a friend and political counselor to Begin during the peace negotiations.<sup>110</sup> The Monday after Boutros-Ghali's visit, Hecht was granted an audience by Federal Council member Aubert. According to the Swiss minutes of this

---

<sup>103</sup> On the space that the Palestinian question occupied in the peace negotiations, see: Jeremy Pressman, 'Explaining the Carter Administration's Israeli-Palestinian Solution', *Diplomatic History*, 37.5 (2013), p. 1117-47.

<sup>104</sup> Confidential minutes, „Visite de Boutros Boutros-Ghali, Minister d'Etat pour les affaires étrangères de la République Arabe d'Egypte“, p. 8, SFA, 31.03.1980, E2001E-01#1991/17#6187\*, B.15.21.Eg.

<sup>105</sup> On the parts of the discussions relating to the Middle Eastern conflict, see the confidential minutes, „Visite de Boutros Boutros-Ghali, Minister d'Etat pour les affaires étrangères de la République Arabe d'Egypte“, p. 2-12, SFA, 31.03.1980, E2001E-01#1991/17#6187\*, B.15.21.Eg.

<sup>106</sup> This was raised in a confidential note from Alfred Rüegg, deputy at the Political Division II of the FDFA, to Edouard Brunner, Deputy Director at the Political Division I of the FDFA, 29.11.1979, SFA, E2001E-01#1991/17#6187\*, B.15.21.Eg.

<sup>107</sup> Boutros-Ghali, in the interview, described Switzerland as "une sorte de ‚tam-tam‘ dans l'Europe". See the interview „Message à ‚la Suisse, tam-tam de l'Europe‘. L'Europe a un rôle et doit le jouer“, *Nouvelliste du Valais*, 19.02.1980.

<sup>108</sup> This message was immediately transmitted to Israel, see the telegram from Jean Cuendet, Head of the Political Secretariat of the FDFA, to the Swiss embassy, Tel Aviv, 20.02.1980, SFA, E2001E-01#1991/17#8436\*, B.15.21.Isr.

<sup>109</sup> See the letter from Menachem Begin, Prime Minister of Israel, to Pierre Aubert, Federal council member, 07.02.1980, SFA, E2001E-01#1991/17#8436\*, B.15.21.Isr.

<sup>110</sup> The Swiss ambassador to Israel sent a brief portrait of Hecht to Bern, see the letter from Bauermeister to Aubert, 07.02.1980, SFA, E2001E-01#1991/17#8436\*, B.15.21.Isr.

meeting, Hecht tried portraying renewed Soviet expansionism in the Middle East, and that Israel was a strong ally of the West to block Soviet progress. “In the rest of his presentation and with the help of cartographic documents, he then [sought] to clarify the historical and biblical rights of the people of Ishmael in the land of Israel, which underpins Israel's settlement policy.”<sup>111</sup> Aubert was in his own words, “particularly familiar,” with these Israeli postulations. He nonetheless thanked his counterpart and insisted on the need for a negotiated settlement that answered all parties’ aspirations.<sup>112</sup> The main aim of Hecht’s visit came when he pushed for a joint communiqué on the points they discussed. Aubert refused, citing the Swiss policy of balanced relations with Israel and Egypt.<sup>113</sup> Clearly, Egypt and Israel were both attempting to use Switzerland as a megaphone to disseminate their positions on the Palestinian issue.

Despite opposition on the status of Palestine, the normalization of bilateral relations between Egypt and Israel was advancing. In a historic move in late February 1980, diplomats were exchanged. But this thaw was deprived of “sun, warmth and brightness,” according to Ambassador Bauermeister, because of the “immense shadow of the non-resolved Palestine problem.”<sup>114</sup> Nine months of negotiations had remained inconclusive on this matter.<sup>115</sup> A positive consequence of the normalization of Egyptian-Israeli relations was the end of the Egyptian boycott against Israel. This calmed reservations about the conditions for granting ERGs, which would in turn improve conditions of Swiss tender submissions.<sup>116</sup>

Judging from the embassy’s economic and political reporting to Bern, Swiss business interest in Israel must have remained low. In May 1980, Ambassador Bauermeister observed that with “Israeli public opinion made defeatist by a catastrophic economic situation, an Israeli Government that no longer has a popular base, Israel's increasingly severe isolation in the world, time is working against Israeli policy in the Palestinian problem and for the thesis of the Egyptian project.”<sup>117</sup> The following month, he reported a catastrophic economic situation, the highest inflation rate worldwide. The Swiss franc had appreciated by a factor of 3.5 since his arrival two and a half years earlier, making imports from Switzerland even costlier.<sup>118</sup>

Despite this critical state, former member of the cantonal executive of Basel, Lukas Burckhardt, took the initiative of a cultural study tour to Israel in June of 1980.

---

<sup>111</sup> Confidential report by Yves Besson, Deputy of the Head of the Political Secretariat of the FDFA, „Visite du Dr. Reuven Hecht, Conseiller personnel de M. Menahem Begin“, 25.02.1980, SFA, E2001E-01#1991/17#8436\*, B.15.21.Isr.

<sup>112</sup> *Ibid.*

<sup>113</sup> *Ibid.*

<sup>114</sup> See the letter from Bauermeister to the FDGA, 28.02.1980, SFA, E2010-02A#1991/19#160\*, A.21.31.

<sup>115</sup> *Ibid.*

<sup>116</sup> See the letter from Moser to the ERG commission, 21.03.1980, SFA, E7115A#1990/142#1343\*, 810.

<sup>117</sup> On this, see the letter from Bauermeister to the FDFA, 08.05.1980, SFA, E2010-02A#1991/19#160\*, A.21.31.

<sup>118</sup> See the letter from Bauermeister to the Economic and Financial Service of the FDFA, 03.06.1980, SFA, E2001E-01#1991/17#8559\*, C.41.Isr.232.0.

Burckhardt, who was openly Israel-friendly,<sup>119</sup> was president of the *Swiss Interest Group for Commerce* with Israel.<sup>120</sup> Jolles was against an official commercial mission. But, especially as the new Israeli ambassador was eager to attract Swiss investment, he wanted an opinion from his close senior staffers.<sup>121</sup> Peter C. Bettschart, who had worked for Nestlé in Vienna for many years before transferring into the Swiss administration as Delegate of the Federal Council for Trade Agreements, agreed that such a trip should have a private character. While the OSEC and the Swiss embassy in Tel Aviv could support the visit, they should not make public appearances. The people who had done these types of visits to date did so for touristic and cultural reasons over economic ones. Bettschart nonetheless insisted that the visit could be beneficial for Swiss-Israeli economic relations.<sup>122</sup> The timing for this economic visit to Israel can be puzzling given the disastrous economic situation of Israel. Considering the origin of the initiator and the expected composition of the delegation, it seems like a visit designed to morally and politically support Israel in a context of crisis, rather than one to actually deepen economic relations. The federal authorities, remaining discrete, did offer support as they did not consider the risk of negative fallouts high.

### ***The Question of Israeli Territoriality Takes the Upper Hand***

Although they were not fundamentally opposing private attempts of closer contacts, the Swiss authorities remained sensitive to public and private interactions with Israel. They set clear limits in their relations with Israel. These delineations became particularly sharp when contacts concerned sensitive territorial matters or cooperation in the field of armaments. This was shown on three occasions from the summer of 1980 onwards. The first concerned the conclusion of the aforementioned bilateral social security treaty; the second, potential Swiss participation in an Israeli energy project; and the third, potential Swiss arms imports from Israel.

After initial skepticism, the federal authorities had agreed to open negotiations for a bilateral social security treaty after Moshe Dayan's visit in December 1978. By July 1980, the treaty, exclusively covering retirement payments, was ready to be signed. The Israeli government wished to do so in Jerusalem in mid-August 1980 with prominent media coverage. However, on July 30, the Knesset adopted a law annexing all of Jerusalem.<sup>123</sup> As such, signing a bilateral treaty in Jerusalem became politically sensitive. For Federal Council member Aubert, the Israeli government was obviously politically motivated. Having Swiss officials sign a treaty in Jerusalem would help them

---

<sup>119</sup> This is exemplified by the fact that he was among the first signatories of the Israel-friendly appeal during the 1974 UNESCO episode, see: „Aufruf: Pro Israel 74“, 11.12.1974, SFA, E2001E-01#1988/16#3952\*, B.38.21.1.

<sup>120</sup> See the press article: „Groupement suisse pour le commerce avec Israel“ in the daily *La Liberté*, 18.07.1969.

<sup>121</sup> He requested information in: note from Jolles to Moser and Bettschart, 10.06.1980, SFA, E7115A#1990/142#2574\*, 870.

<sup>122</sup> On this general evaluation, see the note from Bettschart to Jolles, „Israel-Reise der SIGHI, November 1980“, 13.06.1980, SFA, E7115A#1990/142#2574\*, 870.

<sup>123</sup> On the internal and external factors behind this Israeli move, see: Yael Yishai, 'Israeli Annexation of East Jerusalem and the Golan Heights: Factors and Processes', *Middle Eastern Studies*, 21 (1985), p. 45-60.

gain recognition for the annexation. The Swiss authorities were in no way disposed to lend a hand to Israel on this matter. Aubert, in a note to the Federal Council, insisted that: “the entire international community [...] condemned or regretted this decision by Israel. So far, no state has come out in its favor, not even among those with the closest ties to Israel, such as the United States of America. Israel's annexation of Jerusalem is indeed contrary to a fundamental principle of international law, that of the non-acquisition of territory by force.”<sup>124</sup> Switzerland as “a state that respects international law in the pursuit of its foreign policy, [...] cannot recognize the formal unilateral annexation of July 1980. By doing so, it would detach itself from the entire international community by itself,” Aubert warned. Moreover, the treaty, as it was negotiated, explicitly referred to the Israeli national territory. Signing it without reserve, the Swiss feared, would imply formal recognition of Israel's self-defined territory – including all of Jerusalem. The Swiss authorities therefore refused to sign it in Jerusalem and requested an exchange of letters specifying that the treaty did not in any way prejudice Swiss attitude on the issue of Jerusalem.<sup>125</sup> This would firmly remain the Swiss position over the coming years.

In mid-August 1980, the Swiss ambassador explained his government's position in the Israeli Foreign Ministry. The Israelis claimed that there was no new legal situation. According to the Special Adviser of the Israeli Foreign Ministry, it came as a “shock to know that Switzerland, traditionally a friend, would give in to this blackmail [and] would be part of it in a way.”<sup>126</sup> Bauermeister explained that: “any government committed to the general interests of the country [...] cannot take it upon itself to face alone, especially as a small country like Switzerland, a kind of consensus from the community of nations.”<sup>127</sup> For now, they agreed on citing technical reasons to explain the delay of the treaty's signing.<sup>128</sup> But the press in Switzerland and Israel were already publishing articles linking the territorial question and the suspension. As highlighted by the Israeli ambassador to Switzerland, this put his government under domestic pressure to insist on Jerusalem as part of Israeli territory.<sup>129</sup> However, according to the FDFA, the Israeli embassy had leaked details to the press and the Israel-friendly lobby in Switzerland, in an attempt to pressure Swiss authorities to drop their reservations. Since rumors were circulating, the Federal Council decided to go public on their reticence. The whole matter became political. Ambassador Bauermeister's task now was to counter this politicization and patiently defend the Swiss position.<sup>130</sup> During

---

<sup>124</sup> See Aubert's statement in: a note to the Federal Council, “Signature de la Convention en matière de sécurité sociale entre Israël et la Suisse”, 12.08.1980, SFA, E2001E-01#1991/17B#8493\*, B.31.31.Isr.0.

<sup>125</sup> *Ibid.* The following day, the Swiss government backed Aubert's note, see the Decision of the Federal Council “Signature de la Convention en matière de sécurité sociale entre Israël et la Suisse”, 13.08.1980, SFA, E2001E-01#1991/17B#8493\*, B.31.31.Isr.0.

<sup>126</sup> See this statement as reported in the telegram from Bauermeister to Arnold Hugentobler, Head of division at the Political Division II, FDFA, 19.08.1980, SFA, E2001E-01#1991/17B#8493\*, B.31.31.Isr.0.

<sup>127</sup> *Ibid.*

<sup>128</sup> *Ibid.*

<sup>129</sup> Hugentobler reported this in a confidential note „Jerusalemfrage und Sozialversicherungsabkommen“, 25.08.1980, SFA, E2001E-01#1991/17B#8493\*, B.31.31.Isr.0.

<sup>130</sup> See the urgent telegram from Hugentobler to the Swiss embassy in Tel Aviv, 29.08.1980 SFA, E2001E-01#1991/17B#8493\*, B.31.31.Isr.0.

various bilateral communications, it became clear that neither Israel nor Switzerland were willing to move from their position, digging their heels in deeper now that the controversy had become public. Secretary of State of the FDFA, Raymond Probst, made a proposal to the Israeli ambassador in September 1980 for a way out of the blockage: each side signs the original documents in its respective capital.<sup>131</sup> This would ultimately be the formula when the treaty was finally signed in late March 1984.<sup>132</sup>

The polemic caused by this social security treaty pinpoints a set of issues. First was the Israeli authorities' attempt to gain international recognition for their annexation of Jerusalem via Swiss de facto recognition. For the Swiss authorities, this would only be entertained if other Western states signed treaties in Jerusalem.<sup>133</sup> Second, the Swiss government was by no means inclined to make concessions in this standoff. It was Israel that had consistently been pushing for the conclusion of a social security treaty, with Swiss interest relatively low. Given that the Swiss suspected Israel's motivations as primarily political from the beginning, they were in no rush to give in.<sup>134</sup> Third, as became evident from the first conversations between Ambassador Bauermeister and the Israeli Foreign Ministry on this issue, foreign policy considerations were likewise important for the Swiss position. Bauermeister insisted that his government could not ignore the "considerable stir" the Jerusalem law had provoked<sup>135</sup> – meaning Arab sensitivities were of important consideration. Fourth, other Western European governments closely followed and approved the Swiss firmness not to sign the treaty in Jerusalem.<sup>136</sup> The Swedish government, for instance, also pursued by the Israelis, entered into negotiations with Israel around a social security treaty in late autumn 1980. Given the considerable publicity that the Swiss-Israeli debate had received, they wanted to learn more on the Swiss experience.<sup>137</sup> And finally, while Swiss-Israeli interests were indeed conflicting on this issue, the affair did not escalate and both governments cited otherwise excellent relations.<sup>138</sup>

---

<sup>131</sup> See the confidential telegram from Raymond Probst, Secretary of State, FDFA, to the Swiss embassy in Tel Aviv, 18.09.1980, SFA, E2001E-01#1991/17B#8493\*, B.31.31.Isr.0.

<sup>132</sup> This was stated in the general introduction of the Federal Council's message to ratify the treaty, see: „Botschaft betreffend das Abkommen mit Israel über Soziale Sicherheit“ in *Federal Gazette*, Vol. 3, Nr. 49, 1984, p. 1080.

<sup>133</sup> Emanuel Diez, Director of the Direction for International Law, FDFA, explained this in a conversation with Ruth Lapidoth, legal advisor at the Israeli Foreign ministry, in Bern in early 1981. See the note by Emanuel Diez, „Besuch von Frau Ruth Lapidoth, Rechtsberater (sic) im israelischen Aussenministerium“, 20.01.1981, SFA, E2001E-01#1991/17B#8493\*, B.31.31.Isr.0.

<sup>134</sup> On the differential balance of interest, see for example the note from Rüegg to Probst, 04.02.1981, SFA, E2001E-01#1991/17B#8493\*, B.31.31.Isr.0.

<sup>135</sup> Cf. the telegram from Bauermeister to Hugentobler, 19.08.1980, SFA, E2001E-01#1991/17B#8493\*, B.31.31.Isr.0.

<sup>136</sup> The Swiss ambassador reported this in an urgent telegram from Bauermeister to Hugentobler, 10.09.1983, SFA, E2001E-01#1991/17B#8493\*, B.31.31.Isr.0.

<sup>137</sup> This was recounted in a confidential note by Maria Luisa Caroni, embassy secretary, Swiss embassy, Tel Aviv, „Accord de sécurité sociale“, 01.04.1981, SFA, E2001E-01#1991/17B#8493\*, B.31.31.Isr.0.

<sup>138</sup> Done, for instance, not long after the height of the controversy during the Israeli foreign minister Yitzhak Shamir's visit to Aubert. Shamir was in Switzerland on a private trip. See the confidential minutes, „Confidentiel. „Compte rendu des entretiens entre Monsieur Pierre Aubert, Conseiller fédéral, Chef du Département des affaires étrangères, et Monsieur Yitzhak Shamir, Ministre des affaires étrangères d'Israël“, 09.10.1980, SFA, E7115A#1991/189#2416\*, 877.3.

The Egyptian-Israeli peace agreement had by no means eased territorial tensions in the Middle East. Anything relating to Israeli territorial claims and thus, regional policy, remained sensitive. The Swiss authorities noticed this on another issue, concerning Israeli projects for constructing a canal from the Mediterranean Sea to the Dead Sea. As reported from the Swiss embassy in Tel Aviv in October 1980, the Israeli press stipulated that a Swiss company, the *Compagnie d'Études et de Travaux Publics* (CETP), had submitted a tender for this project.<sup>139</sup> Soon, Arab governments started communicating their opposition to such a project to Swiss embassies in the region. In April 1981, Arnold Hugentobler from the FDFA sent out a confidential circular letter to the Swiss embassies in the Arab world specifying the information they had in Bern on the project. The aim of the 100-kilometer-long canal, with an estimated cost of US\$ 800 million, was to use the difference in altitude between the Mediterranean Sea and the Dead Sea to produce hydroelectricity. Besides the canal's intersection with the Gaza Strip, Arab criticism had three points: the influence that the inflow of water might have on the level of the Dead Sea, the dreaded land annexation in Gaza to militarily secure the project, and finally, the increased energy independence Israel would gain from this infrastructure. In late March 1981, the Arab league had called upon all nations to oppose the project and refrain from any support, as it violated international law on the duties of an occupation force. In a discussion with the CETP in March 1981, the FOFEA warned not only about the dangers for the company itself, but also possible consequences for the general interests of the Swiss economy. The CETP insisted that for the time being, they were not engaged in anything more than feasibility studies. But if they won the tender, they would certainly accept this significant order given that they were not interested in the Arab market.<sup>140</sup> So the Swiss authorities, claiming freedom of trade and economic pursuits, only wanted that "the Swiss flag not to be visible," as Secretary of State Probst put it.<sup>141</sup>

According to information from the Arab league, the CETP was the only European company involved in the canal project.<sup>142</sup> Given that there had, until then, not been any further CETP entanglement, the FDFA did not react.<sup>143</sup> Nonetheless, the FDFA was studying international legal implications and possible Swiss measures to protect general Swiss interests. Given the still embryonic stage of the canal project, the Vice-Director of the Direction of International Law, Jean Monnier, could not give a definitive answer as to whether it violated international law. He insisted in a note to Aubert that it was not so much a legal but a political question. However, Monnier clearly considered the cooperation of a Swiss company in this project to be undesirable, urging the FOFEA to convince the CETP to pull out. He advised that "the Federal Council might, *in extremis*, make use of [the Federal Constitution] to prohibit participation [of the CETP] if, in all likelihood, the interests of the whole of Switzerland, and in particular those of an

---

<sup>139</sup> See the letter from Caroni to the FOFEA, 22.10.1980, SFA, E7115A#1990/142#2575\*, 872.1.

<sup>140</sup> Confidential letter from Hugentobler to Swiss embassies in the Arab world, 16.04.1981, SFA, E7115A#1991/189#2414\*, 872.1.

<sup>141</sup> See Probst's statement in : *Ibid.*

<sup>142</sup> Reference to this information from the Swiss embassy in Tunis can be found in a confidential note from Hugentobler to the Direction for International Law, FDFA, 02.07.1981, SFA, E7115A#1991/189#2414\*, 872.1.

<sup>143</sup> See the note from Hugentobler to Aubert, 27.10.1981, SFA, E7115A#1991/189#2414\*, 872.1.

economic nature, are at stake.”<sup>144</sup> For the time being, the FOFEA adopted a neutral attitude to the project.<sup>145</sup> Israel ultimately abandoned the project in 1985 for financial and political reasons. International opposition to this project was large.<sup>146</sup> The extreme measures the federal authorities considered demonstrate the grave concern they had over potential Swiss private sector involvement in this politically charged project.

The third field where Swiss contacts with Israel proved sensitive concerned arms trade. As seen earlier, the FPD was particularly suspicious of bilateral military contacts; Swiss arms exports to Israel were subject to an embargo since 1955. Arms imports from Israel, however, were not. In summer 1979, the Federal Military Administration began testing 10.5 cm tank ammunition, including a type produced by the state-owned Israel Military Industry.<sup>147</sup> By December 1980, testing was complete and the Swiss Chief of Armament, Charles Grossenbacher, informed Secretary of State Probst that he wanted to acquire 50,000 pieces of ammunition from Israel. Not only were they cheaper, they were being produced in series, unlike a British version. Domestic parliamentary opposition to such a purchase was not expected to be great, Probst was convinced, as the Head of the Parliamentary Armaments Commission favored “reason of state (i.e., our armament ability) over foreign policy,”<sup>148</sup> But both officials agreed that this might pose political problems, as it sustained Israel’s armament capacity vis-à-vis the Arab states. Probst and Grossenbacher contemplated purchasing the Israeli ammunition via a West German company holding its production license<sup>149</sup> in an attempt to camouflage its origin. The highest-level Swiss officials were willing to apply a seemingly easy loophole, hoping to avoid domestic political discussions and denunciations from Arab states. Israel, however, preferred direct purchase from its arms industry.<sup>150</sup> Before the end of the year, the Federal Council had made a decision: purchasing ammunition from Israel while supplying the casing from Switzerland.<sup>151</sup>

The Israeli ambassador to Switzerland was pleased by this prospective affair. Quite astonishingly, the proposed Swiss arms purchase in Israel did not encounter any resistance in Swiss parliament or in Arab states.<sup>152</sup> The purchase, as proposed by the Swiss government, was part of a general military acquisition program for tanks, of

---

<sup>144</sup> Jean Monnier, vice-Director of the Direction for International Law, FDFA, to Aubert, 03.11.1981, SFA, E7115A#1991/189#2414\*, 872.1.

<sup>145</sup> Highlighted in a note by Max Jaeger, Head of Section at the FOFEA, 30.11.1981, SFA, E7115A#1991/189#2414\*, 872.1.

<sup>146</sup> See the brief passages in: Hussam Hussein, ‘Politics of the Dead Sea Canal: A Historical Review of the Evolving Discourses, Interests, and Plans’, *Water International*, 42.5 (2017), p. 532-533.

<sup>147</sup> See the letter from Marc Virot, Head of the Legal Division of the Federal Military Administration, to the Political Direction of the FPD, 29.05.1979, SFA, E2010A#1995/313#8181\*, A.21.31.

<sup>148</sup> This was reported in the note by Probst, „Panzer-Pfeilmunition“, 03.12.1980, SFA, E2001E-01#1991/17#8554, B.51.14.21.20.Is.

<sup>149</sup> *Ibid.*

<sup>150</sup> Letter from Charles Grossenbacher, Director of the Group for armament, FMD, to Federal Council member George-André Chevallaz, Head of the FMD, 12.12.1980, SFA, E2001E-01#1991/17#8554, B.51.14.21.20.Is.

<sup>151</sup> Grossenbacher communicated this to the FDFA, see the note from Serger Salvi, Adjoint at Political Division II of the FDFA to Probst, „Rapport intermédiaire au sujet de l’achat par le DMF de munition spéciale anti-chars à l’étranger“, 07.01.1981, SFA, E2001E-01#1991/17#8554, B.51.14.21.20.Is.

<sup>152</sup> This was related by Hugentobler in a confidential note, “Besuch des israelischen Botschafter Matitياهو Adler“, 20.03.1981, SFA, E2010A#1995/313#8181\*, A.21.31.

which CHF 76 million were dedicated to the Israeli ammunition.<sup>153</sup> Swiss parliament authorized this program with hardly any opposition; there was no opposition relating to the material support it provided the Israeli armaments industry.<sup>154</sup> In the short run, this arms deal did not cause any domestic fallout in Switzerland. In the midterm, following the Israeli invasion of Lebanon in 1982, they would be subjected to considerable criticism.

As seen, the Swiss authorities, but also Swiss firms, had a reserved attitude to the Egyptian-Israeli peace agreement. This should be seen as a clear signal that this peace did not only miss to resolve a whole set of contradictions in the region – it also created new ones. Politically and economically, matters seemed to have become more complex; consequently, a more nuanced Swiss policy would be required. This revealed itself in Switzerland's foreign policy for the region in an ever more cautious attitude towards all issues regarding cooperation with Israel.

### **6.3 The Functioning of the Mixed Loan in Egypt and its Effect on Business Relations**

Unlike the Swiss reluctance for deeper economic association with Israel after the peace treaty, Swiss involvement in Egypt grew. The conclusion of the bilateral agreement for mixed credit in late 1978 had laid the groundwork for Swiss commercial expansion in Egypt before it reached a peace agreement with Israel. As seen, Swiss motivations for granting such credit went beyond development aid concerns; they reflected strong commercial and financial interest. The credit agreement, signed in September 1978, was only ratified in late January 1979 by Egyptian parliament after repeated Swiss follow up.<sup>155</sup> This subchapter will address the functioning of the mixed credit and the limitations it had. It will show which sectors of the Swiss export industry benefited from it and how the ever-present tension between development aid and Swiss commercial interests were balanced. The effect of the mixed credit on bilateral economic relations ultimately went beyond its direct use. It not only heightened general Swiss business interest in Egypt, it also facilitated access to key economic decision makers.

#### ***Putting the Mixed Credit to Use***

The procedure for financing Egyptian projects via the mixed credit was, in theory, relatively straightforward. First, an Egyptian importer would submit a request for funding to the Egyptian Ministry of Economy, which would then submit accepted projects to the Swiss FOFEA. After the FOFEA approved the project, it would transmit them to the Swiss banking consortium. The banks would inform the Swiss exporter,

---

<sup>153</sup> On the Israeli purchase of this program, see the Federal Council message „Beschaffung von Panzerabwehrmaterial“, in *Federal Gazette*, Vol. 2, Nr. 25, 1981, p. 546-550.

<sup>154</sup> The debate in the National Council can be found in: „Panzerabwehrmaterial. Beschaffung“, in *Official Bulletin of the Federal Assembly*, Vol. III, 1981, p. 1070-1081.

<sup>155</sup> The ratification was reported to Bern in a telegram from Gagnebin to the FOFEA, 12.02.1979, SFA, E7115A#1990/60#1336\*, 861.5.

which then would request ERG coverage on the banks' share of the credit, a precondition set by the banks. Once the Egyptian importer made a down payment of up to 10 percent on the contract value and opened a letter of credit for the Swiss exporter of again of 10 percent, the credit line for the specific project would be ready.<sup>156</sup> The Egyptian authorities were mainly responsible for taking into account the development policy aspects of the approved projects. The Swiss FOFEA was more concerned with ensuring that the deals financed by the mixed credits were distributed widely to different Swiss firms.<sup>157</sup> By mid-May 1979, the FOFEA began to establish lists of projects they received from the Egyptian authorities, transmitting them to *Crédit Suisse*, the lead bank of the consortium.<sup>158</sup>

In the summer of 1979, the FOFEA was optimistic that the mixed credit would be rapidly put to use.<sup>159</sup> Half a year later, in November 1979, its outlook was more pessimistic. These doubts were triggered by a BBC project for the sales of industrial equipment valuing at CHF 12 million. Given that a commercial credit was available for this project at a lower interest rate than via the mixed credit, BBC and the Egyptian importer agreed to privately finance it. The hard conditions demanded by the ECB when passing the credit to the end users, i.e., the Egyptian importers, risked jeopardizing the credit utilization. In line with what had been agreed upon during the negotiations of the mixed credit, the Swiss authorities insisted on a most favorable transmission of the credit.<sup>160</sup> They highlighted two elements. In a discussion with the Egyptian Minister of Finance, Gagnebin underscored "the desire of the Swiss authorities to participate in Egypt's industrial and economic development and to create a climate that will encourage other countries to follow us."<sup>161</sup> In Bern, the Federal Council's trade delegate, Klaus Jacobi, insisted to Egyptian Ambassador Said Abdel Kader Hamza that Egypt's foreign funding requirement did not put them in a position to delay the use of the mixed credit.<sup>162</sup> By January 1980, after intense Swiss pressure, the Egyptian authorities confirmed that they would pass the mixed credit on to end users at an interest rate lower than commercial rates available.<sup>163</sup>

---

<sup>156</sup> A detailed functioning of the mixed credit can be found in a banking consortium leaflet for Swiss exporters interested in benefiting from this credit, see the leaflet: „Mischkredit Aegypten“, 06.10.1978, SFA, E7110#1989/32#1337\*, 861.5.

<sup>157</sup> This line for the evaluations was specified in a letter from Moser to Gagnebin, 02.04.1979, SFA, E7115A#1990/60#1336\*, 861.5.

<sup>158</sup> For the project concerning the Egyptian purchase of textile printing machines, see the letter from Moser to *Crédit Suisse*, 27.06.1979, SFA, E7115A#1990/60#1336\*, 861.5.

<sup>159</sup> See the letter from Ernst Henri Léchet, Division Head at the FOFEA, to Gagnebin, 05.06.1979, SFA, E7115A#1990/60#1336\*, 861.5.

<sup>160</sup> See the telegram from Peter Saladin, Head of the Division for development policy, FOFEA, to the Swiss embassy, Cairo, 20.11.1979, SFA, E2001E-01#1991/17#6291\*, C.41.152.0.

<sup>161</sup> This was reported to Bern in a telegram from Gagnebin to the FOFEA, 24.11.1979, SFA, E2001E-01#1991/17#6291\*, C.41.152.0.

<sup>162</sup> See the report on this discussion in a telegram from Jaxobi to the Swiss embassy in Cairo, 04.12.1979, SFA, E7115A#1990/60#1336\*, 861.5.

<sup>163</sup> See the note from Rolf Gerber to Jacobi, „Mischkredit Aegypten“, 22.01.1980, SFA, E7115A#1990/142#1353\*, 861.5.

This did still not accelerate the use of the mixed credit. Down payments and letters of credit, pre-requirements for disbursement of the credit, came in slowly from Egypt.<sup>164</sup> Furthermore, major orders intended to be financed from the mixed credit were withdrawn. The importer of a CHF 10 million order from the firm Landis & Gyr withdrew because of a maturity date that was too long<sup>165</sup> and, because of issues unrelated to the terms of mixed credit, a Sulzer turbine deal valuing CHF 22 million was canceled in April 1980.<sup>166</sup> On top of these fallouts, incoming requests were stagnating by May 1980<sup>167</sup> and by mid-September 1980, only a bit more than half the credit had been committed. Benedikt von Tscharnier, Delegate of the Federal Council for Trade Agreements, requested the Swiss embassy in Cairo to remind the Egyptian Ministry of Economy that the deadline for applications, fixed for March 1981, was rapidly approaching.<sup>168</sup>

In August, a new Swiss ambassador arrived in Cairo: Jean Cuendet. He was not new to the Middle East; he had been posted as embassy counselor in Beirut a few years before the Lebanese civil war. Before his arrival in Cairo, he held an important position in the FPD as head of the FPD's Political Secretariat. Despite its obvious shortcomings, the new ambassador sent Jolles an enthusiastic report on the mixed credit. It was "already possible to unmistakably state that this Swiss-Egyptian mixed credit is a complete success," he wrote.<sup>169</sup> The Egyptian side displayed great interest for the credit, and the frequent information requests from Swiss companies showed their appreciation for the mixed credit as a means of export financing. It offered Swiss companies the possibility of topping off their tender submissions with attractive financial terms, substantially bettering their competitive edge in the Egyptian market. According to the ambassador, it allowed Swiss firms present in Egypt to consolidate their position and new firms to enter into this large market. He was convinced that the mixed credit incentivized Swiss companies to increase their efforts to exploit business opportunities in Egypt. Given that, however, other European states offered credits at even more favorable terms, the ameliorated Swiss market position remained vulnerable and Cuendet started advocating for a second mixed credit to Egypt.<sup>170</sup>

Considering the rather sluggish usage of the mixed credit, this report by the new Swiss ambassador was overly enthusiastic. The positive echo he received in Egypt for the credit was likely mere courtesy from officials when they received the new Swiss ambassador. Moderating his evaluation of the active credit, Cuendet highlighted five

---

<sup>164</sup> This was reported in a note by Gerber, „Beanspruchung Mischkredit Aegypten“, 28.01.1980, SFA, E7115A#1990/142#1353\*, 861.5.

<sup>165</sup> Communicated in the letter from Landis & Gyr to Gerber, 16.01.1980, SFA, E7115A#1990/142#1353\*, 861.5.

<sup>166</sup> Sulzer had received the order without a public tender notice, the Egyptian Electricity Authorities reissued a call for submissions, see the letter from Sulzer to Gerber, 29.04.1980, SFA, E7115A#1990/142#1353\*, 861.5.

<sup>167</sup> Cf. letter from Moser to Gagnebin, 14.05.1980, SFA, E7115A#1990/142#1353\*, 861.5.

<sup>168</sup> Letter from von Tscharnier to Hannes Vogt, Embassy Councilor, Cairo, 17.09.1981, SFA, E7115A#1990/142#1353\*, 861.5.

<sup>169</sup> Letter from Jean Cuendet, Swiss ambassador, Cairo, to Jolles, 21.10.1980, SFA, E7115A#1990/142#1353\*, 861.5.

<sup>170</sup> *Ibid.*

fields that could improve a new mixed credit. Three of the measures concerned lowering terms and fees, including the transfer of terms to end users in Egypt. One concerned a stronger orientation towards the Egyptian private sector. And one was the necessity to be clearer about what documents the Egyptian Ministry of Economy had to provide to the Swiss authorities. Besides the aforementioned difficulties, the terms of the credit posed to its actual deployment, Cuendet observed that hardly any projects submitted to the FOFEA included the necessary documentation.<sup>171</sup>

The new Swiss ambassador was eager to deepen Swiss economic promotion in Egypt; to do that he considered the mixed credit paramount. For now, however, three factors were responsible for the slow use of the mixed credit. First, the conditions of transmission were unclear, making the Swiss side block the deployment of the credit. Second, the Egyptian importers were slow in making down payments and providing letters of credit, which indicates the dire state of its foreign reserves. Third, the Egyptian authorities struggled to provide the necessary documentation that would allow the Swiss to evaluate the viability of the projects. And finally, politically motivated US economic aid to Egypt was higher than what its economy could absorb.<sup>172</sup> The availability of projects that could be financed with the mixed credit must have shrunk.

#### ***Access to Egyptian Economic Policymakers. The 1981 Aswan Conference***

The project evaluation problem was also at the heart of the briefly mentioned Consultative Group for Egypt, put in place by the World Bank in 1977.<sup>173</sup> Towards the end of 1980, Egyptian authorities convinced the World Bank to hold a donor conference under Egyptian government auspices in Aswan in January 1981, in lieu of a regular meeting under the Bank's sponsorship.<sup>174</sup> In the Swiss interpretation, the Egyptian aim of the conference was to raise a maximum of foreign financial aid by highlighting Egypt's economic potential and investment opportunities. Given the record level that Swiss exports to Egypt had reached in autumn 1980, Swiss officials considered attendance important<sup>175</sup> and dispatched Benedikt von Tscharner.<sup>176</sup> Immediately following the Aswan Conference, bilateral talks between Egyptian ministers and the Swiss delegation, reinforced by a private economic delegation, were held upon the Swiss's request. The Vorort organized a high-level private economic delegation, with the board member participation namely from Swiss engineering and machinery

---

<sup>171</sup> Letter from Cuendet to the FOFEA, 18.11.1980, SFA, E2001E-01#1991/17#6291\*, C.41.152.0.

<sup>172</sup> This is noted in: Galia Press-Barnathan, *The Political Economy of Transitions to Peace...*, p. 53.

<sup>173</sup> On the rationales for convening the first Consultative Group meeting for Egypt, see the World Bank aide mémoire „Consultative Group for the Arab Republic of Egypt“, August 1976, WBG, 1400863. For a brief discussion of the influence of the Consultative Group meetings on Egyptian economic liberalization, see: Gouda, 'Looking Outside, or Turning Northwest...', *ibid.*, p. 404-405.

<sup>174</sup> The Egyptian Deputy Prime Minister for Economic and Financial Affairs, Abdel Razzak Abdel Meguid, expressed Egyptian interest in a discussion with a World Bank official, see the letter from Hans-Eberhard Köpp, Division Chief, Country Programs Department 1, EMENA Region, World Bank, to Attila Karaousmanoglu, Director of the Same Department, 21.10.1980, WBG, 30044420.

<sup>175</sup> Cf. the note from von Tscharner to Honegger, 04.12.1980, SFA, E7115A#1990/142#1353\*, 861.5.

<sup>176</sup> Cf. the telegram from Jacobi to Cuendet, 19.12.1980, SFA, E7115A#1990/142#1353\*, 861.5.

companies.<sup>177</sup> Given the high-scale participation on short notice, Swiss business circles' interest in the Egyptian market was very significant.

Benedikt von Tscharner had spent most of his diplomatic career in economic services; his extensive confidential report was authoritative. He summarized the main conclusions of the conference, in which representatives of twelve Western donor countries participated on January 20 and 21, 1981.<sup>178</sup> Von Tscharner drew a contradictory balance sheet of Egypt's economic situation. He highlighted its enormous potential and the extraordinary depth of its problems. Besides strong demographic, growth and structural problems stemming from its bloated bureaucracy, inefficient state companies and distorted price mechanisms were the main difficulties. The Swiss official deplored these deficiencies a consequence of the "worshipping of a nationalist socialism" under Nasser, while Sadat's open-door economic policy had provided an important growth impulse.<sup>179</sup> Most factors he listed explaining Egyptian growth and the bettering of its balance of payment under Sadat were not rooted in the government's economic policy of liberalization. Increased oil prices, remittances from Egyptian workers abroad, increased income in the services account linked to tourism and Suez Canal fees, and the US and the World Bank's willingness to provide substantial financial aid<sup>180</sup> did indeed have little to do with Egypt's economic development policy per se.<sup>181</sup> However, they clearly reflected the changed political position Egypt assumed in the region, making it highly sensitive to changes in this respect.<sup>182</sup>

The agricultural sector and demographic growth were among the main targets of the economic policy measures announced in Aswan. Further, the distortion of domestic price structure would be overcome, i.e., subsidies on basic foodstuffs and energy sources would be slashed. Domestic resources would be mobilized, i.e., savings would be increased. Finally, high industrial imports would be gradually replaced by local production, without resorting to protectionist measures. In sum, when von Tscharner evaluated the position of the donor states, he noted almost full consensus on this evaluation and the proposed measures. "The [Egyptian] ministers in charge of economic strategy proved docile students of World Bank and IMF officials," von Tscharner wrote.<sup>183</sup> In particular, he highlighted the US's univocal commitment for Egypt. This was reflected in the pledges that Western donors announced at the end of

---

<sup>177</sup> Participants came from the following companies: Electrowatt, Société générale pour l'industrie, Bühler, Sulzer, Ateliers des Charmilles, Ateliers de constructions mécaniques de Vevey and Alusuisse. Swiss pharmaceutical companies dispatched their local representative from the Swisspharma joint venture, as did the Swiss banks UBS and Crédit Suisse. See the letter from von Tscharner to the participants, 16.01.1981, ACH, IB-Vorort, 360.2.2.8.

<sup>178</sup> Besides Switzerland, the following governments sent representatives: the US, West Germany, Japan, France, Great Britain, Canada, Italy, the Netherlands, Belgium, Austria and Finland.

<sup>179</sup> Confidential report by von Tscharner, „Aegypten: Tagung der Geber-Länder in Assuan" 27.01.1981, SFA, E2001E-01#1991/17#6291\*, C.41.152.0.

<sup>180</sup> *Ibid.*

<sup>181</sup> Highlighted also in: Ikram, *The Political Economy of Reforms in Egypt ...*, p. 217-218.

<sup>182</sup> Heba Handoussa, and Nema Shafik, 'The Economics of Peace: The Egyptian Case.', in *The Economics of Middle East Peace: Views from the Region*, ed. by Stanley Fischer, Dani Rodrik, and Elias Tuma (Cambridge: MIT Press, 1993), p. 24.

<sup>183</sup> Confidential report by von Tscharner, „Aegypten: Tagung der Geber-Länder in Assuan" 27.01.1981, SFA E2001E-01#1991/17#6291\*, C.41.152.0.

the conference. Of a total US\$ 2.95 billion was pledged for 1981; the US accounted for US\$ 1.2 billion alone, excluding military aid. The larger Western European governments of France, Great Britain, West Germany and Italy came up for a combined US\$ 800 million. The World Bank committed US\$ 426 million, and the EEC US\$ 230 million.<sup>184</sup>

Von Tscharner could not pledge any Swiss financial aid for the time being. His statement during the conference, which he wrote down from memory three months after, remained general, highlighting Swiss support for Egypt's development policy and Swiss contribution via the supply of capital goods and FDI.<sup>185</sup> Yet Swiss company representatives in the delegation to Egypt all supported a new official credit, as did von Tscharner. He justified this with the concentration of efforts on Egypt, whose economy still displayed a growing demand for capital goods and where international competition remained extremely intense. According to von Tscharner, the Egyptian regulatory framework largely matched those of the Bretton Woods institutions; the Sinai oil reserves reduced credit risks and Egypt could be considered politically stable.<sup>186</sup> Prioritizing the Egyptian market meant continuous effort to maintain the positions gained by the Swiss economy.

The impression von Tscharner gathered during the bilateral part of his trip to Egypt justified these efforts, as Switzerland and its economy retained great goodwill in Egypt.<sup>187</sup> The five senior-level meetings held between January 21 and 25, 1981, did not, however, touch on potential joint projects in Egypt. The Egyptian ministers explained their development policies, inviting Swiss companies to submit proposals within their framework.<sup>188</sup> The ball was in the Swiss camp and the embassy councilor who authored this report said in his letter to von Tscharner that Swiss private companies, preferably jointly with the OSEC, should now focus on specific follow-ups.<sup>189</sup> While not having much to offer at the Aswan meeting itself, the Swiss seized the opportunity to obtain access to important Egyptian decision-makers. Following the conference and bilateral consultations, the options available for Swiss economic policymakers and business were clear: extend mixed credit and further increase specific private market efforts.

### ***First Evaluations of the Mixed Credit and Its Possible Renewal***

Conditions for doing so were *a priori* good. As an unsigned note from March 1981 highlighted, the Swiss economy could exploit Egyptian isolation within the Arab world. Indeed, "since its isolation within the Arab community [...] and the establishment of

---

<sup>184</sup> *Ibid.*

<sup>185</sup> Von Tscharner recalled these points from memory three months after the conference, see the telegram from von Tscharner to Cuendet, 22.04.1981, SFA, E7115A#1991/189#1178\*, 861.5.

<sup>186</sup> Confidential report by von Tscharner, „Aegypten: Tagung der Geber-Länder in Assuan“ 27.01.1981, SFA, E2001E-01#1991/17#6291\*, C.41.152.0.

<sup>187</sup> *Ibid.*

<sup>188</sup> See the note by Hannes Vogt, Embassy Councilor in Cairo, 27.01.1981, SFA, E7115A#1991/189#1178\*, 861.5.

<sup>189</sup> Letter from Vogt to von Tscharner, 27.01.1982 SFA, E7115A#1991/189#1178\*, 861.5.

diplomatic relations with Israel, Egypt has sought to deepen its links with the West. Switzerland is also benefiting from this, as a result of which economic relations have expanded considerably in recent years.”<sup>190</sup> Competition rooted in Western governments’ support for national companies via preferential loans was continuous and fierce. The Swiss company BBC, absent from the aforementioned bilateral consultations, acknowledged that the Swiss mixed credit did help in obtaining orders; but the sheer scale of public capital aid from countries like the US, West Germany, Japan and France disadvantaged Swiss companies.<sup>191</sup>

An example of the continuing primordial importance of financing, but also political dynamics, is the prestigious renovation of the Aswan Dam. In late 1980, the Geneva machine tool company *Ateliers des Charmilles* had submitted a tender offer for supplying hydraulic turbines, and it seemed to be best placed for winning it. By late January 1981, however, the Egyptian authorities accepted USAID funding for the project, putting the US company *Allis Chalmers* in the run. The US funding had only been offered after the deadline to submit tenders had expired; so Charmilles thought it would win the order.<sup>192</sup> According to the Egyptian Minister of Electricity, Charmilles’s offer was technically superior and the original price was five to six million Swiss francs lower than the one of its US competitor.<sup>193</sup> Despite Charmilles’s willingness to reduce the price even further,<sup>194</sup> and despite a shaky legal basis in the US to grant the special credit,<sup>195</sup> the US firm ultimately won the contract. It is likely that awarding a US company this contract was meant to be a highly symbolic political gesture, as the Aswan Dam had been the source of US-Egyptian discord under Nasser’s presidency.<sup>196</sup> However, the ability of the US firm to have the financial backing of its government agencies was surely crucial to win the tender.<sup>197</sup>

As the deadline for mixed credit applications expired in March 1981, there was still roughly three million Swiss francs left of the credit; so the deadline for its utilization was prolonged until September 1981.<sup>198</sup> The FOFEA made a first descriptive evaluation of the usage of the mixed credit in late summer 1981. By the end of July 1981, CHF 58.5 million had been committed, while only CHF 10 million had been paid out. Three sectors stood out as the main beneficiaries in Egypt: ‘energy’ with 38 percent,

---

<sup>190</sup> Unsigned note, „Besuch von Vizepremier- und Aussenminister General Kamal Hassan Ali der Republik Aegypten (23. März 1981). Bialterale Beziehungen Schweiz – Aegypten”, 19.03.1981, SFA, E2001E-01#1991/17#6187\*, B.15.21.Eg.

<sup>191</sup> See the note: „Die wichtigsten Finanzierungsmöglichkeiten führender Industrieländer für Aegypten“, attached to a letter from BBC to von Tschärner, 13.01.1981, SFA, E7115A#1991/189#1178\*, 861.5.

<sup>192</sup> This was reported in an urgent telegram from von Tschärner to the Swiss embassy in Cairo, 26.01.1981, SFA, E7115A#1991/189#1187\*, 872.1.

<sup>193</sup> Cf. telegram from von Tschärner to the Swiss embassy, Cairo, 02.02.1981, SFA, E7115A#1991/189#1187\*, 872.1.

<sup>194</sup> See the telegram from Cuendet to the FOFEA, 23.02.1981, SFA, E7115A#1991/189#1178\*, 861.5.

<sup>195</sup> Cf. letter from Ateliers de Charmilles to Gerber, 11.02.1981, SFA, E7115A#1991/189#1178\*, 861.5.

<sup>196</sup> For such a lecture, see for example the press article: „U.S. to Replace Worn Soviet Components at Egypt's Aswan Dam“ in *The Washington Post*, 21.10.1981.

<sup>197</sup> Reported in the confidential telegram from Cuendet to the FOFEA, 03.02.1981, SFA, E7115A#1991/189#1187\*, 872.1.

<sup>198</sup> This instruction was given in a telegram from Saladin to the Swiss embassy in Cairo, 20.03.1981, SFA, E7115A#1991/189#1178\*, 861.5.

‘infrastructure/transport’ with 30 percent, and ‘construction’ with 18 percent. The two most used categories, energy and infrastructure/transport, largely consisted of electrification projects. The energy projects helped expand the electric grid, potentially contributing to the decentralization of industrial and agricultural activity. The second section consisted entirely of renewing the electric grid on the suburban train from Helwan to Cairo. The final major subdivision involved the supply of machinery for the local construction industry and a Swiss construction company’s participation in building a highway bridge in Alexandria.<sup>199</sup>

Swiss beneficiary companies mirrored this distribution. BBC was by far the most important beneficiary, directly and indirectly.<sup>200</sup> Purchases of equipment for electrification by the Egyptian Railways from the *Ateliers de Sécheron*, a Geneva company under full BBC control,<sup>201</sup> accounted for 28.4 percent of the credit usage. BBC itself sold components for an electricity supply station to the Egyptian Electricity Authority, accounting for another 20.8 percent of the total credit. So, overall, BBC and its subsidiary benefited from nearly half of the entire credit volume. The second largest Swiss beneficiary was Sulzer, with an 11.3 percent share for gas turbines supplied to the Egyptian Electricity Authority. And finally, the construction company Geilinger, who supplied iron and engineering consultancy services to the Ministry of Development and New Communications, accounted for 7.8 percent. While value-wise, the credit deployment was concentrated on orders from a restricted number of companies, its importance for smaller companies should not be underestimated. In total, 19 Swiss companies supplied goods or services to Egypt under the umbrella of mixed credit.<sup>202</sup>

By then, the Egyptian authorities already hinted their desire for a renewed mixed credit. While not officially requesting one, the governor of the ECB wondered what would happen after the current one was depleted. Cuendet could obviously not commit. His counterpart, however, reasserted Egyptian demand for financial provisions when placing orders. When reporting this conversation to Bern in early July 1981, Cuendet noticed that the Egyptian authorities were eager to have close relations with big industrial countries and smaller ones. Not only was Switzerland able to substitute orders from the bigger powers, it also had the “advantage of perfect political innocuousness.”<sup>203</sup>

---

<sup>199</sup> Note, Service for Development Policy, FOFEA, “Credit Mixte “Egypte””, non-dated, SFA, E2001E-01#1991/17#6291\*, C.41.152.0.

<sup>200</sup> *Ibid.*

<sup>201</sup> See the brief descriptive file on the company in: Archives de la Ville de Genève, “Société Anonyme des Ateliers de Sécheron”, p. 3, [http://w3public.ville-ge.ch/seg/xmlarchives.nsf/Attachments/SA\\_des\\_ateliers\\_de\\_Secheron\\_seriefameset.htm/\\$file/SA\\_des\\_ateliers\\_de\\_Secheron\\_serie.pdf](http://w3public.ville-ge.ch/seg/xmlarchives.nsf/Attachments/SA_des_ateliers_de_Secheron_seriefameset.htm/$file/SA_des_ateliers_de_Secheron_serie.pdf) (consulted on 12.01.2019).

<sup>202</sup> Note, Service for Development Policy, FOFEA, “Credit Mixte “Egypte””, non-dated, SFA, E2001E-01#1991/17#6291\*, C.41.152.0.

<sup>203</sup> Confidential letter from Cuendet to the FOFEA, 03.07.1981, SFA, E7115A#1991/189#1178\*, 861.5.

### *An Increasingly Worrisome Private Financial Involvement*

A new mixed credit was being contemplated in both Switzerland and Egypt. Although significant, it was not the only vehicle for increased Swiss penetration of the Egyptian market. In early 1981, BBC highlighted Swiss competitiveness of export financing at commercial conditions. Mid-term interest rates for suppliers' credits from France and Britain were around 7.75 percent, while in Switzerland they were between 6.5 percent and 7.5 percent, BBC noted.<sup>204</sup> As seen above, Swiss exports to Egypt were consistently growing; by 1981, they had reached a new record of almost CHF 370 million.<sup>205</sup> The Swiss financial market, with its low interest rates, clearly supported Swiss export industries' foreign endeavors.

Growing financial engagement in Egypt was well received as a sign of growing Swiss exports – but it also began worrying the Swiss authorities. Already in August 1979, Moser had informed the Swiss embassy in Cairo that the high public coverage of credits to Egypt via the ERG required a close monitoring of its financial situation.<sup>206</sup> By June 1981, the ERG coverage had increased over twelvefold since 1975, valuing at almost one billion Swiss francs. Another CHF 1.5 billion of principled requests were pending. This troubled the commission in charge of authorizing guarantees and they requested a comprehensive report from the Swiss embassy in Cairo on Egypt's financial situation.<sup>207</sup>

Cuendet, in a first answer, argued that despite a growing trade deficit, Egyptian revenues stemming largely from its services account were sufficient to cover the population's basic needs and service its foreign debt. Domestic demand and import dependence were, however, likely to remain high – due to demographic growth, demanding domestic consumption and industrial development ambitions. The Egyptian state budget's heavy orientation towards consumption, i.e., wages of public employees and subsidies, restrained the state's ability to independently finance industrial development. Despite attempts to promote domestic savings, Egyptian dependency on foreign financial support persisted, as private capital holders in Egypt remained cautious on investment. Cuendet took the growing Swiss guarantees for credits to Egypt as an indication of how the mixed credit had stimulated Swiss export industry "efforts to exploit the rich possibilities of the Egyptian market."<sup>208</sup> Consequently, he advised against lowering ERG coverage for Egypt credits, which was being considered in Bern.<sup>209</sup>

In a second letter to Bern, Cuendet further developed his thoughts. He insisted that Swiss financial engagement in Egypt "allows us to improve our industry's access to

---

<sup>204</sup> See the note: „Die wichtigsten Finanzierungsmöglichkeiten führender Industrieländer für Aegypten“, attached to a letter from BBC to von Tschärner, 13.01.1981, SFA, E7115A#1991/189#1178\*, 861.5.

<sup>205</sup> Cf. Kammerer, et al., "L.25. Ausfuhrwerte nach Verbrauchsländern 1920-1992 (in Millionen Franken): Asien" in *Historical Statistics of Switzerland Online*, <http://www.hssso.ch>.

<sup>206</sup> Telegram from Moser to the Swiss embassy, Cairo, 06.08.1979, E7115A#1990/60#1334\*, 861.1.

<sup>207</sup> This request was transmitted in a letter from Gerber to Cuendet, 09.06.1981, SFA, E7115A#1991/189#1180\*, 861.1.

<sup>208</sup> Cf. the letter from Cuendet to Gerber, 23.06.1981, SFA, E7115A#1991/189#1173\*, 812.

<sup>209</sup> *Ibid.*

difficult and perhaps uncertain markets, but it must of course be part of a strategy that allows this industry to continue its activity for decades to come.”<sup>210</sup> This implied sustaining long-term development efforts which would in turn maintain it as a sustainable market for Swiss exports. “Ultimately, it is less important to ask whether Egypt (or any other debtor) will be able to pay in two, three or five years, than to keep in mind that we must ensure that it remains an attractive partner for our economy,” the ambassador continued.<sup>211</sup> Here again, the conflation of economic development with commercial opportunities for Swiss corporations is striking. Cuendet did not measure the rational deployment of Egyptian financial resources, domestic or foreign, against the social effects it might have within the country, but against its maintenance as a “significant partner in the world economy.”<sup>212</sup> The Swiss ambassador therefore did not solely justify regular Swiss engagement on the basis of short- to mid-term Egyptian ability to service its debt, nor on the immediate effect this support had for Swiss exports. He drew out a long-term view propping up the Egyptian economy, maintaining it in the global market and supporting the longer-term efforts Swiss business deployed in Egypt.

Swiss firms were also determined to maintain efforts in the Egyptian market. After the bilateral consultations of January 1981, Swiss business associations followed up these efforts. The OSEC prepared a journey to Egypt, scheduled for October/November 1981. This visit primarily targeted Swiss companies that had not yet established themselves in the Egyptian market.<sup>213</sup> The VSM, however, could boast of the considerable efforts they had deployed in the Egyptian market. Sulzer successfully lobbied this business association to invite the Egyptian Minister for Industry and Mining, Mohammed Taha Zaki.<sup>214</sup> The company aimed to create favorable conditions that would allow them to receive an order from the General Organization for Industrialization (GOFI) for textile machinery valuing at CHF 80 million.<sup>215</sup> This became all the more urgent as Sulzer’s lower price quotations for private sector Egyptian companies infuriated Minister Taha Zaki. He feared that his ministry and the GOFI might be subjected to corruption accusations, given the surcharge his organization would be paying. The Sulzer representatives who traveled to Cairo had to admit that there was no objective reason for the price difference and that an error had occurred. They would submit a new offer,<sup>216</sup> which ultimately led them to defend the order.<sup>217</sup>

---

<sup>210</sup> Letter from Cuendet to Gerber, 26.06.1981, SFA, E7115A#1991/189#1173\*, 812.

<sup>211</sup> *Ibid.*

<sup>212</sup> *Ibid.*

<sup>213</sup> OSEC-member companies were informed of the opportunity for such a journey in a letter from S. Andersen, Head of division, and N. Rommel, Delegate, OSEC, to its members, 02.06.1981, SFA, E7115A#1991/189#1185\*, 870.

<sup>214</sup> Letter from Martin Erb, Director, and Spühler, Secretary, VSM, to Mohammed Tahazaki, Egyptian Minister for Industry and Mining, 03.07.1981, SFA, E7115A#1991/189#1190\*, 877.3.

<sup>215</sup> Note from Gerber to Eric Roethlisberger, Delegate of the Federal Council for Commercial Treaties, “Besuch des ägyptischen Industrieministers Taha Zaki in der Schweiz”, 28.10.1981, SFA, E7115A#1991/189#1190\*, 877.3.

<sup>216</sup> Telegram from Vogt to the FOFEA, 07.08.1981, SFA, E7115A#1991/189#1185\*, 870.

<sup>217</sup> See the letter from Sulzer’s local representative, R. Gammal, to Gerber, 01.09.1981, SFA E7115A#1991/189#1187\*, 872.1.

The lower price quotations in Sulzer's offers to private companies had promotional purposes. This likely was not an isolated practice. The textile machinery company Rüti had also done this. This 'error' by Sulzer was a problem other Swiss companies doing business with the Egyptian private sector also risked. The Swiss embassy proposed that Swiss companies that might get into such situations indicate uniform prices on the *pro forma* invoice, while conceding discounts by "alternative means."<sup>218</sup> Doing business in Egypt therefore remained sensitive and direct contacts were important for concluding and defending contracts. While the invitation for the Egyptian Minister Taha Zaki was still standing for October 1981, Sadat's assassination and the ensuing national mourning forced a delay in his visit<sup>219</sup> and in the OSEC prospect journey to Cairo.<sup>220</sup>

### ***Swiss Arms Companies Explore Possible Military Exports***

The peace treaty not only increased inconspicuous sectors' business interest, Swiss armament companies also became interested in the Egyptian market. In May 1981, the Swiss-based, Italian-owned *Banca del Gottardo*, heading a consortium, submitted a request for the authorization of a CHF 600 million credit to the Egyptian Ministry of Finance. This bank was part of an opaque holding company that included considerable interests by the Vatican Bank and laundered money for wealthy Italian clients.<sup>221</sup> The credit itself was also dubious. It was intended to fund 80 percent of an Egyptian government arms purchase from *Contraves Italiana S.p.A.*, the Italian subsidiary of *Oerlikon-Bührle*, a Swiss armament company.<sup>222</sup>

Dieter Bührle, President of Oerlikon-Bührle, was anxious to receive the authorization. A week after the bank submitted the request, he visited Secretary of State Raymond Probst to underscore the importance this order would have for his company. Given that his firm could not export arms directly from Switzerland to Egypt, they would produce the 35 mm anti-aircraft guns in Italy. Unlike Probst, Bührle was not personally acquainted with Jean Zwahlen from the FDFA, who was in charge of the political evaluation of this capital export. This banker-turned-diplomat, who would later become General Director of the SNB, was a decidedly influential Swiss foreign economic policy official. He headed the FDFA's Economic and Financial Service – so he was an important administrator to convince. Dieter Bührle therefore asked Probst to lobby Zwahlen on his behalf. According to the Secretary of State, Bührle "drew particular

---

<sup>218</sup> This was outlined in a confidential letter from Vogt to the FOFEA, 31.08.1981, SFA, E7115A#1991/189#1187\*, 872.1.

<sup>219</sup> Note from Gerber to Eric Roethlisberger, Delegate of the Federal Council for Commercial Treaties, "Besuch des ägyptischen Industrieministers Taha Zaki in der Schweiz", 28.10.1981, SFA, E7115A#1991/189#1190\*, 877.3.

<sup>220</sup> For the OSEC visit, see the telegram from Cuendet to the FOFEA, 07.10.1981, SFA, E7115A#1991/189#1185\*, 870.

<sup>221</sup> See the press article: "Neue italienische Kapitalfluchtaffäre", *NZZ*, 16.12.1981.

<sup>222</sup> Letter from Banca del Gottardo to R. Kästli, SNB, 05.05.1981, SFA, E2001E-01#1991/17#6291\*, C.41.152.0.

attention to how important it would be for the Bührle Group to win this contract, which now only depends on financing, especially in these difficult times.”<sup>223</sup>

This arms deal by a Swiss company via its subsidiary was certainly highly sensitive. As seen, Oerlikon-Bührle had already violated Swiss arms export law in the late 1960s. It seems as if it was now circumventing the Swiss arms exports embargo against Egypt by simply assembling the weaponry system in one of its foreign subsidiaries. While this was not illegal *per se*, it undermined the authority of Swiss restrictions – especially since it raised capital in Switzerland for this deal. The Swiss government did not have any legal means to ban the order. The only way it could thwart it was by refusing to authorize the capital export. While internal discussions on this credit remain unclear, these existing personal connections were vital to obtain the Swiss government’s authorization for this capital export.<sup>224</sup>

Parallel to this potential deal, in late May 1981, the company Swiss *Wild Heerbrugg* submitted an exploratory request for exporting arms to Egypt for some CHF 6.8 million. The Deputy Director of the Political Division I of the FDFA, Edouard Brunner, was unsure which position to take. While Egypt had formally concluded a peace agreement with Israel and was therefore no longer in a state of war, the larger Middle East was still a region of international tension where conflicts could flare up suddenly, Brunner warned.<sup>225</sup> To help reach an informed decision on Egypt’s eligibility for purchasing Swiss arms, the federal authorities undertook a survey in a series of European capitals and in the US to learn about those countries’ the practices.<sup>226</sup>

Ambassador Cuendet assessed whether the political situation on the ground might justify a change in attitude regarding arms exports. A series of problems in the region were still hanging in suspense, notably the issue of Palestine. Yet legally, Egypt was in a state of peace and the intra-Arab conflict had not substantially increased regional tensions. If objections could be made to arms exports to Egypt, the ambassador wrote, they lay less in its political and military position, but rather the precedent it might set for other countries – particularly Israel.<sup>227</sup> A note, summing up the answers received from the Swiss embassies in various Western states, showed that only West Germany was still refusing authorizations for arms exports to Egypt. But even there, discussions to reverse that were on their way.<sup>228</sup>

---

<sup>223</sup> See the confidential note from Probst to Zwahlen, 12.05.1981, SFA, E2001E-01#1991/17#6291\*, C.41.152.0.

<sup>224</sup> See the letter from Willi Ritschard, Federal Council, in Charge of the Federal Department of Finance, to the SNB, 26.05.1981, SFA, E2001E-01#1991/17#6291\*, C.41.152.0.

<sup>225</sup> Note from Edouard Brunner, Deputy Director, Political Division I, FDFA to Godet, Office for the control of armament trade, FMD, 27.05.1981, SFA, E2001E-01#1991/17#6274\*, B.51.14.21.20.Eg.

<sup>226</sup> Brunner sent a telegram to the Swiss embassies in France, the FRG, Belgium, Great Britain, Austria, Italy, the Netherlands and the US, 05.06.1981, SFA, E2001E-01#1991/17#6274\*, B.51.14.21.20.Eg.

<sup>227</sup> Cf. the confidential letter from Cuendet to Brunner, 22.06.1981, SFA, E2001E-01#1991/17#6274\*, B.51.14.21.20.Eg.

<sup>228</sup> The answers from the Swiss embassies were summed up in a note by Gabriela Nützi, diplomatic intern, FDFA, „Gesuch der Firma Wild AG Heerbrugg für eine Waffenexportbewilligung nach Aegypten“ 06.07.1981, SFA, E2001E-01#1991/17#6274\*, B.51.14.21.20.Eg.

While for this specific request, no answer has been found in the consulted archives, there were other requests for arms exports to Egypt. One was by the firm *Georg Fischer* and one by *Contraves*; both received a negative preliminary assessment,<sup>229</sup> making an ultimate refusal very probable. Three considerations likely conditioned this refusal: that Egypt was still in a tension zone, that it could create a precedent for other countries in the region, and that it was doubtful whether it was justified to provoke a domestic political stir over a deal for a relatively low value.<sup>230</sup> This last consideration was a consequence of the sizeable public stir caused by the authorization of the CHF 600 million credit to Egypt for arms purchases, reflected in numerous press articles. Given that the air defense installations were, supposedly, to be installed on the border with Libya,<sup>231</sup> the Libyan Chargé d'affaires in Bern called the FDFA and raised his government's concern with this deal. His Swiss interlocutor explained that his objection was not in his control, but in the control of the involved banks.<sup>232</sup> The Swiss legal basis to authorize large capital exports was rather narrow. As noted in a letter from the Economic and Financial Service of the FDFA to Cuendet, such requests could only be refused if they threatened Swiss monetary stability or if national economic interests justified it. Here, so it seems, the interest of securing business to the Swiss banks justified the authorization by the federal authorities.<sup>233</sup> Despite the criticism this decision received, and as the negotiations of the actual order had not yet been completed, the authorities prolonged their capital export authorization for another six months in December 1981.<sup>234</sup>

In this period, Swiss economic presence in Egypt was largely influenced by the mixed credit. While it did not function to the satisfaction of the Swiss authorities, the credit did have a significant impact. That effect was not equally distributed, as Swiss beneficiary companies were heavily concentrated in a few large Swiss firms. Furthermore, the initial decision to use public funding in market promotion in Egypt made a renewed credit line increasingly likely, in order to sustain these efforts. This did not respond to attempts to maintain Egyptian economic stability or to efforts to support normalizing its relations with Israel. It responded primarily to the interests of promoting Swiss sales on the Egyptian market. While Swiss financial markets were attractive for exporter credits, which in turn sustained export efforts, they also met limitations amidst heavy Western competition.

---

<sup>229</sup> See the letter from Hans-Ulrich Ernst, Director at the FMD to Contraves, 21.10.1981, and the letter from Godet to Georg Fischer, 09.11.1981, SFA, E2001E-01#1991/17#6274\*, B.51.14.21.20.Eg.

<sup>230</sup> These considerations were summed up in the note by Nützi, „Gesuch der Firma Wild AG Heerbrugg für eine Waffenexportbewilligung nach Aegypten“ 06.07.1981, SFA, E2001E-01#1991/17#6274\*, B.51.14.21.20.Eg.

<sup>231</sup> For criticism in the press, see for instance: „Legal aber politisch umstritten“ in *Berner Zeitung*, 23.06.1981, SFA, E2001E-01#1991/17#6274\*, B.51.14.21.20.Eg.

<sup>232</sup> Cf. the note by Sege Salvi, Adjoint at the Political Division II, „Visite de M. Abdelamalek, chargé d'affaires, Libyan embassy, Bern, 20.07.1981, SFA, E2001E-01#1991/17#6274\*, B.51.14.21.20.Eg.

<sup>233</sup> This the reason given for the authorities' quick response, without consulting the Swiss embassy in Cairo, see the letter from the Economic and Financial Service, FDFA, to Cuendet, 10.07.1981, SFA, E2001E-01#1991/17#6291\*, C.41.152.0.

<sup>234</sup> Cf. the letter from Ritschard to the SNB, 15.12.1981, SFA, E2001E-01#1991/17#6291\*, C.41.152.0.

#### 6.4 Fire or Smokescreen? Syria's Exclusion from Swiss Economic Diplomacy.

After the Egyptian-Israeli peace agreement, Syria remained in a state of war. Assad, frustrated from the setback this separate peace meant for a wider settlement, abandoned hopes for a diplomatic solution to the conflict.<sup>235</sup> Syrian efforts focused on obstructing other partial treaties with Israel and on continuously building up the Syrian army in what has been called Assad's "tactical rejectionism."<sup>236</sup> For this policy, Syria relied on substantial increases in Arab financial aid.<sup>237</sup> It also renewed its relations with the USSR, namely for arms supply. This culminated in the signing of a Friendship and Cooperation Treaty in October 1980s.<sup>238</sup> Overall, the Syrian position in the Middle East would substantially change in this period, becoming increasingly isolated after the outbreak of the Iran-Iraq war in September 1980.<sup>239</sup>

The belligerent Syrian position did not pose an impediment for Swiss efforts *per se*. On the contrary, and seemingly paradoxically, it provided a reason to potentially increase them. As seen, despite the Swiss ambassador to Syria insisting on its importance for developing Swiss exports, Syria had been excluded from obtaining a Swiss mixed credit in 1978. Beaujon and Swiss companies interested in Syria again focused on lobbying the federal authorities for such a credit. Beaujon proved to be a savvy diplomat and did not place his hopes solely on a mixed credit. He proposed a series of other, rather dubious, means to expand Swiss exports to Syria. This subchapter will explore the initiative deployed by the Swiss embassy in Damascus and Swiss business to promote the standing of the export industry in Syria between autumn 1978 and 1981. As will be seen, the Swiss focused on Syrian domestic conditions when assessing the opportunity for stronger commitment. The regional politics of the Egyptian-Israeli peace process had an indirect and weaker influence.<sup>240</sup>

#### *Too Transparent a Smokescreen to Advance Swiss Economic Interests*

Shortly after the federal authorities had excluded a mixed credit to Syria, the Swiss ambassador in Damascus, a set of interested Swiss companies, and the Syrian authorities started lobbying for it again. In autumn 1978, Beaujon considered the appreciating Swiss franc as the main obstacle for deepening Swiss exports to Syria. The ambassador insisted that this handicap could at least partially be compensated by a mixed credit. This was all the more significant, as the Swiss machinery and equipment

---

<sup>235</sup> Moshe Ma'oz, 'From Conflict to Peace? Israel's Relations with Syria and the Palestinians', *Middle East Journal*, 53.3 (1999), 393-416.

<sup>236</sup> This term was coined by: Hinnebusch, *Syria: Revolution from Above ...*, p. 150.

<sup>237</sup> This aid more than tripled after the Egyptian-Israeli peace treaty, see: Perthes, 'Kriegsdividende und Friedensrisiken ...', *ibid*, p. 261.

<sup>238</sup> On this rapprochement, see: Efraim Karsh, *Soviet Policy towards Syria since 1970* (London: Palgrave Macmillan, 1991), p. 117-126.

<sup>239</sup> On the effects of the Egyptian-Israeli peace treaty in Syria, see: David W. Lesch, *Syria: A Modern History* (Cambridge: Polity, 2019), p. 117-122.

<sup>240</sup> This largely matches the view that the peace process had lower economic and strategic importance for Syria under Assad, hence the prioritization of domestic policies, cf: Avraham Sela, *The Decline of the Arab-Israeli Conflict: Middle East Politics and the Quest for Regional Order* (Albany: SUNY Press, 1998), p. 154.

company Bühler was negotiating an extension of their large silos project in Syria.<sup>241</sup> The same applied to the electrical machinery industry, where the engineering companies Electro-Watt and Motor-Colombus were negotiating with the Ministry of Electricity on viability studies for nuclear power plants. Ahmad Omar Youssef, the Syrian Minister of Electricity, himself insisted that a mixed credit would increase the likelihood of the Swiss companies winning this tender.<sup>242</sup> Unsurprisingly, these three companies and the telegraph supplier *Hasler AG*, on their own initiative, contacted the FOFEA lobbying for a mixed credit. The FOFEA put them off for next year, when Swiss parliament would allocate a new framework credit for development aid.<sup>243</sup>

While the mixed credit seemed granted to a set of Swiss companies and the ambassador in Syria, as a sort of cure-all for sustaining Swiss business in Syria, they also explored other paths. In early October 1978, Minister Youssef had proposed examining possible forms of technical cooperation between his ministry and the Swiss electric industry. This could take the form of deploying Swiss planning experts for power plants, electric lines, etc. Beaujon strongly supported such an expert delegation to Syria and highlighted that it could be “direct grist to [the] mill” of the Swiss industry.<sup>244</sup> This idea was well received and prompted the VSM to launch a concentrated effort in promoting Swiss trade with Syria in January 1979, as will be seen shortly.

Beaujon, drawing a balance sheet after his first year in Syria in mid-December 1978, did indeed consider technical expertise missions as a promising means to develop the Syrian market for Swiss exporters. In this letter to the FOFEA and the Division for Technical Cooperation, Beaujon was surprisingly blunt. He painted a scenario of deploying small Swiss expert delegations to Syria under the “smokescreen” of technical and scientific cooperation, which would have to be provided *pro bono*, be it under public or private Swiss backing.<sup>245</sup> The actual scheme, “(for us internally)” as Beaujon reminded his colleagues, was to “concoct delivery possibilities.”<sup>246</sup> He summed up: “Under the motto ‘technical and scientific cooperation’, we would cultivate the field for future services and deliveries of capital goods. In order to create a favorable climate, we should provide free preliminary services (expertise), as if it were a morning gift, [funded] either by the interested firms or the Division for Technical Cooperation.”<sup>247</sup> The possibility for such attempts was presenting itself in Syrian ambitions to exploit its mineral resources. According to the Director of the Syrian General Establishment of Geology and Mineral Resources, Syrian authorities were very interested in cooperating with Switzerland in this field. Swiss cartographers and engineers could provide valuable know-how. This stemmed from Syria’s desire to

---

<sup>241</sup> Letter from Beaujon to the FOFEA, 03.10.1978, SFA, E7110#1989/32#2590\*, 861.5.

<sup>242</sup> The Syrian minister’s insistence was transmitted in a letter from Beaujon to the FOFEA, 05.10.1978, SFA, E7110#1989/32#2590\*, 861.5.

<sup>243</sup> Cf. the letter from Bettschart to Beaujon 07.11.1978, SFA, E7110#1989/32#2590\*, 861.5.

<sup>244</sup> See the letter from Beaujon to the FOFEA, 09.10.1978, SFA, E7110#1989/32#2593\*, 870.

<sup>245</sup> Letter from Beaujon to the FOFEA, 16.12.1978, SFA, E7110#1989/32#2596\*, 873.5.

<sup>246</sup> *Ibid.*

<sup>247</sup> *Ibid.*

“diversify their relations” and here, Beaujon added, the Swiss could capitalize on the “advantage of our neutrality.”<sup>248</sup>

Swiss business also started pursuing similar tactics. The electricity industry saw possibilities opening in Syria and the VSM was receptive to increase efforts. In a letter to the FOFEA in January 1979, secretaries of the VSM indicated that, “in the wake of the events in Iran, other markets that still offer sales opportunities, as long as favorable financing conditions are granted, are gaining in importance. As a result of certain company announcements, a focus on Syria seems to be emerging.”<sup>249</sup> The companies Bühler, Hasler and BBC all eyeballed big orders from Syria, pursuing them if their offers could be accompanied by favorable financial conditions. Credit requirements for these projects already amounted to CHF 330 million. For the VSM, these examples indicated the considerable opportunities offered by the Syrian market, under the conditions of competitive submissions and favorable credit terms.<sup>250</sup> To underscore their efforts and the merit their mixed credit request might have, the VSM, in a second letter, expressed the willingness of certain Swiss companies, namely BBC and Sprecher+Schuh, to offer courses for Syrian experts in their facilities. These companies were also willing to participate in a delegation to Syria and explore potential demand in equipment as well as expertise.<sup>251</sup>

Beaujon supplemented these private efforts. In a mid-January letter to the FOFEA, he insisted that domestically, “the situation is stable. The behavior of the population is strictly controlled by the army; Syria, however, is not an inhuman dictatorship; control is not extremely oppressive [sic].” Syria could be neither counted as part of the radical, nor the moderate Arab states, despite the apprehensions Beaujon raised shortly after the Egyptian-Israeli peace agreement. While not wealthy, he did present Syria as a reliable debtor. It was not exclusively dependent on one sector but had diversified resources. Over the course of the sanctions announced against Egypt, decided at the Baghdad Conference of November 1978, increased wealthy Arab state financial assistance to Syria had been promised. In terms of opportunities for the Swiss, Beaujon again underscored a strategy combining preferential credit, exploratory missions and free expertise.<sup>252</sup> So Syria was becoming an interesting market for the Swiss exports industry in the midst of the two major political earthquakes in the Middle East of the late 1970s. The Iranian revolution prompted market diversification, and Egypt’s peace drive with Israel led to a reallocation of Arab oil revenue to Syria.

Just a day after Beaujon wrote this letter to Bern, Syria was ranked as a third-rate priority for obtaining mixed credit – “likely in view of the political tensions in the

---

<sup>248</sup> *Ibid.*

<sup>249</sup> Letter from Martin Erb, Director and Albert Sommer, Secretary of the VSM, to the FOFEA, 08.01.1979, SFA, E7115A#1990/60#2614, 861.5\*.

<sup>250</sup> *Ibid.*

<sup>251</sup> Letter from Erb and Sommer, to the FOFEA, 08.01.1979, SFA, E7115A#1990/60#2624\*, 873.5.

<sup>252</sup> Letter from Beaujon to the FOFEA, 15.01.1979, SFA, E7115A#1990/60#2608\*, 811.

Middle East,” specified Max Jaeger, head of section at the FOFEA.<sup>253</sup> While this was not yet a definitive rejection and discussions on granting Syria a mixed credit would continue, it did lead to a suspension of other efforts; most notably, the planned VSM delegation to Syria.<sup>254</sup> Beaujon, unaware of this negative *préavis*, highlighted the great potential for Swiss business in Syria in his reporting on a meeting with the Syrian Minister for Planning, Georges Hauranyie. According to his interlocutor, Assad had personally instructed his ministers to deepen technical and scientific cooperation with a select set of countries. Besides France, West Germany and the US, the Netherlands and Switzerland were on this list. Beaujon interpreted this instruction as an expression of Syrian attempts to diversify its relations with more Western countries. Assad’s instruction to include Switzerland among these countries was, according to the Swiss ambassador, “surely” rooted in his “esteem for our neutrality [and] in the personal affection that the President had for our country (official visit 1977).”<sup>255</sup> As a result of the discussion with the Syrian Minister, Beaujon proposed to the Direction of Development Cooperation and Humanitarian Aid of the FPD to seriously evaluate not only a mixed credit and Swiss experts to Syria, but also academic cooperation and development projects. Syria was a non-aligned state following a “reasonable policy,” thereby making it politically sound to grant it aid.<sup>256</sup> In another telling comment, Beaujon described the categorical separation between development aid and economic interest as “utter nonsense.”<sup>257</sup> Unsurprisingly, this did not go over well in Bern. Rolf Wilhelm, vice-Director of the Division for Development Cooperation and Humanitarian Aid, rejected the requested aid. He nonetheless showed understanding for Beaujon’s effort to support Assad’s westward turn.<sup>258</sup> While the Swiss ambassador accepted this refusal, he did not leave it unchallenged. He laid out what he had considered: the official “technical cooperation creates a certain development basis, it paves the way. The industry then picks up the thread and supplements it with the paid goods or services; the delivery would in return be financed by the banking system or the mixed credit.”<sup>259</sup> What sounds an awful lot like a commercial promotion strategy in Egypt did not have an echo when proposed for Syria.

After Beaujon learned about Syria’s low priority for receiving a mixed credit, he sent a personal letter to Bettschart in late January 1979. He had markedly moderated his tone, focusing more on arguments better linking development aid to such a credit. He described Syrian development and financial policy as reasonable and realistic. Although Syria did not belong to the wealthy oil states, it was not poor – and market

---

<sup>253</sup> African countries were given priority at this point, see the note from Jaeger to Jean-Pierre Béguin, staffer at the Division for Development Policy, FOFEA, 16.01.1979, SFA, E7115A#1990/60#2614, 861.5\*.

<sup>254</sup> Cf. the note by Heuberger, 02.02.1979, SFA, E7115A#1990/60#2624\*, 873.5.

<sup>255</sup> The Syrian minister’s remarks and the Swiss ambassador’s comments can be found in a letter from Beaujon to the Division for Development Cooperation and Humanitarian Aid of the FPD, 19.01.1979, SFA, E2001E-01#1991/17#12378\*, C.41.Syrie.111.0.

<sup>256</sup> *Ibid.*

<sup>257</sup> *Ibid.*

<sup>258</sup> Letter from Rolf Wilhelm, vice-Director of the Division for Technical Cooperation, FPD, to Beaujon, 08.02.1979, SFA, E2001E-01#1991/17#12378\*, C.41.Syrie.111.0.

<sup>259</sup> Letter from Beaujon to the Division for Technical Cooperation, FPD, 05.03.1979, SFA, , E2001E-01#1991/17#12378\*, C.41.Syrie.111.0.

saturation was still far from being reached. Furthermore, Syrian development policy was not starting from scratch; while there was a relative economic stagnation, there was hope for a revival. Beaujon also stressed Syria's key political position in the region, as it actively sought out engagement with the Western world. This had to be seen an opportunity for the Swiss economy, Beaujon argued. In the triangular formula of quality, price and credit, the credit was the bridge to the likelihood of successful bids. He insisted on obvious interest from Swiss business to expand presence in Syria. Without a preferential credit, "export promotion to Syria has little prospect," he warned. It was "incomprehensible" to Beaujon that Syria did not enjoy a higher priority in the mixed credit program.<sup>260</sup> Beaujon warned that if "a mixed credit is not granted, our industry would suffer serious disadvantages, of which I explicitly warn. In the absence of a loan, the efforts of the Embassy would be largely doomed to failure and would therefore make little sense."<sup>261</sup>

This pleading letter from the Damascus embassy did not have its intended effect; granting Syria a mixed credit was "out of the question" for Bettschart.<sup>262</sup> Beaujon, unwilling to resign himself quite yet, activated his second channel to Bern: the FDFA. In late February 1979, he forwarded a copy of his personal letter to Bettschart both to Rüegg of the Political Division II and to Zwahlen of Financial and Economic Service of the FDFA, requesting support from their side.<sup>263</sup> Rüegg immediately intervened with the FOFEA, albeit unsuccessfully as opinions there already seemed to have been made.<sup>264</sup> The head of the Bühler company, René Bühler, also undertook a last attempt to secure a mixed credit by addressing a letter to the head of the FOFEA, Jolles.<sup>265</sup> The latter regretfully confirmed the decision without specifying the underlying reasons.<sup>266</sup>

Three considerations justified the FOFEA's negative decision; among which figured development policy issues. First, Syrian per capita income was close to the upper limit of eligibility for a development aid credit. Second, the weight of military spending in the overall budget (60 percent) did not help make the case for an official Swiss credit. And finally, political considerations also played their role. Syria's "adventures in Lebanon" weighed heavily, as did the fact that Swiss public opinion would "surely not understand" a Swiss credit to Syria and would surely lead to criticism.<sup>267</sup>

As definitive as these repeated rejections of a mixed credit to Syria might have seemed, the conclusion of the Egyptian-Israeli peace agreement changed the regional balance

---

<sup>260</sup> See the copy of a handwritten letter from Beaujon to Bettschart, late January 1979, SFA, E2001E-01#1991/17#12384\*, C.41.Syrie.152.0.

<sup>261</sup> *Ibid.*

<sup>262</sup> See the note from Bettschart to Hofer, 06.02.1979, SFA, E7115A#1990/60#2614, 861.5\*.

<sup>263</sup> Cf. the letter from Beaujon to Rüegg, 20.02.1979 and the letter from Beaujon to Zwahlen, 20.02.1979, both in SFA, E2001E-01#1991/17#12384\*, C.41.Syrie.152.0.

<sup>264</sup> Reported in a letter from Rüegg to Beaujon, 27.02.1979, SFA, E2001E-01#1991/17#12384\*, C.41.Syrie.152.0.

<sup>265</sup> Letter from René Bühler, President of Bühler Co., to Jolles, 28.02.1979, SFA, E7115A#1990/60#2614, 861.5\*

<sup>266</sup> Letter from Jolles to Bühler, 26.03.1979, SFA, E7115A#1990/60#2614, 861.5\*.

<sup>267</sup> These reasons were compiled in the note from Eric Pfister, collaborator at the Financial and Economic Service, FDFA, to Zwahlen, 23.03.1979, SFA, E2001E-01#1991/17#12384\*, C.41.Syrie.152.0.

and opened the issue again. In a note to the FOFEA written only two days after the conclusion of the peace treaty, the head of the Economic and Financial Service of the FDFA, Jean Zwahlen, pleaded for a reconsideration of the entire problem. He had “no doubts” that the West and Switzerland had “all interest” in providing Syria with support and so it would not fall into a confrontational position with Israel again. Otherwise, the senior Swiss official specified that Syria could return to relying on the Soviet Union. The very least, Zwahlen proposed, would be to offer Syria a publicly sanctioned and guaranteed transfer credit.<sup>268</sup>

Just as the FDFA took up the matter, Beaujon seemed to have given up. He had received clear instructions from Jacobi not to raise the issue anymore, as the FOFEA was overwhelmed by requests from Swiss companies in search of possibilities to finance potential exports.<sup>269</sup> In a letter to the FOFEA from April 1979, he noted that as neither a mixed credit, nor the aforementioned technical cooperation could be envisaged; the two main pillars for his export promotion strategy failed to be considered. This led him to question the usefulness of the Swiss company delegation he had eagerly promoted in January. Swiss business’ interest in Syria had, according to the ambassador, anyway slackened in recent months. He proscribed this “wait-and-see attitude” to the successive steps of the Egyptian-Israeli rapprochement.<sup>270</sup> He recommended adjourning any Swiss visit until the storm caused by the Egyptian-Israeli peace treaty abated.<sup>271</sup> The difference in Beaujon’s evaluation of business interest in Syria and the numerous requests the FOFEA received, indicate that mixed credit was indeed a powerful means to raise Swiss companies’ interest foreign markets.

In the meantime, the most senior Swiss foreign policy officials, Albert Weitnauer and Paul Jolles, drew very different conclusions than Beaujon on the peace treaty’s effect on the prospect of a mixed credit for Syria. By early May, they both actually favored it.<sup>272</sup> Klaus Jacobi, in a telegram from Manila, explained their considerations. The FDFA supported granting Syria a mixed credit as this could maintain a certain balance in Swiss foreign policy in the Middle East. Given that Egypt had received a mixed credit, it seemed wise that the FDFA also grant one to Syria. Jacobi, however, heavily opposed including foreign policy aspects in the formula. This not only for principled but procedural reasons, given that the mixed credit to Egypt had been granted before the new fault lines in the Middle East conflict.<sup>273</sup> As Syria was not granted a mixed credit and no more traces of related discussions were found in the consulted archives, this last attempt did not convince the crucial decision-makers. But that the idea was picked up again by senior Swiss officials does point to the regional uncertainty the inner-Arab conflict had brought to the forefront. Syria, at least potentially, could have

---

<sup>268</sup> Note from Zwahlen to the FOFEA, 28.03.1979, SFA, E2001E-01#1991/17#12384\*, C.41.Syrie.152.0.

<sup>269</sup> Cf. the telegram from Jacobi to Beaujon, 16.03.1979, SFA, E7115A#1990/60#2614, 861.5\*.

<sup>270</sup> Letter from Beaujon to the FOFEA, 09.04.1979, SFA, E7115A#1990/60#2624\*, 873.5.

<sup>271</sup> *Ibid.*

<sup>272</sup> Cf. the note by Zwahlen to Jacobi, 08.05.1979, SFA, E2001E-01#1991/17#12384\*, C.41.Syrie.152.0.

<sup>273</sup> See the telegram from Jacobi, sent from the Swiss embassy in Manila, to the FOFEA, with Jolles and the FDFA in copy, 18.05.1979, SFA, E2001E-01#1991/17#12384\*, C.41.Syrie.152.0.

harnessed Swiss financial support. Yet abandoning this possibility shows that mixed credit ultimately was an economic policy tool.

### ***Swiss Interests in a Divided Arab World. Stalling Business with Syria***

Granting Syria a mixed credit was therefore definitely out of the equation and Ambassador Beaujon's rather adventurous efforts for commercial expansion had been discarded. Private efforts were the only way for Swiss companies to expand their presence in the Syrian market. Luckily, Swiss banks were now readily available to provide financing for Swiss exports to Syria. In consultations between Bettschart, from the FOFEA, and the larger Swiss banks, the banks had indicated their availability to provide a framework credit valuing some CHF 80-100 million for the funding of Syrian imports of Swiss capital goods. What mattered now was whether the ERG would guarantee such a credit and if so, at what percentage.<sup>274</sup> Indeed, the Swiss banks had a "vivid interest" in "energetically supporting the Swiss export industry" in Syria, the Swiss Bank Corporation informed Jolles.<sup>275</sup> Yet, as Jolles noted in his response in late March, the ERG commission was skeptical. The value, terms and the political risks all seemed too high to the commission.<sup>276</sup> This was, however, only a first opinion and, as noted in the Financial and Economic Service, the ERG commission had not quite yet discarded a framework credit as an alternative to a mixed credit.<sup>277</sup>

By June 1979, UBS announced its interest in providing a framework credit over CHF 50 million to the Syrian government. Referring to Swiss exporters' interest in such a credit, they visibly wanted the FOFEA to make an informed decision on official support.<sup>278</sup> This insistence from the bank reflected the substantial commercial interest of one single company: Bühler. As Bettschart said in a note to the General Secretariat of the FDEA, the Bühler company pushed for such a framework credit to finance the Syrian silo projects it was interested in. The ERG commission, however, had strong reservations for guaranteeing such a credit. First, it still considered Syria as a hot spot in the regional conflict, and second, it did not want to create a precedent for the region. Hermann Hofer, President of the ERG commission, indicated that they would consider support for a framework credit under pressure from the FOFEA. Bettschart commented that considering the "strong imbalance" caused by granting mixed credit to Egypt, a "psychological gesture" to another Arab country might be risky.<sup>279</sup>

Regional political considerations again supplemented private Swiss economic interests in Syria, although the ERG commission ultimately refused to cover a possible

---

<sup>274</sup> See the note from Bettschart to Hofer, 06.02.1979, SFA, E7115A#1990/60#2614, 861.5\*.

<sup>275</sup> Cf. the letter from A. Matter and D. Urech, Directors of the Swiss Bank Corporation to Jolles, 01.03.1979, SFA, E7115A#1990/60#2614, 861.5\*.

<sup>276</sup> Letter from Jolles to Bühler, 26.03.1979, SFA, E7115A#1990/60#2614, 861.5\*.

<sup>277</sup> See the note from Pfister to Zwahlen, 23.03.1979, SFA, E2001E-01#1991/17#12384\*, C.41.Syrie.152.0.

<sup>278</sup> Letter from B. Fischer and G. Meyer, UBS, to the FOFEA, 05.06.1979, SFA, E7115A#1990/60#2614, 861.5\*.

<sup>279</sup> Note by Bettschart to the General Secretariat of the FDEA, 13.06.1979, SFA, E7115A#1990/60#2614, 861.5\*.

framework credit to that country. Besides the precedent it would make, recent military skirmishes with Israel and domestic political tensions struck a note of caution. Hofer insisted that this did not mean that individual guarantee requests were by default doomed to rejection.<sup>280</sup> Political conditions did seem precarious, as Syrian and Israeli forces clashed in late June 1979 in a brief air battle,<sup>281</sup> and domestic Syrian opposition had become increasingly assertive, notably in the form of Islamist terror attacks.<sup>282</sup> While Ambassador Beaujon was aware of these rising tensions, he was not officially informed the ERG's decision. Only by mid-October did he request information on the reasons for the negative decision<sup>283</sup> and only after insisting again in late May 1980<sup>284</sup> did the ERG give those reasons to the FOFEA. Besides the known reasons, the ERG commission highlighted that a framework credit to Syria would have quasi-automatically provided guarantees for a set of Syrian deals. The commission wanted to maintain its authority to thoroughly examine projects on a case-by-case basis, whereas a framework credit would provide a global guarantee.<sup>285</sup>

Amidst domestic political instability and continued antagonisms with Israel, neither political rationales of balancing relations with the different factions of the Arab world, nor economic interests were substantial enough to overcome Swiss uncertainty towards Syrian stability. So, despite repeated insistence from interested Swiss firms, the ambassador in Damascus, the Syrian authorities and senior Swiss officials, business with Syria would not be promoted with preferential credits or technical aid. As seen, these had been the two main pillars of the export promotion strategy designed by Ambassador Beaujon. He resigned efforts in face of this refusal and went over to the mostly unsuccessful low-key activity of expanding trade.

Limits for possibilities in Syria also became obvious on at the firm level. One source of insecurity for Swiss companies came from their fear of being entangled in corruption. Ambassador Beaujon, ever since he had proposed his export promotion strategy, was on a slippery slope. After an influential Syrian middleman approached him looking for a Swiss firm interested in building, over the counter, a thermos-electric power plant south of Damascus, he definitely crossed ethical lines to propose illegal business. He suggested the FOFEA consult potentially interested Swiss firms, as such a significant order could "finally offer one of our companies the chance to present a monument to the Syrian government" by implementing a high-quality project. This would increase the overall standing of Swiss companies in the country.<sup>286</sup> Sulzer and BBC renounced such collaboration because they feared serious repercussions. This was not a principled

---

<sup>280</sup> These reasons were given in a letter from Hofer to Burkhard Vetsch, Swiss National Council member, 10.07.1979, SFA, E7115A#1990/60#2614, 861.5\*.

<sup>281</sup> Cf. the press article „Syrians and Israelis Clash in Air Battle“, in *The New York Times*, 28.07.1979.

<sup>282</sup> On the emergence of this considerable domestic opposition, see: Seale, *Assad of Syria* ..., p. 324-325.

<sup>283</sup> Letter from Beaujon to the FOFEA, 12.10.1979, SFA, E7115A#1990/60#2614, 861.5\*.

<sup>284</sup> Letter from Beaujon to the FOFEA, 30.05.1980, SFA, E7115A#1990/142#2750\*, 861.5.

<sup>285</sup> Letter from the ERG commission to the FOFEA, 17.06.1980, SFA, E7115A#1990/142#2750\*, 861.5.

<sup>286</sup> See the letter from Beaujon to the FOFEA, 22.03.1980, SFA, E7115A#1990/142#2758\*, 872.1.

stance, but in view of the intensified anti-corruption campaign in Syria, dangers were too large.<sup>287</sup>

Another reason for sluggish Swiss economic presence stemmed from politicized Syrian development policies, as exemplified in the experience of Ciba-Geigy. The Swiss company had entered into a license agreement with the Syrian public pharmaceutical company in 1976, which they now finally wanted to substantiate. From the autumn of 1979 onwards, Ciba-Geigy sought to participate in the process of substituting Syrian pharmaceutical imports. Similarly to Swiss Pharma in Cairo, Ciba-Geigy would supply active substances from Switzerland.<sup>288</sup> As a consequence of renewed Syrian rapprochement with the USSR, policy in this domain shifted to simply replacing Western pharmaceuticals with imports from Eastern European countries.<sup>289</sup> This largely jeopardized Ciba-Geigy's efforts and led to falling Swiss pharmaceutical exports to Syria from 1979 onwards (see Graph 26).

The most substantial rapprochement in economic relations took place in the form of a visit to Switzerland from the Syrian Minister of Electricity, Youssef. By May 1980, Beaujon brought this possibility up and highlighted how much personal contact with senior officials was vital to developing business relations.<sup>290</sup> This seemed especially important given the competition of Western and Eastern European companies, which supplemented their offers with credits or expertise.<sup>291</sup> With the visit scheduled for October 26 to November 2, 1980, Alois Heuberger from the FOFEA wrote a preparatory note on Swiss-Syrian economic relations. He noticed no clear trend in bilateral trade. Heuberger blamed political factors – chiefly, the heavy burden Syria's military engagement in Lebanon had on the country. Reflecting the fluctuating trade, ERG coverage was low, covering 75 percent of deals totaling CHF 100 million.<sup>292</sup>

Low trade figures obviously reflected an overall low interest from Swiss firms in Syria. The main firms active in Syria were the engineering companies Electro-Watt and Motor-Colombus, which still had hopes for consultancies for nuclear power plants. Landis & Gyr was negotiating a license agreement with the Syrian ministry, and BBC remained interested in providing power plants with equipment.<sup>293</sup> A report on Youssef's visit from Bettschart to Beaujon did underscore the significance of the visit, though. Youssef even labeled it a milestone in bilateral relations, as he was the first Syrian minister in charge of an economic dossier to ever visit Switzerland. For the rest, the

---

<sup>287</sup> Cf. the telegram from Heuberger to the Swiss embassy in Damascus, 14.04.1980, SFA, E7115A#1990/142#2758\*, 872.1.

<sup>288</sup> This was reported in a letter from Beaujon to the FOFEA, 20.10.1979, SFA, E2001E-01#1991/17#12378\*, C.41.Syrie.111.0.

<sup>289</sup> See the letter from Beaujon to the Swiss Society for Chemical Industry, 28.05.1980, E7115A#1990/142#2754\*, 867.0.

<sup>290</sup> Cf. letter from Beaujon to the FOFEA, 05.05.1980, SFA, E7115A#1990/142#2760\*, 877.3.

<sup>291</sup> Highlighted in a note by Beaujon "Syrien. Elektrizitätswirtschaft", 07.05.1980, SFA, E7115A#1990/142#2760\*, 877.3.

<sup>292</sup> Note bei Heuberger, "Beziehungen Schweiz – Syrien", 23.10.1980, SFA, E7115A#1990/142#2760\*, 877.3.

<sup>293</sup> The Syrian minister had meetings with these companies in addition to visiting power plants in Switzerland. See the undated program of the visit in SFA, E7115A#1990/142#2760\*, 877.3.

visit did not yield any tangible results. Unsurprisingly, Minister Youssef relegated to the price and financing issue, under reference to the numerous credits his government had received from other states.<sup>294</sup> No serious follow-up to this visit has been found in the consulted archives. Resignation spread among Swiss companies and perspectives for increasing Swiss sales in Syria were decreasing. Syria suspended preparations of a new five-year plan and decreased investment,<sup>295</sup> which from 1981 translated into increased austerity measures.<sup>296</sup> The persistence of the conflict with Israel meant a continuously high military burden on the Syrian budget.<sup>297</sup> And from 1981 onwards, Arab aid, Syria's "war dividend", was plummeting due to its support for Iran in that country's war with Iraq.<sup>298</sup> Syria's financial situation therefore made opportunities for Swiss companies to develop sales increasingly unlikely.

In sum, Swiss commercial potential was considered substantial after the two sweeping regional political events that shook 1979: the Egyptian-Israeli peace agreement and the Iranian revolution. The former redirected financial aid from Arab oil states to Damascus over the course of increasing intra-Arab antagonisms. This made Syria economically and politically interesting for the Swiss authorities and Swiss companies. The Iranian revolution supplemented increasing commercial interest, as one of the main Swiss outlets in the region had collapsed.

To gain ground for the Swiss economy, Ambassador Beaujon in Damascus and interested Swiss corporations eagerly lobbied financial credits and the provision of services free of charge to gain access to the Syrian market. Beaujon proposed leveraging Swiss neutrality, its political inconspicuousness, by putting it forward as an asset for Swiss business interests. Key decision-makers in Bern, however, ruled out any substantial public support for these possible operations. Ultimately, the regional political and economic factors that made Syria an interesting market could not compensate the precariousness induced by growing domestic political instability and continuing confrontation with Israel. Israel pushed the Syrian government again towards closer cooperation with the Soviet Union, including economically. This had an additional detrimental effect on Swiss commercial interests in the country. Ambassador Beaujon therefore finished his service in Damascus increasingly frustrated in the summer of 1981, failing to accomplish his mission to deepen bilateral economic relations.

---

<sup>294</sup> Letter from Bettschart to Beaujon, 11.11.1980, SFA, E7115A#1990/142#2760\*, 877.3

<sup>295</sup> See the reporting by Franz Bischof, Consul at the Swiss embassy, Damascus, to the FOFEA, 08.05.1981, SFA, E7115A#1991/189#2564\*, 811.

<sup>296</sup> Cf. Perthes, *The Political Economy of Syria ...*, p. 56.

<sup>297</sup> On the link between Syrian military expenditure and its economy, see: Patrick Clawson, *Unaffordable Ambitions: Syria's Military Build-Up and Economic Crisis* (Washington D.C.: The Washington Institute for Near East Policy, 1989), p. 30-33.

<sup>298</sup> Cf. Volker Perthes, 'From Front State to Backyard? Syria and the Risks of Regional Peace', in *Economic and Political Impediments To Middle East Peace: Critical Questions and Alternative Scenarios*, ed. by J.W. Wright and Laura Drake (New York: Palgrave Macmillan, 2000), p. 227-228.

## Conclusion

The impact of the Egyptian-Israel peace treaty on Swiss policy in the region was contradictory. This arose precisely from the partial solution the agreement was. Regional antagonisms did not disappear but were heightened in some respects. It did perhaps not lead to “turmoil and disintegration” in the area as has been purported,<sup>299</sup> but at least renewed lines of conflict. In the countries directly involved in this peace agreement, economic consequences diverged greatly, also under the impact of domestic conditions. As has been shown, Egyptian-Israeli peace did not automatically resolve the problems stemming from the involved economies’ structural flaws. Neither did it fundamentally reduce the level of distrust that persisted between the people of the two countries. The Egyptian-Israeli peace agreement ended up remaining a ‘cold peace’ and the expectations Swiss business had for beneficial economic consequences of a settlement did not materialize. Hence, Swiss involvement in the three countries continued to vary according to local conditions and the contingency of the evolution of relations. This analysis of Swiss economic presence in the Middle East during the peace process suggests that the effect of peace on the involved parties’ economies, and also on their foreign economic relations, is not as straightforward as might have been wished for. It also shows how the relationship between ‘peace’ and ‘economic development’ cannot be separated from international interdependencies and therefore, international unevenness of capital, production and exchange.

In the peace process itself, the Swiss government did not play any substantial role. The rationales behind this abstention followed closely those already determining the cautious attitude in the October War of 1973. It responded to a combination of political realism, i.e. an awareness of the limited weight the Swiss had in international politics, and economic interest, meaning attempts to avoid exposing Swiss business in the new rifts emerging in the Middle East. Therefore, the Swiss government largely remained on the sidelines of a possible reconvening of a Middle East conference in Geneva. They also in no way participated in the discussions that occurred in Switzerland, specifically the meeting between Assad and Carter in 1977. Given growing Swiss economic interactions with Egypt, this non-involvement was certainly not a disadvantage. On the contrary: the Swiss authorities’ abstention of taking a public stance, once the Egyptian-Israeli peace concluded, shows that it was in their best interest and concomitantly in the interest of its export industry, to avoid getting publicly involved in the issue. The dauntless opening to the world that federal council member Graber had proposed back in 1975, did not give way to a more active Swiss foreign policy in controversial international affairs. Neutrality and restraint, after all, still proved a useful means of assuring Swiss interest in politically sensitive regions.

This said, the pronounced hostility from most Arab states to Sadat’s independent policy towards Israel did not fundamentally alter Swiss policy in the region, either. One could have imagined that they reined in their relations with Sadat to accommodate the rest of the Arab world. But this did not occur and commercial orientation to Cairo largely

---

<sup>299</sup> For such a reading, see: Bahgat Korany, ‘The Cold Peace, the Sixth Arab-Israeli War, and Egypt’s Public’, *International Journal*, 38.4 (1983), p. 653-654.

remained intact – and even deepened. Syria, as discussions within the Swiss foreign services showed, could potentially have benefited from this inner-Arab division. It might have attracted financial and technical aid in a Swiss attempt to balance its Arab foreign policy. These arguments ultimately could not make up for Syria's bellicose role in the region. In Israel, Swiss caution grew mainly because of the unresolved issue of Palestine. Israel's increasingly troublesome economic situation did not entice a stronger Swiss engagement. Finally, the persistence of the state of war with the rest of the Arab world put a break on any possible Swiss private or public involvement with the Jewish state. Discerning which factors explain the extent of bilateral contacts is challenging, especially as they are based on holistic evaluations. Contrasting Swiss policy towards Syria and Israel can give an indication. Israel had entered into a peace agreement with Egypt but retained a conflicted position within the broader Middle East. So did the Syrian government, but without any substantial sign of moderation. Swiss interactions with Syria did appear more considerate when compared to Israel. This, it can be argued, reflects the unequal weight of Swiss economic interests, real and potential, in the two countries. Swiss interactions with the three countries of concern here certainly reflected the non-resolution of the overall conflict-ridden Middle Eastern conundrum.



## **7. Renewed Lines of Conflict and Growing Economic Difficulties in the Middle East (1981-1983)**

The period following the conclusion of the Egyptian-Israeli peace treaty remained noticeably conflicted; the early 1980s continued to confirm the limitations of this agreement in the Middle East. Indeed, further sources of instability were emerging in the region. The surprising assassination of Sadat in the autumn of 1981 and the Israeli invasion of Lebanon in 1982 stirred the region considerably and caused a reshuffling of the regional balance of forces. These two events, involving both signatories to this recently concluded peace treaty, occurred as they were still implementing the provisions of the accord. To the Swiss authorities, assuring continuity during regime change, and respect of the modalities of the peace agreement, were key. As this chapter will show, the above changes and particularly the Israeli invasion of Lebanon had a significant impact on Swiss foreign policy in the region. It culminated in an apex of Swiss distancing from Israel, a process that had been well on its way at the latest since the October War.

Largely synchronous to this, the world economic and financial system was facing its most significant challenge in almost a decade, with the outbreak of the Third World debt crisis and a renewed crisis of the real economy. As seen in earlier chapters, the 1974/75 world economic crisis had a significant impact on Swiss foreign economic orientation. This chapter is therefore interested first in depicting whether this new crisis also impacted Swiss foreign economic policy in the Middle East and, if so, how. Its impact on the standing of Egypt in the eyes of Swiss business and officials, which had attracted significant efforts from Swiss exporters for nearly a decade, is obviously crucial. Given that the crisis in the real economy was coupled with one of the international financial system, its impact on Swiss credit activity is a key variable to understand. Indeed, doubts on possible financial and commercial expansion in Egypt appeared both among Swiss officials and bankers. Then, in the second subchapter, Swiss efforts in promoting the interests of its export industry in Syria will be treated. It will show how Swiss officials and companies focalized efforts on the industries prioritized by the Syrian economic plan and sought contact to the influential economic policymakers in Damascus. Finally, the last subchapter will turn to Swiss relations with Israel, starting with the significant yet heavily criticized attempts of deeper military collaboration. Then, it will analyze the effect that the Israeli invasion of Lebanon had on Swiss foreign policy and public opinion.

### **7.1 Business Confidence in Egypt Despite Change in Political Leadership and Unsustainable Debt**

A new era in Egyptian and Arab politics opened in autumn of 1981. Precisely eight years after the October War, President Anwar Sadat was assassinated on October 6. Vice-President Hosni Mubarak assumed power and began what would become a 30-year period of uninterrupted rule. His reign endured a convulsive time of world and regional history, until the Egyptian people brought him down in their historic uprising

of 2011.<sup>1</sup> As with most regime changes, anxieties about the course the new ruler might take were initially considerable. Given the importance the Egyptian market had acquired in recent years, overcoming this uncertainty was all the more important. The Swiss authorities were foremost concerned with reassuring themselves that even under a new ruler, the Egyptian political and economic course would remain unchanged – or at least, not conflict with Swiss interests. Indeed, it swiftly became clear that the new Mubarak-led government would not fundamentally alter Egypt's political course or its economic orientation.<sup>2</sup> Once this was established, the next step was to ensure continuity on the Swiss side and vigorously promote economic relations. This led to another series of bilateral treaties with the 'new' powers that be in Egypt: another mixed credit, a double-taxation agreement and a bilateral cooperation treaty on nuclear energy. Yet the outbreak of the international debt crisis in 1982, particularly in Latin American countries,<sup>3</sup> forced new constraints to emerge as doubts around Third World countries' solvability became pervasive. This also was the case in Egypt; the risks of Swiss financial exposure were becoming apparent.

### ***From Sadat to Mubarak. Assuring Continuity Amidst Leadership Change***

So eight years after the Egyptian army crossed the Suez Canal in the war against Israel, Cuendet reported Sadat's assassination to Bern. During a military parade celebrating the October War, radical Islamic individuals committed the deadly attack. While he was not personally present in the parade – he was ill – Swiss embassy representatives were in the middle of the targeted gallery.<sup>4</sup> The attack reflected the rise of political-religious tendencies in the country and Sadat's growing domestic isolation as Egypt was ostracized in the Arab world,<sup>5</sup> which is what Swiss foreign officials had been dreading. Reflecting the Swiss authorities' overall approach to Egypt, they interpreted Sadat's death chiefly along three general lines: its implication for economic relations, its influence on domestic politics, and its impact on Egypt's standing within the region, i.e., relations with Israel and the Arab states. A day after the assassination, Swiss Ambassador Jean Cuendet insisted in a telegram to Bern that the situation in Cairo remained calm. There were no signs of a coup attempt. According to Cuendet, the attack was undertaken by a niche group and was principally directed against Sadat personally. Succession was taking place in an orderly manner and the designated successor, Vice-

---

<sup>1</sup> Galal Amin, *Egypt in the Era of Hosni Mubarak, 1981–2011* (Cairo; New York: The American University in Cairo Press, 2011), p. 2-3.

<sup>2</sup> Cf. for instance: Lisa Blaydes, *Elections and Distributive Politics in Mubarak's Egypt* (New York: Cambridge University Press, 2010), p. 38-39.

<sup>3</sup> On the growth of Third World debt 1970s as the root of 1982 debt crisis, see: Anne O. Krueger, 'Origins of the Developing Countries' Debt Crisis: 1970 to 1982', *Journal of Development Economics*, 27.1 (1987), p. 165-170.

<sup>4</sup> Telegram from Cuendet to the Political Division, FDFA, 06.10.1981, SFA, E2001E-01#1991/17#6283\*, B.73.0.

<sup>5</sup> For a description of the factors at play and the attack itself, see: Lippman, *Hero of the Crossing ...*, p. 272-276. For an approach insisting that a lax security protocol favored the assassination, see: Ephraim Kahana, and Sagit Stivi-Kerbis, 'The Assassination of Anwar Al-Sadat: An Intelligence Failure', *International Journal of Intelligence and CounterIntelligence*, 27.1 (2014), p. 178-92.

President Hosni Mubarak, publicly announced the continuation of Sadat's policy.<sup>6</sup> Federal Council member Pierre Aubert attended the funeral of the Egyptian head of state in Cairo, scheduled for October 10, 1981.<sup>7</sup> During this prominently attended service, Aubert was received, amongst other, by Boutros-Ghali, who repeatedly insisted that: "nothing will be changed in Egyptian politics."<sup>8</sup> Understandably, the new president and Egyptian officials were eager to highlight stability and continuity amidst the well-staged attack by radical groups. Indeed, despite Sadat's increasingly dwindling public support, the attackers' aim to harness broad popular backing for a generalized uprising failed. The regime was not overly menaced from within, figuratively speaking.<sup>9</sup>

Some short-lived commercial and payment delays, due to the 40 days of official mourning in Egypt, occurred – but Sadat's death did not cut Egyptian economic policy. On October 15, two days after Mubarak's confirmation as president by popular referendum, Cuendet sent a lengthy telegram to Eric Roethlisberger, Delegate of the Federal Council for Commercial Treaties. Cuendet provided an evaluation of the situation and made recommendations on appropriate behavior from the Swiss private sector. In a speech to Egyptian parliament following his swearing-in, Mubarak had announced the continuation of the policy of economic opening as initiated by his predecessor. Cuendet believed that Egypt would honor all concluded contracts. For contract negotiations that were still open, he recommended patience as there might be some caution from the Egyptian side in concluding new contracts.<sup>10</sup> The Swiss ambassador offered his appraisal of how Swiss businesses should behave to defend the substantial market position they had now conquered. His main recommendation was sticking to the game.

There was ample reassurance of Egypt's due course of economic liberalization. In a conversation with Ambassador Cuendet, Taha Zaki, the Egyptian Minister of Industry, underlined "Egypt's unconditional willingness to respect its contracts and stressed that economic policy was not about to change: the 'open door policy' would continue."<sup>11</sup> As Cuendet reported to Bern, Mubarak spoke in front of parliament on November 8, focusing on "the unequivocal affirmation of the continuation of the policy of economic openness, which he describes as irreversible."<sup>12</sup> Reacting to the strong growth in imports in recent years, the most significant shift would consist in a stronger focus on domestic Egyptian production. Cuendet insisted that "[h]is margin seems rather narrow," as the new president sought to affront the delicate question of maintaining

---

<sup>6</sup> Telegram from Cuendet to the Political Division, FDFA, 07.10.1981, SFA, E2001E-01#1991/17#6283\*, B.73.0.

<sup>7</sup> He was deployed by presidential decree, 08.10.1981, SFA, E2001E-01#1991/17#6192\*, B.15.81.Eg.7.

<sup>8</sup> Confidential letter from Cuendet to the Political Division II, 12.10.1981, SFA, E2001E-01#1991/17#6192\*, B.15.81.Eg.7.

<sup>9</sup> Cf. Gillian Kennedy, *From Independence to Revolution: Egypt's Islamists and the Contest for Power*, (London: Hurst, 2017), p. 105.

<sup>10</sup> Telegram from Cuendet to Roethlisberger, 15.10.1981, SFA, E7115A#1991/189#1171\*, 810.

<sup>11</sup> See for instance the confirmation given by Taha Zaki, Egyptian Minister of Industry, as noted in a telegram from Cuendet to the FOFEA, 02.11.1981, SFA, E7115A#1991/189#1171\*, 810.

<sup>12</sup> Letter from Cuendet to the FOFEA, 10.11.1981, SFA, E7115A#1991/189#1171\*, 810.

foreign economic relations via imports while promoting an appropriate protection of Egyptian industry.<sup>13</sup> In the following months, this focus on increasing local production would repeatedly be raised by Egyptian interlocutors. As will be seen, this did not particularly trouble Swiss business and policymakers, since they could point to the important Swiss FDI in Egypt. For the time being, the unconditional continuation of Egyptian economic openness and its commitments to signed contracts were the most important signals the Swiss were interested in.

Authorities in Bern evaluated the political significance and consequences of Sadat's assassination in a situation conference on November 3, 1981. A confidential preparatory note stated that the attack unveiled the influence that the Islamic fundamentalist opposition had gained in Egypt. The same group responsible for this assassination had plotted to bring down Egypt's entire political leadership. Sadat had managed to fend off extensive threats by large-scale repression of religious and political opposition groups.<sup>14</sup> The level of domestic repression in the last weeks of Sadat's reign was high. It was meant to pave the way for meeting the terms of the increasingly unpopular peace agreement with Israel and hence was an attempt to reap a peace dividend.<sup>15</sup> After Sadat's assassination, the Egyptian authorities did not reverse from this course. Even though they insisted that the plot was organized outside of the armed forces, a quick purge in the army showed that they feared an Islamist opposition within it. That said, the Swiss believed that the transition of power occurred in an orderly and constitutional manner. Mubarak now firmly held the reins.<sup>16</sup> Things could have been far worse, the Swiss seemed to think.

Regarding Egyptian foreign policy, this same confidential note highlighted unabated US support for the new government.<sup>17</sup> Indeed, the administration of Ronald Reagan administration, which came to power in January 1981, had high stakes in Egypt for its economic and strategic motives.<sup>18</sup> It was determined to enforce the peace agreement – notably, the restitution of the last part of the Sinai still under Israeli control. This not only would enforce the peace treaty but quite crucially provide Mubarak with a first foreign policy success, thereby heightening his prestige and securing his domestic position. Regarding relations with other Arab states, appeasement was on the agenda. Mubarak had very early on exercised restraint from publicly criticizing them, which led to favorable reactions from Saudi Arabia. The transition of power showed the relative stability of Egypt's political system. The peace plan was advancing thanks to US commitment, and intra-Arab relations were bettering. Nonetheless, the Swiss evaluation found that domestic opposition to the government remained strong. Sadat's

---

<sup>13</sup> *Ibid.*

<sup>14</sup> No minutes of this meeting have been found in the consulted archives. For preparatory documentation for this meeting, see the unsigned confidential note, 02.11.1981, SFA, E2001E-01#1991/17#6283\*, B.73.0.

<sup>15</sup> Jason Brownlee, 'Peace Before Freedom: Diplomacy and Repression in Sadat's Egypt', *Political Science Quarterly*, 126.4 (2011), p. 660-664.

<sup>16</sup> See again the unsigned confidential note, 02.11.1981, SFA, E2001E-01#1991/17#6283\*, B.73.0.

<sup>17</sup> *Ibid.*

<sup>18</sup> Henry F. Jackson, 'Egypt and the United States after Sadat: Continuity and Constraints', *Issue: A Journal of Opinion*, 12.3/4 (1982), p. 73-74.

policies had not bettered ameliorated troubling living conditions nor the discontent that fed on this poverty. The grumbings of his deprived people remained a potential threat for the regime.<sup>19</sup> So while domestic policies continued to be fragile, the power relations within the state seemed solid and Mubarak's regional foreign policy indicated continued adherence to the peace treaty with Israel.

Mubarak was undoubtedly being propped up. By late April 1982, Israel withdrew from the last part of the Sinai as outlined by the peace agreement. This was in itself an encouraging sign that the terms of the treaty were being met, which nobody was certain would happen.<sup>20</sup> But the withdrawal did not raise hopes within the Swiss administration for a successful settlement of Palestinian autonomy. Israel's stance on the occupied territories was hardening; having returned the last remaining parts of the Sinai, it no longer had any means to pressure the Egyptian authorities. According to the Swiss reading on the matter, this hardening of positions on Palestinian autonomy was likely to further increase Egypt's attempted rapprochement with the other Arab states.<sup>21</sup> But Mubarak adopted a policy that quickly improved his standing in the Arab world: providing support to Iraq in its war with Iran. This also had significant economic underpinnings, as millions of Egyptians were working in Iraq and provided an important source of foreign revenue.<sup>22</sup>

In sum, the change in Egyptian leadership after the assassination of Sadat did not fundamentally alter the Egyptian economic or political framework, with the exception of rapprochement with the Arab states that was well received internationally. Mubarak himself did not have any significant source of domestic political legitimacy beyond being the constitutional heir of Sadat. This can largely explain the policy continuation in his early years.<sup>23</sup> Regime change also did not fundamentally modify relations with Israel, as the main point of contentions, Palestine, persisted. Yet, in the following years, the depth of Egyptian-Israeli interactions would drop to very low levels, particularly after the 1982 Israeli invasion of Lebanon.<sup>24</sup> This cooling of contacts with Israel, and Mubarak's rise to power, allowed Egypt to shed the Arab resentment that Sadat personally represented. This was perhaps the most significant change in Cairo's position in the region.

---

<sup>19</sup> Unsigned confidential note, 02.11.1981, SFA, E2001E-01#1991/17#6283\*, B.73.0.

<sup>20</sup> Cf. Quandt, *Peace Process ...*, p. 250-251.

<sup>21</sup> An evaluation of the impact of the definitive Israeli withdrawal from the Sinai can be found in an unsigned confidential note, „Israel und Aegypten nach der endgültigen Räumung des Sinai“, 30.04.1982, SFA, E7115A#1992/24#2380\*, 804.

<sup>22</sup> Cf. the telegram from Marcel Disler, Swiss ambassador, Bagdad, to the Political Division II, 10.05.1982, SFA, E7115A#1992/24#1193\*, 871.0.

<sup>23</sup> For Mubarak's domestic legitimacy, see: Hesham Al-Awadi, *In Pursuit of Legitimacy: The Muslim Brothers and Mubarak, 1982-2000* (London ; New York: I.B. Tauris, 2004), p. 49-77.

<sup>24</sup> Amnon Aran, and Rami Ginat, 'Revisiting Egyptian Foreign Policy towards Israel under Mubarak: From Cold Peace to Strategic Peace', *Journal of Strategic Studies*, 37.4 (2014), p. 562-563.

### *Close Swiss-Egyptian Contacts Despite Financial Risks in the Third World*

The continuity of Egyptian politics under Mubarak mirrored the continuity of relations with Switzerland. Egyptian authorities actively sought Swiss proximity in economic and political matters. Boutros-Ghali, for instance, made a brief stop at the Zurich airport on his way back from talks with the EEC in Brussels in late May 1982, to meet with Swiss Foreign Minister Aubert. While the one-hour discussion at the airport is not of great interest per se, it did highlight Egypt's willingness to keep the Swiss authorities informed of its foreign policy after the restitution of the Sinai as per the peace agreement.<sup>25</sup> Another display of high-level Egyptian interest in cultivating the good political relations with Switzerland came during the farewell visit of the Egyptian ambassador in Bern in mid-August 1982. The ambassador, in his discussion with the senior FPD official Arnold Hugentobler, underscored the excellent relations existing between the two nations, and insisted that his successor was a personal friend of Mubarak – the only ambassador hand-chosen by the new Egyptian president.<sup>26</sup>

Mutual economic goodwill also remained high, despite the new focus of Egyptian economic policy on local production. Swiss companies had already entered into numerous joint ventures and were continuing to do so. This certainly helped maintain, or extend, Egyptian economic policymakers' goodwill towards Swiss business.<sup>27</sup> The Egyptian ambassador reinforced such goodwill during his farewell visit, conveying the message that his Minister of Economy wished to welcome Jolles in Cairo for talks. The discussions, according to the proposal, would focus on a new Swiss mixed credit and possible difficulties Swiss firms encountered in Egypt, both as exporters and investors. Furthermore, he was eager to present large Egyptian development projects, where Swiss participation was desired for economic and technical expertise as well as unspecified political considerations. Given the "key position of Egypt in the Middle East and the significance of economic relations," Jolles accepted the invitation,<sup>28</sup> but would only travel to Cairo in late March 1983.

For now, the Egyptian Minister of Industry was scheduled to visit Switzerland in September 1982, upon invitation of the VSM.<sup>29</sup> A preparatory note for Jolles's meeting with the Egyptian minister gives an instructive balance sheet of Swiss-Egyptian bilateral economic relations.<sup>30</sup> The Swiss viewed Egypt's continued open-door policy as positively influencing the general economic situation in that country. Following the restitution of the Sinai to Egypt and its distancing from Israel, relations with the important financial backer Saudi Arabia improved. However, Egyptian foreign debt

---

<sup>25</sup> On this meeting, see the confidential minutes by Catherine Krieg, Adjoint at the FDFA secretariat, 07.06.1982, SFA, E2010A#1995/313#5710\*, B.15.50.4.

<sup>26</sup> These remarks by the ambassador can be found in the note by Hanspeter Strauch, adjoint at the Political Division II, FDFA, 19.08.1982, SFA, E2010A#1995/313#5710\*, B.15.50.4.

<sup>27</sup> See for instance the discussion with the Egyptian Minister of Planning reported in a letter from Cuendet to the FOFEA, 04.06.1982, SFA, E7115A#1992/24#1180\*, 810.

<sup>28</sup> This was communicated in a note from Jolles to Cuendet and Roethlisberger, 27.08.1982, ACH, IB-Vorort, 360.2.2.8.

<sup>29</sup> Cf. the telegram from Hans-Peter Erismann, Embassy councilor, Cairo, to the FOFEA, 11.08.1982, SFA, E7115A#1992/24#1199\*, 877.3.

<sup>30</sup> No minutes or report on the meeting itself has been found in the consulted archives.

was continuously growing as the balance of payment was back to negative. Regarding bilateral relations, the preparatory note put forward the increase in Swiss FDI to Egypt since its economic liberalization. Switzerland was by then the fifth most important investor in Egypt, after the larger economies of the US, France, Great Britain and West Germany. Given the considerable extension of Swiss exports and credits to Egypt, the coverage by the ERG had further increased and now covered a staggering CHF 1.4 billion worth of deals, with almost CHF 1 billion of public funds engaged. Two Swiss companies mainly benefited from this public support: Sulzer and BBC, which each accounted for one third of the coverage.<sup>31</sup>

By the end of 1982, publicly guaranteed deals with Egypt represented roughly five percent of the overall ERG-provided guarantees of ca. CHF 20 billion.<sup>32</sup> Such guarantees were by no means accessory, as the secretary of the Vorort, Peter Hutzli, insisted in a presentation during a Vorort meeting in April 1982. He said: “Export credits now play a significantly greater role than in the past and have become an important factor in international competition.”<sup>33</sup> This especially applied to the “new markets to which the export industry had to turn during the recession, [of which] only a few are still able to survive without loans.”<sup>34</sup> Obtaining such export financing vehicles “was never a real problem in Switzerland. This should be seen primarily as a consequence of market conditions, which have allowed banks to generously grant export credits at interest rates that are among the lowest in the world.”<sup>35</sup> However, the conditions of these credits were contingent on receiving an ERG coverage,<sup>36</sup> which was generally granted for deals with Egypt. Swiss-Egyptian economic relations therefore mirrored the structure of the Swiss economy as financially strong, centralized, multinational, and marked by close connections between industrial and financial corporations. Furthermore, they reflected the significant impact that the Swiss state played via the ERG, which was “by far the most important export promotion tool,” as the President of the Vorort, Gerhard Winterberger put it in January 1983.<sup>37</sup>

There was, however, another Swiss means of foreign commercial promotion that was equally important: mixed credits. Interestingly enough, deliberations of the renewal of such a loan was ongoing – this despite the critical evaluation of Egypt’s economic situation and high Swiss exposure on the Egyptian market. This exercise was embedded in the renewed economic crisis of the developed capitalist world, which hit the Swiss economy at the end of 1982. But already in an April 1982 Vorort meeting, Jolles noted the hardening of international competition, with markets in both developed countries

---

<sup>31</sup> See the note by Gerber to Jolles, „Besuch des ägyptischen Industrieministers“, 08.09.1982, SFA, E7115A#1992/24#1199\*, 877.3.

<sup>32</sup> See the message by the Federal Council „Massnahmen zur Stärkung der schweizerischen Wirtschaft“, in *Federal Gazette*, Vol. 1, 1983, p. 863.

<sup>33</sup> See the confidential minutes, „1. Sitzung des Vororts im Vereinsjahre 1982/83 vom 26. April 1982“, p. 23, ACH, IB-Vorort, 1.5.3.29.

<sup>34</sup> *Ibid.*

<sup>35</sup> *Ibid.*, p. 24.

<sup>36</sup> *Ibid.*, p. 27.

<sup>37</sup> See the confidential minutes, „5. Sitzung des Vororts im Vereinsjahre 1982/83 vom 31. Januar 1983“, p. 16, ACH, IB-Vorort, 1.5.3.29.

and the Third World becoming increasingly tight. He proposed a set of five measures. The first two concerned defending multilateral trade and payments systems while combating protectionism. The third dealt with deepening cooperation between Swiss business and banks in the realm of export financing. Finally, he recommended maintaining both the current bilateral export promotion facilities, and development aid programs.<sup>38</sup> This last point, Jolles insisted, had become an integral component of the anti-crisis program due to the great importance trade had taken with Third World countries. Development aid, he continued, was not “a luxury outside the foreign economic policy sphere” but an integral part of it.<sup>39</sup> He deplored, however, what he saw as a sterile debate on the link between export promotion and development aid. Creating a trust-based political climate in this respect was hence “of greatest importance.”<sup>40</sup> Vorort President Gerhard Winterberger was convinced that there was no need for debating the fact that “development aid belongs to the foreign economic policy instruments.”<sup>41</sup> The president of the VSM and General Director of the machinery company Sulzer, Pierre Borgeaud, who would later become Winterberger’s successor, unsurprisingly insisted that mixed credits could be well used to square development aid and export promotion.<sup>42</sup> This was the context of discussions for a new mixed credit to Egypt. Talks between the Swiss authorities and crucial business associations showed the preeminence of considerations as to how the government could support the export industry amidst international competition that had been sharpened by the economic crisis. Development aid, it was clear to them, was primarily a means of export promotion.

The Swiss authorities were convinced that the Egyptian government, considering its balance of payments problems, would strongly welcome a new mixed credit.<sup>43</sup> However, convincing Swiss parliament to increase the funds allocated to mixed credits required a thorough evaluation of the mixed credit to Egypt already granted. It was a political, but not a policy, requirement. The mixed credits’ usefulness as development aid tools had to be *demonstrated* and not examined. Right from the start, the evaluation was focused on the soundness of this instrument, and less so in critically assessing its effect. From Cairo, Ambassador Cuendet wanted the evaluation mission to help maintain and possibly increase the goodwill created by the first mixed credit. “Without ignoring the political importance of the evaluation,” he believed “that it must above all pursue a positive and forward-looking goal, i.e., it should aim at establishing favorable conditions for an efficient use of the possible second mixed credit installment.”<sup>44</sup> Cuendet reminded Bern that Swiss exports had almost doubled during the run-time of

---

<sup>38</sup> See the confidential minutes, „1. Sitzung des Vororts im Vereinsjahre 1982/83 vom 26. April 1982“, p. 4-13, ACH, IB-Vorort, 1.5.3.29.

<sup>39</sup> *Ibid.*, p. 13.

<sup>40</sup> *Ibid.*, p. 13.

<sup>41</sup> *Ibid.*, p. 15.

<sup>42</sup> *Ibid.*, p. 17.

<sup>43</sup> See the note by Gerber to Jolles, „Besuch des ägyptischen Industrieministers“, 08.09.1982, SFA, E7115A#1992/24#1199\*, 877.3.

<sup>44</sup> Cf. the urgent telegram from Cuendet to Roethlisberger, 28.10.1982, SFA, E7115A#1992/24#1186\*, 861.5.

the first mixed credit,<sup>45</sup> indicating that the significance of a renewed credit went beyond its direct value. Yet, pressures in Bern were such that the FOFEA asserted the domestic political importance of an independent, external evaluation mission. This would be the basis for a new mixed credit. So two missions were put into place. An official one by the Development Service of FOFEA, and an externally mandated one by the Zurich consultancy firm, International Consulting Management Engineering (ICME).<sup>46</sup>

The evaluation missions took place in late November and early December 1982. In the second half of January, the Development Service of the FOFEA<sup>47</sup> and ICME<sup>48</sup> each submitted an evaluation, which were summarized in a final report in March 1983. The descriptive part of the final report matched the intermediary report by the Swiss embassy in Cairo. The evaluations also assessed the quality of the financed projects, their impact on the Egyptian economy, and their compatibility with Swiss and Egyptian development policy. Finally, given that this was the Swiss government's first-ever systematic assessment on the effect of a mixed credit, it also contained parts recapitulating of what transpired. The majority of projects financed via the mixed credit were judged to be economically sound. Project amounting for 94 percent of the funding via the credit matched the priorities as defined in Egyptian development policy, which, let's remember, was very broad. Projects accounting for 83 percent of the credit met the Swiss criteria for development aid, which included but was not limited to, effect on living conditions and contribution towards enhancing the beneficiary country's ability to assure sustained economic development. The remaining projects did not meet these conditions either because of their technological inadequacy or because of deficiencies in Egyptian project planning.<sup>49</sup> While the actual method of evaluation remains obscure, it confirmed what it was supposed to, i.e. the compatibility of the mixed credit with Egyptian economic development. Preconditions for a potentially new mixed credit to Egypt were intact.

By contrast, the ICME evaluation argued that Swiss aid to Egypt was overall marginal since it made up a tiny share – 1.2 permil – of total foreign aid to that country. Hence, its influence on overall Egyptian economic development was “practically nil.”<sup>50</sup> Considering the low overall impact the credit had in Egypt, the FOFEA evaluation insisted that, from the Swiss side, the mixed credit was “seen as a trade promotion tool enabling Swiss companies to obtain orders.”<sup>51</sup> For projects making up half of the allocated funds, the financial conditions offered by the credit played a determining role

---

<sup>45</sup> *Ibid.*

<sup>46</sup> See the note by Saladin, “Evaluationsmission Aegypten”, 05.11.1982, SFA, E7115A#1992/24#1186\*, 861.5.

<sup>47</sup> Confidential report by Giovanni Colombo, Development Service, FOFEA, undated, SFA, E7115A#1993/137#1146\*, 861.5.

<sup>48</sup> Only the abstract of the ICME report was found in the consulted archives, see the report by ICME, „Evaluation du crédit mixte Egypte (résumé)“, 28.01.1983, SFA, E7115A#1993/137#1146\*, 861.5.

<sup>49</sup> See the confidential report by Colombo, “Résultats de l'évaluation du credit mixte Egypte”, 08.03.1983, SFA, E7115A#1993/137#1146\*, 861.5.

<sup>50</sup> ICME, „Evaluation du crédit mixte Egypte (résumé)“, 28.01.1983, SFA, E7115A#1993/137#1146\*, 861.5

<sup>51</sup> Confidential report by Giovanni Colombo, Development Service, FOFEA, undated, SFA, E7115A#1993/137#1146\*, 861.5.

in whether the order was obtained. For the other half, technical specificities were more important, often including the assurance of compatibility with the machinery or equipment already in use (which usually came from the same Swiss companies).<sup>52</sup> In a confidential note to Jolles, Roethlisberger added that even when the financial terms were not the main determinant in obtaining the order, it did not mean they had no effect.<sup>53</sup> These aspects of the evaluation were important to justify the mixed credit's utility in stimulating Swiss sales, and were put forward as such in the ensuing parliamentary debates.

The relatively low share of Swiss official aid to Egypt points again to efforts predominantly for export promotion. Unlike US aid to Egypt,<sup>54</sup> Swiss aid was not the result of primarily political considerations. This does not mean that the federal authorities failed to give consideration to the compatibility of Swiss and Egyptian development policy with projects financed by this credit. This part of the evaluation was predominantly influenced by the necessity to politically justify the argument that its policy of mixed credits was enhancing Third World economic development. Ultimately, the mixed credit can be interpreted as export promotion tool under the umbrella of development aid amidst growing international competition. This would become even clearer with discussion around a second mixed credit for Egypt. In a mid-February 1983 note from Saladin to Jolles, the former insisted that the evaluation of the first mixed credit did not provide any reason not to grant a new one. He proposed swiftly starting negotiations with the Cairo authorities: "In order for us to react as quickly as possible to the [anti-crisis program of the Swiss government], it would be in the economy's greatest interest to start negotiations [for a mixed credit] as soon as possible. Industry and banks have spoken out in favor of a mixed credit for Egypt."<sup>55</sup>

By then, the Swiss economy had entered into crisis. Besides the watch industry, with its structural problems, the capital goods industry was heavily hit. In the previous economic crisis, increasing sales in Third World markets offered a way out of the crisis. This time around, the Swiss government cited Third World sales among the reasons for the crisis. The fall in demand was the result of deteriorating balances of payment in Third World countries.<sup>56</sup> In January 1983, the federal government submitted an anti-crisis program to parliament. This program on "measures to reinforce the Swiss economy" proposed increasing federal spending by one billion francs to combat the economic crisis. Besides domestic demand-oriented measures, quite a novelty in Swiss economic policy, it sought to at least maintain Swiss business's relative share in world trade. To achieve this, the government proposed to continue generously granting

---

<sup>52</sup> *Ibid.*

<sup>53</sup> Cf. the confidential note by Roethlisberger to Jolles, 22.03.1983, SFA, E7115A#1993/137#1146\*, 861.5.

<sup>54</sup> For such a reading of US motivations for economic aid to Egypt, see: Weinbaum, 'Egypt's "Infatih" ...', *ibid.*, p. 206-22.

<sup>55</sup> Note by Saladin to Jolles, "Aufnahme von Verhandlungen für einen neuen Mischkredit an Aegypten", 14.02.1983, SFA, E7115A#1993/137#1146\*, 861.5.

<sup>56</sup> For this interpretation of the crisis by the Swiss government, see the message by the Federal Council „Massnahmen zur Stärkung der schweizerischen Wirtschaft“, in *Federal Gazette*, Vol. 1, 1983, p. 846-847.

guarantees for exports despite growing overall risks. Increasing financial aid to Third World countries via mixed credits was also proposed in light of the positive effect it would have for the Swiss economy.<sup>57</sup> Of the funds requested by this program, CHF 100 million, 10 percent of the total stimulus package would be dedicated to mixed credits. Even though they stressed the development policy friendliness of mixed credits,<sup>58</sup> the fact that the Swiss increased the sums available for such credits within an economic stimulus package signals its conception as an export promotion tool. Development aid to the Third World, as viewed here, was primarily a means to develop the Swiss economy.

While some fundamental criticism against mixed credits was raised in parliamentary discussions, it largely remained in a minority.<sup>59</sup> On the contrary, many parliamentarians explicitly welcomed the export promotion components. A Catholic-conservative deputy made a culinary analogy: “Ravioli are pasta, but we all know that they contain something else (obviously something good!). Mixed credits appear on the outside as development aid, but the nutritious part in it is the economic aid to the export industry.”<sup>60</sup> The Federal Council member in charge of economic affairs, Kurt Furgler, was more ambivalent. In his statement in parliament, he acknowledged the development aid aspect of mixed credits. But he added that they also had a positive effect on Swiss exports – and therefore, on employment. “I would not have any reason to shamefully deny this,” Furgler added, for “[w]e also have to live.”<sup>61</sup> The Swiss authorities, parliament and business circles clearly viewed mixed credits as a means to combat the crisis, far more than as a development policy tool. In economic crisis, it was becoming clear, charity began at home. The timing of a new mixed credit to Egypt confirmed this, as negotiations had already been opened in late February 1983. They preceded the submission of the final report evaluating the first credit<sup>62</sup> and Swiss parliament’s approval of the extended credit line for new mixed credits in mid-March 1983.<sup>63</sup> In this light, the evaluation of the mixed credit to Egypt appears all the more tokenistic than an actual means of control.

In early March 1983, a team of Swiss negotiators was gathered and briefed. Negotiations were set to take place in Cairo from mid-March onwards and were scheduled to end shortly before Jolles arrived in Egypt. Besides the treaty negotiation itself, the small delegation, made up of Rolf Gerber and Nérino Devincenti from the

---

<sup>57</sup> *Ibid.*, p. 848-852.

<sup>58</sup> *Ibid.*, p. 868.

<sup>59</sup> See especially the intervention by social-democratic parliamentarian Werner Carobbio in: “Stärkung der Wirtschaft. Massnahmen”, *Official Bulletin of the Federal Assembly*, Vol. II, 1983, p. 381-382 and his party colleague Walter Renschler in *ibid.*, p. 382.

<sup>60</sup> See Elisabeth Blunschly’s comments in: *ibid.*, p. 380.

<sup>61</sup> See Furgler’s statement in: *ibid.*, p. 384.

<sup>62</sup> The Egyptian government agreed to do so after receiving an aide-memoire on the subject from the Swiss ambassador, see the telegram from Cuendet to the FOFEA, 25.02.1983, SFA, E7115A#1993/137#1146\*, 861.5.

<sup>63</sup> See the Swiss parliament’s decision in: “Stärkung der Wirtschaft. Massnahmen”, *Official Bulletin of the Federal Assembly*, Vol. II, 1983, p. 166.

FOFEA, was tasked with scouting potential Egyptian projects.<sup>64</sup> But it appeared that such projects in Egypt were too plentiful to make a quick selection. Furthermore, the Egyptian state was legally obliged to publicly announce tenders. It was not guaranteed that a Swiss company would obtain an order, even though the availability of a Swiss mixed credit could enhance the likelihood. The Egyptians mentioned projects valuing between CHF 300 and CHF 400 million, which the Swiss negotiators interpreted as an unmistakable sign of Egyptian interest in cooperating with Swiss business. Gerber raised flags, insisting that this high sum also indicated Egypt's heavy reliance on foreign currency sources for all its projects.<sup>65</sup>

For the Swiss, the treaty negotiations were successful as no concessions had to be made.<sup>66</sup> The Swiss delegation entered the negotiations offering a CHF 75 million loan,<sup>67</sup> but ultimately settled at CHF 90 million. As such, the second mixed credit was substantially larger than the first one. Furthermore, the share of the Confederation of the total credit increased from one quarter to a third. While the banks' interest rates remained unchanged, the increased federal contribution made the overall terms more favorable given that the federal share was again interest-free.<sup>68</sup> In late March, the treaties on both the public and the banks' shares were readily drafted. Jolles wanted to provide a positive, concrete element to his consultations with senior Egyptian officials.<sup>69</sup> However, negotiations on the banks' share of the credit were far from over. Considering Egypt's difficulty to service its payments and debt, the banking consortium sought to impose stricter conditions on their loan.

### ***Emerging Swiss Skepticism Towards Egypt's Financial Situation***

Shortly after Swiss parliament increased the credit line for mixed credits, Jolles visited Cairo from March 26 to 31, 1983. This visit is interesting for two general reasons. First, it again gave a balance sheet of existing bilateral economic relations and second, it was preceded by intense preparations from the Swiss side, which allowed for new Swiss interests emerge. Preparations included a survey of Vorort members on Egyptian market prospects and challenges.<sup>70</sup> Unsurprisingly, the largest interest in Egypt came from the Swiss machinery industry and the chemical and pharmaceutical industry. The

---

<sup>64</sup> Cf. the note from Roethlisberger to Gerber and N. Devinenti from the Development Service of the FOFEA, „Cahier des charges pour la mission de négociation d'un deuxième crédit mixte pour l'Égypte”, 08.03.1983, SFA, E7115A#1993/137#1146\*, 861.5.

<sup>65</sup> See the report by Gerber „Mischkreditverhandlungen mit Aegypten“, 08.04.1983, SFA, E7115A#1993/137#1146\*, 861.5.

<sup>66</sup> *Ibid.*

<sup>67</sup> Determined in the note from Roethlisberger to Gerber and Devinenti, „Cahier des charges pour la mission de négociation d'un deuxième crédit mixte pour l'Égypte”, 08.03.1983, SFA, E7115A#1993/137#1146\*, 861.5.

<sup>68</sup> Again, see the report by Gerber „Mischkreditverhandlungen mit Aegypten“, 08.04.1983, SFA, E7115A#1993/137#1146\*, 861.5.

<sup>69</sup> Hence the press communiqué on the successful completion of the mixed credit negotiations during his time in Cairo, see the telegram from Clemens Birrer, diplomatic staffer at the Information and Press Service of the FDFA, accompanying Jolles in Cairo, to Devinenti, FOFEA, 30.03.1983, SFA, E7115A#1993/137#1146\*, 861.5.

<sup>70</sup> This survey was sent out in a letter from Veyrassat to interested sections, 08.02.1983, ACH, IB-Vorort, 360.2.2.8.

Swiss Society for Chemical Industry saw Egypt as an important market with good business opportunities for all of their products. Owing to its large population size and the importance of its agricultural sector and textile industry, pharmaceuticals, agrochemical products and colorings all sold well in this market. While Swiss pharmaceutical and chemical companies had encountered a set of problems, notably regarding the transfer of payments, they did not consider it worthwhile to bring up in the bilateral consultations.<sup>71</sup> The machinery industry had the largest stakes in Egypt. The VSM reported the results of a survey among member companies. Only five of the 31 answering companies had seen sales drop since 1978; prospects were described as favorable. Their main difficulty in the Egyptian market linked to cumbersome bureaucracy, especially when it came to make payments. The VSM insisted that a mixed credit could substantially better Swiss export opportunities.<sup>72</sup>

While the most important Swiss industrial sectors exporting to Egypt did not raise any new issues, two additional desiderata emerged. First, the VSIHG, the association of large and internationally oriented Swiss industrial companies, represented the interests of the Swiss companies that had invested in Egypt. As seen, Swiss FDI had grown considerably in recent years. In Egypt, royalties, interests and dividends were taxed at the source at an average of 40 percent and then again taxed once repatriated to Switzerland. The VSIHG hoped that Jolles could jumpstart the opening of talks on a bilateral double taxation agreement.<sup>73</sup> Swiss companies, the VSIHG complained, were disadvantaged in Egypt because that country had already concluded double taxation agreements with a set of Western countries.<sup>74</sup> Second, motives for a nuclear cooperation treaty appeared. In July 1982, the Swiss engineering company Motor Columbus had signed a contract with the Egyptian Nuclear Power Plants Authority on consultant and surveillance tasks for the construction of the first Egyptian nuclear power plant.<sup>75</sup> The Swiss nuclear export industry, as highlighted in a note to Jolles from September 1982, displayed a lively interest in supplying components for the Egyptian nuclear energy program. A draft for opening negotiations for a bilateral nuclear cooperation treaty with Egypt already existed.<sup>76</sup> Given that certain nuclear goods could only be exported under presence of such a treaty and that a whole series of countries already had analogous agreements, stakes for Swiss exporters were high in such capital-intensive ventures.<sup>77</sup>

---

<sup>71</sup> Letter from the Swiss Society for Chemical Industry to the Vorort, 08.03.1983, ACH, IB-Vorort, 360.2.2.8.

<sup>72</sup> Letter from E. Horat and H. Spühler, Secretariat of the VSM, to the Vorort, 09.03.1983, ACH, IB-Vorort, 360.2.2.8

<sup>73</sup> Letter by Theodor Faist, Secretary of the VSIHG, to the Vorort, 04.03.1983, ACH, IB-Vorort, 360.2.2.8.

<sup>74</sup> The US, the FRG, Italy, Japan, Norway, Sweden and Austria had concluded such treaties, see the letter from Faist to Louis Georges, FOFEA, 23.03.1983, ACH, IB-Vorort, 360.2.2.8.

<sup>75</sup> See the letter from Cuendet to the FOFEA, 28.07.1982, SFA, E7115A#1992/24#1192\*, 870.

<sup>76</sup> Cf. an unsigned note to Jolles, „Energie- und insbesondere Nuklearpolitik Aegyptens“, 13.09.1982, SFA, E7115A#1992/24#1185\*, 842.5.

<sup>77</sup> Cf. the note by Madöry, Service for international industrial and energy issues, to Jolles, „Bilaterales Kooperationsabkommen im Nuklearbereich Schweiz-Aegypten“, 22.03.1983, SFA, E7115A#1993/137#1129\*, 842.5.

So Jolles had a set of issues to raise during his visit to Cairo. His Egyptian host, Minister of Investment and International Cooperation Wagih Shindi, had great interest in discussing Swiss-Egyptian joint ventures.<sup>78</sup> Conditions to announce Swiss interest in a double taxation agreement were good. Besides Shindi, Jolles met four more ministers, the Prime Minister, and the Governor of the ECB during his five-day stay. In his report, Jolles underscored the impressive expansion of Swiss exports to Egypt. The country was by now the most important market on the African continent, before Nigeria and South Africa. The targets of his visit as stated in the report largely matched the aforementioned interests of the Swiss economy: the mixed credit, a double taxation agreement and a nuclear cooperation treaty. While the fate of the new loan will be analyzed shortly, the Egyptian ministers were highly interested in a double taxation agreement. They were aware of its importance as a precondition for further Swiss investment. The nuclear cooperation treaty was also welcomed, albeit less enthusiastically.<sup>79</sup>

In the same report, Jolles drew a nuanced balance sheet of Swiss business perspectives in Egypt. He observed, “the climate for this cooperation is excellent, as our Egyptian partners affirmed. Switzerland is held in high esteem and is apparently drawn in for reasons of political diversification. Our industrial products are recognized – blindly, so to speak – as qualitative leaders.”<sup>80</sup> This good psychological climate should not tempt into euphoria, Jolles warned, especially considering the precarious state of Egypt’s financial resources. Egypt’s debt situation was “not without danger,” as Jolles concluded from the ECB Governor’s attempts to slow down foreign borrowing.<sup>81</sup> Hence, both the high outstanding Swiss ERG coverage and the open and new mixed credit were “not a negligible risk!”<sup>82</sup>

The Egyptian emphasis on reducing imports and increasing local production for export, as prioritized under Mubarak’s presidency, was becoming palpable in bilateral discussions. An increase in foreign investment in joint ventures would remedy the lack of industries producing exportable goods. This situation was a double-edged sword for the Swiss. On the one hand, it favored Egyptian willingness to accept Swiss proposals for a better investment climate, including opening negotiations for a double taxation agreement. On the other hand, such an investment campaign would not remain inconsequential for Swiss exports. Jolles therefore recounted in his report how he attempted “to convince the Egyptians that investment projects will only be carried out by the Swiss economy if they are associated with the possibility of increased imports from Switzerland.”<sup>83</sup> Yet, in view of the high Swiss trade surplus, he admitted that “problems are looming. A linear increase of exports in the current order of magnitude cannot be expected in the long term.”<sup>84</sup>

---

<sup>78</sup> Telegram from Cuendet to the FOFEA, 10.03.1983, SFA, E7115A#1993/137#1121\*, 821.

<sup>79</sup> Cf. the confidential report by Jolles „Wirtschaftsmission nach Aegypten“, 11.04.1983, SFA, E7115A#1993/137#1121\*, 821.

<sup>80</sup> *Ibid.*

<sup>81</sup> *Ibid.*

<sup>82</sup> *Ibid.*

<sup>83</sup> *Ibid.*

<sup>84</sup> *Ibid.*

Despite these gloomy conclusions, the visit was nonetheless a success as it confirmed mutual goodwill. The Swiss wishes were received with open arms in Egypt. The two new Swiss proposals were pursued in the coming months. The Swiss Federal Tax Authorities and representatives of the Egyptian Ministry of Finance scheduled negotiations on a double taxation agreement for March 1984<sup>85</sup> and signed such a treaty in May 1987.<sup>86</sup> Regarding the nuclear cooperation treaty, the Egyptian Minister of Electricity communicated his interest in signing an agreement as soon as possible.<sup>87</sup> By December 1983, the FDFA sent a first draft to Cairo for consultation,<sup>88</sup> which was concluded within a year.<sup>89</sup> These new steps were well on their way. However, for the first time since the implementation of the open-door economic policy, Swiss reporting on bilateral relations was marked with noted skepticism around Egyptian market potential. Doubts of Egypt's creditworthiness were taking center stage.

These emerging doubts did not reduce the Swiss export industries' stakes in the Egyptian market. Jolles' visit to Cairo had paved the way for a Swiss industrial mission to Egypt.<sup>90</sup> This joint visit by the VSM and the Association of Swiss Consulting Engineering (USSI) took place in late May 1983. The delegation considered it a success. The VSM's report championed the high importance the Egyptian market had reached for its member companies. Egypt had become the fourth most important outlet outside of Europe and twelfth most important overall for the Swiss machinery industry. The VSM was convinced that in the short run, prospects were promising. Talks with Egyptian officials concerned concrete projects. While the delegation regretted the absence of Swiss soft loans to Egypt, it pointed to the new mixed credit that would soon be available. They even hoped it would be followed by a third mixed credit,<sup>91</sup> which showed just how important these were to the Swiss machinery industry.

The VSM's hopes were hasty – the second mixed credit was not yet finalized. This was due to the Swiss banking consortium's hardened conditions.<sup>92</sup> Interest rates remained

---

<sup>85</sup> See the letter from Jean Hulliger of the Financial and Economic Service, FDFA, to the Federal Tax Authority, 22.12.1983, SFA, E7115A#1993/137#1125\*, 831.

<sup>86</sup> The Federal Council submitted this double taxation agreement to parliament in August 1987, see: „Botschaft über ein Doppelbesteuerungsabkommen mit Ägypten“ in *Federal Gazette*, Vol. III, 1987, p. 61-88.

<sup>87</sup> This was reported in a telegram from Cuendet to the FOFEA, 28.06.1983, SFA, E7115A#1993/137#1129\*, 842.5.

<sup>88</sup> Cf. the confidential letter from H. von Arx, Service for Special Political Issues, FDFA, to Cuendet, 22.12.1983, SFA, E7115A#1993/137#1129\*, 842.5.

<sup>89</sup> The agreement signed in November 1984 was submitted to parliament in spring 1985, see: „Botschaft betreffend den Vertrag über die Zusammenarbeit zwischen der Schweiz und Ägypten im Bereiche der friedlichen Verwendung der Kernenergie“ in *Federal Gazette*, Vol. II, 1985, p. 49-68.

<sup>90</sup> See the letter from Gerber to the Vorort, the VSM and the SGCI, 18.04.1983, ACH, IB-Vorort, 360.2.2.8.

<sup>91</sup> This balance was struck in the report by Erb and Spühler, VSM, „Delegation VSM/USSI nach Ägypten“, 10.06.1983, ACH, IB-Vorort, 360.2.2.8.

<sup>92</sup> The consortium for this mixed credit was composed of UBS, the Swiss Volksbank, Crédit Suisse and the Swiss Bank Corporation, but was expanded to also include the Cantonal Bank of Bern as representative of a group of Cantonal Banks, and the Bank Leu, see the letter from J. Wichman, R. Gantner, Crédit Suisse, to the SNB directorate, I. Department, 02.03.1983, SFA, E2010A#1995/313#5816\*, C.41.152.0.

at the same level, but the consortium insisted on a cross-default clause. Such a clause would allow the banks to cancel the agreement and/or claim the outstanding debt when Egypt encountered arrears on any foreign debt payments.<sup>93</sup> This request was a direct consequence of the Swiss banks' doubts of Egyptian solvency, which matched those within the ERG commission on the soundness of its accumulated risks. In March 1983, the ERG coverage had increased to almost CHF 1.5 billion worth of deals, with CHF 1 billion of guarantees. It had open requests for roughly CHF 1.3 billion. As a staffer at the ERG commission highlighted in a confidential note to Jolles, this showed the strong activity of the Swiss industry in Egypt. Even though the ERG had hitherto not registered any losses in Egypt, they started dreading the risks. Considering Egypt's economic situation, the political risks and high engagement, the ERG should have been contemplating a reduction in its exposure.<sup>94</sup>

Given these official doubts, it is unsurprising that the banks were also increasingly worried about their involvement in Egypt. The banks' skepticism, or at least their wish for increased security for their credit operation, must be seen in the context of the 1982 Latin American debt crisis. Swiss banks had already reduced their exposure in Latin American countries in the late 1970s, isolating them from direct threats.<sup>95</sup> They now continued this prudence, or, as a Swiss left-wing publication put it at the time, the banks remained profit-oriented yet security conscious.<sup>96</sup> While the consequences of the Latin American debt crisis on Swiss banks balance sheets were not dramatic, they wanted increased guarantees for their credits to Egypt, which a cross-default clause could provide. It heightened the cost for Egypt to default on any loan, therefore providing increased security for all new loans.<sup>97</sup>

The federal authorities disagreed with the banks' insistence on introducing a cross-default clause. In a note from early May of 1983, Eric Roethlisberger indicated that the Swiss authorities were only willing to accept a suspension of the credit in case Egypt defaulted on the payments for the banks' share of the mixed credit itself.<sup>98</sup> Jolles feared that the banks' insistence would delay the credit agreement and hence, its export promotion effects. As for the first mixed credit, senior intervention was required – but this time to pressure the banks' interest, not the administration's. The Federal Council member in charge of economic affairs, Kurt Furgler, called upon UBS, the bank most

---

<sup>93</sup> This issue first came up in March 1983, see the note by Matthias Meyer from the Service for development issues, FOFEA, to Jolles, „Diskussion mit Konsortialbanken über Zinsmarge und cross-default Klausel bei Mischkrediten“, 18.03.1983, SFA, E7115A#1993/137#1146\*, 861.5.

<sup>94</sup> Confidential note by Carioli, ERG service, FOFEA, to Jolles, 21.03.1983, SFA, E7115A#1993/137#1146\*, 861.5.

<sup>95</sup> See: Georg Junge, 'Die schweizerischen Banken und die Schuldenkrise der Dritten Welt', *Schweizerisches Jahrbuch für Entwicklungspolitik*, 6, (1986), p. 149-150.

<sup>96</sup> Tobias Bauer, Urs Händenberger, and Markus Mugglin, 'Die Schweiz, die Verschuldung und das internationale Finanzkapital', *Widerspruch: Beiträge zu sozialistischer Politik*, 9 (1989), p. 39.

<sup>97</sup> For such an analysis of the effect the "financial innovation" that the cross-default-clause could have, see: David Folkerts-Landau, 'The Changing Role of International Bank Lending in Development Finance', *Staff Papers (International Monetary Fund)*, 32.2 (1985), p. 327-330.

<sup>98</sup> Note by Roethlisberger, „Crédit mixte Egypte Cross Default Clause“, 09.05.1983, SFA, E7115A#1993/137#1146\*, 861.5.

vocal in claiming a cross-default clause, to drop this provision.<sup>99</sup> UBS did not oblige. They cited a sizeable number of outstanding credits with Egyptian banks and importers that already included such a clause. Any softening of conditions, the bank's leadership warned in a personal letter to Kurt Furgler in May 1983, would have a form a precedent for new loans.<sup>100</sup>

The federal government sought a compromise. Kurt Furgler proposed that a cross-default clause could be included, but that it could only be activated after consultation with, and agreement by, the Swiss authorities.<sup>101</sup> The banks again refused.<sup>102</sup> Top leadership of *Crédit Suisse*, serving as the banking consortium's spokesperson, declared that they had "unanimously agreed that, at a time of increasing economic uncertainty on a world scale, the banks must be careful to use all available safeguards when passing on the funds entrusted to them."<sup>103</sup> They promised that the consortium would only default the loan under the condition of grave circumstances and after consultation with the FOFEA.<sup>104</sup> That was not enough for the FOFEA. In his answer, Jolles reminded the banks that the federal government was financially committed to the credit operation, as it covered the risks of the bank loan with 95 percent ERG coverage. The banks' argument regarding their responsibility in securing their loan was not valid. Jolles strongly insisted on concluding the treaty without further delay. He proposed that grave circumstances given to justify a default should be contingent on an objective acknowledgment from the FOFEA.<sup>105</sup> While not explicitly stated as such, the Swiss government's interest in reducing the bank's ability to put the mixed credit in default was because they would have to cover outstanding Egyptian debt via the ERG. The danger of escalating loan defaults in Egypt would have put the Swiss export guarantee system under considerable strain.

After an initial refusal from the banks,<sup>106</sup> a phone call from Eric Roethlisberger to *Crédit Suisse* Director Ernst Schneider dissipated the banks' reservations in July 1983.<sup>107</sup> Ultimately, a cross-default clause remained in the banks' agreement with Egypt and the federal authorities retained veto power against its activation, just as Furgler had initially proposed. Given that the content of Roethlisberger's call is not archived, the arguments that made the banks give in are not entirely clear. It is plausible that commercial justifications were at the core of Roethlisberger's argument. It seems likely that the federal authorities convinced the banks of the substantial guarantee a

---

<sup>99</sup> Cf. the note by Roethlisberger to Gerber and Meyer, „Egypte - Crédit mixte. Cross Default Clause“, 09.05.1983, SFA, E7115A#1993/137#1146\*, 861.5.

<sup>100</sup> Personal letter by Niklaus Senn, General director, and Hans Heckman, member of the UBS Board to Furgler, 20.05.1983, SFA, E7115A#1993/137#1146\*, 861.5.

<sup>101</sup> Letter from Furgler to the Board of UBS, 30.05.1983, SFA, E7115A#1993/137#1146\*, 861.5.

<sup>102</sup> This was communicated in a telegram from R. Gantner, *Crédit Suisse*, to Gerber, 13.06.1983, SFA, E7115A#1993/137#1146\*, 861.5.

<sup>103</sup> Cf. the letter from Robert Jeker, Director and Peter Stäger, Member of the *Crédit Suisse* board, to Jolles, 08.07.1983, SFA, E7115A#1993/137#1146\*, 861.5.

<sup>104</sup> *Ibid.*

<sup>105</sup> Letter by Jolles to *Crédit Suisse*, 13.07.1983, SFA, E7115A#1993/137#1146\*, 861.5.

<sup>106</sup> See the telegram by Stäger to Jolles, 19.07.1983, SFA, E7115A#1993/137#1146\*, 861.5.

<sup>107</sup> Cf the confidential letter by Ernst Schneider, General Director of *Crédit Suisse*, to Roethlisberger, 22.07.1983, SFA, E7115A#1993/137#1146\*, 861.5.

mixed credit provided to all the bank loans to Egypt, or how it socialized the risks, as mentioned earlier. Reflecting Egyptian dependency on foreign loans and its unequal relationship with Western debtors, the Cairo authorities were never consulted.

The banks' skepticism towards Egypt was quite understandable. By July 1983, several Swiss banks and exporters had begun reporting arrears of payments to the ERG-Commission. A summary of outstanding payments made by the FOFEA in late July 1983 showed arrears on payments to eight Swiss companies, valuing at ca. CHF 11.5 million.<sup>108</sup> While these values were not high, they undermined Egyptian payment discipline. By late August 1983, Ambassador Cuendet could report that some of the payments had been honored. He still struggled, however, to find adequate explanations for the arrears.<sup>109</sup> Only in early November was a more thorough analysis of Egypt's foreign debt and payment problems sent to Bern. Written by the diplomatic intern, Tim Guldimann, who would later become an influential diplomat and social-democratic member of parliament, this lengthy report was motivated by a need to apprehend Egypt's structural economic difficulties in light of the high ERG engagement and recent delayed payments. According to the report, arrears had risen for the first time since the October War and on a practical level, exclusively concerned supplier's credits. But Egypt's actual debt was not drastic. Interest rates and terms of payment were sound, as was the debt-service-ratio. Liquidity problems could not be interpreted as a consequence of excessive indebtedness, the report went on, as no one was talking about possible debt restructuring. The arrears never exceeded three months, nearly all private loans to Egypt were publicly guaranteed, and payment practice had bettered again. Nonetheless, the domestic and foreign private sector's trust in Egyptian creditworthiness dwindled. This was in stark contrast to the politically motivated financial generosity of Western governments, who transformed Egypt into what Guldimann described as an actual "battle ground in the so-called 'war of soft loans'."<sup>110</sup> The discordance between the Swiss banks and government on the cross-default clause in the mixed credit agreement partially reflected this dichotomy. The banks were interested in safeguarding their outstanding loans in the context of the Third World debt crisis, while the governments were eager to support the export industries in the context of dropping demand.

Despite insisting on the sound Egyptian debt situation, the report did point to an uncertain future. Short-term debt was rising as the share of soft loans in overall credits was falling, and the burden of interest and reimbursement payments as part of gross capital inflows was growing. The report regretted that the Egyptian government had not seized the opportunity offered by the strong growth of foreign earnings from oil revenues, remittances, tourism, and Suez Canal earnings to promote domestic production. Since 1981/82, foreign earnings had been falling, while foreign spending continued increasing. Hence, the Egyptian economy that had so heavily relied on

---

<sup>108</sup> See the list "Delayed payments" annexed to the letter from Cuendet to the FOFEA, 23.08.1983, SFA, E7115A#1993/137#1146\*, 861.5.

<sup>109</sup> Cf. the letter from Cuendet to the FOFEA, 23.08.1983, SFA, E7115A#1993/137#1146\*, 861.5.

<sup>110</sup> Report by Tim Guldimann, "Die Aegyptische Aussenschuld vor dem Hintergrund sich verschärfender wirtschaftlicher Strukturprobleme", 08.11.1983, SFA, E2010A#1995/313#5811\*, C.41.100.0.

exogenous resources, found itself in a state of crisis. This also had political components, as the Egyptian public's expectations of improved living standards had grown since the peace agreement with Israel. These expectations could no longer be met, and Egypt affronted a politically sensitive situation. According to Guldemann, this constellation excluded the option of addressing the macroeconomic situation via austerity. He therefore anticipated more Egyptian blackmailing of the Western donors interested in maintaining its political stability.<sup>111</sup>

This instructive report indicates that the main driver of dropping Swiss exports from 1982 onwards lay in the Egyptian economy's financial difficulties. This translated into increasing doubts about Egypt's creditworthiness, which in turn gave way to more restrictive guarantee policies from the ERG commission 1983 onwards; the maximum coverage was reduced to 70 percent.<sup>112</sup> Given the ERG's crucial importance in Swiss banks' provision of suppliers' credits, they likely started falling and therefore, also depressing Swiss exports. Indeed, as former World Bank official Khalid Ikram put it: "a debt crisis had long been in the making" in Egypt and became ever more acute in the mid-1980s.<sup>113</sup> This did not, however, forestall a second mixed credit. An agreement was signed in January 1984 in Bern.<sup>114</sup> At the time, the Swiss authorities were obviously unaware that the zenith of Swiss commercial expansion in Egypt had been surpassed and they continued vigorously supporting it. Until 1985, the Swiss ERG could still guarantee exports to Egypt<sup>115</sup> and Egyptian debt to Swiss banks reached over CHF 1.1 billion by the end of 1986.<sup>116</sup> By 1987, the Egyptian government's debt burden became unsustainable and it reached a rescheduling agreement with the Paris Club.<sup>117</sup> The Swiss government participated in this agreement with CHF 425 million,<sup>118</sup> in what was the largest ever rescheduling from the Swiss authorities.<sup>119</sup>

Until then, the Swiss banks had generously provided loans to finance Swiss exports. This enabled the Swiss export industry, and particularly the machinery industry, to successfully penetrate the Egyptian market over the larger part of a decade. By 1983, it was among the 25 most important Swiss export markets overall. Among Third World countries, it was the fifth most important market, surpassed only by South Africa and

---

<sup>111</sup> *Ibid.*

<sup>112</sup> Cf. the unsigned preparatory note for Mubarak's visit: "Etat des relations économiques avec l'Égypte", 01.06.1983, SFA, E2010A#1995/313#5711\*, B.15.50.4.

<sup>113</sup> Ikram, *The Egyptian Economy ...*, p. 151.

<sup>114</sup> Cf. the telegram from Cuendet to the FOFEA, 25.01.1984, SFA, E2010A#1995/313#5816\*, C.41.152.0.

<sup>115</sup> See the statement by Federal Council member Jean-Pascal Delamuraz in his response to parliamentary questions regarding the government's report on foreign economic policy in: "Aussenwirtschaftspolitik. Berichte 1988/1 und 1988/2" in *Official Bulletin of the Federal Assembly*, Vol. III, 1982, p. 212.

<sup>116</sup> See the data in: Swiss National Bank, *Das Schweizerische Bankwesen im Jahre 1986* (Zürich: Orell Füssli Verlag, 1987) p. 38.

<sup>117</sup> Dropping revenues were at the core of these troubles, see: Ikram, *The Political Economy of Reforms in Egypt ...*, p. 279-280.

<sup>118</sup> Cf. "Bericht zur Aussenwirtschaftspolitik 88/1 +2" in *Federal Gazette*, Vol. I, 1989, p. 390.

<sup>119</sup> This according to National Council member Hans Meier, see his statement in "Aussenwirtschaftspolitik. Berichte 1988/1 und 1988/2" in *Official Bulletin of the Federal Assembly*, Vol. III, 1988, p. 207.

the oil-rich states of Saudi Arabia, Iran and Iraq.<sup>120</sup> Swiss participation in the initial scramble for Egypt after economic liberalization under Sadat thus seemed to have paid off. But it came at the price of an ever-growing Egyptian foreign debt and at the expense of the Swiss taxpayer – through the rescheduling of the publicly guaranteed bank loans provided to Egypt.

### ***Fruitless Political Talks***

Egypt's development status and the international financial situation adversely affected bilateral economic relations with Switzerland. But political relations remained close and cordial. Boutros-Ghali, in November 1982, approached the Swiss ambassador in Cairo with a confidential matter. President Mubarak was scheduled to speak to the general assembly of the Geneva-based International Labor Organization in June 1983. Boutros-Ghali inquired after Swiss interest to arrange a meeting on this occasion. Reporting this conversation to Federal Council member Aubert, Cuendet highlighted that Boutros-Ghali seemed to have a vivid interest in such a meeting,<sup>121</sup> as did the Swiss authorities.<sup>122</sup> Having international organizations in Geneva again proved to be a door-opener to gain access to the highest level of foreign policymakers.

A set of Swiss preparatory notes for this meeting reflects the centrality Egypt had gained for Switzerland within the political framework of the Middle Eastern conflict. One note on Egypt's international relations commented on the privileged relationship the Cairo authorities had with the US. Egypt's dependency on the US had grown so much that it "could hardly renounce [them], given the importance of American aid."<sup>123</sup> Egyptian relations with Israel, meanwhile, had deteriorated shortly after the conclusion of the peace treaty. The Swiss attributed this to Israeli stubbornness on the Palestinian question, their military raid of an Iraqi nuclear power plant construction site in summer 1981, and the annexations of Jerusalem and the Golan heights. This political degradation continued notably with the Israeli invasion of Lebanon in summer 1982.<sup>124</sup> While examined deeper in a later subchapter, suffice it here to say that the Swiss authorities did not consider this invasion justified. They advocated for the reestablishment of Lebanon to its territorial integrity and supported any agreement that respected the legitimate security interests of all parties involved. Documentation

---

<sup>120</sup> Own calculations based on Kammerer, et al., "L.22. Ausfuhrwerte nach Verbrauchsländern 1920-1992 (in Millionen Franken): Europa," "L.23. Ausfuhrwerte nach Verbrauchsländern 1920-1992 (in Millionen Franken): Amerika," "L.24. Ausfuhrwerte nach Verbrauchsländern 1920-1992 (in Millionen Franken): Afrika," and "L.25. Ausfuhrwerte nach Verbrauchsländern 1920-1992 (in Millionen Franken): Asien" in *Historical Statistics of Switzerland Online*, <http://www.hssso.ch>.

<sup>121</sup> Highly confidential telegram from Cuendet to Aubert, 09.11.1982, SFA, E2010A#1995/313#5711\*, B.15.50.4.

<sup>122</sup> Communicated in a confidential telegram from Hansjakob Kaufmann, Head of Protokoll, FDFA, to Cuendet, 18.11.1982, SFA, E2010A#1995/313#5711\*, B.15.50.4.

<sup>123</sup> See the unsigned note „Egypte: relations internationales“, 02.06.1983, SFA, E2010A#1995/313#5711\*, B.15.50.4.

<sup>124</sup> *Ibid.*

preparing Mubarak's visit showed that the Swiss position matched Egypt's views – although it did not say so explicitly.<sup>125</sup>

Preparatory notes for the visit insisted that although “[w]hen Mr. Mubarak became President of the Republic, he was faced with an extremely difficult [domestic] situation,” which he managed to control.<sup>126</sup> The early years of Mubarak's rule have indeed been characterized as a “honeymoon,” with a partial reversal of the heavy political restrictions imposed by Sadat.<sup>127</sup> However, he had also substantially increased the domestic security apparatus.<sup>128</sup> While insisting on forming a continuity of Sadat's policy, he had shifted his tone and methods to divide the religious opposition within. He reacted to domestic criticism against the ‘fat cats,’ the profiteers of the open-door economic policy, hinting at measures against commercial, financial and land speculation. Thanks to such rather superficial domestic accommodations, a skillful integration of a segment of the secular opposition, and Israel's restitution of the last part of the Sinai, Mubarak stabilized his regime. Nonetheless, the Swiss felt that in the long run, Islamic fundamentalist groups continued to represent a “big danger.”<sup>129</sup> The note concluded that as long as “economic and social difficulties” endured, the danger for the regime would persist.<sup>130</sup>

A series of unsigned and non-dated notes gave a general overview of the bilateral relations. Improved relations in the 1970s were attributed to the cordiality from Graber's visit to Cairo back in 1973. This had installed a constant political dialogue between the two countries.<sup>131</sup> The FDFA observed that there has been a significant improvement of bilateral relations, “with an emphasis being placed on the economic domain.”<sup>132</sup> These preparatory notes indicate that Swiss official political sympathy with Egypt had at least persisted, if not increased, under Mubarak. Egypt was clearly seen as a stabilizing and moderating factor in the Middle East, especially vis-à-vis Israel. This was seen in the matching Swiss-Egyptian positions regarding Lebanon and their fairly open blame of Israel for the renewed armed confrontation.

The talks between Federal Council member Pierre Aubert and Hosni Mubarak took place in the municipality of Rolle, on the shores of Lake Geneva, on June 8, 1983. Quite remarkably, the first-ever visit from an Egyptian president was not accompanied by any substantial public protocol. For security reasons, the meeting place was kept secret. The

---

<sup>125</sup> This can be read in another unsigned note „Proche-Orient. Liban“, 02.06.1983, SFA, E2010A#1995/313#5711\*, B.15.50.4.

<sup>126</sup> See the unsigned note, „Egypte: situation interieure“, 01.06.1983, SFA, E2010A#1995/313#5711\*, B.15.50.4.

<sup>127</sup> See: Amin, *Egypt in the Era of Hosni Mubarak*, ..., p. 4-6.

<sup>128</sup> Tarek Osman, *Egypt on the Brink: From Nasser to the Muslim Brotherhood, Revised and Updated*, (New Haven ; London: Yale University Press, 2013), p. 185-186.

<sup>129</sup> See the unsigned note, „Egypte: situation interieure“, 01.06.1983, SFA, E2010A#1995/313#5711\*, B.15.50.4.

<sup>130</sup> *Ibid.*

<sup>131</sup> Cf. the unsigned note „Appréciation des relations avec l'Egypte“, non-dated, SFA, E2010A#1995/313#5711\*, B.15.50.4.

<sup>132</sup> This was highlighted in an unsigned note “Historique des relations bilatérales”, non-dated, SFA, E2010A#1995/313#5711\*, B.15.50.4.

talks were more of an exchange of thoughts on the Middle Eastern situation, and only marginally touched on bilateral relations. According to Mubarak, circumstances in the region were dominantly shaped by the Israeli invasion of Lebanon – and thus related complications on the fate of Palestinian autonomy. Aubert presented the Swiss position on a peaceful solution of the Middle Eastern conflict: Israel had to be able to retain its right to secure and internationally recognized borders, and the Palestinian people should have the right to self-determination. The Swiss foreign minister was aware that these were slogans and he, in vain, tried to convince Mubarak to offer a way to actually make them happen. Mubarak did not. Aubert then shifted to bilateral relations, focusing on economic relations, i.e., the mixed credit, talks about the double taxation agreement and Switzerland's major investments in Egypt. This did not provoke a strong reaction from Mubarak other than a simple recognition that "relations between our two countries are excellent," to which Aubert could only concur.<sup>133</sup>

The talks were rather fruitless from a bilateral standpoint, as none of the substantial issues at stake were discussed – namely, the increasing Swiss worries of Egypt's financial situation. However, Aubert did attempt to place the Swiss FDFA as a peace broker in the Middle East, especially for the Lebanese civil war. In late November 1983, Boutros-Ghali was in Bern to receive a prize from a private Swiss foundation. He met with Aubert who, earlier that month, had received recognition for hosting a National Dialogue Conference for Lebanon in Geneva. Aubert's presence at the opening session of this conference had forced the different Lebanese factions to gather – something that was not certain at the start. Boutros-Ghali, talking about Switzerland's role in the world, declared that it was extremely important for the international community, as its institutions were engaged in lessening human suffering worldwide.<sup>134</sup>

This lauding of Swiss humanitarianism somewhat contrasted with the countries' increasing cooperation around armaments. By this time, arms exports to Egypt were re-authorized and in early November 1983, the Federal Council approved a substantial request from Oerlikon-Bührle and Contraves to export arms to Egypt.<sup>135</sup> It concerned the export of 233,000 rounds of 35 mm ammunition for Oerlikon anti-aircraft systems valuing over CHF 40 million. While no longer subject to an arms export embargo, each request was examined individually. After the FDFA's initial rejection,<sup>136</sup> Aubert ultimately dismissed that department's opposition, referring to the positive effect the Egyptian-Israeli peace treaty had on the region's political stability. If the situation changed, and here he notably referred to tensions between Egypt and Libya, they would reverse their position.<sup>137</sup> The FDEA co-report strongly supported the authorization of

---

<sup>133</sup> For the Aubert-Mubarak talks, see the confidential minutes, "Treffen mit dem ägyptischen Staatspräsidenten Muhammad Husni Mubarak", 1406.1983, SFA, E7115A#1993/137#1143\*, 877.3.

<sup>134</sup> These talks were recorded in the confidential minutes by Phillipe Jaccard, diplomatic staffer, Political Division I, FDFA, 02.12.1983, SFA, E2010A#1995/313#5710\*, B.15.50.4.

<sup>135</sup> Decision by the Federal Council, "Exportation de matériel de guerre vers l'Égypte", 02.11.1983, SFA, E2010A#1995/313#5803\*, B.51.14.21.20.

<sup>136</sup> Request by Chevallaz to the Federal Council, "Exportation de matériel de guerre vers l'Égypte", 14.10.1983, SFA, E2010A#1995/313#5803\*, B.51.14.21.20.

<sup>137</sup> Co-report by Aubert to the Federal Council, "Exportation de matériel de guerre vers l'Égypte", 24.10.1983, SFA, E2010A#1995/313#5803\*, B.51.14.21.20.

this arms export. It would boost overall Swiss exports to Egypt and particularly support the Swiss machinery industry that, as seen before, was facing growing difficulties on the world market. The FDEA rejected doubts on the negative impact these sales would have on Egypt's balance of payments, commenting curtly: "even if Switzerland did not act as a supplier, the military equipment would be bought elsewhere by Egypt."<sup>138</sup>

In the encounters between Swiss and senior Egyptian policy officials, these substantial economic interactions were largely disregarded. Neither Aubert's talk with Mubarak, nor his discussion with Boutros-Ghali, raised Swiss banks' doubts of Egypt's creditworthiness. The final obstacles in concluding the mixed credit agreement were not raised, either; and the sensitive issue of Swiss arms exports to Egypt was not out on the table. These substantial elements to Swiss-Egyptian relations were handled at the technical level.

In the early years of Mubarak's rule in Egypt, the Swiss authorities were reassured that they could continue with business as usual. Economic relations had reached their high point, with record values of Swiss exports to Egypt in 1982. This year marked a turning point in bilateral economic relations. The international debt crisis left its mark on the Swiss banks' propensity to finance Swiss exports to Egypt. With the growing crisis of the real economy on their mind, the Swiss authorities convinced the banks to open a new credit line to Egypt via a second mixed credit as a temporary countertendency. From a different vantage point, such 'development aid' facilities had come under political pressure in Switzerland. The ambiguity of mixed credits had not gone unnoticed; their usefulness for the beneficiary country had to be justified in order to maintain the beneficial effect for the Swiss export industry. Unlike the US and other, larger OECD countries, Swiss financial support to Egypt cannot be understood in political or strategic terms<sup>139</sup> because the official contribution was too low. Nonetheless, Swiss loans to Egypt were substantial, with the majority on a private, yet publicly guaranteed basis. Commercial interests of Swiss industrial companies were paramount in this generous credit policy, demonstrating their symbiotic relations with financial capital.

## **7.2 Small-scale Swiss Economic Diplomacy and Renewed Business Interest in Syria. Reciprocal Visits and Swiss-Syrian Joint Ventures.**

Ambassador Robert Beaujon's efforts to accomplish his task of promoting Swiss economic relations with Syria had failed. In November 1981, Maurice Jeanrenaud took office on his first post as ambassador more soberly. Presenting his credentials to Assad, he insisted that "many Swiss companies are willing to work with Syria and contribute

---

<sup>138</sup> Co-report by the FDEA to the Federal Council „Ausfuhr von Kriegsmaterial nach Aegypten“, 31.10.1983, SFA, E2010A#1995/313#5803\*, B.51.14.21.20.

<sup>139</sup> For such a reading of Egypt's economic policy, see: Hans Löfgren, 'Economic Policy in Egypt: A Breakdown in Reform Resistance?', *International Journal of Middle East Studies*, 25.3 (1993), p. 409-410 and Alan Richards, 'The Political Economy of Dilatory Reform: Egypt in the 1980s', *World Development*, 19.12 (1991), p. 1721.

to the development of its agricultural and industrial infrastructure.”<sup>140</sup> He regretted the Syrian president’s lack of reaction to this statement. But he did not blow it out of proportion like his predecessor would have done. While Jeanrenaud underlined that Syria “occupies a prominent place in the Arab world,”<sup>141</sup> it was also in deep political crisis in the early 1980s. Pressure from the radical Islamic opposition had grown from within. And Israel, with its southern border with Egypt militarily neutralized after the peace treaty, exerted greater pressure in its north, towards Syria and especially Lebanon.<sup>142</sup> Internationally, the US Reagan administration attempted to isolate Syria politically<sup>143</sup> and economically by putting it on a ‘terrorism list.’<sup>144</sup> The Syrian economy faced a watershed moment in the early 1980s, pivoting from years of growth to economic difficulties. From 1981 onwards, a negative balance of payment led to import cuts and an austere economic policy.<sup>145</sup> Yet, in the two-year period that would follow Jeanrenaud’s deployment to Damascus, the Swiss ambassador and the FOFEA did not stop attempting to promote Swiss companies in Syria. This is illustrated in two domains: support for establishing Swiss-Syrian joint ventures and an official Swiss economic visit to Damascus.

### ***Establishing Swiss-Syrian Joint Ventures***

Swiss economic efforts in Syria were targeted, focusing on the development priorities of the five-year plan (1981-85). In mid-March 1982, a senior Syrian official at the Ministry for Economic Affairs presented the priorities to the Swiss ambassador. The first was the development of the agricultural sector, and the second, electricity production and distribution. As custom by now, he regretted the high prices of Swiss industrial goods while lauding their quality. But the Syrian authorities would warmly greet a Swiss contribution to local production, especially electrical apparatuses.<sup>146</sup> Considering the increasingly negative Syrian balance of payment, senior Syrian officials’ invitations for Swiss investment were not surprising. According to a Crédit Suisse country report from March 1982, increasing capital shortage and domestic tensions would likely hinder implementation of the announced economic plan.<sup>147</sup>

Intensifying domestic political tensions were exemplified by the large-scale revolt called by the Moslem Brotherhood in Hama in February 1982, which was violently

---

<sup>140</sup> See the letter from Maurice Jeanrenaud, Swiss ambassador in Damascus, to the Political Division II, FDFA, 18.11.1981, SFA, E2001E-01#1991/17#12350\*, B.15.21.Syrie.

<sup>141</sup> *Ibid.*

<sup>142</sup> Cf. Rabinovich, *The Brink of Peace* ..., p. 33.

<sup>143</sup> See: Flynt Leverett, *Inheriting Syria: Bashar’s Trial by Fire* (Washington, D.C: Brookings Institution Press, 2005), p. 7.

<sup>144</sup> Reported in: Robert G. Rabil, *Syria, the United States, and the War on Terror in the Middle East* (Westport: Praeger, 2006), p. 65-65.

<sup>145</sup> On these growing economic difficulties, see: Perthes, ‘The Syrian Economy in the 1980s’ ..., p. 39-43.

<sup>146</sup> These were reported in a letter from Jeanrenaud to the FOFEA, 18.03.1982, SFA, E7115A#1992/24#2520\*, 810.

<sup>147</sup> See the information bulletin “Syria” by M. Hackelsberger, Economic division, Crédit Suisse, March 1982, ACH, IB-Vorort, 369.11.

repressed by the government troops.<sup>148</sup> Under such circumstances, one might expect Swiss economic and political risk assessment to advise against any substantial involvement. Yet, a Swiss analysis of the Hama rebellion minimized its impact. It concluded that the uprising was rooted in religious and sociological disparities. “The army is an extremely important pillar of the regime” which “Assad literally showered with privileges to ensure its loyalty.”<sup>149</sup> The army constituted the most important pillar of the Assad regime and gave it the necessary resilience. An actual threat would only come if the uprising started to include sectors of the Damascus elite. As the FDFA was convinced, those elites “appreciate the considerable stability, by Syrian standards, of the past twelve years” and the Bath regime did not appear “all in all and despite internal and external difficulties, [...] to be in immediate danger.”<sup>150</sup> The Swiss authorities did not consider the uprisings, multiplying in Syria in the five years prior, as a vital threat to the regime.

This trust in a relative Syrian stability was shared by at least two Swiss companies: Landis & Gyr and Ciba-Geigy. Landis & Gyr was specialized in producing meters for monitoring energy consumption. The company was negotiating a license agreement with a Syrian state company for the local production of electricity meters. The Landis & Gyr bid, as presented to the Swiss authorities in a note from early May 1982, was built on unequal relations. The Swiss company would extract a rent by providing technology and know-how; in addition, it could acquire a guaranteed sales market. Landis & Gyr offered to invest eight million francs into machinery and training for the Syrian workforce in Switzerland. In return, it requested six percent royalties on local production and guarantees for the purchase of components from the Swiss company.<sup>151</sup> Landis & Gyr would become a new partner in an existing local production, previously run by an Austrian company. Given that the head of this army-run company, General Abou Akl, was not satisfied with the mediocre product under the Austrian license, he had exclusively contacted Landis & Gyr for their high-quality manufacturing.<sup>152</sup> Ambassador Jeanrenaud vouched for the Syrian company, assuring that it was “tightly” managed.<sup>153</sup> And although the “relatively swift conclusion of a contract [could] be foreseen,” the Syrian foreign currency shortage would delay the opening of a credit letter for this deal.<sup>154</sup>

In summer 1982, Syrian efforts to attract foreign investment expanded, especially with the establishment of a Bureau for Foreign Investment within the Ministry of Planning. The Swiss consul in Syria, Franz Bischof, reported to the FOFEA in August that Syria

---

<sup>148</sup> On this armed uprising, see: Raphaël Lefèvre, *Ashes of Hama: The Muslim Brotherhood in Syria* (Oxford: Oxford University Press, 2013), p. 122-128.

<sup>149</sup> See the unsigned confidential note, „Syrien (innenpolitische Lage)“, 26.02.1982, SFA, E2010A#1995/313#11706\*, B.13.61.0.

<sup>150</sup> *Ibid.*

<sup>151</sup> Note by Landis&Gyr Zug, „Herstellung von Elektrizitätszählern in Syrien“, 03.05.1982, SFA, E7115A#1992/24#2530\*, 872.1.

<sup>152</sup> Cf. the note by Franz Bischof, Swiss consul, Damascus, 20.04.1982, SFA, E7115A#1992/24#2530\*, 872.1.

<sup>153</sup> Letter from Jeanrenaud to Heuberger, 02.06.1983, SFA, E7115A#1992/24#2530\*, 872.1.

<sup>154</sup> *Ibid.*

raised its expenditure for defense and security following the Israeli invasion of Lebanon in June 1982. Syrian involvement in Lebanon had been an economic asset until then.<sup>155</sup> Now it was a heavy burden and actually inciting economic liberalization and accommodating policy to foreign capital. Despite Syrian interest in attracting FDI, the Minister of Planning was unaware of its IPT with Switzerland, ratified in August 1978, as he requested information on Swiss regulation regarding FDI. The treaty had until then remained meaningless, given the absence of any Swiss FDI.<sup>156</sup> This can explain why the Syrians forgot this treaty, but it does not speak for the seriousness of their economic bureaucracy.

The absence of Swiss FDI was not solely due to a lack of interest from Swiss companies. For two and a half years, Ciba-Geigy had been in discussions with a Syrian company under the authority of the Ministry of Defence, to reach an agreement for a joint venture producing pharmaceutical products. Although personnel changes in the Syrian authorities and the absence of proper concepts dragged out negotiations, they were ongoing.<sup>157</sup> The Landis & Gyr project was advancing quicker, precisely because of the relevant Syrian bodies' determination;<sup>158</sup> by mid-September 1982, Jeanrenaud could announce the promising state of negotiations.<sup>159</sup> But the foreign currency shortage further delayed the implementation of the joint venture,<sup>160</sup> and Syrian economic planning ultimately focused on completing unfinished projects from the previous five-year plan.<sup>161</sup> These two joint ventures both attempted to create conditions for a steady export market for components from those Swiss companies. And they were both negotiated with Syrian military representatives.

### ***A Swiss Delegation to the 'Gates of the Orient' in Mounting Economic Difficulties***

Somewhat surprisingly, given the relatively low importance the Syrian market had for Swiss exports and its unpromising perspectives, the FOFEA initiated deployment of an economic delegation to Syria and Jordan. The Federal Council's trade delegate, Benedikt von Tschärner, who had already led the Swiss delegation to the Aswan donor conference in Egypt, would head the delegation. He specified its aims in a telegram from November 1982 to Ambassador Jeanrenaud. It would confirm Swiss interest in bilateral economic relations and explore their possible expansion. In addition to Swiss government officials, a representative of the Vorort and one from the OSEC would participate.<sup>162</sup> Even though he highlighted the difficult Syrian economic situation, the

---

<sup>155</sup> For such an interpretation of Syrian involvement in Lebanon, see: Matar, *The Political Economy of Investment in Syria ...*, p. 95-98.

<sup>156</sup> Letter from Bischof to the FOFEA, 11.08.1982, SFA, E7115A#1992/24#2536\*, 892.1.

<sup>157</sup> Reported in a letter from Bischof to the FOFEA, 11.08.1982, SFA, E7115A#1992/24#2531\*, 873.5.

<sup>158</sup> Cf. the note by Bischof, „Zusammenarbeit IED-L+G“, 12.09.1982, SFA, E7115A#1992/24#2530\*, 872.1.

<sup>159</sup> Telegram from Jeanrenaud to the FOFEA, 17.09.1982, SFA, E7115A#1992/24#2530\*, 872.1.

<sup>160</sup> This was communicated by the Syrian general to von Tschärner during the latter's visit in 1983, see the report by Alois Heuberger, „Verteidigungsministerium“, 24.02.1983, SFA, E7115A#1993/137#2437\*, 870.

<sup>161</sup> Cf. Matar, *The Political Economy of Investment in Syria ...*, p. 100.

<sup>162</sup> Telegram from von Tschärner to the Swiss embassies in Amman and Damascus, 25.11.1982, SFA, E7115A#1992/24#2529\*, 870.

Swiss ambassador was thrilled by this project.<sup>163</sup> Von Tscharner requested the Swiss embassies in Syria and Jordan to suggest how to “not make the talks *appear* unbalanced in the spirit of Swiss export interests,”<sup>164</sup> besides providing mixed credits. Given the lack of answers and the content of the ensuing talks, the Swiss were clearly not very creative in proposing ways for their Syrian counterparts to improve their economic situation.

Given that a private delegation would accompany von Tscharner, preparations were underway at the Vorort. A survey among its member bodies gave an overview of the Swiss business perspective on Syrian markets, including potential difficulties. The Swiss Society of Chemical Industries described their market position in Syria as satisfactory and promising. But as seen in previous chapters, the pressure on pharmaceutical prices was high.<sup>165</sup> The Swiss watch industry also noted a positive evolution of sales in recent years. The Syrian state company that monopolized watch imports usually met its obligations.<sup>166</sup> And the Swiss machinery industry noted a gradual increase in sales since the steep drop in 1978.<sup>167</sup> The three main Swiss export industries selling in Syria all saw market potential, and they all encountered the same problems: burdensome bureaucracy and transfer difficulties.<sup>168</sup>

Besides these general issues, there was one major problem for one firm: Bühler. After one and a half years of lengthy negotiations and substantial concessions, the Swiss company signed a contract with a Syrian state company in February 1982 for an expansion of six grain silos. In late November, Bühler received a telegram stating, without further explanation, that the necessary Syrian body had not ratified the contract and the tender would be reopened. Bühler company representatives were surprised. Had not “the impressive performance of our company” over the 10-year duration of their CHF 190 million contract to provide and install silos, “repeatedly been praised as outstanding by senior Syrian government officials”?<sup>169</sup> In a telegram to the director of the Syrian state company, Bühler’s managing director expressed “deep disappointment about this outcome of the mutual agreement [...] motivated from our side by our deep concern to serve the silo program of Syria.”<sup>170</sup> Beyond this supposed altruism, Bühler had substantial material interests. They risked losing not only the contract itself, but also the considerable sums invested in establishing site plans, etc. They reserved the right for compensation for those plans, which, after all, was their intellectual

---

<sup>163</sup> Telegram from Jeanrenaud to the FOFEA, 30.11.1982, SFA, E7115A#1992/24#2529\*, 870.

<sup>164</sup> Emphasis by the author, see the telegram from von Tscharner to the Swiss embassies in Amman and Damascus, 16.12.1982, SFA, E7115A#1992/24#2529\*, 870.

<sup>165</sup> Cf. the letter from the Swiss Society of Chemical Industries to the Vorort, 28.01.1983, ACH, IB-Vorort, 369.12.

<sup>166</sup> Reported in the letter from P. Glauser and R. Mariotti, Division for Foreign Affairs, Fédération horlogère, to the Vorort, 24.01.1983, ACH, IB-Vorort, 369.12

<sup>167</sup> See the letter from Erb, VSM, to the Vorort, 24.01.1983, ACH, IB-Vorort, 369.12.

<sup>168</sup> Communicated in a letter from von Tscharner to Jeanrenaud, 02.02.1983, SFA, E7115A#1993/137#2437\*, 870.

<sup>169</sup> See the letter from W. Kesselring and G. Reich, Bühler Brothers, to the VSM, 14.01.1983, ACH, IB-Vorort, 369.12.

<sup>170</sup> Telegram from Ferdy Egli, Managing Director, Bühler Brothers, to Ihsan Dahd, General Director of the General Company for Industrial Projects, Damas, 01.12.1982, ACH, IB-Vorort, 369.12.

property.<sup>171</sup> To Swiss chagrin, the telegram went unanswered. It is unclear what led to this cancellation and what happened to the site plans. According to the Bühler company representative in Damascus, the treaty was not ratified by the relevant body “because a member of the Council was not sympathetic to the West and opposed it, or perhaps because Swedish interests who had been discarded in the original tender, carried out anti-Bühler lobbying.”<sup>172</sup> Jeanrenaud did not think “we will ever know the truth of the matter,” but recommended lobbying for Bühler during von Tscharner’s visit.<sup>173</sup>

Alfred Hugentobler from the FDFA would accompany von Tscharner on his visit, in addition to Swiss business representatives. Hugentobler did not know of any political problems in Swiss-Egyptian relations. The only potential disturbance could come from Swiss-Israeli military relations (cf. the following sub-chapter).<sup>174</sup> He welcomed von Tscharner’s intention to go to Syria, as the contacts would, very broadly speaking, give Swiss-Syrian relations a bit more flesh.<sup>175</sup> As seen in a note by the Political Secretariat of the FDFA, Swiss authorities showed understanding, perhaps even sympathy, for Syrian foreign policy aims. In both Syria and Lebanon, Assad’s policy aimed to prevent ethnic, religious and political fragmentation. Syrian shifting in alliances in Lebanon since the mid-1970s were free from any immediate ideological sympathies, the note observed. Syria was exerting itself to maintain balance between different conflict parties.<sup>176</sup> So upon the delegation’s departure, Syria’s economic and political situation was not viewed purely negatively – it even could hold promise.

The small Swiss delegation left for this ten-day tour in the Middle East on February 18, 1983. After five days in Jordan, the arrival in Damascus on February 23 was quite a culture shock. Coming from the market-regulated economic system of Jordan, von Tscharner likened Damascus to Eastern Europe cities. “The contrast between Jordan and Syria is remarkable,” he wrote. “Anyone who knows Eastern Europe will find much that is familiar in Damascus, from the monotony of official propaganda to the thought patterns of economic planning.”<sup>177</sup> Within three days, the Swiss had 13 different meetings with ministers, Baath Party officials, the Central Bank Governor and the Chamber of Commerce president. Syrian interests were clear right from the first meeting, with the Syrian State Minister for Planning, Kamal Sharaf. He proposed technical cooperation, i.e., license agreements or FDI; he expressed Syrian desire to increase exports to Switzerland; and he made a wish for preferential Swiss credits. Von Tscharner could not accommodate any of these wishes. He could only refer to the attractive credit conditions of Swiss banks, for which the Syrian minister had little

---

<sup>171</sup> *Ibid.*

<sup>172</sup> Communicated in a letter from Jeanrenaud to von Tscharner, 08.12.1982, SFA, E7115A#1992/24#2529\*, 870.

<sup>173</sup> *Ibid.*

<sup>174</sup> Note by Hugentobler, 13.01.1983, SFA, E7115A#1993/137#2432\*, 810.

<sup>175</sup> He communicated this in a letter from Hugentobler to von Tscharner, 04.02.1983, SFA, E7115A#1993/137#2437\*, 870.

<sup>176</sup> Note by Jean-Pierre Ritter, „Die Aussenpolitischen Ziele des Syrischen Baath“, 08.02.1983, SFA, E7115A#1993/137#2437\*, 870.

<sup>177</sup> See the confidential report by von Tscharner “An den Pforten des Orients. Bericht über die schweizerische Wirtschaftsmission nach Jordanien und Syrien”, 01.03.1983, SFA, E2010A#1995/313#11732\*, C.41.111.0.

interest.<sup>178</sup> Private financial vehicles could barely promote Swiss commercial expansion. The Damascus authorities were even more reluctant than the Egyptians to contract private loans. Consequently, Syrian foreign debt was nowhere near Egyptian levels.<sup>179</sup>

Of the difficulties disclosed by Swiss business beforehand, von Tscharner did not raise the issue of bureaucracy. Conceivably, Syrian economic officials would have poorly received such criticism. He did push on delays in transfer of payments, to which the Syrian officials reacted elusively. According to the governor of the Syrian Central Bank, the trade deficit was chiefly responsible for the payment's deficit, and thus the delays on payments. To remedy this situation, the governor vaguely alluded to an intent to establish a priority list for payments.<sup>180</sup> The Deputy Prime Minister for Economic Affairs simply stated that the problem would be resolved in a few months,<sup>181</sup> while the Minister of Finance hoped to increase exports and remittances from Syrian workers abroad, which would remedy the situation.<sup>182</sup> The Swiss delegation did not glean clear explanation of, or a conceptual unity on, how Syrian authorities would affront its payment problems. Von Tscharner experienced for himself just how 'burdensome' interactions with Syrian bureaucracy could be.

The largest problem, the Syrian breach of contract with Bühler, was discussed mostly with the Syrian Minister for Supply. The minister referred to legal reasons for the reopening of the tender – namely, an insufficient number of submissions for the first tender. This time, the price became fundamental and, the minister insisted, another bidder offered prices half as high as those of Bühler. Answering a question from the Vorort secretary accompanying von Tscharner, the minister insisted that they preferred Bühler's offer. There would be, however, no technical difficulties in granting the deal to another company. His position was that Bühler was a private company and therefore had to decide for itself what concessions it was willing to make on its price quotation.<sup>183</sup> The Swiss delegation's hopes of supporting Bühler through talks were thwarted. In the end, the supposed 'thought patterns' of Syrian economic planners were not so dirigiste after all.

General bilateral economic and political relations were discussed with Mohammed Haydar, member of the National Command of the Syrian Baath Party in charge of foreign relations. Haydar hoped that the Swiss visit would revive economic relations.

---

<sup>178</sup> Cf. the report by Heuberger, „Planungsministerium“, 23.02.1983, SFA, E2010A#1995/313#11732\*, C.41.111.0.

<sup>179</sup> The Swiss ambassador noted later that year that Syrian foreign debt was estimated at only US\$ 500 million, see the letter from Jeanrenaud to the FOFEA, 02.05.1983, E2010A#1995/313#11731\*, C.41.100.0.

<sup>180</sup> See the report by Rudolf Walser, Secretary of the Vorort, „Banque centrale“, 26.02.1983, SFA, E2010A#1995/313#11732\*, C.41.111.0.

<sup>181</sup> Noted in the report by Heuberger, “Conseil des Ministres”, 24.02.1983, SFA, E2010A#1995/313#11732\*, C.41.111.0.

<sup>182</sup> The minister put forward these hopes in a discussion reported by Heuberger, “Finanzministerium”, 26.02.1983, SFA, E2010A#1995/313#11732\*, C.41.111.0.

<sup>183</sup> Cf. the discussions as transcribed in the report by Walser, „Ministre de ravitaillement“, 26.02.1983, SFA, E2010A#1995/313#11732\*, C.41.111.0.

He insisted that, generally speaking, Syrian foreign relations were strongly marked by political consideration. Yet, the Baath representative said, “in the case of Switzerland, this plays much less of a role; Switzerland can play an important role by virtue of its economic and financial strength, in that it could transfer the money it administers to the countries that need it most.”<sup>184</sup> Von Tschärner viewed this as an interesting proposal, but insisted that Swiss banks had to make such decisions independently of the government’s will. Reacting to Haydar’s wish for closer political relations, the Swiss delegate underscored his country’s availability. But he managed expectations on the parameters of Swiss neutrality, by pointing to Switzerland’s limited political weight.<sup>185</sup> A lesson from the UNESCO crisis, Swiss officials wanted to avoid raising Syrian hope and trust in neutrality. Such unrealistic expectations would only lead to disappointment and disapproval from their Arab partner.

The Syrian Minister of State for Foreign Affairs, Farouk al-Sharaa, did not entirely agree with this self-declared smallness. While recognizing Swiss neutrality, he insisted on the significant moral weight it had, which explained why the Syrian authorities attached “great importance” to the development of sound bilateral relations.<sup>186</sup> Al-Sharaa highlighted the importance of sharing the Syrian government’s positions with a country outside of the Middle East. He did so accordingly, mostly on the 1982 Israeli invasion of Lebanon. Minister al-Sharaa insisted that the invasion could not be justified morally or under international law; and that it reflected an expansionist Israeli policy. His bitterness over the West’s attitude to the invasion included Switzerland. Although he seemed to prize neutrality, al-Sharaa bluntly asked where Swiss sympathies fell, citing the Israeli-sanctioned massacre of Palestinians in Sabra and Shatila. As he deplored Western partiality, al-Sharaa pushed for action, clearly viewing Western states’ concerted pressure on Israel as the only possible solution. While von Tschärner did not react, he did insist that Swiss public opinion on the Middle Eastern conflict was shifting, particularly after the aforementioned massacre.<sup>187</sup>

In his report on the visit to the “gates of the orient,” von Tschärner described what he interpreted as a “sort of relief, even gratitude” that Switzerland finally sent an official delegation to Damascus.<sup>188</sup> Such visits “are an indispensable instrument for maintaining the Swiss presence. Especially in the Arab world, personal contact plays an outstanding role. Although many conversations remained quite general, the ‘public relations’ effect should not be underestimated.”<sup>189</sup> While they had received a warm welcome in both Jordan and Syria, the contrast between the two countries was great. For Syria, he insisted that direct negotiations with government agencies were necessary. According

---

<sup>184</sup> See this statement as reported by Walsler, „M. Mohamad Haidar, responsable des relations exterieures du Commandement national du Parti Baath”, 26.02.1983, SFA, E2010A#1995/313#11732\*, C.41.111.0.

<sup>185</sup> *Ibid.*

<sup>186</sup> See the report by Heuberger, „Aussenministerium“, 26.02.1983, SFA, E2010A#1995/313#11732\*, C.41.111.0.

<sup>187</sup> *Ibid.*

<sup>188</sup> Confidential report by von Tschärner “An den Pforten des Orients. Bericht über die schweizerische Wirtschaftsmission nach Jordanien und Syrien”, 01.03.1983, SFA, E2010A#1995/313#11732\*, C.41.111.0.

<sup>189</sup> *Ibid.*

to von Tschärner, this was not necessarily a disadvantage for Swiss companies. Certainly, Eastern European countries often received Syrian orders for political and financial reasons. Yet, despite the extremely tight financial situation of the country, the generals running the Syrian army controlled industries were willing and able to order Swiss products and guarantee the proper functioning of their companies. In von Tschärner's view, military spending and the ebbing of aid from the Arab oil states were responsible for Syria's precarious financial situation. Increased Iranian financial aid, honoring Syrian support in the conflict with Iraq, could not compensate for the Arab capital shortfall. Despite all the problems in the Syrian market, von Tschärner was convinced that it remained interesting for Swiss business. Since a Swiss mixed credit for Syria was excluded, Swiss efforts should be extended particularly in the field of training, in order to maintain Swiss market position.<sup>190</sup> Somewhat ironically, the Swiss authorities suggested one of the measures former Ambassador Robert Beaujon had proposed in vain. Now, they had a privately-initiated experience of a Swiss company, Landis & Gyr, that showed Swiss officials the success such methods could have. Alleviating Syrian financial pressure was out of the realm of Swiss possibilities. However, responding to politicized Syrian foreign economic relations was not an obstacle. Establishing contacts with the Syrian military apparatus to ensure orders appeared promising for developing Swiss exports.

Despite some interesting conclusions, the Swiss visit to Syria was not a grand coup. Ambassador Jeanrenaud, in a brief letter to von Tschärner, insisted that it had been extremely useful, especially in its psychological impact. But it did not yield any concrete results.<sup>191</sup> Despite reassurances from senior Syrian officials that the transfer situation would be improved within months, in early May 1983 the financial situation remained problematic.<sup>192</sup> This did not mean that Swiss companies could not conclude deals in Syria. When a project responding to one of the five-year plan's priorities required specific equipment, Swiss companies could win substantial tenders. This seems to have been the case for BBC, which submitted a sale of equipment for cement factories valuing ca. CHF 100 million to the ERG in spring 1983.<sup>193</sup> The most historically significant Swiss project in Syria in the 1970s – Bühler's grain silo installations – came to an end in July 1983. As Jeanrenaud reported to Bern, the Swiss company lost the tender to a Swedish company who bid at a lower price.<sup>194</sup> The most significant Swiss project in Syria since Assad's rise to power, which had served as *the* example for successful Swiss project implementation in Syria, was discontinued.

The visit to Syria, although not yielding any immediate results, illustrates the regional importance that Arab state had gained under Assad – particularly after the Egyptian-

---

<sup>190</sup> *Ibid.*

<sup>191</sup> Letter from Jeanrenaud to von Tschärner, 09.03.1983, SFA, E7115A#1993/137#2437\*, 870.

<sup>192</sup> This was reported to Bern in a letter from Jeanrenaud to the FOFEA, 02.05.1983, SFA, E2010A#1995/313#11731\*, C.41.100.0.

<sup>193</sup> Cf. the letter from Heuberger to Jeanrenaud, 19.04.1983, SFA, E7115A#1993/137#2436\*, 861.1.

<sup>194</sup> Letter from Jeanrenaud to the FOFEA, 06.07.1983, SFA, E7115A#1993/137#2438\*, 872.1.

Israeli peace agreement.<sup>195</sup> The contacts established beyond the ministerial level, with senior military and party officials, showed that the contacts needed to deepen economic ties were with this ‘new class’ flourishing in the Syrian state. The economy was a sort of “military-mercantile complex.”<sup>196</sup> Courting them, however, did not prove sufficient to deepen real economic relations, given the difficulties the Syrian economy affronted. Throughout the 1980s, the Syrian regime was entrenched on multiple fronts and economically fragile; as a result, it became increasingly repressive. This period would end up a “disillusioning decade” for Syria, as Patrick Seale describes it.<sup>197</sup> Swiss business’ high expectations prior to the official visit to Damascus would be proven disillusioned, contrasting with falling Swiss exports to Syria.

### 7.3 Israel skepticism of Swiss Foreign Policy after the Lebanon Invasion.

If Swiss-Israeli relations were complicated in the relatively peaceful period of the late 1970s and early 1980s, they became agitated in the aftermath of the Israeli invasion of Lebanon in summer 1982. Prime Minister Begin himself coined the invasion of Lebanon as a ‘war of choice’ and according to Israeli historian Shapira, this invasion “was the first time the IDF went to war not to thwart a security threat, but to bring about a new political order in the Middle East through unlimited use of Israel’s military might.”<sup>198</sup> It was likely the most controversial of all Israeli wars, ironically dubbed Operation ‘Peace for Galilee’. With preparations for an invasion well on their way since December 1981 at the latest, the Israeli military and parts of the cabinet were looking for a pretext to strike against the Palestinians and Syrian troops in Lebanon. In early June 1982, the invasion began.<sup>199</sup> While successful in pushing Palestinian fighters out of Lebanon, domestic opposition to the war and by extension, the Likud government, was on the rise.<sup>200</sup> After almost one and a half years of Israeli military operations and political interference in Lebanon, the IDF only began withdrawing troops in September 1983.<sup>201</sup>

The invasion of Lebanon was a domestic and international watershed moment for Israel. As will be seen, this did not go without an effect on Israel’s standing in Switzerland. The mostly economic Swiss estrangement from Israel came to the fore as a political distancing took hold. This chapter will show the roots of this estrangement and how it nonetheless remained selective. In Switzerland, in the context of the war in

---

<sup>195</sup> This was highlighted by the Swiss ambassador right from his deployment to Damascus, see the letter from Jeanrenaud, Swiss ambassador, Damascus, to the Political Division II, FDFA, 18.11.1981 SFA, SFA E2001E-01#1991/17#12350\*, B.15.21.Syrie. This is also examined in literature, see for instance: Nikolaos van Dam, *The Struggle for Power in Syria: Politics and Society Under Asad and the Ba’th Party*, (London: I.B. Tauris, 2011), p. 137.

<sup>196</sup> See: Hinnebusch, *Syria: Revolution from Above* ..., p. 85-88.

<sup>197</sup> Seale, *Assad of Syria* ..., p. 334-338.

<sup>198</sup> Shapira, *Israel: A History* ..., p. 381.

<sup>199</sup> For an account of the invasion of Lebanon from an Israeli political perspective and a detailed description of the war, see: Ahron Bregman, *Israel’s Wars: A History Since 1947*, (London ; New York: Routledge, 2016), p. 152-187.

<sup>200</sup> On the growing domestic opposition to the war, see for instance: Shindler, *A History of Modern Israel* ..., p. 175-181.

<sup>201</sup> Shapira, *Israel: A History* ..., p. 383.

Lebanon, a noticeable change in perception of Israel was occurring. In parallel, the economic crisis of the Israeli economy was bubbling. Unsurprisingly, trading with Israel remained a complicated endeavor for Swiss companies. Influential Swiss business groups, notably the Vorort, did show interest in obtaining better market access. This led to a renewed push in Swiss economic diplomacy over the course of 1983.

### ***A State Like No Other. Sensitive Swiss-Israeli Military Cooperation***

At the beginning of 1982, Swiss-Israeli bilateral relations were still good, albeit increasingly tense. In January 1982, Alfred Hugentobler, Deputy Director of the Political Division II of the FDFA, noted that the Swiss authorities repeatedly publicly disapproved a set of Israeli policies violating humanitarian law. They ranged from Israel's actions in the occupied territories, to the social security treaty and the question of Jerusalem, to the Israeli attack on the Iraqi nuclear center, to Israel's annexation of the Golan Heights. In the meantime, trade with Israel had been stagnating, therefore not providing any impetus to bilateral relations. In sum, Hugentobler described Israel as an "increasingly difficult partner."<sup>202</sup> But close contacts existed in the field of military exchanges.<sup>203</sup> In September 1981, the head of the FMD, Federal Council member Georges-André Chevallaz, had received the Israeli Minister of Defense, Ariel Sharon, without consulting the FPD.<sup>204</sup> Groups of Swiss officers had made repeated private trips to Israel as well as official reciprocal visits from different levels of military leadership. And most importantly, there was direct transfer of military hardware from Israel to Switzerland. Beyond the aforementioned purchase of Israeli anti-tank ammunition valuing CHF 70 million, an even more substantial order seemed forthcoming. The Swiss military might have its tanks refurbished by Israel; two had already been sent for testing purposes. "As a result of the very positive public opinion (supported by the active public work of the Israeli Embassy)," Hugentobler concluded, "it is still generally valid that Israel does not want to be regarded as a state like any other."<sup>205</sup>

Military exchanges with Israel were indeed a crucial yet extremely sensitive field of bilateral contact in early 1982. For Israel, such contacts were significant. Its defense industry was of strategic importance. But it was also a crucial export industry and source of foreign revenue.<sup>206</sup> It has been estimated that without arms exports, the Israeli domestic price paid on weaponry would have been substantially higher,<sup>207</sup> therefore contributing significantly to Israel's military ability and profitability of its arms companies. In late December 1981, the Israeli press reported on the Swiss army's

---

<sup>202</sup> Note by Alfred Hugentobler, Deputy director, Political Division II, FDFA, „Stand der bilateralen Beziehungen der Schweiz mit Israel“, 07.01.1982, SFA, E2010A#1995/313#8184\*, B.15.21.

<sup>203</sup> *Ibid.*

<sup>204</sup> Ariel Sharon was on a private visit to Switzerland where he met with Chevallaz, the Swiss head of armaments and the Commander of the Swiss Air and Air defense forces on September 16, 1981, see: "Israels Verteidigungsminister in der Schweiz", in *NZZ*, 18.09.1981.

<sup>205</sup> Cf. the note by Hugentobler, „Stand der bilateralen Beziehungen der Schweiz mit Israel“, 07.01.1982, SFA, E2010A#1995/313#8184\*, B.15.21.

<sup>206</sup> Alex Mintz, 'The Military-Industrial Complex: American Concepts and Israeli Realities', *The Journal of Conflict Resolution*, 29.4 (1985), p. 7-8.

<sup>207</sup> Lifshitz, *The Economics of Producing Defense ...*, p. 307.

intention to buy military equipment from Israel valuing CHF 600 million,<sup>208</sup> which led to public debates in Switzerland. The FDFA inquired after the extent of bilateral military contacts. The Head of the Information Section of the FMD, Hans-Rudolf Strasser, trivialized these contacts in a letter to the FDFA in February 1982. They concerned the purchase of tank ammunition, the refurbishing of tanks, and a program to improve the combat strength of Mirage fighter jets through training from Israeli pilots, which had occurred in 1979.<sup>209</sup> According to Strasser, a notorious Swiss Cold War warrior and leading member of the secret Swiss stay-behind army,<sup>210</sup> these were “contacts as with any other state” using similar weaponry.<sup>211</sup> He also observed that contacts with Arab states, consisting mostly of visits to Switzerland, had increased since 1979 to counter cooperation with Israel.<sup>212</sup>

Yet, Israel was not a state like any other and any military contact was decidedly sensitive. Despite the FDFA’s immediate rectification of the false information in the Israeli press in late 1981,<sup>213</sup> a set of Arab ambassadors to Switzerland requested an audience with Federal Council member in charge of foreign affairs, Pierre Aubert. In talks on February 4, 1982, the Iraqi ambassador, acting as the main speaker, did acknowledge that the Swiss authorities had adopted a “positive attitude” towards the Middle Eastern conflict, and lauded intensified relations with the majority of Arab countries.<sup>214</sup> However, the ambassador was not convinced that Swiss-Israeli military cooperation was “in harmony with Swiss neutrality principles.”<sup>215</sup> The representative of the Arab league in Geneva deplored Swiss-Israeli military relations, accusing them of a “certain intimacy” since the 1967 Six Day War.<sup>216</sup> Aubert did not react to the accusation, but underscored the attachment he put on good Swiss-Arab relations and explained the principle of permanent and armed Swiss neutrality. The Swiss arms industry “cannot produce all the weapons necessary for our national defense and we do not manufacture fighter jets, or tanks. We must therefore buy these weapons abroad if we want to build a strong army that is consistent with the principle of permanent and armed neutrality,” Aubert reminded them.<sup>217</sup> He stated that only the Swiss authorities themselves were in a position to judge on the means to maintain and develop its army. Aubert could not accept any foreign interference on these matters. He also rebutted the

---

<sup>208</sup> See, for instance: „Swiss Army to Buy Israeli Arms“, in *JTA*, 23.12.1981.

<sup>209</sup> Letter from Hans Rudolf Strasser, Head of the Information Section of the FMD, to Othmar Uhl, Head of the Information and Press Service, FDFA, 03.02.1982, SFA, E2010A#1995/313#8181\*, A.16.41.21.2.

<sup>210</sup> See: „Deckname ‚Franz‘, 11.07.2016, in *NZZ*.

<sup>211</sup> Letter from Hans Rudolf Strasser, Head of the Information Section of the FMD, to Othmar Uhl, Head of the Information and Press Service, FDFA, 03.02.1982, SFA, E2010A#1995/313#8181\*, A.16.41.21.2.

<sup>212</sup> See the list in a note by P. Bürgisser, deputy Head of the Military Protocol, FMD, “Besuchsliste aus dem Bereich der Arabischen Staaten”, 03.02.1982, SFA, E2010A#1995/313#8181\*, A.16.41.21.2.

<sup>213</sup> See the circular telegram from Uhl to the Swiss embassies in the Arab world, 22.12.1981, SFA, E2001E-01#1991/17#8554\*, B.51.14.21.20.Is.

<sup>214</sup> See the confidential minutes by Dominique Dreyer, Adjoint at the Political Secretariat, FDFA, „Audience auprès du Chef du Département d’une délégation des ambassadeurs des pays arabes accrédités à Berne et à Genève”, 05.02.1982, SFA, E2010A#1995/313#8181\*, A.16.41.21.2.

<sup>215</sup> *Ibid.*

<sup>216</sup> *Ibid.*

<sup>217</sup> See Auebrt’s statement: *Ibid.* What he is describing has been labeled as the ‘armed neutrality paradox,’ see: Mikael Nilsson, and Marco Wyss, ‘The Armed Neutrality Paradox: Sweden and Switzerland in US Cold War Armaments Policy’, *Journal of Contemporary History*, 51.2 (2016), p. 335-363.

Iraqi ambassador's accusation that any military or scientific collaboration with Israel would strengthen Israel's military potential. Switzerland had not sold any arms to Israel or trained Israeli pilots, Aubert insisted. Ultimately, the Arab ambassadors promised that they did not intend to interfere in Swiss matters – but they would examine the accuracy of press statements and remind Swiss authorities on the Arab states' sensitivity on these matters.<sup>218</sup>

This was successful, as seen in a note from late February 1982 that evaluated the consequences of the affair. Swiss-Israeli “military contacts,” as phrased by the FDFA, had led to a “certain distrust” in the Arab world.<sup>219</sup> The episode had not, however, caused any substantial damage to relations with the Arab states. This contrasted with harsher the Arab reactions to any supposed or real Swiss interaction with Israel a decade earlier. Relations had deepened to such an extent, that Arab doubts in Swiss sincerity were noticeably lower. But this relative lenience could change if deeper military cooperation with Israel would emerge. Consequently, the note continued, political aspects should weigh more heavily in future military contacts with Israel.<sup>220</sup> Hans-Ulrich Ernst, Head of the Federal Military Administration, agreed with the FDFA on the sensitivity of military exchanges with Israel. Any common projects would have to be undertaken cautiously so as to avoid suspicion of substantial Swiss-Israeli military cooperation. Attached to his letter to Secretary of State Probst,<sup>221</sup> Ulrich included directives on military contacts with Israel given by the head of the FMD, Chevallaz, in mid-January 1982. These determined the procedure for military contact with Israel and insisted particularly on the confidentiality of any contact. The document further clarified that Switzerland would forgo any common development programs with Israel that had Swiss financial participation.<sup>222</sup>

By April 21, the FDFA even opened the reconsideration of the testing of tanks refurbished by Israel. The FMD had to “examine much closer the problem posed by the relations with Israel and particularly the contribution Israel could take from our collaboration.”<sup>223</sup> This turn-about was a direct consequence of Saudi threats against a very substantial order for a BBC power plant valuing at an astronomical CHF 1.26 billion. A Saudi vice-Minister of Trade had “spoke out vehemently against Switzerland's military cooperation with Israel” and warned that the ‘goodwill’ towards Switzerland – which supposedly had been important for winning the large order – was

---

<sup>218</sup> *Ibid.*

<sup>219</sup> Cf. the note by Hugentobler, „Arabische Reaktionen auf die in der schweizerischen Presse erfolgte Erörterung der “militärischen Zusammenarbeit” zwischen der Schweiz und Israel”, 23.02.1982, SFA, E2010A#1995/313#8181\*, A.16.41.21.2.

<sup>220</sup> *Ibid.*

<sup>221</sup> Confidential letter from Hans-Ulrich Ernst, Director of the Federal Military Administration, to Probst, 04.03.1982, SFA, E2010A#1995/313#8181\*, A.16.41.21.2.

<sup>222</sup> Confidential directives by Chevallaz, „Weisungen betreffend Kontakte mit staatlichen oder privaten Organisationen und Unternehmungen in Israel“, 18.01.1982, SFA, E2010A#1995/313#8181\*, A.16.41.21.2.

<sup>223</sup> Cf. the note by Lucien Erard, Scientific Adjoint at the FDFA secretariat, to Probst, 22.04.1982, SFA, E2010A#1995/313#8181\*, A.16.41.21.2.

being “undermined” by this proximity with Israel.<sup>224</sup> While there were also countervailing tendencies, with Swiss companies attempting to use the Swiss arms imports from Israel to receive tariff concessions, the Arab states’ overt pressure against Swiss business prevailed. The danger of a new escalation of the Middle Eastern conflict also led to reconsidering the military cooperation with Israel. As highlighted in a confidential note on the Middle Eastern situation in late April 1982, an Israeli offensive against the PLO in southern Lebanon was expected since earlier that month. Just a day before the decision to cease the tank cooperation, Israel launched a limited air force attack in Lebanon.<sup>225</sup> The timing of the decision therefore points to the significant influence of threats of war in the Middle East.

In late May 1982, amidst mounting danger of a military escalation on the Israeli-Lebanese border, Israeli Prime Minister Menachem Begin announced the conclusion of an arms supply treaty with Switzerland in a public speech. According to Begin, Switzerland would purchase Israeli military equipment for US\$ 220 million. Ironically given the Saudi pressure, he congratulated Switzerland for not having ceded to the pressure from the Arab oil states. The Swiss authorities insisted that no such contract had been concluded and the FMD sent out a denial to the Arab embassies in Switzerland. The Swiss could only imagine that Begin was thinking of the 1981 Swiss decision to purchase tank ammunition for CHF 76 million.<sup>226</sup> After official Swiss protest, Begin sent a letter to the Swiss President Fritz Honegger, putting forward his best intentions. He praised Switzerland for its “civic courage” and “called upon larger countries to emulate this noble example.”<sup>227</sup> Commenting on this letter, the FDFA’s Hugentobler accused Begin of bad faith. The Swiss authorities did not answer out of fear that, with the invasion of Lebanon, the Israeli government might view a critical response as a sign of partiality in the conflict.<sup>228</sup>

The FMD nonetheless ended up testing two Israeli refurbished tanks – but only a year later, in spring 1983. Supposedly due to cost considerations, they decided against having all their tanks of this model refurbished by the Israeli Military Industry.<sup>229</sup> While no archival evidence has been found on this abandonment, it does seem plausible considering testing of these tanks in Switzerland did occur, and Arab and domestic criticism had abated. It can also be argued that the FMD wanted to avoid what certainly would have been a large order of Israeli armaments services to preempt criticism from the FDFA and an increasingly Israel skeptical public. While there was a tendency to seek military cooperation with Israel, it had its limits and constraints.

---

<sup>224</sup> Letter by Blaise Godet, Swiss embassy secretary, Jeddah, to the Political Division II, FDFA, 12.04.1984, SFA, E2010A#1995/313#8181\*, A.16.41.21.2.

<sup>225</sup> Cf. the unsigned confidential note „Lage im Nahen Osten. (Israel – Südlibanon – besetzte Gebiete)“, 29.04.1982, SFA, E7115A#1992/24#2380\*, 804.

<sup>226</sup> Reported in the circular information telegram by Uhl, 26.05.1982, SFA, E2010A#1995/313#8181\*, A.16.41.21.2.

<sup>227</sup> Letter from Menachem Begin to Fritz Honegger, 02.06.1982, SFA, E2010A#1995/313#8181\*, A.16.41.21.2.

<sup>228</sup> See the note from Hugentobler to Probst, 11.06.1982, SFA, E2010A#1995/313#8181\*, A.16.41.21.2.

<sup>229</sup> A Swiss military magazine regretted this, considering the military success of the Israeli tanks in Lebanon, see: Beat Gottier, ‘30 Jahre Panzer 55/57 “Centurion”’, *Schweizer Soldat + FHD: Unabhängige Monatszeitschrift für Armee und Kader*, 60.5 (1985), p. 11.

### ***The Watershed Moment of the Israeli Invasion of Lebanon.***

Israel's intentions in spreading false information on Swiss arms purchases likely aimed to build international solidarity ahead of its invasion of Lebanon, which followed less than two weeks later. In an extensive report on the invasion in its fourth week, Swiss Ambassador Ernest Bauermeister insisted that Israel deliberately sought this war: "The war is here [and] it was intended," he wrote to Bern.<sup>230</sup> Its main objective was military and political destruction of the PLO, the Swiss ambassador was convinced, which would open the path for definite Israeli annexation of the occupied territories. While undeniably achieving military successes against the PLO, the Palestinians were gaining prestige on a daily basis. And the longer the war took, the more it became unpopular in Israel and worldwide. "Israel really fell into a trap by going to war in Lebanon," Bauermeister commented.<sup>231</sup> The Swiss ambassador anticipated that the war would burden Israel with growing international isolation and put the IDF into a militarily difficult situation.<sup>232</sup>

After Swiss business and foreign policy officials had become skeptical of Israel, it was now the public opinion that turned. According to historian Kreutner, the anti-Zionist mood in Switzerland was rooted in deception but also relief: deception, due to an idealized image of Israel that collapsed during the Lebanon war; relief, as the suffering inflicted on the Jewish people during the Shoah did not make them better people.<sup>233</sup> The growing Swiss estrangement from Israel was noted in the Israeli press. The author of a JTA notice worried that the Lebanon war had made "implicit anti-Semitism explicit" in Switzerland.<sup>234</sup> The Israeli ambassador to Bern, Matitahu Adler, during an audience with Aubert on August 20, 1982, proved this by showing Aubert a bundle of letters to the embassy in recent weeks. Every day, he insisted, he received anti-Semite letters, for which he blamed the Swiss mass media's increasingly Israel-skeptical reporting since the outbreak of hostilities in Lebanon. While Aubert unequivocally condemned these slurs, he pointed out that not all the letters contained anti-Semite obscenities. Some were simply ordinary Swiss citizens voicing their disagreement with Israel's military operations in Lebanon.<sup>235</sup> So while the invasion did provide an occasion for vocalizing anti-Semite bigotry in Switzerland,<sup>236</sup> it likely was not a generalized phenomenon. The Swiss Federation of Jewish Communities, in a 1983 poll, found that a great majority of surveyed Swiss did not equate criticism of Israel with

---

<sup>230</sup> Political report by Bauermeister, „Israël“, 01.07.1982, SFA, E7115A#1992/24#2380\*, 804.

<sup>231</sup> *Ibid.*

<sup>232</sup> Cf. Arye Naor, 'The Political System: Government, Parliament, and the Court', in *Israel Since 1980*, ed. by Guy Ben-Porat, Yagil Levy, Shlomo Mizrahi, Arye Naor, and Erez Tzfadia, (Cambridge: Cambridge University Press, 2008), p. 75.

<sup>233</sup> Kreutner, *Die Schweiz und Israel ...*, p. 187. On the growing skepticism towards Israel in the Swiss public, see also: Kreutner, 'Euphorie, Kritik, Ablehnung. ...', *ibid.*, p. 126-128.

<sup>234</sup> "Background Report a Specter is Haunting Switzerland", *JTA*, 01.09.1982.

<sup>235</sup> This was reported in the confidential note by Adrien Evéquo, FDFA, "Entrevue du Chef du Département avec l'Ambassadeur d'Israël", 26.08.1982, SFA, E2010A#1995/313#8184\*, B.15.21.

<sup>236</sup> Growing anti-Semitism among the Swiss political left has been put forward by: Christina Späti, *Die schweizerische Linke und Israel: Israelbegeisterung, Antizionismus und Antisemitismus zwischen 1967 und 1991*, (Essen: Klartext, 2006), p. 212.

anti-Semitism<sup>237</sup> It was Israeli policymakers, including its foreign service, who pushed the debate in such a direction.

Interestingly enough, the Swiss authorities who had refrained from public declarations on the Arab-Israeli conflict since the Six Day War, had a change of heart. Likely because of the growing public criticism of Israeli military adventures in Lebanon, Federal Council member Pierre Aubert unequivocally condemned the invasion of Lebanon in Swiss parliament on June 14. He called upon all conflict parties to immediately cease hostilities.<sup>238</sup> Despite this statement, an interpellation of a social-democratic member of the Swiss National Council asked for a reevaluation of both Swiss peace policy in the Middle East and its diplomatic relations with Israel. The previously Israel-friendly Swiss social democrats were growing increasingly weary of Israel's Middle Eastern policy. Their representative in the Federal Council, Pierre Aubert, in his oral answer, indicated that Switzerland did not have any possibilities to actively contribute to a peaceful solution of the conflict, given that the US and other bigger powers, as well as the UN Security Council already were. He refused the request for a review of diplomatic relations with Israel, citing the necessity of maintaining a channel of communication. This was not only to defend Swiss interests, but also to convey the official Swiss stance to Israel.<sup>239</sup> While diplomatic channels were therefore kept open, Israeli authorities felt the Swiss distancing themselves. Israel's Foreign Minister and soon-to-be Prime Minister, Yatzhik Shamir, had wished to be received by Aubert in early September 1982. Aubert, using an excuse of a tight schedule, did not honor this request. Furthermore, he would delay the meeting until the results of US-led efforts to end hostilities became clear.<sup>240</sup> The refusal to receive the Israeli foreign minister was a further sign of official estrangement, or at least a distancing, shows the clear delineations that Swiss good services could have.

So already before the internationally condemned massacre by Phalanges troops in the Palestinian refugee camps of Sabra and Shatila on September 18, 1982,<sup>241</sup> Israeli standing in Switzerland was declining. This incident accelerated the movement. The following Monday, the Federal Council again publicly condemned the "abominable massacre" of the refugees in a sharp tone, reiterating its call for a negotiated settlement of not only the Lebanese, but now also the Palestinian, issue.<sup>242</sup> Some three weeks later, Ernest Bauermeister reported that this massacre of "indescribable savagery" aimed at

---

<sup>237</sup> Presented in: Kreutner, *Die Schweiz und Israel ...*, p. 187.

<sup>238</sup> He declared this upon answering two questions raised in the question time in the National Council, see: "Fragestunde" in *Official Bulletin of the Federal Assembly*, Vol. III, 1982, p. 712.

<sup>239</sup> See the interpellation by Andreas Herczog, „Israelische Invasion im Libanon. Haltung der Schweiz“ in *Official Bulletin of the Federal Assembly*, Vol IV, 1982, p. 1470-1471.

<sup>240</sup> This was reported in the confidential note by Adrien Evéquoz, FDFA, "Entrevue du Chef du Département avec l'Ambassadeur d'Israël", 26.08.1982, SFA, E2010A#1995/313#8184\*, B.15.21.

<sup>241</sup> For a critical evaluation of the massacre and its appraisal, see: Bayan Nuwayhed Al-Hout, *Sabra and Shatila: September 1982* (London; Ann Arbor: Pluto Press, 2004). On the growing estrangement between Western states and Israel in the aftermath of the 1982 invasion of Lebanon, see the contributions in: Colin Shindler, ed., *Israel and the World Powers: Diplomatic Alliances and International Relations Beyond the Middle East* (London: I.B. Tauris, 2014).

<sup>242</sup> This Federal Council communiqué was published in the press, see: „Libanonerklärung des Bundesrats“ in *NZZ*, 21.09.1982.

causing panic among the Palestinian civilians still in Lebanon in order to push them into Syria.<sup>243</sup> The Israeli military did not directly commit the massacre. But the Minister of Defense and mastermind behind the Lebanese invasion, Ariel Sharon, had to confirm in front of the Knesset that the entry by Lebanese Phalangists had been coordinated with Israeli forces in Beirut. According to the Swiss ambassador, this event complicated Israeli relations with the US, compromising all of Washington's efforts in the region. While the massacre provoked considerable criticism within Israel, it did not profoundly perturb Prime Minister Begin and his Likud bloc's grip on the government. Bauermeister was himself not unaffected by the changing attitude towards Israel in the course of the conflict, although he still put a share of blame on the Arabs. He noted that in the past, "the Israeli ideal was that of the pioneer who believes in the salvation of man in a just society. Gradually, this ideal was undermined. The incessant wars with the Arabs [led to] an evolution towards the right and also towards brutality" of Israeli society.<sup>244</sup>

The Israeli invasion of Lebanon had a decidedly negative impact on how the Swiss authorities and public viewed the Jewish state. Political contacts were on low-flame. But this did not translate into automatic sympathies with the Palestinian cause. This is evidenced by the Swiss skepticism of a UN-hosted Palestine Conference in Geneva in the summer of 1983. The UN General Assembly called for the conference in late 1981. Initially scheduled to take place in Paris in August 1983, the French government refused to host. Switzerland could not do so because of the Agreement on Privileges and Immunities of the United Nations, a treaty concluded in 1946 upon the establishment of the UN Headquarters in Geneva. Officially, the conference was meant to treat social, humanitarian, legal and economic questions relating to Palestine. The Swiss dreaded that it would be a highly political conference airing Palestinian grievances to the world. Despite these reservations, repeatedly expressed by senior Swiss officials to UN Secretary-General Pérez de Cuéllar and the organizing committee, the UN did not accept them.<sup>245</sup> The Swiss government, unable to avoid the conference, decided to dispatch an observer. This should reflect Swiss availability for good offices and help stay directly informed on the conference proceedings.<sup>246</sup> The new Israeli ambassador to Bern, Yohanan Meroz, called Hugentobler from the FDFA and expressed his disappointment with Swiss participation. This would only enhance the status of this conference, which his government perceived as pointless. Given the Swiss reservations, it was easy for Hugentobler from the FDFA to express understanding for the Israeli viewpoint. After stressing the policy of availability that required the Swiss to stay informed first-hand of the conference proceedings, he reassured the ambassador that

---

<sup>243</sup> Bauermeister's political report, „Les massacres de Beyrouth et leurs répercussions“, 07.10.1982, SFA, E7115A#1992/24#2380\*, 804.

<sup>244</sup> *Ibid.* On increasingly tense domestic situation in Israel, see also: Shapira, *Israel: A History ...*, p. 385.

<sup>245</sup> See the request by Aubert, Chevallaz and Rudolf Friedrich, Federal Council in charge of the Federal Department of Justice and Police, to the Federal Council, „Konferenz der Vereinten Nationen über die Palästinafrage“, 04.07.1983, DDS, dodis.ch/48846.

<sup>246</sup> The Federal Council decided to dispatch a mid-level Swiss official upon the request of Aubert, „Konferenz der Vereinten Nationen über die Palästinafrage“, 08.08.1983, DDS, dodis.ch/48847.

the Swiss stance on the Middle Eastern conflict would not change.<sup>247</sup> That such a shift had already occurred and was accelerating did not make it into the discussion.

The invasion of Lebanon certainly led to a further distancing from Israel. The economic impact of the war on Israel, according to the Swiss ambassador, was less clear. Ernest Bauermeister thought the war put a heavy burden on public finances. But they were still manageable, especially when compared to the expenses of the October War.<sup>248</sup> Economic activity had not significantly dropped in the war effort. The supposed national solidarity the war had created supported the smooth running of production, as it led to a reduction of strikes among Israeli workers.<sup>249</sup> But the main reason for the relatively low impact the war had on the Israeli economy was that the country had, in the meantime, reached a high level of development. Bauermeister even foresaw an acceleration of economic activity in the coming months, to catch up with the delays induced by the conflict.<sup>250</sup> The ambassador's analysis was flawed. In fact, GDP growth had ground to a halt for the first time in almost 30 years. One reason put forward for this stagnation is the exhaustion of the Israeli development model, still based on substituting imports and exporting mostly agricultural products.<sup>251</sup> That said, the overly optimistic evaluation from the Swiss ambassador to Israel perhaps contributed to a renewed rapprochement in bilateral economic relations.

### ***Rising Swiss Business Interest in Israel Amidst Economic Crisis at Home***

For almost ten years, contrary to the general public, Swiss corporations had distanced themselves from Israel. Now, as the Swiss population was becoming noticeably skeptical of Israel, Swiss business started showing interest in that market again. This happened on rather defensive terms, i.e., as an attempt to end the tariff discrimination against Swiss goods. It was a consequence of economic crisis affronting certain industries in Switzerland, which were looking for markets abroad. Initially it was an isolated phenomenon. In the autumn of 1982, a Swiss machine tools producer, the *Société genevoise d'instruments de physique* (SIP), noticed discriminatory Israeli trade practices favoring Japanese producers. The company complained that Israel established technical specification matching Japanese equipment for purchasing new machinery for the Israel Aircraft Industry. This disqualified Swiss tender submissions. Given the Swiss order of Israeli anti-tank ammunition, the company asked the FOFEA in early November 1982 to bring this "unacceptable evolution" to the attention of the Israeli

---

<sup>247</sup> Cf. the note by Hugentobler, „Vorsprache des israelischen Botschafters“, 26.08.1983, SFA, E2010A#1995/313#8227\*, B.24.4.

<sup>248</sup> Cf. the letter from Bauermeister to the FOFEA, 19.08.1982, SFA, E7115A#1992/24#2382\*, 811. This heavy financial burden is also highlighted in literature, see: Schein, 'The Economic Consequences of Wars in the Land of Israel ...', *ibid.*, p. 660.

<sup>249</sup> The Lebanon war's temporary, disciplining effect on Israeli workers and unions, exploited by the Israeli government, has also been noted by: Lev Grinberg, *Split Corporatism in Israel* (Albany: SUNY Press, 1991), p. 104-111.

<sup>250</sup> Letter from Bauermeister to the FOFEA, 19.08.1982, SFA, E7115A#1992/24#2382\*, 811.

<sup>251</sup> On the impact of the Lebanon war on the Israeli economy, see: Aharoni, *The Israeli Economy ...*, p. 83-84.

authorities.<sup>252</sup> After a reminder by the VSM in late November,<sup>253</sup> Klaus Jacobi, the Federal Council's trade delegate, presented these complaints to Israeli ambassador Adler in Bern. He specifically mentioned the Swiss military purchase in Israel. Adler, as Jacobi highlighted in his letter to the SIP, was willing to propose to his government equal market access for Swiss producers.<sup>254</sup> While it is not clear whether this intervention ultimately increased the chances of Swiss machine tool producers in Israel, it is noteworthy that they used the Swiss arms purchase from Israel as an argument to achieve equal treatment.

The second instance in the turn to the Israeli market opened a wider field of economic diplomacy. This concerned an attempt to stop the discrimination of Swiss goods in Israel compared to exports from the EEC. Ever since 1974, this had precipitated interventions from the Swiss authorities, albeit half-hearted ones. In 1983, a Swiss starter battery producer, the *Accumulatoren-Fabrik Oerlikon*, noticed decreasing competitiveness in the Israeli market. This stemmed not only from an appreciation of the Swiss franc, but also higher Israeli import tariffs compared to the one on goods from West German competitors. Referring to the precarious profitability and industrial utilization rate in the Swiss machinery industry, the company requested a prompt equalization of the Israeli customs rate.<sup>255</sup> The First Secretary of the Swiss embassy in Tel Aviv, Marc-André Salamin, informed the Deputy General Director of the Israeli Ministry of Commerce and Industry about this case. The Israeli Deputy Director indicated that his ministry was in favor of an equal treatment and was willing to do its best to liquidate this specific Swiss complaint. Speaking in his personal capacity, the Israeli interlocutor said that problems of unequal treatment would only multiply in the future, as more and more tariff posts were to be reduced for the EEC. Still speaking only for himself, he thought a bilateral trade agreement might be a solution.<sup>256</sup>

As if to underscore this claim, the Israeli authorities did not make any concessions on the specific case raised, as Salamin reported to the FOFEA in July 1983. Israeli stubbornness was a consequence of its own economic crisis and the critical state of its foreign trade position. This crisis of the Israeli economy is often equated with the runaway inflation<sup>257</sup> – but it also had a very real basis in production and investment.<sup>258</sup> Unsurprisingly, Israeli producers of the same goods that Swiss exporters wished to sell

---

<sup>252</sup> See the un-dated note attached to a letter from Jacques Turrettini, managing Director of the Société genevoise d'instruments de physique, SIP, to Jacobi, 02.11.1982, SFA, E7115A#1992/24#2387\*, 841.8.

<sup>253</sup> Letter from M.U. Brunner, Secretary of the machine tool group of the VSM, to Krell, 29.11.1982, SFA, E7115A#1992/24#2387\*, 841.8.

<sup>254</sup> Cf. the letter from Jacobi to Turrettini, 22.12.1982, SFA, E7115A#1992/24#2387\*, 841.8.

<sup>255</sup> Letter from Jan Bumbacher and A. Rod, Accumulatoren-Fabrik Oerlikon, to Krell, 13.01.1983, SFA, E7115A#1993/137#2265\*, 841.0.

<sup>256</sup> This was reported in a letter from Marc-André Salamin, Embassy Secretary in Tel Aviv, to Krell, 03.02.1983, SFA, E7115A#1993/137#2265\*, 841.0.

<sup>257</sup> For a fairly standard view of Israeli inflation as an outcome of high government spending and wage demands, see: Rivlin, *The Israeli Economy* ..., p. 53-57. For a view critical on the reasons for Israeli inflation, rooting it in growing financialization and large corporations power, see: Jonathan Nitzan, and Shimshon Bichler, 'Inflation and Accumulation: The Case of Israel', *Science & Society*, 64.3 (2000), p. 282-298.

<sup>258</sup> Aharoni, *The Israeli Economy*..., p. 84-87.

in Israel did not support the Swiss case. According to Salamin, the Israeli Ministry of Trade and Industry was “submitted to pressure from Israeli industrial milieus who, because of the crisis, see their competitiveness threatened.”<sup>259</sup> So the Swiss were affronting a protectionist Israeli trade policy. While the same Deputy General Director informed Salamin that the Israeli authorities were open to examining grievances from Swiss exporters on a case-by-case basis, he reiterated his suggestion for a bilateral agreement.<sup>260</sup>

Israeli protectionism and discriminatory tariffs were by no means an isolated phenomenon. The former prompted a certain defeatist attitude from the Swiss government and the private sector.<sup>261</sup> As another case of substantial tariff differences emerged, this time for the Swiss paper industry,<sup>262</sup> the Vorort became involved. In July, the Director of the Vorort, in a letter to the FOFEA, referred to the specific problem of the Swiss paper industry, but insisted that similar problems probably existed for other industries. He echoed the proposal of considering a bilateral trade agreement with Israel aiming for equal treatment of Swiss and EEC exports.<sup>263</sup> The renewed interest of the Vorort, besides simply expressing the interests of certain member firms, was likely concomitant to the shift in the early 1980s back in market outlook towards more developed economies, under the impact of the economic crisis in the Third World.<sup>264</sup>

Even though it only concerned a narrow set of Swiss industries, as soon as the Vorort raised the issue, the Swiss authorities started to move. From then on, the FOFEA agreed with the desirability of a bilateral trade agreement with Israel. Preliminary bilateral explorations only occurred in November 1983 but led to an agreement with the aim of achieving an overall solution to the tariffs issue on a bilateral level.<sup>265</sup> Despite the willingness of the Swiss authorities to move on the issue, another delay occurred. This reflected the low priority Israel had for the FOFEA; it was occupied with other, more important trading partners. Krell was not very optimistic regarding the perspectives of Israeli concessions, given the continuously deteriorating Israeli economic situation.<sup>266</sup> In a note for the Swiss President, Kurt Furgler and Klaus Jacobi characterized the Israeli economic situation as disastrous: “stagnation, high inflation [...], growing foreign trade and budget deficits, as well as a rapidly increasing foreign debt.”<sup>267</sup> Jacobi saw the drop in bilateral trade as a consequence of the overall saturation of the Israeli market for capital goods, the appreciation of the Swiss franc and the preferential trade agreement

---

<sup>259</sup> Letter from Salamin to the FOFEA, 06.07.1983, SFA, E7115A#1993/137#2265\*, 841.0.

<sup>260</sup> *Ibid.*

<sup>261</sup> This is notably seen in a letter from the association of the large Swiss pharmaceutical companies to the FOFEA. See the letter from Alfred Herzog, General Secretary of Interpharma, to Krell, 22.02.1983, SFA, E7115A#1993/137#2268\*, 842.9.

<sup>262</sup> See the letter from Salamin to Krell, 14.04.1983, SFA, E7115A#1993/137#2266\*, 841.3.

<sup>263</sup> Letter from Gerhard Winterberger, Director, and Fritz Ebner, Secretary, Vorort, to the FOFEA, 11.07.1983, SFA, E7115A#1993/137#2266\*, 841.3.

<sup>264</sup> On this shift, see: Jürg Frieden, and Pierluigi Giovannini, ‘Les crises d’endettement international. Les réponses et les effets en Suisse’, *Annuaire suisse de politique de développement*, 5, 1985, p. 181.

<sup>265</sup> Letter from Jacobi to the Vorort, 28.11.1983, SFA, E7115A#1993/137#2265\*, 841.0.

<sup>266</sup> This was reported in a letter from Krell to H. Schöni, Verband Schweizerischer Papier- & Papierstoff-Fabrikanten, 02.11.1983, SFA, E7115A#1993/137#2266\*, 841.3.

<sup>267</sup> Note from Jacobi to Kurt Furgler, 25.11.1983, SFA, E7115A#1993/137#2263\*, 810.

with the EEC.<sup>268</sup> So a bilateral trade agreement, as positive as it might have been in principle, only could be a partial solution to the problems affronting exports towards Israel.

Jacobi reminded the president that Israel still was a significant outlet for Swiss exports – more important, for instance, than East Germany, Algeria, China or Venezuela. He informed Kurt Furgler about his intentions to visit Israel in spring 1984 to display Swiss goodwill and explore the possibility for a bilateral trade agreement. FOFEA leadership had not visited Israel in a decade, Jacobi reminded him. It seemed high time to do so. Despite its significance and his insistence on the low threat of Arab boycott measures, the mission would not be public, given Arab sensitivities.<sup>269</sup> The new Swiss ambassador to Tel Aviv, Pierre-Yves Simonin, stationed in Israel since September 1983,<sup>270</sup> obviously welcomed this visit. Simonin had himself already been to Israel as a visitor, in 1973 accompanying Graber as his personal secretary. He was convinced that, like ten years earlier, it could only help reinforce Swiss economic presence in Israel.<sup>271</sup> But Israel made no concessions on a bilateral trade agreement. Simonin's evaluation in October 1983, according to which Israel's worrying economic situation was the main priority for officials, seems to have been accurate.<sup>272</sup> In this context, Israeli concessions were indeed very unlikely. Only in September 1992 did Israel and Switzerland sign a trade agreement. After so adamantly opposing it throughout the 1970s, Swiss officials signed the treaty as a free trade agreement between the EFTA and Israel.<sup>273</sup>

At first, growing Swiss business interest appeared to be isolated. But as soon as it became a worry for the main Swiss business associations, the federal authorities picked up the issue. The difficulties for Swiss efforts in the Israeli market remained largely intact throughout a larger part of the 1970s and the early 1980s, and mostly concerned Israeli tariff policies. These were only addressed in a concerted manner when the Swiss economy faced a renewed economic crisis, which was at least partially rooted in an economic decline of the Third World. There were tariffs and other barriers to trade with Israel: low Israeli demand during its economic crisis. This forestalled any further rapprochement on commercial issues, at least temporarily. Certainly, Israeli economic policymakers had more urgent tasks to address than reaching an agreement with the Swiss authorities on tariff issues. Indeed, the Israeli economic crisis would become the turning point for a full reversal in Israel's economic framework after 1985.<sup>274</sup>

---

<sup>268</sup> *Ibid.*

<sup>269</sup> *Ibid.*

<sup>270</sup> He presented his credentials to the Israeli President, Chaim Herzog, in October, see the letter from Pierre-Yves Simonin, Swiss ambassador in Tel Aviv, to the Political direction, FDFA, 06.10.1983, SFA, E2010A#1995/313#8184\*, B.15.21.

<sup>271</sup> Cf the letter from Simonin to Krell, 08.12.1983, SFA, E7115A#1993/137#2265\*, 841.0.

<sup>272</sup> See again the letter from Pierre-Yves Simonin, Swiss ambassador in Tel Aviv, to the Political direction, FDFA, 06.10.1983, SFA, E2010A#1995/313#8184\*, B.15.21.

<sup>273</sup> See the message from the Federal Council, „Botschaft über das Abkommen zwischen den EFTA-Staaten und Israel“ in *Federal Gazette*, Vol. I, 1993, p. 474-491.

<sup>274</sup> See: Asa Maron, and Michael Shalev, 'Introduction', in *Neoliberalism as a State Project: Changing the Political Economy of Israel*, ed. by Asa Maron and Michael Shalev (Oxford: Oxford University Press, 2017), p. 9.

As seen in this subchapter, Swiss-Israeli military contacts remained intense or even increased, often against the will of Swiss foreign policy officials and amidst public and Arab criticism. Already prior to the Israeli invasion of Lebanon, Swiss foreign officials had taken an increasingly critical stance on Israel's regional policy. Once the IDF began operations in Lebanon, this criticism became even more pronounced, and started to include a larger segment of the traditionally Israel-friendly Swiss population. The image of Israel was changing and, so it seems, a critical stance against the policies of its government was no longer considered anti-Semite *per se*.

## **Conclusion**

Political conditions mattered for Swiss positioning in the Middle East in the early 1980s. But as in previous chapters, national and international economic conditions played an equally, if not more significant, role for the foreign economic policy towards Syria, Egypt and Israel. Both Israel and Syria were fighting economic hardship, complicating if not impairing substantial commercial expansion. Since Assad's rise to power and especially since the Egyptian-Israeli peace agreement, Syria had become an increasingly central player in the Middle East. Swiss authorities reacted accordingly, trying to establish better contacts – including economic ones. Swiss political estrangement with Israel was noticeably increasing under the impact of its invasion of Lebanon. Paradoxically, Swiss companies and ultimately the Vorort then favored a more substantial economic diplomacy. This renewed interest, substantiating in attempts to eliminate protectionist Israeli trade policies, was again rooted in overall world economic conditions. However, in both Syria and Israel, economic realities on the ground made sustained commercial expansion for Swiss companies difficult. Swiss foreign policy in the region suffered from a series of mismatches between economic and political evaluations, and between potential Swiss business interests and economic realities on the ground.

Relations with Egypt, which had been so distinct since the October War, began converging with those of the other two states. Indeed, the material situation in Egypt was not dissimilar. There was an increasing awareness, in Egypt and in Switzerland, of the economic contradictions that liberalization measures had generated. This mostly concerned the worrying level of Egyptian foreign debt. Yet, once the Swiss authorities were reassured of the Mubarak regime's political continuity and that it would continue to honor its international financial and commercial obligations, they were ready to continue substantial economic engagement via a new mixed credit. However, Swiss banks and swaths of Swiss politics became increasingly skeptical – although from diverging positions. The banks clearly doubted Egypt's creditworthiness, while parts of the political left were skeptical of the mixed credit's actual development assistance effect. The official reaction on these two sources of domestic opposition unequivocally aimed at creating conditions for a new Swiss credit line. Particularly when addressing the development components of the first Swiss mixed credit to Egypt, the federal authorities bent the stick. Ultimately, Egypt had become too important a market to let drop. Efforts to promote Swiss exports were, for the time being, sustained on the basis

of the triangle between big exporters, banks providing suppliers credits and the federal government assuring the guarantee of these deals. The hand-in-hand advance of Swiss commerce and credits to Egypt was still working, for now.



## **Conclusion**

This thesis has, at its core, demonstrated how the Swiss authorities and the Swiss economy understood and affronted systemic disarray. Political and economic circumstances in the Middle East created an air of perpetual apprehension in the 1970s, internationally and in Switzerland. Yet, and seemingly paradoxically, they also proved to be an easing element in international relations – particularly in the economic arena. What seemed to be crisis, and even war, could yield opportunity. The Swiss export industry, as has been shown, clearly was out to exploit them. But achieving tangible results, i.e., benefits to the Swiss economy, was not simple due to the multilayered animosities at play. It required significant foreign policy reorientation and the deployment of considerable, persistent efforts from Swiss business alongside the Swiss government. This substantiated itself in a shift in Swiss foreign policy, particularly in foreign economic relations. The Arab world became an important sphere of interest to the Swiss, at the expense of Israel.

The ambition of this study was not simply to describe an outcome, i.e., the evolution of Swiss-Middle Eastern economic and political relations during the pivotal 1970s, but to determine the set of variables that can help explain the specific form they took. This shaping was not random, but developed under real constraints. In the Middle Eastern context, such constraints were complex and, at times, surprising. A first factor to take into consideration is the weight of historic Swiss relations with Egypt, Syria and Israel. Even though contacts with Egypt never reached a breaking point, there had been a tendency of estrangement under Nasser. At the beginning of the period examined here, Swiss sympathies in the Middle East were unevenly distributed in favor of Israel. By the early 1980s, and at the latest after the invasion of Lebanon in 1982, Israel's standing in Swiss society had eroded. As part of this process, the Arab states respective standings improved. This did not amount to a simple trade-off – considerable nuances were at play – but were at least in part contingent on one another, given the high level of regional animosity. The study's comparative approach of delving into Swiss relations with a set of countries, instead of focusing on bilateral relations with just one of them, proved productive – and necessary – to truly grasp the Swiss policy changes.

This study has demonstrated that the state of the international economy and Swiss economic interests was crucial to this process. It confirms the role of private business interests in Swiss foreign policy: a relationship reflecting the overwhelming importance of foreign markets for its economy. By doing so, this thesis modestly contributes to the sparse research on the 1970s economic crisis in Switzerland. It does so by shifting the focus from the internal evolutions of the Swiss economy, situating them in their international setting. Over the course of the crisis, the Swiss economy internationalized even more, further increasing the magnitude and importance of economic interests in foreign policy. The focus on the Middle East proved valuable, as that world region and the Arab countries in particular became crucial foreign markets for the Swiss industry. Middle Eastern markets were the largest Third World recipients of Swiss exports.

This growth in exports must be understood against the backdrop of, first, the oil price hikes and, second, the international economic crisis. Initially, Swiss orientation to Arab markets responded to an attempt to avoid balance of payments problems from the oil price increase. Swiss economic authorities explicitly encouraged Swiss companies to increase efforts in those markets. This reflects Swiss neo-corporatist economic policymaking: private economic agents deploy 'market mechanisms' to counter macroeconomic imbalances. Such an approach allowed the Swiss authorities to avoid restrictive economic policies that could be detrimental for other sectors of the Swiss economy. More concretely, developing sales in the Arab world allowed the government to avoid foreign exchange restrictions, with which the Swiss financial sector would certainly have disagreed, and which could have angered the Arab oil states. This orientation therefore mitigated potential conflicts of interest within the Swiss economy – between the banking sector and industry – and at the same time avoid incurring the wrath of the financially powerful oil exporters. This scheme bridged the state's role in assuring macroeconomic and political stability with private corporations' profit motives.

Such economic policymaking only worked because Swiss companies had an equal interest in them. In the economic crisis of the mid-1970s, this certainly was the case. To put it bluntly: the Arabs suddenly had money, a lot of it. Arab markets could therefore compensate for dropping demand in the developed capitalist world. Broader macroeconomic interests in stabilizing international capital and commodity flows largely matched the profit interests of the Swiss export industry. Coinciding with the world economic downturn, the growth of aggregate trade figures with the Middle East, coupled with archival evidence, shows that it was a crucial compensation market for falling demand in the developed world. Countering economic crisis was not done solely via a Swiss sales offensive in the Third World. As seen, the Swiss authorities in 1974/75 deployed efforts to maintain an as-stable-as-possible multilateral trade and monetary system. Beyond this focus on international regulatory policies, more tangible, 'mercantile' interests were at stake, for which developing foreign market presence was crucial. As suggested in the introduction, Swiss business exported itself out of the crisis. This thesis has shown that, in the context of the 1970s economic crisis, such a policy was possible mostly in the Third World and more precisely, in the Middle East. As 'de-globalization' was not on the agenda, shifting the focus away from international fora and to specific cases study proved fruitful.

These common interests between Swiss economic policymakers and business did not always sail smoothly in the Middle East. Three factors influenced the way Swiss economic interests could sustain their drive towards these markets. First, the Arab-Israeli conflict overshadowed foreign relations with the case study countries. The conflict not only posed political risks for heavier Swiss economic involvement; it also politicized the foreign economic relations of the involved states, which hence reacted sensitively to the political positioning of foreign economic partners. Second, the domestic economic and political situations of Egypt, Syria and Israel were not stable. These instabilities followed similar patterns in other Third World countries whose

development models had social and political disparities as well as economic imbalances. This required diligent monitoring and flexibility to adapt Swiss foreign economic strategies. Third, the Swiss were not the only Western developed state to attempt to increase their economy's exports in the Middle East. In fact, competition in those markets was fierce; successful economic penetration required substantial state support. Furthermore, superpower involvement in the Arab-Israeli conflict impacted the scope for Swiss presence in the region. It was within this context that Swiss outlook was articulated in the region. Obviously, these constraints were not so easy to separate from one another. Distinguishing them is useful to grasp the margins and impediments for Swiss foreign economic efforts in the region.

As seen, Swiss foreign policymakers found the Arab-Israeli conflict to be impeding economic opportunities in the region. Given Switzerland's small political weight in international relations, it could not politically leverage the conflict. From the Middle Eastern standpoint, Switzerland was not a particularly interesting partner since the conflict parties could not politically mobilize the Swiss to support their interests. Under the umbrella of neutrality and as a consequence of earlier Swiss positioning in the Arab-Israeli conflict, Swiss foreign policymakers largely abstained from any substantial involvement during the 1970s. A foreign policy in the region based on neutrality was a means to insulate Switzerland from conflict. But neutrality could offer more than just that. It was also a pro-active tool thanks to the so-called 'solidarity supplement;' Switzerland could assert its role as host country for international meetings, namely in Geneva, and as an intimate collaborator with the ICRC. These elements, especially Swiss support for the ICRC on the POW issue, modestly helped mitigate some aspects of the Arab-Israeli conflict.

The Swiss administration, however, mostly saw the effect of its neutrality policy not in terms of contributing to a peaceful Middle East, but of the political and economic benefits it could draw from it. Swiss neutrality was at least potentially an asset for Swiss business, as it could generate goodwill in the region amid Cold War bloc pressure. While the countries were not indebted to Switzerland for the role it played, on occasion neutrality gave immediate advantages to Swiss companies in the Middle East. But as would become increasingly clear throughout the period, it ultimately remained too a passive tool for promoting Swiss economic interests despite the benevolence it could generate. Neutrality helped minimize political risks that regional antagonisms posed for Swiss economic interests, but it did not make them disappear.

These results do not mean that neutrality policy failed to hold a spot in Swiss foreign policy, as shown in the Arab-Israeli context. Perhaps prestige politics was in the minds of some foreign officials when offering Swiss good offices. Yet, when neutrality had a part in bilateral talks with warring Middle Eastern countries, it resembled an abstract iteration of Swiss foreign policy principles. Neutrality discourse was a ritualized element of Swiss foreign policy in politically sensitive Third World countries. In bilateral talks, the presentation of Swiss neutrality usually happened at the beginning and was often detached from the remaining discussion. That Swiss authorities refused

to take sides on the basis of neutrality, does not mean that foreign policy was subordinate to neutrality. This would imply a reduction of Swiss foreign policy to solely political aspects – which was by no means the case, as this thesis has shown.

The October War opened a new period of Swiss economic presence in the region. It provided opportunities to help jumpstart reconstruction, and Swiss authorities consistently assessed the relation between war and economic development in Syria, Egypt and Israel. *A priori*, Switzerland was well positioned in the Arab world by the time of the October War. It had increased its attention to these countries in the early 1970s under the internationalization of the Palestinian struggle. As regional antagonisms persisted, Switzerland would feel the political blowbacks of the Arab-Israeli conflict over the following years; neutrality could not shield them. This was seen particularly in the so-called politicization of the UN specialized agencies, with Arab-Israeli animosities interfering in their proceedings. Growing Swiss multilateral engagement – a reaction to deepening international interdependencies – and the hardening North-South conflict – a mid-term effect of decolonization and international inequality – had changed their position in international relations. This led the Swiss authorities to conclude that the traditional ‘rent’ Switzerland could draw from neutrality and its lack of a colonial past was dissipating. While the understanding of Swiss neutrality policy as a means to advance economic interests was heavily present, it was not a magic formula that would bring about desired results. Official Swiss response was a more active foreign policy towards the Third World in general, and the Arab world more specifically. Swiss reaction to changes in the international economic situation and shifting political balance between the developed and the developing world, lay in a more stringent international orientation. As has been suggested by literature on neutral states in the Third World during the Cold War, the Swiss became increasingly active players in this respect. The successes and limitations of this turn to the Third World cannot, however, be solely understood in terms of neutrality’s adaptability to these contexts. Real constraints in the region weighed much heavier.

Such regional impediments were reflected in repeated Swiss insistence on the importance of peace for economic development in the Middle East. This did not mean that the peace process ended up deepening Swiss economic relations with the Arab countries as was expected. This assumption is relativized by a set of episodes shown in this study. Swiss economic involvement, particularly in Egypt, was substantially growing well before the Egyptian-Israeli peace agreement of 1979. The chronology does not fit. Furthermore, once this treaty concluded, Syria became a potentially interesting economic partner despite its hardened attitude in the conflict with Israel. And finally, dropping Swiss commercial interest in Israel did not revive after the peace agreement was reached. Three factors explain the limited impact the peace treaty had on economic development. First, there was its partial nature, involving only Egypt and Israel. This heightened regional antagonisms instead of mitigating them. Second, its timing was such that the practice of stimulating exports to the Third World with suppliers’ credits, a well-established practice, was running into a wall with the debt crisis of the early 1980s. The beneficial impact even a partial peace agreement could

have had on trade relations was not able to unfold in this context. And finally, the domestic economic and political situations in the warring states remained volatile with risks. It is important to note that these ideas should not suggest the peace agreement between Egypt and Israel was pointless. It was a highly significant settlement for the region and beyond. However, the findings here relativize the liberal assumption that mechanically links peaceful political relations to economic development.

The state of the Middle Eastern societies treated in this study had a consistent impact on Swiss foreign economic efforts. As the national level, Israel, Egypt and Syria all displayed the typical characteristics of Third World economies – albeit at varying levels. As this study has shown, the political stability of these countries played a significant role in the depth of Swiss economic penetration attempts. Domestic political instability, or policies undermining regional stability, increased political risks for Swiss business and adversely affected their willingness to engage economically. As seen in Egypt's two regime changes, from Nasser to Sadat and from the Sadat to Mubarak; in Syria with Assad's rise to power; and in Israel with the first Likud government, Swiss officials closely monitored domestic political power shifts. Regime stability and economic policies yielded differentiated Swiss evaluations of political and economic risks in those economies. While underscoring the importance the situation on the ground had can seem commonplace, it is important to underscore for three reasons. First, it allows one to partially compensate for the Swiss-centered view adopted in this thesis – or at least, avoid its worst pitfalls. Second, it shows that despite unequal economic power relations, these three Third World countries were not simple appendages subjected to external domination. Swiss actors could not do as they pleased; they operated within real constraints produced by social formations in the region. Third, again from the Swiss perspective, an attentive study of the national variables influencing their positioning in the region is in part surprising and puts into perspective idealized interpretations of its foreign policy.

In general, a belligerent or 'tougher' political posture undermined the standing of a country in the eyes of Swiss officials. This applied to Israel under the Likud, which gradually saw its Swiss sympathies dwindling vis-à-vis the occupied territories and the 1982 invasion of Lebanon. Egypt under Sadat managed to harness substantial sympathy from Swiss foreign officials, who viewed him as sincerely interested in reaching an end to the Arab-Israeli conflict. Sadat, so the Swiss believed, had gone to war in order to make peace and open the Egyptian economy to Western capital. It is not surprising that they welcomed his ensuing policies. Grasping the influence of local political dynamics on Swiss relations with Syria is the most challenging. Despite some serious attempts in rapprochement, Swiss suspicion never fully dissipated due to Syrian tenacity in the conflict with Israel and its interventions in Lebanon. Furthermore, anti-Arab prejudice and the somewhat related Swiss suspicions of the bureaucratic and socialist traits of Syrian policy, skewed their understanding of the situation in Damascus. It is all the more significant that, despite these sources of Swiss skepticism and the fact that Syria remained in a state of war, Swiss economic and political engagement were not entirely forestalled. They even became important considerations in arguments for deepening

relations with that country. Finally, the authoritarian power structures in Syria and Egypt did not negatively affect Swiss evaluations of those regimes. On the contrary, they were considered as a stabilizing element in domestic power relations. This conflicts with the Swiss self-perception as freedom-loving democratic people, still cultivated today.

The Swiss political assessments of Syria, Egypt and Israel in the 1970s closely mirrored their economic assessments: poor in Israel, good in Egypt, contradictory in Syria. Before the October War of 1973, Swiss economic interests had plummeted in all three countries. Israeli infant industry protectionism via tariffs directly undermined the Swiss economy's goodwill. At that time, Egypt and Syria were not yet interesting markets for the Swiss export industry. Only after the war did the Swiss shift away from Israel and to these Arab markets. Swiss business clearly expressed this conversion in their evaluations of market prospects and their efforts to penetrate them. This differentiated outlook owed as much to the general business cycles in the three countries, as to the economic policies subsequently introduced. After the 1973 war entered into a protracted crisis, Israel increased protectionist trade policies. Swiss exporters continued encountering tariff barriers in Israel, which in part made their products *de facto* barred from the Israeli market. Egypt and Syria went over to substantial investment programs funded in part by the wealthy Arab oil states and experienced a period of economic expansion. While the Syrian government introduced accommodating economic policies for foreign interests, political animosities inhibited a decisive Swiss turn to this interesting market. In Egypt, Sadat's accommodation of foreign capital, which he had in part anticipated by concluding an IPT with Switzerland, formed a powerful incentive for Swiss business engagement. This growth in Egypt and Syria, neither substantial oil producers, took place within the restrictions of the subordinate positions that the world economy imposed on them. Egypt and Syria lacked the foreign currency needed to finance their development programs and imports, which made them continuously, or even increasingly, dependent on foreign credit. Any Swiss economic engagement was a risk since it was contingent on financial involvement.

When weighing opportunities against risks in the Middle East, the Swiss were considerably influenced by other Western countries, the Arab oil states and IFIs. As this thesis has shown, the Swiss government perceived the phases of reemerging Cold War bloc formation in the region as an opportunity to deploy the virtues of neutrality. Such hopes were thwarted amidst the vigorously emerging North-South divides. Therefore, the Swiss did not perceive the role of other Western interests in the region primarily along Cold War logic. The guarantee this larger alignment framework could provide to Swiss interests was paramount. It notably applied to Egypt, where US and larger European countries' involvement reassured Swiss authorities. From the Swiss perspective, this increased the likelihood of a peaceful settlement with Israel, which they considered a political and especially economic facilitator for economic engagement. It reduced the perceived risks of becoming economically involved themselves, as the Swiss interpreted Western financial commitments to Egypt as a guarantee for financial discipline. Beyond reassuring them, it also sharpened

competition. The stronger commitment of Western states was a condition for a stronger public and private commitment from Switzerland, and simultaneously made it a requirement. As proven by interest from Swiss firms and the Swiss authorities in the Egyptian market, the fierce competition between Western companies, combined with the Egyptian foreign funding requirement, led to substantial public and private Swiss involvement there.

Larger powers' economic engagement was also heavily linked to geopolitical considerations. Regime stabilization was on the mind of Swiss policymakers when economically engaging in Egypt. This economic engagement was not, however, to assure the Sadat government's accommodation of Israel. It responded to the wish of integrating the Egyptian economy into the capitalist world market and to stabilize it as an outlet. Things differed in Syria and Israel. The Swiss dreaded Western competition in Damascus. But there were no outside political guarantees as Syrian policy pitted the blocs against one another. In Israel, Swiss exporters only partially resented the tariff discrimination they suffered. And despite clear US commitment to Israel, this assurance was not required or desired by Swiss authorities and business. They had no interest in propping up either of those governments.

By studying Swiss involvement in the Middle East, this thesis unveils basic elements of Swiss foreign policy. It shows the weight of economic interests, how those interests were aligned, how decision-making processes occurred, and how they translated into actual policy. To start, Swiss foreign policy had a series of assets when entering into the competitive Middle Eastern market. On occasion, Egyptian, but also Syrian, officials highlighted that neutrality and Swiss political smallness increased the likelihood of placing orders in Switzerland. Balancing foreign economic relations in the Cold War context could benefit the Swiss export industries in the three countries. Such factors were not, however, decisive. Particularly as Egypt moved into the orbit of the US in the Cold War alliance network, the privileged Swiss position dissipated. This accelerated the exhaustion of the economic 'rent' Swiss business could draw from official neutrality. In competition with other suppliers, Swiss exporters could boast the high quality of their goods; but then the fact that Switzerland was a developed Western economy became significant.

The structural features of Swiss capitalism, studied here as they evolved in Swiss-Middle Eastern relations, matched that of an imperialist economy. This was revealed most vigorously where deepened economic interactions occurred, i.e. Egypt. The link between financial and industrial capital was crucial in market penetration attempts. Capital export, both as FDI and suppliers' credits, was high. The place that highly centralized, multinational export industries occupied was forceful. And finally, the Swiss state provided important coordination for Swiss commercial and financial expansion abroad.

State-business and bank-industry coordination led to the strategic outline for Swiss economic policy in the Middle East, i.e. deepen market penetration in the Arab

countries. There are indications of high coordination between two crucial sectors of the Swiss economy: its financial sector and its export industry. The most powerful indication is the fact that Swiss banks supported exporters by providing suppliers' credit. Within the export industry, the decision-making process was highly centralized. The Vorort played a crucial role in this respect by compiling different export sectors' market outlooks, grievances and especially, interests. Their exchanges with the Swiss foreign policy services, mainly the Division of Commerce / FOFEA, is where the core strategies and immediate tactics were developed. Notwithstanding occasional conflicting evaluations within the Swiss administration, between foreign policy and military policy or foreign economic interests and development policy aspects, state-business coordination was a rather harmonious affair as few instances of conflicting interests emerged.

Imperialist features and coordination efforts supported Swiss economic expansion in the Middle East. Yet, due to increased competition and the situation in the economies targeted, they did not suffice to deepen Swiss market presence. Numerous Western states provided soft loans to Egypt and Syria that were tied to orders in the creditor country, which supported Swiss competitors. As evidenced in Egypt and to a lesser extent in Syria, simple 'market forces' and goodwill from local authorities did not increase the chance for Swiss exporters. Private sector support of the Swiss government's macroeconomic aims required more than coordination efforts. To pursue Swiss export industry interests in the Middle East, the Swiss government had to become more substantially involved.

The extent of this support was part of a learning process that involved constant evaluation and reevaluation of means deployed. Swiss foreign officials used both political and economic means to support Swiss business in the Middle East. They avoided anything that might increase political exposure for Swiss business in the Arab world. This translated into, on the one hand, continued distancing from Israel, a process already anticipated by Swiss corporations before the oil price increase. On the other hand, Swiss officials sought closer direct contacts to Arab governments via mutual visits. But as mentioned, such goodwill had its limits and the direct contacts revealed the requirements it would take. While the effect of Swiss 'soft power' should not be underestimated, in the end, the terms of sales contracts and especially credit conditions were decisive for winning tenders in the Middle East.

In this respect, the role of the government in accommodating private capital interests became crucial. Even though the high liquidity of the Swiss banking center made suppliers' credits readily available at comparatively low interest rates, terms of an export deal were substantially improved if the deal benefited from a public guarantee via the ERG. The readiness to grant such guarantees had considerable influence on trade volume. It lowered the banks' risks, reduced requested interest rates and made Swiss exporter tender submissions more attractive for the buyer. Swiss exports levels to Egypt compared to Syria reflected the generous guarantee policy for exports to Egypt and the restrictive granting for sales in Syria. Another Swiss public policy that directly

supported Swiss companies in foreign markets was mixed credits. As shown for Egypt, such credit facilities, albeit granted under the umbrella of development aid, had a strong, if not primary, export promotion component. Competition for the Egyptian market had become so fierce that the Swiss government itself became a creditor to enable the Swiss export industry to stand its ground there. This initial Swiss financial involvement locked them into a commitment that had to be sustained.

The two most powerful Swiss economic sectors, the banks and the export industry, attributed great importance to official Swiss support in foreign markets. This shows the high relevance of direct state involvement in promoting exports in the Third World during the 1970s via the ERG and mixed credits. The banks benefited since the risks of their credit operation were largely socialized, i.e. the general public would bear the burden of future debt renegotiations or defaults. In industry, the main beneficiaries of these export promotion measures were large Swiss corporations from the machinery industry. So even the most powerful Swiss industries, rooted in multinational corporations, heavily relied on the Swiss state for their sales. They continuously and at times aggressively lobbied the Swiss government to enact supportive economic policies, seeking official support via diplomatic intervention when needed. Those companies remained heavily attached to their home state, which acted as a custodian for their interests abroad. The relationship between the ‘political,’ if that is how one wants to perceive the state’s actions, and market forces became blurry. In the real process of economic mediation, they were one and the same.

This does not mean that the Swiss government was simply a ‘vassal’ of corporate interests – not all private sector wishes were fulfilled. Politics and development aid considerations interfered in the extent to which the state provided support to Swiss companies. Furthermore, there was a structural contradiction between the limited financial means available to the Swiss state and the substantial demand by large companies in the capital goods sector for public financial engagement in the Third World. The ‘smallness’ of the Swiss state was double-edged. As shown by their repeated insistence, Swiss representatives in the Middle East attempted to reap benefits for business through the political innocence of this supposed smallness. However, the relative smallness of the Swiss state, deliberately kept small due to fiscal interests of the private sector, also was a constraint. Compared to larger Western states, official Swiss credits proved insufficient vis-à-vis the considerable size of Swiss companies in question – notably, BBC and Sulzer. As a result, they were not in the best position to compete for sales in Egypt and Syria. This does not imply that the Swiss economy as such was small; its political expression was. Despite this contradiction, Swiss companies managed to build up considerable commercial presence in those markets. This presence, reflecting the support from the Swiss state and its financial center, was also politically differentiated along previously mentioned fault lines. Priorities for deploying the limited financial resources available to the Swiss government were influenced by the political situation in Syria, Egypt and Israel. But these priorities only ran counter to specific Swiss companies’ interests, not overall Swiss business interests. Overall, Swiss business viewed Egypt as the more promising market.

It could be argued that the Swiss policy of sustaining and complementing private capital expansion in Egypt was also in Egypt's interest. Did not the lower interest rates decrease the cost for the Egyptian state to develop its economy? That was the position of the Swiss authorities when presenting financial involvement in Egypt as development aid. In theory, this spin might have had some validity; in practice, things were a bit different. First, the social benefits of Egyptian development policy were unequally distributed. As hinted towards the end of this study, the cycle of debt-fueled economic expansion in Egypt ground to a halt in the mid-1980s. Within the framework of debt renegotiations, the Swiss undertook rescheduling in 1987 for CHF 425 million and a second one for a staggering CHF 998 million in 1992.<sup>1</sup> In the 1987 rescheduling, the ERG, and by extension the Swiss public, covered three quarters of the damage – it was being rolled over.<sup>2</sup> Swiss rescheduling of Third World debt in the 1980s and 1990s was supposedly more 'flexible,' i.e. it displayed softer terms than other Western states. This reflected the intimacy between Swiss banks and large export industries, including personal connections, and their interest "in maintaining debtor countries as export markets."<sup>3</sup> This likely applied to the Egyptian market. As seen, initial Swiss public financial engagement had to be reaffirmed thereafter through a new mixed credit. Yet, the record level of Swiss exports from 1982 was only surpassed in 2014.<sup>4</sup> Consequently, Swiss commercial expansion in Egypt during the 1970s was a temporary, but as shown throughout this thesis, significant phenomenon in a period of economic crisis in the developed capitalist world.

Given the temporary nature of Swiss trade with Egypt, Syria and Israel from the mid-1960s to mid-1980s, one can be puzzled by their contemporary patterns. They have noticeably changed. In the late 1980s, Israel became again the most important market out the three countries.<sup>5</sup> Israel is now the third most important market in the Middle East behind the United Arab Emirates and Saudi Arabia, and ahead of Egypt.<sup>6</sup> Swiss-Israeli official relations, which had never really been in crisis even in the period examined here, became closer after the 1991 Madrid talks with the Palestinians and the 1993 Oslo Accords. Since then, contacts have noticeably increased in the military domain. For instance, since the mid-1990s and until today, Switzerland and Israel have

---

<sup>1</sup> This figure was published in: "Bericht zur Aussenwirtschaftspolitik 92/1 + 2" in *Federal Gazette*, Vol. I, 1993, p. 421.

<sup>2</sup> Cf. the figures provided in: "Botschaft über den Abschluss von Schuldenkonsolidierungsabkommen" in *Federal Gazette*, Vol. I, 1990, p. 1587.

<sup>3</sup> For such an interpretation, see: Peter Bosshard, 'Diskretion, Know-how und eine weisse Weste: die Schweiz und die internationale Verschuldung', *Widerspruch: Beiträge zu sozialistischer Politik*, 9 (1989), p. 17.

<sup>4</sup> The Swiss Federal Customs Administration now publishes all their trade data on their online database "Swiss-Impex": <https://www.gate.ezv.admin.ch/swissimpex/> (consulted 21.10.2019).

<sup>5</sup> See the relevant data in: "Swiss-Impex", <https://www.gate.ezv.admin.ch/swissimpex/> (consulted 21.10.2019).

<sup>6</sup> Noted in the *Internet-Fiche* of the State Secretary of Economic Affairs, "Ägypten", 15.10.2018, <https://www.seco.admin.ch/dam/seco/en/dokumente/Aussenwirtschaft/Wirtschaftsbeziehungen/Länderinformationen/Länd/Mittlerer%20Osten%20und%20Afrika/Aegypten.pdf.download.pdf/Aegypten.pdf> (consulted 21.10.2019)

been pursuing a joint drone project.<sup>7</sup> As political relations re-stabilized, Swiss exports to Israel increased. Exports to Israel now more or less follow the international business cycle.

Overall, likely mirroring the decline of the Swiss machinery industry, the relative importance of capital goods in exports to Israel, Syria and Egypt has declined. Since the mid- to late-1990s, consumer goods have made up an overwhelming share of its exports to Israel, roughly two-thirds, as well as to Syria and Egypt, with ca. 80 percent. Such exports react extremely sensitively to political and social change, also reflected in the region. In recent years, this was particularly striking in Syria. After the death of Hafez Assad in 2000, his son Bashar Assad came to power. Upon swift economic reforms liberalizing foreign investment and trade in that country, Swiss exports picked up again. Since the outbreak of the Syrian revolution in the 2011 and the ensuing civil war that continues to rage at the time of this writing eight years later,<sup>8</sup> Swiss economic relations have ground to a halt. The Swiss government, in May 2011, followed the European Union and introduced broad economic sanctions against Syria, still in place today.<sup>9</sup> “It is obvious,” the Federal Council stated in a 2017 during a parliamentary interpellation, “that under such circumstances [Swiss firms] are generally reluctant to do business with sanctioned countries, especially if there is a civil war in the country concerned.”<sup>10</sup> International pressure and inhibiting local conditions still have critical influence on the depth of economic exchange. How these will evolve once the Syrian conflict ends remains to be seen. From what this thesis has explored, Swiss business can easily accommodate authoritarian regimes; when weighing moral and humane considerations against material interests, the latter takes precedence.

Despite relative Swiss leniency in debt rescheduling in the 1980s and 1990s, the government made them conditional on “economic reform measures, appropriate debt management and ‘good governance.’”<sup>11</sup> These reforms build a historical bridge from the 1970s scramble and ensuing debt-glut to the Arab spring revolutions. Donor countries’ and IFI’s conditionality on this rescheduling led to the implementation of neoliberal reforms in line with the ‘Washington Consensus’ in the 1990s. The social impact of neoliberal reforms precipitated deteriorating living conditions for the Egyptian people and the Arab world more broadly. In 2010/2011, a tipping point was reached and little more than two weeks of mass protest brought down Hosni Mubarak’s

---

<sup>7</sup> See the parliamentary question by liberal national council member John Dupraz: “Technische und militärische Zusammenarbeit mit Israel. Drohnen”, in *Official Bulletin of the Federal Assembly*, Vol. III, 2003, p. 542, p. 892.

<sup>8</sup> On the socioeconomic roots of the Syrian uprising, see: Daher, Joseph, *Syria After the Uprisings: The Political Economy of State Resilience* (London: Pluto Press, 2019), p. 1-37.

<sup>9</sup> See the Federal Council Decree on these sanctions: “Verordnung über Massnahmen gegenüber Syrien”, <https://www.admin.ch/opc/de/classified-compilation/20121374/index.html>, (consulted 21.10.2019).

<sup>10</sup> This can be found in the answer to the interpellation by Evangelical People’s Party National Council member Maja Ingold, “Überprüfung der humanitären Folgen der Wirtschaftssanktionen gegen Syrien”, <https://www.parlament.ch/de/ratsbetrieb/suche-curia-vista/geschaefft?AffairId=20173061> (consulted 21.10.2019)

<sup>11</sup> Highlighted in “Bericht zur Aussenwirtschaftspolitik 92/1 + 2” “ in *Federal Gazette*, Vol. I, 1993, p. 401.

decades of autocratic rule.<sup>12</sup> Swiss exports were only marginally affected by the Egyptian revolution and luckily, no civil war erupted.

The day Mubarak was forced to step down, February 11, 2011, the Federal Council, froze “any assets of the former Egyptian President Mubarak and parties close to him that may be located in Switzerland” by urgency ordinance.<sup>13</sup> A TIME magazine article quotes Mark Vlasic, a law professor at Georgetown University, who viewed this prompt Swiss reaction as sign that they were “intent to be on the right side of history when it comes to fighting grand corruption and kleptocracy.”<sup>14</sup> For once, so it seems, there was official Swiss distancing from autocrats – at least, after their ouster. But yet again, Swiss business interests were also at stake. It has been suggested that the Swiss authorities were eager to “protect the reputation of the Swiss financial sector,” which had been criticized for decades for its leniency in keeping foreign autocrats’ money in its banks.<sup>15</sup> Even though the Swiss freeze concerned financial assets as well as “any type of asset, whether tangible or intangible, movable or immovable, in particular real estate and luxury goods,”<sup>16</sup> suspicious transactions occurred thereafter. Between 2012 and 2015, there was a massive transfer of safe haven goods from Switzerland to Egypt, valuing almost CHF 820 million. In 2013 alone, likely following the coup d’état by Abdel Fattah el-Sisi, such ‘exports’ made up 40 percent of all Swiss sales to Egypt, almost CHF 550 million.<sup>17</sup> Whose assets these were, how they had been amassed and where they went, is unclear.<sup>18</sup> It seems possible that they were illicitly appropriated; this should raise doubts over the actual extent of Swiss government control over transfers of foreign autocrats’ assets from Switzerland.

At the time, Johann Schneider-Amman, former president of the VSM’s successor organization *Swissmem*, was the Swiss Federal Council member in charge of economic

---

<sup>12</sup> For such a reading on the Arab revolutions, see: Adam Hanich, *Lineages of Revolt: Issues of Contemporary Capitalism in the Middle East* (Chicago: Haymarket Books, 2013). On the 1990s neoliberal reforms in Egypt, see: Roberto Roccu, *The Political Economy of the Egyptian Revolution: Mubarak, Economic Reforms and Failed Hegemony* (Houndmills, Basingstoke, Hampshire: Palgrave Macmillan, 2013), p. 38-56.

<sup>13</sup> See the Federal Council statement: “Federal Council orders freezing of any assets of Egypt’s former President Hosni Mubarak in Switzerland”, 11.02.2011, <https://www.admin.ch/gov/en/start/documentation/media-releases.msg-id-37632.html> (consulted 21.10.2019).

<sup>14</sup> Quoted in: “How a New Swiss Law Can Help Egypt Get Its Money Back”, 17.02.2011, <http://content.time.com/time/world/article/0,8599,2049395,00.html> (consulted 21.10.2019).

<sup>15</sup> Lisa Watanabe, ‘Nach den arabischen Rebellionen: Eine neue Schweizer Nordafrikapolitik’, in *Bulletin 2013 zur schweizerischen Sicherheitspolitik*, ed. by Christian Nuenlist and Oliver Thränert (Zurich: Center for Security Studies (CSS), ETH Zurich, 2013), p. 77.

<sup>16</sup> Specified in the urgent ordinance of the Federal Council, cf. “Verordnung über Massnahmen gegen gewisse Personen aus der Arabischen Republik Ägypten”, <https://www.admin.ch/opc/de/classified-compilation/20110329/index.html> (consulted 23.10.2019).

<sup>17</sup> The Swiss Federal Customs Administration publishes two data sets, one called ‘Total “business cycle,”’ which excludes the classic safe haven assets of “gold bars and other precious metals, coin, precious stones and gems as well as works of art and antiques,” and a second where it includes them. The figures provided in the text result from the difference between those two data series. See the data on Egypt in: Swiss Federal Customs Administration, “Swiss-Impex”, <https://www.gate.ezv.admin.ch/swissimpex/> (consulted 21.10.2019).

<sup>18</sup> The FDFA’s Task Force Asset Recovery, questioned by the author on these transactions, has not provided an answer at the time of the conclusion of this research.

affairs. In late January 2013, he traveled to the World Economic Forum (WEF) in Davos. He seized the occasion of this world leader gathering on Swiss territory and met with, amongst others, the Egyptian Minister of Investment, Osama Saleh, and the Egyptian Minister of Trade and Industry, Hatem Saleh.<sup>19</sup> Schneider-Amman's family business, which produced building machinery, had profited from the mixed credit to Egypt in the late 1970s. They had sold equipment valuing some CHF 3.7 million to Egypt, funded by the first mixed credit. In a public relations effort, organizers presented the 2013 WEF as the first 'Digital Davos,' supposedly increasing transparency via live streaming of select sessions.<sup>20</sup> What happened on the sidelines of these sessions remains obscure. Whether Schneider-Amman recounted his company's business ties to Egypt, his visits with senior Swiss officials to the country as head of Swissmem in the years prior to his election to office, the still outstanding rescheduled debt,<sup>21</sup> or safe haven assets transfers, is not in the public domain.<sup>22</sup> What is clear, is that Switzerland's political and economic identity harbors the 'Spirit of Geneva' as well as the 'Spirit of Davos.'

---

<sup>19</sup> Osam Saleh had already been a senior official under Mubarak. Hatem Saleh was an Egyptian business tycoon. See the Egyptian online news outlet coverage: "Egypt's new economy ministers: Who's who", *Ahram online*, <http://english.ahram.org.eg/NewsContent/3/12/49287/Business/Economy/Egyptys-new-economy-ministers-Whos-who.aspx> (consulted 21.10.2019).

<sup>20</sup> See the WEF report "News from Davos", <http://reports.weforum.org/davos-2013/news-from-davos/> (consulted 21.10.2019).

<sup>21</sup> At the end of 2018, the ERG's successor organization, the Swiss Export Risk Insurance (SERV), still had outstanding Egyptian debts from the rescheduling of its books, see their Annual Report, 2018, p. 46, [https://report.serv-ch.com/2018/app/themes/serv-theme/document/EN/AR2018\\_SERV\\_EN.pdf](https://report.serv-ch.com/2018/app/themes/serv-theme/document/EN/AR2018_SERV_EN.pdf).

<sup>22</sup> This encounter is listed in the *Internet-Fiche* of the State Secretary of Economic Affairs, "Ägypten", 15.10.2018, *ibid*.



## Annexe

**Table 11: Top Ten Destinations of Israeli Imports (annual average in %) and their Rank. 1970-1983**

Source: Author's calculations based on: IMF, External Trade by Counterpart, "Israel," in *Direction of Trade Statistics*, [www.data.imf.org/dot](http://www.data.imf.org/dot).

1970			1971			1972			1973			1974		
Rank	Country	Market Share												
1	United States	15.52	1	United States	18.02	1	United States	15.10	1	United States	12.96	1	United States	13.86
2	United Kingdom	10.74	2	United Kingdom	11.57	2	United Kingdom	14.78	2	Germany	12.07	2	Germany	12.64
3	Germany	8.34	3	Germany	9.85	3	Germany	9.23	3	United Kingdom	11.29	3	United Kingdom	9.99
4	Italy	3.66	4	Italy	3.56	4	Italy	6.73	4	Netherlands	3.92	4	Italy	4.13
5	Netherlands	3.42	5	France	3.57	5	Belgium-Luxembourg	4.95	5	Italy	3.58	5	Netherlands	4.11
6	Japan	2.98	6	Netherlands	3.33	6	France	3.85	6	Belgium-Luxembourg	3.42	6	France	2.83
6	Belgium-Luxembourg	2.98	7	Belgium-Luxembourg	3.10	7	Netherlands	3.35	7	France	3.06	7	Belgium-Luxembourg	2.61
8	France	2.93	8	Switzerland	2.62	8	Switzerland	2.95	8	Switzerland	2.04	8	Japan	2.40
9	Switzerland	2.36	9	Japan	2.42	9	Japan	1.91	9	Japan	1.40	9	Switzerland	2.31
10	Romania	1.19	10	Greece	1.83	10	Canada	1.10	10	Romania	0.96	10	Romania	0.88

1975			1976			1977			1978			1979		
Rank	Country	Market Share												
1	United States	16.65	1	United States	15.67	1	United States	16.96	1	United States	15.20	1	United States	17.58
2	United Kingdom	9.63	2	United Kingdom	10.74	2	United Kingdom	8.01	2	Germany	8.03	2	Germany	8.93
3	Germany	7.27	3	Germany	7.35	3	Germany	7.72	3	United Kingdom	7.33	3	United Kingdom	8.00
4	Italy	3.44	4	Netherlands	4.27	4	Netherlands	6.80	4	Netherlands	6.51	4	Italy	4.42
5	Netherlands	3.03	5	Italy	3.03	5	Belgium-Luxembourg	3.85	5	Italy	3.83	5	Belgium-Luxembourg	3.35
6	Belgium-Luxembourg	2.65	6	France	2.66	6	Italy	3.36	6	Belgium-Luxembourg	3.50	6	France	3.93
7	France	2.58	7	Belgium-Luxembourg	2.23	7	France	3.03	7	France	3.57	7	Netherlands	2.39
8	Switzerland	2.10	8	Switzerland	1.95	8	Japan	2.17	8	Switzerland	1.73	8	Japan	1.97
9	Japan	1.48	9	Japan	1.89	9	Switzerland	1.64	9	Japan	1.67	9	Switzerland	1.68
10	Canada	0.68	10	Canada	0.76	10	Canada	0.96	10	Canada	0.86	10	Canada	0.94

1980			1981			1982			1983		
Rank	Country	Market Share									
1	United States	16.00	1	United States	16.00	1	United States	17.09	1	United States	17.96
2	Germany	8.16	2	Germany	8.25	2	Germany	9.92	2	Germany	10.85
3	United Kingdom	6.95	3	United Kingdom	5.92	3	United Kingdom	6.86	3	United Kingdom	6.96
4	Belgium-Luxembourg	4.18	4	Italy	3.86	4	Italy	4.90	4	Belgium-Luxembourg	6.08
5	Italy	3.25	5	France	3.34	5	Belgium-Luxembourg	4.07	5	Italy	4.91
6	France	2.79	6	Belgium-Luxembourg	3.14	6	France	4.04	6	France	4.23
7	Netherlands	1.96	7	Netherlands	2.49	7	Netherlands	2.75	7	Japan	2.85
8	Switzerland	1.25	8	Switzerland	1.35	8	Japan	2.06	8	Netherlands	2.44
9	Japan	1.24	9	Japan	1.25	9	Switzerland	1.45	9	Switzerland	1.64
10	Canada	0.83	10	Canada	0.89	10	Canada	1.25	10	Spain	1.30

**Table 12: Top Ten Destinations of Egyptian Imports (annual average in %) and their Rank. 1970-1983**

Source: Author's calculations based on: IMF, External Trade by Counterpart, "Egypt," in *Direction of Trade Statistics*, www.data.imf.org/dot.

1970				1971				1972				1973			
Rank		Country	Market Share												
Western	Overall			Western	Overall			Western	Overall			Western	Overall		
	1	U.S.S.R.	12.34		1	U.S.S.R.	13.51		1	U.S.S.R.	12.61	1	1	United States	12.70
1	2	Germany	7.77	1	2	Australia	8.75	1	2	Australia	9.12	2	2	France	8.60
2	3	France	7.39	2	3	Germany	7.03	2	3	United States	8.78	3	3	Germany	7.92
3	4	Italy	6.60	3	4	Italy	5.57	3	4	France	7.37		4	U.S.S.R.	7.14
4	5	United States	5.83	4	5	United States	5.55	4	5	Germany	6.68	4	5	Australia	5.16
5	8	United Kingdom	3.93	5	6	France	5.17		6	Eastern Germany	4.27		6	Eastern Germany	4.75
	6	Eastern Germany	4.52		7	Czechoslovakia	4.43	5	7	United Kingdom	3.99	5	7	Italy	4.74
	7	Czechoslovakia	3.98		8	Eastern Germany	3.95	6	8	Italy	3.60		8	Romania	4.60
6	9	Spain	3.56	6	9	United Kingdom	3.51		9	Czechoslovakia	3.35	6	9	United Kingdom	3.80
	10	Romania	3.29	7	10	Canada	3.38		10	Romania	3.33		10	Czechoslovakia	3.32
7	14	Switzerland	2.14	8	11	Switzerland	2.59	7	14	Netherlands	2.23	7	11	Netherlands	3.06
8	16	Netherlands	1.80	9	18	Netherlands	1.38	8	15	Switzerland	2.10	8	18	Switzerland	1.70
9	17	Japan	1.50	10	19	Japan	1.29	9	16	Japan	1.23	9	20	Japan	1.52
10	20	Sweden	1.26					10	19	Greece	1.15	10	21	Sweden	1.26

1974				1975				1976				1977			
Rank		Country	Market Share	Rank		Country	Market Share	Rank		Country	Market Share	Rank		Country	Market Share
Western	Overall			Western	Overall			Western	Overall			Western	Overall		
1	1	United States	16.54	1	1	United States	19.24	1	1	United States	16.39	1	1	United States	16.37
2	2	France	14.99	2	2	France	10.72	2	2	Germany	11.55	2	2	Germany	10.71
3	3	Australia	9.04	3	3	Germany	8.38	3	3	Italy	7.97	3	3	Italy	8.93
	4	U.S.S.R.	8.79		4	U.S.S.R.	5.92	4	4	France	6.12	4	4	France	6.31
4	5	Germany	6.18	4	5	Italy	5.91	5	5	United Kingdom	5.71	5	5	United Kingdom	5.83
	6	Romania	5.12	5	6	United Kingdom	4.55		6	U.S.S.R.	5.02		6	U.S.S.R.	5.62
5	7	Italy	3.82	6	7	Australia	4.36	6	7	Japan	4.97	6	7	Japan	5.17
	8	Lebanon	3.45		8	Romania	3.66	7	8	Australia	3.91	7	8	Australia	2.90
6	9	United Kingdom	2.78		9	Saudi Arabia	3.39	8	9	Netherlands	2.55	8	9	Netherlands	2.67
	10	Eastern Germany	2.59	7	10	Japan	3.30	9	10	Belgium-Luxembourg	2.26		10	Yugoslavia, SFR	2.45
7	11	Netherlands	2.44	8	11	Netherlands	2.73	10	14	Switzerland	1.63	9	11	Switzerland	1.88
8	12	Switzerland	2.23	9	14	Switzerland	2.06					10	14	Canada	1.57
9	16	Belgium-Luxembourg	1.35	10	18	Belgium-Luxembourg	1.26								
10	18	Greece	1.17												

1978				1979				1980				1981			
Rank		Country	Market Share	Rank		Country	Market Share	Rank		Country	Market Share	Rank		Country	Market Share
Western	Overall			Western	Overall			Western	Overall			Western	Overall		
1	1	United States	16.36	1	1	United States	17.84	1	1	United States	19.29	1	1	United States	19.78
2	2	Germany	10.99	2	2	Germany	10.93	2	2	France	10.23	2	2	Germany	10.22
3	3	Italy	7.54	3	3	Italy	8.49	3	3	Germany	9.44	3	3	France	9.49
4	4	United Kingdom	7.52	4	4	France	7.70	4	4	Italy	6.73	4	4	Italy	7.42
5	5	France	7.39	5	5	United Kingdom	6.67	5	5	United Kingdom	6.10	5	5	United Kingdom	4.93
6	6	Japan	5.03	6	6	Japan	4.85	6	6	Japan	4.68		6	Romania	3.25
	7	U.S.S.R.	3.38		7	Romania	3.10		7	Romania	3.19	6	7	Netherlands	3.12
	8	Yugoslavia, SFR	2.83	7	8	Netherlands	2.88	7	8	Spain	2.45	7	8	Greece	2.75
7	9	Netherlands	2.78	8	9	Switzerland	2.70	8	9	Greece	2.22		9	U.S.S.R.	2.61
	10	Romania	2.73	9	10	Spain	2.05		10	Yugoslavia, SFR	2.18	8	10	Australia	2.52
8	11	Switzerland	2.58	10	12	Greece	1.89	9	11	Belgium-Luxembourg	2.18	9	11	Spain	2.45
9	12	Spain	2.13					10	12	Netherlands	2.04	10	12	Belgium-Luxembourg	1.72
10	13	Australia	2.04					11	13	Sweden	1.94	11	13	Switzerland	1.53
								12	14	Finland	1.79				
								13	15	Switzerland	1.76				

1982				1983			
Rank		Country	Market Share	Rank		Country	Market Share
Western	Overall			Western	Overall		
1	1	United States	19.02	1	1	United States	16.13
2	2	Germany	9.90	2	2	Germany	10.62
3	3	Italy	7.56	3	3	Italy	8.00
4	4	France	7.51	4	4	France	6.90
5	5	Japan	4.54	5	5	Japan	4.97
6	6	United Kingdom	4.38	6	6	Greece	3.74
7	7	Netherlands	3.51	7	7	United Kingdom	3.59
8	8	Greece	3.43	8	8	Netherlands	3.49
9	9	Australia	2.35	9	9	Spain	3.40
10	10	Spain	2.35		10	Romania	2.64
11	13	Switzerland	1.93	10	12	Switzerland	2.09

**Table 13: Top Ten Destinations of Syrian Imports (annual average in %) and their Rank. 1970-1983**

Source: Author's calculations based on: IMF, External Trade by Counterpart, "Syria," in *Direction of Trade Statistics*, www.data.imf.org/dot.

1970				1971				1972				1973			
Rank		Country	Market Share	Rank		Country	Market Share	Rank		Country	Market Share	Rank		Country	Market Share
Western	Overall			Western	Overall			Western	Overall			Western	Overall		
	1	U.S.S.R.	7.73		1	Lebanon	8.53	1	1	Italy	8.07	1	1	Germany	10.50
1	2	Canada	7.06	1	2	Italy	6.92	2	2	Germany	7.76	2	2	Italy	7.94
2	3	Germany	6.82	2	3	United States	6.67		3	U.S.S.R.	7.49	3	3	France	7.15
3	4	Italy	6.52	3	4	Germany	6.40		4	Lebanon	6.57		4	U.S.S.R.	7.14
	5	Iraq	6.45		5	U.S.S.R.	6.24	3	5	Japan	6.34		5	Lebanon	6.02
	6	Lebanon	6.29		6	Iraq	6.04	4	6	France	5.81	4	6	United Kingdom	4.53
4	7	Japan	5.84	4	7	Canada	6.01	5	7	United Kingdom	4.80		7	Iraq	4.31
5	8	France	4.67	5	8	France	5.89	6	8	United States	4.49		8	China,P.R.: Mainland	3.93
6	9	United Kingdom	3.94		9	Cuba	4.49		9	Cuba	4.19	5	9	Belgium-Luxembourg	3.84
	10	Czechoslovakia	3.72	6	10	Japan	4.34		10	Iraq	4.05	6	10	United States	3.68
7	12	United States	3.43	7	12	United Kingdom	3.30	7	13	Austria	2.81	7	11	Japan	3.63
8	17	Switzerland	2.13	8	14	Netherlands	2.53	8	14	Belgium-Luxembourg	2.44	8	14	Austria	2.31
9	18	Austria	1.96	9	18	Belgium-Luxembourg	1.86	9	15	Netherlands	2.33	9	15	Netherlands	2.29
10	19	Belgium-Luxembourg	1.88	10	19	Switzerland	1.51	10	18	Switzerland	1.71	10	16	Switzerland	2.17

1974				1975				1976				1977			
Rank		Country	Market Share	Rank		Country	Market Share	Rank		Country	Market Share	Rank		Country	Market Share
Western	Overall			Western	Overall			Western	Overall			Western	Overall		
1	1	Germany	11.93	1	1	Germany	12.76	1	1	Germany	13.65	1	1	Germany	14.09
2	2	Italy	8.92	2	2	Italy	9.11	2	2	Italy	8.84		2	Saudi Arabia	10.36
3	3	France	8.67	3	3	France	7.47		3	Saudi Arabia	7.60		3	Romania	8.87
	4	Lebanon	7.83	4	4	United States	6.49	3	4	Japan	7.22	2	4	France	7.77
	5	China,P.R.: Mainland	4.13	5	5	Japan	4.59	4	5	France	7.21	3	5	Italy	6.73
	6	U.S.S.R.	3.86		6	Romania	4.36	5	6	United States	6.82	4	6	Japan	6.03
4	7	Belgium- Luxembourg	3.37	6	7	United Kingdom	4.20	6	7	United Kingdom	4.56	5	7	United States	4.33
	8	Iraq	3.35		8	Lebanon	3.99	7	8	Switzerland	3.18*	6	8	United Kingdom	4.03
5	9	Japan	3.31	7	9	Switzerland	3.86	8	9	Netherlands	2.31		9	U.S.S.R.	3.45
	10	Czechoslovakia	3.30		10	U.S.S.R.	3.11		10	Lebanon	2.27	7	10	Belgium- Luxembourg	3.28
6	11	United Kingdom	3.12	8	12	Netherlands	2.81	9	11	Belgium- Luxembourg	2.26	8	12	Greece	2.19
7	12	United States	2.92	9	15	Austria	2.05	10	12	Austria	1.76	9	13	Austria	1.95
8	16	Austria	2.34	10	16	Belgium- Luxembourg	2.02					10	15	Netherlands	1.79
9	17	Netherlands	2.28									11	16	Switzerland	1.68
10	19	Switzerland	1.78												

\* cf. footnote 167, chapter 1

1978				1979				1980				1981			
Rank		Country	Market Share												
Western	Overall			Western	Overall			Western	Overall			Western	Overall		
1	1	Germany	10.68		1	Iraq	14.35		1	Iraq	17.85		1	Iraq	18.89
2	2	Italy	8.23	1	2	Italy	12.01	1	2	Germany	10.83	1	2	Italy	10.11
3	3	France	7.50	2	3	Germany	8.37	2	3	Italy	8.75		3	Saudi Arabia	7.75
	4	Romania	6.93		4	Romania	6.14	3	4	France	6.13	2	4	Germany	6.71
	5	Iraq	6.65	3	5	France	5.99	4	5	United States	5.35	3	5	France	5.16
4	6	Japan	4.95	4	6	United States	3.99		6	Romania	4.45	4	6	Japan	4.33
5	7	United States	4.10	5	7	United Kingdom	3.38	5	7	Japan	3.87		7	Romania	4.27
6	8	United Kingdom	3.46	6	8	Japan	3.01	6	8	Spain	3.37	5	8	United States	3.86
	9	Eastern Germany	3.02		9	Lebanon	2.53	7	9	United Kingdom	3.32		9	Eastern Germany	2.65
7	10	Spain	2.92		10	Eastern Germany	2.41	8	10	Netherlands	2.21	6	10	Belgium-Luxembourg	2.61
8	13	Belgium-Luxembourg	2.32	7	12	Spain	2.36	9	12	Austria	2.05	7	11	Spain	2.50
9	15	Netherlands	2.17	8	13	Netherlands	2.24	10	13	Belgium-Luxembourg	1.86	8	14	Netherlands	1.92
10	19	Greece	1.64	9	14	Belgium-Luxembourg	2.23	11	16	Greece	1.56	9	16	United Kingdom	1.70
11	21	Austria	1.55	10	15	Austria	1.70	12	17	Sweden	1.52	10	20	Austria	1.37
12	22	Sweden	1.54	11	18	Switzerland	1.43	13	23	Switzerland	1.12	11	21	Greece	1.19
13	23	Switzerland	1.46	12	19	Sweden	1.43					12	22	Sweden	1.15
												13	23	Switzerland	1.04

1982				1983			
Rank		Country	Market Share	Rank		Country	Market Share
Western	Overall			Western	Overall		
	1	Iran, I.R. of	19.63		1	Iran, I.R. of	26.15
	2	Iraq	7.36	1	2	Germany	8.48
	3	Saudi Arabia	6.24	2	3	France	7.60
1	4	Italy	6.07	3	4	Italy	7.25
2	5	France	5.84	4	5	Japan	6.72
3	6	Germany	5.81	5	6	United States	4.37
4	7	Japan	4.51		7	U.S.S.R.	2.64
5	8	United States	4.10	6	8	Netherlands	2.52
	9	Romania	2.80	7	9	United Kingdom	2.38
6	10	Spain	2.70		10	Eastern Germany	2.21
7	11	Netherlands	2.32	8	11	Spain	2.04
8	13	United Kingdom	2.23	9	15	Belgium-Luxembourg	1.64
9	16	Belgium-Luxembourg	1.81	10	17	Austria	1.48
10	18	Greece	1.72	11	19	Switzerland	1.22
11	20	Austria	1.35				
12	21	Switzerland	1.27				



## **Bibliography**

### **Unpublished Sources**

#### **Swiss Federal Archives (SFA)**

##### *Eidgenössisches Politisches Department / Eidgenössisches Departement für Auswärtige Angelegenheiten*

- E2001E\*: Abteilung für politische Angelegenheiten: Zentrale Ablage (1950-1973)
- E2001E-01\* Politische Direktion: Zentrale Ablage (1973-1981)
- E2010A\* Politische Direktion: Zentrale Ablage (1982-2000)
- E2004B\* Verwaltungsdirektion im eidgenössischen politischen Departement: Zentrale Ablage (1973-1979)
- E2001-09\* Politische Direktion: Politische Dokumentation (1973-1980)
- E2300-01\* Eidgenössisches politisches Departement: Politische und militärische Berichte der Auslandsvertretungen (1966-1978)
- E2010-02A\* Eidgenössisches Departement für auswärtige Angelegenheiten: Politische und militärische Berichte der Auslandsvertretungen (1979-)
- E2200.39\* Schweizerische Vertretung, Kairo: Zentrale Ablage (1966-)
- E2807\* Eidgenössisches politisches Departement: Handakten Willy Spühler, Bundesrat (1966-1970)

##### *Eidgenössisches Volkswirtschaftsdepartement*

- E7110\* Handelsabteilung: Zentrale Ablage (1916-1979)
- E7115A\* Bundesamt für Aussenwirtschaft: Zentrale Ablage (1979-1993), 1919-1993

##### *Eidgenössische Steuerverwaltung*

- E6302B\* Eidgenössische Steuerverwaltung: Direkte Bundessteuer (1995-)

##### *Bundesversammlung*

- E1050.12\* Bundesversammlung: Kommissionen für auswärtige Angelegenheiten (1936-1991)

## Archive for Contemporary History (ACH)

### *Schweizerischer Handels- und Industrie-Verein (SHIV), 1870-2003. Historisches Archiv. IB-Vorort-Archiv*

#### *I. Verbandsangelegenheiten Schweizerischer Handels- und Industrie-Verein (SHIV)*

- 1.5.3. Protokolle (1878-2000)

#### *XXI. Bilaterale Wirtschaftsbeziehungen: Afrika, Naher Osten*

##### Egypt

- 360.2.1. Handelsverkehr (1967-1974)
- 360.2.2. Bilaterale Gespräche und Einzelfragen (1967-1987)

##### Israel

- 366.7. Wirtschaftsbeziehungen zu Israel (1970-1975)

##### Syria

- 369.9. Handelsverkehr und Abkommen mit Syrien (1976-1978)
- 369.11. Berichte zu Syrien (1981-1989)
- 369.12. Wirtschaftsmission nach Syrien und Jordanien vom 18.-28.2.1983 (1982-1983)

#### *XXVII. Handelsförderung, Auslandsinvestitionen, Schweizerische Zentrale für Handelsförderung (OSEC)*

- 462.1.15. Umfrage über Auslandsmärkte im mittleren Osten (1976)
- 463.2.2. Stellungnahmen der Vereinigung der Industriellen Holdinggesellschaften zum Investitionsschutz und zur Investitionsrisikogarantie (IRG) (1959-1967)

#### *Nachlass Prof. Dr. Paul Rudolf Jolles Staatssekretär, 1919-2000. NL Paul R. Jolles*

- 903 Internationale Zusammenarbeit in Erdölfragen (1973-1974)
- 923 Beginn der Erdölkrise (1973-1974)
- 1144 Ägypten (1976-1983)

## **Archives of the Swiss National Bank (ASNB)**

### *Kapitalexport seit 1971*

Protokolle des Direktoriums der SNB

2.6/2662, 264.291 Exportfinanzierungsgeschäfte. Bundesverwaltung,  
Interessierte Organisationen, Diverse Akten

2.6/2206, 261.322.1 Kapitalexport nach Ländergruppen

## **Novartis Company Archives (NCA)**

### *Ciba-Geigy Holdings*

Minutes of the Board of Directors meetings

IP 4.04 Infomation und Promotion. Interne Information. 1970-1975

RD 7.2.01 Regionalstab Naher Osten / Afrika, Aegypten

### *Sandoz Holdings*

M-319.158 Untitled

## **ABB Company Archives**

Minutes of the Board of Directors meetings

Minutes of the Executive Board meetings

## **US: National Archives and Records Administration College Park (NARA)**

### *State Department Central Files (Record Group 59)*

Subject Numeric File, 1970 - 1973

Economic Affairs (General): E

Political Affairs: POL

Defense Affairs: DEF

P-reel printouts, 1974-1975

### **Nixon Presidential Library (NPL)**

National Security Council: Country Files - Europe, Switzerland (1969-1973)

National Security Council: Country Files - Middle East, Israel (1972-1973)

### **The World Bank Group Archives [WBGA]:**

1400863 Egypt, Arab Republic of - Aid Consultative Group - 1975 / 1977  
Correspondence - Volume 1

1158952 Egypt, Arab Republic of - Aid Consultative Group - 1978 / 1986 - Bank  
Reports [BR]

30044421 Egypt, Arab Republic of - Aid Consultative Group - 1978 / 1986 - Bank  
Reports [BR]

### **Published Sources**

#### *Swiss Federal Authorities*

Amtliches Bulletin der Bundesverfassung (Official Bulletin of the Federal  
Assembly)

Bundesblatt (Federal Gazette)

#### *Diplomatic Documents of Switzerland (DDS)*

Diplomatic Documents of Switzerland, Online Database, [dodis.ch](http://dodis.ch)

#### *Swiss National Bank*

Geschäftsberichte der Schweizerischen Nationalbank

Das schweizerische Bankwesen

#### *Schweizerische Erdöl-Vereinigung*

Geschäftsberichte

#### *Statistical Publications*

Eidgenössische Oberzolldirektion (ed.), *Schweizerische Aussenhandelsstatistik*

*Historical Statistics of Switzerland Online (HSSO)*, [www.hssso.ch](http://www.hssso.ch)

IMF, *Direction of Trade Statistics*, [www.data.imf.org/dot](http://www.data.imf.org/dot)

World Bank, *World Development Indicators*, [wdi.worldbank.org](http://wdi.worldbank.org)

Israel Central Bureau of Statistics, *Statistical Abstract of Israel*, [www.cbs.gov.il](http://www.cbs.gov.il)

Swiss National Bank, *Monthly Statistical Bulletin*, August 2015,  
[https://www.snb.ch/en/i/about/stat/statrep/statpubdis/id/statpub\\_statmon\\_arch](https://www.snb.ch/en/i/about/stat/statrep/statpubdis/id/statpub_statmon_arch)

United Nations Conference on Trade and Development, *Foreign direct investment: Inward and outward flows and stock, annual, 1980-2014*, <http://unctadstat.unctad.org/wds/>.

United Nations, Statistics Division, National Accounts Main Aggregates Database, *GDP and its breakdown at current prices in US Dollars*, 2015, <http://unstats.un.org/unsd/snaama/dnlList.asp>.

United Nations, Department of Economic and Social Affairs, Population Division. *World Population Prospects: The 2015 Revision*, <http://esa.un.org/unpd/wpp/Download/Standard/Population>

#### *United States*

NARA, RG 59, *Electronic Telegrams 1973-1979*, Access to Archival Databases (AAD), [aad.archives.gov](http://aad.archives.gov)

Foreign Relations of the United States, 1977-1980 (Washington D.C.: United States Government Printing Office, 2013)

National Archives and Records Service General Services Administration, ed., *Public Papers of the Presidents of the United States, Jimmy Carter* (Washington D.C.: United States Government Printing Office, 1977)

#### *Press*

Neue Zürcher Zeitung (NZZ)

Jewish Telegraphic Agency (JTA)

Gazette de Lausanne

Tribune de Genève

Nouvelliste du Valais

La Liberté

Time Magazine

New York Times

#### *Various*

United Nations, Official Document System, [documents.un.org](http://documents.un.org)

Archives de la Ville de Genève, Description des fonds sécheron (fonds privé), *Société Anonyme des Ateliers de Sécheron*, [w3public.ville-ge.ch/seg/xmlarchives.nsf/Attachments/SA\\_des\\_ateliers\\_de\\_Secheron\\_seriefraameset.htm/\\$file/SA\\_des\\_ateliers\\_de\\_Secheron\\_serie.pdf](http://w3public.ville-ge.ch/seg/xmlarchives.nsf/Attachments/SA_des_ateliers_de_Secheron_seriefraameset.htm/$file/SA_des_ateliers_de_Secheron_serie.pdf)

‘Egypt: Foreign Investment Law, as Amended’, *International Legal Materials*, 16.6 (1977), 1476–88

## Literature

Abadi, Jacob, 'Sweden's Policy toward Israel: Constraints and Adjustments', *Middle Eastern Studies*, 37.2 (2001), p. 23–49.

Abdel-Khalek, Gouda, 'Looking Outside, or Turning Northwest? On the Meaning and External Dimension of Egypt's Infitah 1971-1980', *Social Problems*, 28.4 (1981), p. 394–409.

Abu-Qarn, Aamer S., 'Six Decades of the Israeli-Arab Conflict: An Assessment of the Economic Aspects', *The Economics of Peace and Security Journal*, 3.2 (2008), 7–15.

Adelman, Jonathan, *The Rise of Israel: A History of a Revolutionary State*, (New York: Routledge, 2008)

Aharoni, Yair, 'Israeli Multinationals: Competing from a Small Open Economy', in *Emerging Multinationals in Emerging Markets*, ed. by Ravi Ramamurti and Jitendra V. Singh (Cambridge; New York: Cambridge University Press, 2009), p. 352–396.

Aharoni, Yair, *The Israeli Economy: Dreams and Realities* (London: Routledge, 1991)

Ahmad, Feroz, 'Arab Nationalism, Radicalism, and the Specter of Neocolonialism', *Monthly Review*, 42.9 (1991), p. 30–37.

Ahsan, Syed Aziz-al, 'Economic Policy and Class Structure in Syria: 1958-1980', *International Journal of Middle East Studies*, 16.3 (1984), p. 301–323.

Al-Awadi, Hesham, *In Pursuit of Legitimacy: The Muslim Brothers and Mubarak, 1982-2000* (London; New York: I.B. Tauris, 2004)

Al-Hout, Bayan Nuwayhed, *Sabra and Shatila: September 1982* (London; Ann Arbor: Pluto Press, 2004)

Altermatt, Claude, *La politique étrangère de la Suisse pendant la guerre froide* (Lausanne: Presses polytechniques et universitaires romandes, 2003)

Altermatt, Urs, 'Vom Ende des Zweiten Weltkrieges bis zur Gegenwart (1945-1991)', in *Neues Handbuch der schweizerischen Aussenpolitik* (Bern; Stuttgart: P. Haupt, 1992), p. 61–78.

Amegashie, J. Atsu, 'On Third-Party Intervention in Conflicts: An Economist's View', *Peace Economics, Peace Science, and Public Policy*, 16.2 (2011), p. 1–10.

Amin, Galal, *Egypt's Economic Predicament: A Study in the Interaction of External Pressure, Political Folly, and Social Tension in Egypt, 1960-1990* (Leiden; New York: E.J. Brill, 1995)

Amin, Galal, *Egypt in the Era of Hosni Mubarak, 1981–2011* (Cairo; New York: The American University in Cairo Press, 2011)

Amin, Samir, *Maldevelopment: Anatomy of a Global Failure*, (Cape Town: Pambazuka Press, 2011)

Amin, Samir, 'The Arab World: Re-Compradorization', *Africa Development / Afrique et Développement*, 21.2 (1996), p. 235–243.

Amos, John W., *Palestinian Resistance: Organization of a Nationalist Movement*, Pergamon Policy Studies on International Politics (New York: Pergamon Press, 1980)

Andersson, Thomas, *Multinational Investment in Developing Countries: A Study of Taxation and Nationalization* (London: Routledge, 2002)

- Arad, Ruth W., and Hirsch, Seev, 'Peacemaking and Vested Interests: International Economic Transactions', *International Studies Quarterly*, 25.3 (1981), p. 439–468.
- Aran, Amnon, and Ginat, Rami, 'Revisiting Egyptian Foreign Policy towards Israel under Mubarak: From Cold Peace to Strategic Peace', *Journal of Strategic Studies*, 37.4 (2014), p. 556–583.
- Arbellay, Caroline, 'La crise de Zerqa (1970): regards croisés de la presse suisse et du Département politique fédéral' (Université de Fribourg, 2008), unpublished Masters thesis
- Ark, Bart van, and Nicholas Crafts, 'Catch-up, Convergence and the Sources of Post-War European Growth: Introduction and Overview', in *Quantitative Aspects of Post-War European Economic Growth*, ed. by Bart van Ark and Nicholas Crafts (Cambridge; New York, NY, USA: Cambridge University Press, 1996), p. 1–26.
- Arrighi, Giovanni, 'The World Economy and the Cold War, 1970-1990', in *The Cambridge History of the Cold War*, ed. by Melvyn P. Leffler and Odd Arne Westad (Cambridge; New York: Cambridge University Press, 2010), III, p. 23–44.
- Aruri, Naseer H., 'The Recolonization of the Arab World', *Arab Studies Quarterly*, 11.2/3 (1989), p. 273–286.
- Ashton, Nigel John, ed., *The Cold War in the Middle East: Regional Conflict and the Superpowers, 1967-73* (New York: Routledge, 2007)
- Atukeren, Erdal, 'Oil Price Shocks and the Swiss Economy: A Causal Investigation', *Aussenwirtschaft*, 60.02 (2005), p. 151–168.
- Bachleitner, Kathrin, 'Golda Meir and Bruno Kreisky – A Political and Personal Duel', *Israel Studies*, 23.1 (2018), p. 26–49.
- Baker, Raymond William, *Sadat and after: Struggles for Egypt's Political Soul* (Cambridge; Harvard University Press, 1990)
- Balassa, Bela A., *Trends in International Trade in Manufactured Goods and Structural Change in the Industrial Countries* (World Bank, 1984)
- Baracskey, Daniel, *The Palestine Liberation Organization: Terrorism and Prospects for Peace in the Holy Land*, PSI Guides to Terrorists, Insurgents, and Armed Groups (Santa Barbara, Calif: Praeger, 2011)
- Barbieri, Katherine, and Levy, Jack S., 'Sleeping with the Enemy: The Impact of War on Trade', *Journal of Peace Research*, 36.4 (1999), p. 463–479.
- Barnett, Michael N., *Confronting the Costs of War. Military Power, State, and Society in Egypt and Israel* (Princeton: Princeton University Press, 1993)
- Bärtschi, Hans-Peter, *Export, Schweiz, Risiko, Welt, Garantie, Arbeitsplätze* (Zürich: Schweizerische Exportrisikogarantie, 2006)
- Bauer, Tobias, Händenberger, Urs, and Mugglin, Markus, 'Die Schweiz, die Verschuldung und das internationale Finanzkapital', *Widerspruch: Beiträge zu sozialistischer Politik*, 9 (1989), p. 23–41.
- Baumgarten, Helga, 'The Three Faces/Phases of Palestinian Nationalism, 1948–2005', *Journal of Palestine Studies*, 34.4 (2005), p. 25–48.
- Beckerman-Boys, Carly, 'Assesing the Historiography of the October War', in *The October 1973 War: Politics, Diplomacy, Legacy*, ed. by Asaf Siniver (London: Hurst, 2013), p. 11–28.

- Beers, Marloes, 'The OECD Oil Committee and the International Search for Reinforced Energy-Consumer Cooperation, 1972-3', in *Oil Shock: The 1973 Crisis and Its Economic Legacy*, ed. by Elisabetta Bini, Giuliano Garavini, and Federico Romero (London: I.B. Tauris, 2016), p. 142–171.
- Behofsics, Josef, *Globalisierungstendenzen intermediärer Dienstleistungen* (Wiesbaden: Gabler Verlag, 1998)
- Bentle, Ursina, and Zala, Sacha, 'Neutrality as a Business Strategy. Switzerland and Latin America in the Cold War', in *Neutrality and Neutralism in the Global Cold War: Between or Within the Blocs?*, ed. by Sandra Bott, Jussi M. Hanhimaki, Janick Schaufelbuehl, and Marco Wyss (London; New York: Routledge, 2015), p. 178–195.
- Ben-Yehuda, Hemda, and Sandler, Shmuel, *The Arab-Israeli Conflict Transformed: Fifty Years of Interstate and Ethnic Crises* (Albany: SUNY Press, 2002)
- Berberoglu, Berch, *Turmoil in the Middle East. Imperialism, War, and Political Instability* (Albany: SUNY Press, 1999)
- Berger, Ron, and Gavish, Yossi, 'A Gem in a Hostile World: An Evolutionary Analysis of the Diamonds Industry: The Case of the Israeli Diamond Industry', *International Journal of Strategic Change Management*, 6.3/4 (2015), p. 268-91.
- Bergier, Jean-François, *Histoire économique de la Suisse* (Paris: A. Colin, 1983)
- Bernegger, Michael, 'Die Schweiz und die Weltwirtschaft : Etappen der Integration im 19. und 20. Jahrhundert', in *Die Schweiz in der Weltwirtschaft (15.-20. Jh.)*, ed. by Paul Bairoch and Martin Körner (Zürich: Chronos, 1990), p. 429–464.
- Bernegger, Michael, *L'économie suisse sous le régime des changes flottants* (Genève: Georg, 1988)
- Bichler, Shimson, 'Political Power Shifts in Israel, 1977 and 1992: Unsuccessful Electoral Economics or Long Range Realignment?', *Science & Society*, 58.4 (1994), p. 415–439.
- Bickerton, Ian J., *The Arab-Israeli Conflict. A History* (London: Reaktion Books, 2009)
- Bini, Elisabetta, Garavini, Giuliano and Romero, Federico, eds., *Oil Shock: The 1973 Crisis and Its Economic Legacy* (London: I.B. Tauris, 2016)
- Blaydes, Lisa, *Elections and Distributive Politics in Mubarak's Egypt* (New York: Cambridge University Press, 2010)
- Bligh, Alexander, 'The 1973 War and the Formation of Israeli POW Policy – A Watershed Line?', in *The 1973 Yom Kippur War and the Reshaping of Israeli Civil–Military Relations*, ed. by Udi Lebel and Eyal Lewin (Washington D.C.: Lexington Books, 2015), p. 121–146.
- Blondel, Jean-Luc, *From Saigon to Ho Chi Minh City. The ICRC's Work and Transformation from 1966 to 1975* (Geneva: International Committee of the Red Cross, 2016)
- Bombach, Gottfried, Kleinewefers, Henner, and Weber, Luc, *Lage und Probleme der schweizerischen Wirtschaft, 1978/79* (Bern: Eidgenössische Drucksachen- und Materialzentrale, 1978)
- Bonzon, Anne-Juliette, *La protection des investissements suisses à l'étranger dans le cadre des accords de promotion et de protection des investissements* (Bâle: Helbing Lichtenhahn, 2012)

Borner, Silvio, *Internationalization of Industry: An Assessment in the Light of a Small Open Economy (Switzerland)* (Berlin ; New York: Springer-Verlag, 1986)

Borner, Silvio, 'Schicksal oder Politikversagen? Kritische Betrachtungen zum Verlauf der schweizerischen Wirtschaftspolitik in den siebziger Jahren', *Schweizerische Zeitschrift für Volkswirtschaft und Statistik*, 115.1 (1979), p. 21–34.

Bösch, Frank, and Graf, Rüdiger, eds., 'Special Issue: The Energy Crises of the 1970s: Anticipations and Reactions in the Industrialized World', *Historical Social Research / Historische Sozialforschung*, 39.4 (2014)

Bosshard, Peter, 'Diskretion, Know-how und eine weisse Weste: die Schweiz und die internationale Verschuldung', *Widerspruch: Beiträge zu sozialistischer Politik*, 9 (1989), p. 23-41.

Bott, Sandra, *La Suisse et l'Afrique du Sud, 1945-1990 : marché de l'or, finance et commerce durant l'apartheid* (Zürich: Chronos, 2013)

Bott, Sandra, Hanhimaki, Jussi M., Schaufelbuehlm Janick, and Wyss, Marco, eds., *Neutrality and Neutralism in the Global Cold War: Between or Within the Blocs?*, (London ; New York: Routledge, 2015)

Bott, Sandra, Hanhimäki, Jussi M., Schaufelbuehl, Janick Marina, and Wyss, Marco, 'Le rôle international de la Suisse dans la Guerre froide globale : un équilibre précaire', *Relations internationales*, 163.3 (2015), p. 3–14.

Bott, Sandra, and Schaufelbuehl, Janick Marina, 'Switzerland and Détente: A Revised Foreign Policy Characterized by Distrust', in *Trust, but Verify: The Politics of Uncertainty and the Transformation of the Cold War Order, 1969-1991*, ed. by Martin Klimke, Reinhild Kreis, and Christian F. Ostermann (Stanford: Stanford University Press, 2016), p. 259–278.

Bott, Sandra, Schaufelbuehl, Janick Marina, and Zala, Sacha, 'Die International Schweiz in der Zeit des Kalten Krieges. Eine Zwischenbilanz', in *Itinera. Die internationale Schweiz in der Zeit des Kalten Krieges*, ed. by Sandra Bott, Janick Marina Schaufelbuehl, and Sacha Zala (Basel: Schwabe Verlag, 2011), p. 5–15.

Brand, Laurie A., 'Asad's Syria and the PLO: Coincidence or Conflict of Interests?', *Journal of South Asian and Middle Eastern Studies*, 14.2 (1990), p. 22-43.

Brawand, Antoine, 'La Coopération de la Suisse au développement : Mesures économiques et commerciales', *Annuaire suisse de politique de développement*, 2, 1982, p. 207–266.

Bregman, Ahron, *Israel's Wars: A History Since 1947*, (London ; New York: Routledge, 2016)

Brenner, Robert, *The Economics of Global Turbulence: The Advanced Capitalist Economies from Long Boom to Long Downturn, 1945-2005* (London: Verso, 2006)

Briod, Antoine, 'Suisse-Israël: scandales et collaboration dans le domaine militaire, 1967-1973' (Université de Lausanne, 2015), unpublished Masters thesis

Brownlee, Jason, 'Peace Before Freedom: Diplomacy and Repression in Sadat's Egypt', *Political Science Quarterly*, 126.4 (2011), p. 641–668.

Brück, Tilman, Naudé, Wim, and Verwimp, Philip, 'Business under Fire: Entrepreneurship and Violent Conflict in Developing Countries', *The Journal of Conflict Resolution*, 57.1 (2013), p. 3–19.

- Bruno, Michael, *Crisis, Stabilization, and Economic Reform: Therapy by Consensus* (Oxford : New York: Clarendon Press ; Oxford University Press, 1993)
- Buomberger, Thomas, *Die Schweiz im Kalten Krieg 1945–1990* (Baden: Hier und Jetzt, 2017)
- Bürgenmeier, Beat, *Théorie et pratique des investissements suisses à l'étranger* (Genève: Droz, 1981)
- Bushnell, George E., 'The Development of Foreign Investment Law in Egypt and Its Effect on Private Foreign Investment', *Georgia Journal of International & Comparative Law*, 10.2 (1980), p. 301–324.
- Büthe, Tim, and Milner, Helen V., 'Bilateral Investment Treaties and Foreign Direct Investment: A Political Analysis', in *The Effect of Treaties on Foreign Direct Investment: Bilateral Investment Treaties, Double Taxation Treaties, and Investment Flows*, ed. by Karl P. Sauvant and Lisa E. Sachs (New York: Oxford University Press, 2009), p. 171–224.
- Capdepuy, Vincent, 'Proche ou Moyen-Orient ? Géohistoire de la notion de Middle East', *L'Espace géographique*, Tome 37.3 (2008), p. 225–238.
- Carr, David W., 'Capital Flows and Development in Syria', *Middle East Journal*, 34.4 (1980), p. 455–467.
- Carron, Damien, *La Suisse et la guerre d'indépendance algérienne (1954-1962)*, (Lausanne: Antipodes, 2013)
- Carter, Jimmy, *White House Diary* (New York: Farrar, Straus and Giroux, 2010)
- Casson, Mark, and da Silva Lopes, Teresa, 'Foreign Direct Investment in High-Risk Environments: An Historical Perspective', *Business History*, 55.3 (2013), p. 375–404.
- Chamberlin, Paul Thomas, 'Schönau and the Eagles of the Palestinian Revolution: Refugees, Guerillas, and Human Rights in the Global 1970s', *Cold War History*, 12.4 (2012), p. 595–614.
- Chase-Dunn, Christopher, Kawano, Yukio, and Brewer, Benjamin D., 'Trade Globalization since 1795: Waves of Integration in the World-System', *American Sociological Review*, 65.1 (2000), p. 77–95.
- Chatelus, Michel, 'La croissance économique : mutation des structures et dynamisme du déséquilibre', in *La Syrie d'aujourd'hui*, ed. by André Raymond (Paris: Éditions du Centre national de la recherche scientifique, 1980), p. 225–272.
- Chenkin, Alvin, and Miran, Maynars, 'Jewish Population in the United States, 1980', in *American Jewish Year Book (1981)*, ed. by Jewish Publication Society of America (New York: American Jewish Committee and by the Jewish Publication Society, 1980), p. 170–182.
- Chibber, Vivek, *Postcolonial Theory and the Specter of Capital* (London: Verso, 2013)
- Christeller, Laurent, 'L'accès aux archives d'entreprises en Suisse. Conserver et communiquer un patrimoine entre secret et transparence', *Informationswissenschaft: Theorie, Methode und Praxis*, 2.1 (2012), p. 87-104.
- Clawson, Patrick, *Unaffordable Ambitions: Syria's Military Build-Up and Economic Crisis* (Washington D.C.: The Washington Institute for Near East Policy, 1989)
- Cook, Steven A., *The Struggle for Egypt: From Nasser to Tahrir Square* (Oxford; New York: Oxford University Press, 2012)

- Cooper, Mark, 'Egyptian State Capitalism in Crisis: Economic Policies and Political Interests, 1967-1971', *International Journal of Middle East Studies*, 10.4 (1979), p. 481–516.
- Cooper, Richard N., 'Economic Aspects of the Cold War, 1962–1975', in *The Cambridge History of the Cold War*, ed. by Melvyn P. Leffler and Odd Arne Westad (Cambridge; New York: Cambridge University Press, 2010), II, p. 44–64.
- Cottenet, Hélène, 'Ressources exogènes et croissance industrielle : le cas de l'Égypte', *Tiers-Monde*, 41.163 (2000), p. 523–546.
- Culcasi, Karen, 'Constructing and Naturalizing the Middle East', *Geographical Review*, 100.4 (2010), p. 583–597.
- Daher, Joseph, *Syria After the Uprisings: The Political Economy of State Resilience* (London: Pluto Press, 2019)
- Daigle, Craig, *The Limits of Détente: The United States, the Soviet Union, and the Arab-Israeli Conflict, 1969-1973* (New Haven: Yale University Press, 2012)
- van Dam, Nikolaos, *The Struggle for Power in Syria: Politics and Society Under Asad and the Ba'ath Party*, (London: I.B. Tauris, 2011)
- David, Thomas, Degen, Bernard, Mach André, and Studer, Brigitte, 'Die Schweizerische Variante des Kapitalismus: Einleitung', in *Wirtschaftsgeschichte der Schweiz im 20. Jahrhundert* (Basel: Schwabe, 2012), p. 824–829.
- David, Thomas, and Bouda Etemad, 'L'expansion économique de la Suisse en outre-mer (XIXe-XXe siècles) : un état de la question', *Revue suisse d'histoire*, 46.2 (1994), p. 226–31.
- David, Thomas, and Etemad, Bouda, 'Un imperialisme suisse? Introduction', *Traverse. Revue d'histoire*, 5.2 (1998), p. 7–27.
- Dawisha, A. I., 'Syria under Asad, 1970-78: The Centres of Power', *Government and Opposition*, 13.3 (1978), p. 341–354.
- Dessouki, Ali E. Hillal, 'Regional Leadership: Balancing off Costs and Dividends in the Foreign Policy of Egypt', in *The Foreign Policies of Arab States: The Challenge of Globalization*, ed. by Bahgat Korany and Ali E. Hillal Dessouki (Cairo; New York: American University in Cairo Press, 2008), p. 167–194.
- Dietrich, Christopher, 'Oil Power and Economic Theologies: The United States and the Third World in the Wake of the Energy Crisis', *Diplomatic History*, 40.3 (2016), p. 500–529.
- Diserens, Daniel, 'Exportförderung oder "Entwicklungshilfe"? Die Finanzhilfe an die Türkei 1963-1972 und die erstmalige Erteilung von Mischkrediten an Indien 1966 und an Pakistan 1970', in *Von der Entwicklungshilfe zur Entwicklungspolitik*, ed. by Peter Hug and Beatrix Mesmer, Schweizerische Bundesarchiv (Bern, 1993), p. 350–362.
- Dixon, William J., 'Third-Party Techniques for Preventing Conflict Escalation and Promoting Peaceful Settlement', *International Organization*, 50.4 (1996), p. 653–681.
- Dorn, Charles, and Ghodsee, Kristen, 'The Cold War Politicization of Literacy: Communism, UNESCO, and the World Bank', *Diplomatic History*, 36.2 (2012), p. 373-398.
- Druks, Herbert, *The Uncertain Alliance: The U.S. and Israel from Kennedy to the Peace Process* (Westport: Greenwood Press, 2001)

- Du Bois, Pierre, 'Neutrality and Political Good Offices: The Case of Switzerland', in *European Neutrals in International Affairs*, ed. by Hanspeter Neuhold and Hans Thalberg (Wien : W. Braumüller, 1984), p. 7–15.
- Duchêne, François, 'Israel in the Eyed of Europeans: A Speculative Essay', in *Europe and Israel: Troubled Neighbours*, ed. by Alain Greilsammer and Joseph H. H. Weiler (Berlin; New York: de Gruyter, 1988), p. 11–32.
- Dunning, John H., 'The Changing Geography of Foreign Direct Investment', in *Globalization, Foreign Direct Investment and Technology Transfers: Impacts on and Prospects for Developing Countries*, ed. by Nagesh Kumar (London; New York: Routledge, 1998), p. 43–89.
- Einhaus, Hannah, *Für Recht und Würde: Georges Brunschvig: Jüdischer Demokrat, Berner Anwalt, Schweizer Patriot (1908-1973)*, (Zürich: Chronos, 2016)
- Elkins, Zachary, Andrew T. Guzman, and Beth A. Simmons, 'Competing for Capital: The Diffusion of Bilateral Investment Treaties, 1960–2000', *International Organization*, 60.4 (2006), p. 811–846.
- Elmaliach, Tal, 'The Decline of the Israeli Labor Movement: Mapam as a Test Case, 1954–77', *Jewish Social Studies*, 22.3 (2017), p. 68–97.
- Engerman, David C., 'The Romance of Economic Development and New Histories of the Cold War', *Diplomatic History*, 28.1 (2004), p. 23–54.
- Epple-Gass, Rudolf, *Friedensbewegung und direkte Demokratie in der Schweiz* (Frankfurt a.M: Haag + Herchen, 1988)
- Esfahani, Hadi Salehi, *The Experience of Foreign Investment in Egypt under Infitah* (New Jersey: Center for Economic Research in Africa, School of Business, Mont Clair University, 1993)
- Etemad, Bouda, and Humbert, Mathieu, 'La Suisse est-elle soluble dans sa "postcolonialité"?', *Revue suisse d'histoire*, 64.2 (2014), p. 279–291.
- Fanzun, Jon A., and Lehmann, Patrick, *Die Schweiz und die Welt. Aussen- und sicherheitspolitische Beiträge der Schweiz zu Frieden, Sicherheit und Stabilität, 1945-2000*, ed. by Kurt R. Spillmann and Andreas Wenger (Zürich: Forschungsstelle für Sicherheitspolitik und Konfliktanalyse der ETH, 2000)
- Farah, Nadia Ramsis, *Egypt's Political Economy: Power Relations in Development*, (Cairo; New York: The American University in Cairo Press, 2009)
- Federal Department of Foreign Affairs, Federal Department of Justice and Police, and Federal Department of Defence, Civil Protection and Sports, eds., 'Interdepartementale Arbeitsgruppe «1970» Schlussbericht', 2016
- Ferguson, Niall, Maier, Charles S., Manela, Erez, and Sargent, Daniel J., eds., *The Shock of the Global: The 1970s in Perspective* (Cambridge: Belknap Press of Harvard University Press, 2010)
- Fischer, Stanley, 'The Economy of Israel', *Carnegie-Rochester Conference Series on Public Policy*, 20 (1983), p. 7–52.
- Fischer, Thomas, *Die Grenzen der Neutralität. Schweizerisches KSZE-Engagement und gescheiterte UNO-Beitrittspolitik im kalten Krieg 1969-1986* (Zürich: Chronos, 2004)
- Fischer, Thomas, 'From Good Offices to an Active Policy of Peace: Switzerland's Contribution to International Conflict Resolution', in *Swiss Foreign Policy, 1945-2002*,

ed. by Jürg Martin Gabriel and Thomas Fischer (Basingstoke: Palgrave Macmillan, 2003), p. 74–104.

Fischer, Thomas, and Möckli, Daniel, ‘The Limits of Compensation: Swiss Neutrality Policy in the Cold War’, *Journal of Cold War Studies*, 18.4 (2016), p. 12-35.

Fleury, Antoine, ‘La Suisse: petite ou moyenne puissance’, in *La moyenne puissance au XXème siècle: recherche d’une définition*, ed. by Jean-Claude Allain (Paris: FEDN-IHCC, 1989), p. 217–230.

Folkerts-Landau, David, ‘The Changing Role of International Bank Lending in Development Finance’, *Staff Papers (International Monetary Fund)*, 32.2 (1985), p. 317–363.

Forbes, Neil, Takafumi Kurosawa, and Ben Wubs, *Multinational Enterprise, Political Risk and Organisational Change. From Total War to Cold War* (New York: Routledge, 2019)

Fracheboud, Virginie, ‘La Suisse au service des intérêts américains à Cuba ou le succès de la politique de neutralité et solidarité (1961-1963)’, *Relations internationales*, 163.3 (2015), p. 47–62.

Frey, Hans Karl, ‘Konfrontation mit der Dekolonisierung’, *Schweizer Monatshefte. Zeitschrift für Politik, Wirtschaft, Kultur*, 51.1 (1971), p. 23-31.

Freymond, Jacques, ed., *Le Comité International de la Croix-Rouge* (Genève: Georg, 1984)

Frieden, Jürg, and Giovannini, Pierluigi, ‘Les crises d’endettement international. Les réponses et les effets en Suisse’, *Annuaire suisse de politique de développement*, 5, 1985, p. 157–172.

Fritz, Livia, Raza, Werner, Schuler, Manuel, and Schweiger, Eva, *Export Promotion or Development Policy? A Comparative Analysis of Soft Loan Policies in Austria, Denmark, Germany and the Netherlands* (Vienna: Südwind Publishing, 2014)

Gabai, Yoram, and Rob Rafael, ‘The Import-Liberalization and Abolition of Devaluation Substitutes: Implications for the Israeli Economy’, in *The Israeli Economy, 1985-1998: From Government Intervention to Market Economics*, ed. by Avi Ben-Basat (Cambridge: MIT Press, 2002), p. 281–307.

Gabriel, Jürg Martin, ‘The Price of Political Uniqueness: Swiss Foreign Policy in a Changing World’, in *Swiss Foreign Policy, 1945-2002*, ed. by Jürg Martin Gabriel and Thomas Fischer (Basingstoke: Palgrave Macmillan, 2003), p. 1–22.

Gabriel, Jürg Martin, ed., *Swiss Foreign Policy, 1945-2002* (Basingstoke: Palgrave Macmillan, 2003)

Gabriel, Jürg Martin, and Hedinger, Sandra, *Schweizer Aussenpolitik 1970-1997: Eine Bilanz* (Zürich: ETH Zürich - Forschungsstelle für Internationale Beziehungen, 1998)

Galily, Daniel, and Schwartz, David, ‘The Decline of the Israeli Labor Party: An Economic and Political Crisis in the Years 1967-1977’, *International Journal of Research in Social Sciences and Humanities*, 6.4 (2016), p. 123–127

Ganser, Daniele, ‘Die Erdölkrise von 1973. Warum es damals in der Schweiz nicht and Erdöl mangelte’, in *Krisen: Ursachen, Deutungen und Folgen*, ed. by Thomas David, Jon Mathieu, Janick Marina Schaufelbuehl, and Tobias Straumann (Zürich: Chronos, 2012), p. 207–227.

- Ganser, Daniele, *Europa im Erdölrausch: die Folgen einer gefährlichen Abhängigkeit* (Zürich: Orell Füssli, 2012)
- Garavini, Giuliano, 'Completing Decolonization: The 1973 "Oil Shock" and the Struggle for Economic Rights', *The International History Review*, 33.3 (2011), p. 473–487.
- Garavini, Giuliano, *After Empires: European Integration, Decolonization, and the Challenge from the Global South 1957-1986* (Oxford: Oxford University Press, 2012)
- Gees, Thomas, *Aussenpolitische Delegationen des Bundesrates: eine Akteuranalyse 1937-1976*, (Bern: Universität Bern/Institut für Politikwissenschaft, 1998), unpublished Masters thesis
- Gees, Thomas, 'Interessenclearing und innere Absicherung. Zur Zusammenarbeit zwischen Verwaltung und Privatverbänden in der schweizerischen Aussenwirtschaftspolitik, 1930–1960', in *Aufstieg und Niedergang des Bilateralismus: Schweizerische Aussen- und Aussenwirtschaftspolitik, 1930-1960: Rahmenbedingungen, Entscheidungsstrukturen, Fallstudien*, ed. by Peter Hug and Martin Kloter (Lausanne; Zürich: Payot; Chronos Verlag, 1999), p. 143-172.
- Gfeller, Aurélie Elisa, *Building a European Identity: France, the United States, and the Oil Shock, 1973-1974* (New York: Berghahn Books, 2012)
- Gfeller, Aurélie Elisa, 'Culture at the Crossroad of International Politics. UNESCO, World Heritage and the Holy Land', *Papiers d'actualité/Current Affairs in Perspective: Fondation Pierre Du Bois*, 3, 2013, p. 1-13.
- Ghafar, Adel Abdel, *Egyptians in Revolt: The Political Economy of Labor and Student Mobilizations 1919–2011* (London; New York: Routledge, 2017)
- Gheballi, Victor-Yves, 'The Politicisation of UN Specialised Agencies: A Preliminary Analysis', *Millennium*, 14.3 (1985), p. 317–334.
- Gholz, Eugene, and Press, Daryl G., 'The Effects of Wars on Neutral Countries: Why It Doesn't Pay to Preserve the Peace', *Security Studies*, 10.4 (2001), p. 1–57.
- Gianturco, Delio E., *Export Credit Agencies: The Unsung Giants of International Trade and Finance* (Westport, Conn: Praeger, 2001)
- Ginat, Rami, 'The Soviet Union. The Roots of War and a Reassessment of Historiography', in *The 1967 Arab-Israeli War: Origins and Consequences*, ed. by Roger Louis and Avi Shlaim (Cambridge; New York: Cambridge University Press, 2012), p. 193–218.
- Gisler, Monika, *Erdöl in der Schweiz: eine kleine Kulturgeschichte* (Zürich: Verein für wirtschaftshistorische Studien, 2011)
- Glick, Reuven, and Taylor, Alan M., 'Collateral Damage: Trade Disruption and the Economic Impact of War', *The Review of Economics and Statistics*, 92.1 (2010), p. 102–127.
- Glyn, Andrew, Hughes, Alan, Lipietz, Alain, and Singh, Ajit, 'The Rise and Fall of the Golden Age', in *The Golden Age of Capitalism: Reinterpreting the Post-war Experience*, ed. by Stephen A. Marglin and Juliet Schor, (Oxford: New York: Clarendon Press ; Oxford University Press, 1990), p. 39–125.
- Godley, Andrew, and Shechter, Relli, 'Editors' Introduction: Business History and the Middle East: Local Contexts, Multinational Responses—A Special Section of Enterprise & Society', *Enterprise & Society*, 9.4 (2008), p. 631–636.

- Golan, Galia, *Soviet Policies in the Middle East: From World War Two to Gorbachev* (Cambridge; New York: Cambridge University Press, 1990)
- Goldsmith, Benjamin E., 'Economic Factors in Peace and War: A Discussion', in *Economics of War and Peace: Economic, Legal, and Political Perspectives*, ed. by Benjamin E. Goldsmith and Jurgen Brauer (Bingley: Emerald Group Publishing Limited, 2010), p. 263–282.
- Goldstein, Joshua S., 'War and Economic History', in *The Oxford Encyclopedia of Economic History*, ed. by Joel Mokyr, (Oxford; New York: Oxford University Press, 2003), V, p. 215–218.
- Goldstein, Yossi, 'The Six Day War: The War That No One Wanted', *Israel Affairs*, 24.5 (2018), p. 767–784.
- Gottier, Beat, '30 Jahre Panzer 55/57 "Centurion"', *Schweizer Soldat + FHD: unabhängige Monatszeitschrift für Armee und Kader*, 60.5 (1985), p. 6–11.
- Graber, Pierre, *Mémoires et réflexions* (Lausanne: Ed. 24 heures, 1992)
- Graf, Rüdiger, 'Making Use of the "Oil Weapon": Western Industrialized Countries and Arab Petropolitics in 1973–1974', *Diplomatic History*, 36.1 (2012), p. 185–208.
- Gray, William Glenn, 'Learning to "Recycle": Petrodollars and the West, 1973-5', in *Oil Shock: The 1973 Crisis and Its Economic Legacy*, ed. by Elisabetta Bini, Giuliano Garavini, and Federico Romero (London: I.B. Tauris, 2016), p. 172–197.
- Grinberg, Lev, 'Paving the Way to Neoliberalism. The Self-Destruction of the Zionist Labor Movement', in *Neoliberalism as a State Project: Changing the Political Economy of Israel*, ed. by Asa Maron and Michael Shalev (Oxford: Oxford University Press, 2017), p. 29–45.
- Grinberg, Lev, *Split Corporatism in Israel* (Albany: SUNY Press, 1991)
- Guex, S., and Schaufelbuehl, Janick Marina, 'Les Vertus de l'ignorance. Enjeux et Conflits Autour Des Statistiques Sociales et Économiques En Suisse Au XXème Siècle', *Economies et Sociétés*, 2011, p. 1555–1574.
- Guex, Sébastien, 'Introduction. De la Suisse comme petit État faible. Jalons pour sortir d'une image en trompe-l'œil', in *La Suisse et les grandes puissances, 1914-1945: relations économiques avec les Etats-Unis, la Grande-Bretagne, l'Allemagne et la France*, ed. by Sébastien Guex (Genève: Droz, 1999), p. 7–29.
- Guex, Sébastien, 'L'Etat fédéral et les crises économiques du début du XXe siècle à nos jours: la Suisse, un bastion anti-keynésien', in *Crises. Causes, interprétations et conséquences*, ed. by Jon Mathieu, Thomas David, Janick Marina Schaufelbuehl, and Tobias Straumann (Zürich: Chronos Verlag, 2012), p. 151–69.
- Guex, Sébastien, Dirlewanger, Dominique, and Pordenone, Gian-Franco, *La politique commerciale de la Suisse de la Deuxième Guerre mondiale à l'entrée au GATT (1945–1966)* (Zürich: Chronos, 2004)
- Gutner, Tamar, 'The Political Economy of Food Subsidy Reform: The Case of Egypt', *Food Policy*, 27.5 (2002), p. 455–476.
- Guttman, Aviva, 'Secret Wires Across the Mediterranean: The Club de Berne, Euro-Israeli Counterterrorism, and Swiss "Neutrality"', *The International History Review*, 40.4 (2018), p. 814–833.
- Guttman, Aviva, *The Origins of International Counterterrorism Cooperation: Intelligence Sharing in the Club de Berne (1969-1977)* (Leiden; Boston: Brill, 2018)

Guttmann, Aviva, 'Une coalition antiterroriste sous l'égide d'un pays neutre: la réponse suisse au terrorisme palestinien, 1969-1970', *Relations internationales*, 163, 2015, p. 95–110.

Guye, Laurent, 'Entwicklungszusammenarbeit: für eine echte Partnerschaft zwischen Bund und Privatwirtschaft', *Schweizerisches Jahrbuch für Entwicklungspolitik*, 17 (1998), p. 119–125.

Gyr, Marcel, *Schweizer Terrorjahre: das geheime Abkommen mit der PLO* (Zürich: Verlage Neue Zürcher Zeitung, 2016)

Halbeisen, Patrick, and Straumann, Tobias, 'Die Wirtschaftspolitik im internationalen Kontext', in *Wirtschaftsgeschichte der Schweiz im 20. Jahrhundert* (Basel: Schwabe, 2012), p. 983–1075.

Halevi, Nadav, 'A Brief Economic History of Modern Israel', ed. by Robert Whalpes, *EH-Net Encyclopedia*, 2008 <<https://eh.net/encyclopedia/a-brief-economic-history-of-modern-israel/>> [accessed 8 July 2019]

Hall-Cathala, David, *The Peace Movement in Israel, 1967-87* (New York: St. Martin's Press, 1990)

Halliday, Fred, "'Orientalism' and Its Critics', *British Journal of Middle Eastern Studies*, 20.2 (1993), p. 145–163.

Halliday, Fred, *The Middle East in International Relations: Power, Politics and Ideology* (Cambridge University Press, 2005)

Halliday, Fred, 'The Middle East, the Great Powers, and the Cold War', in *The Cold War and the Middle East*, ed. by Yezid Sayigh and Avi Shlaim, (Oxford: New York: Clarendon Press, 1997), p. 6–26.

Hamed, Osama, 'Egypt's Open Door Economic Policy: An Attempt at Economic Integration in the Middle East', *International Journal of Middle East Studies*, 13.1 (1981), p. 1–9.

Handoussa, Heba, and Shafik, Nema, 'The Economics of Peace: The Egyptian Case.', in *The Economics of Middle East Peace: Views from the Region*, ed. by Stanley Fischer, Dani Rodrik, and Elias Tuma (Cambridge: MIT Press, 1993), p. 19–54.

Hanhimaki, Jussi M., 'Conclusion. Neutrality and Non-Alignment during and beyond the Cold War', in *Neutrality and Neutralism in the Global Cold War: Between or Within the Blocs?*, ed. by Sandra Bott, Jussi M. Hanhimaki, Janick Schaufelbuehl, and Marco Wyss (London; New York: Routledge, 2015), p. 213–215.

Hanhimaki, Jussi M., 'Non-Aligned to What? European Neutrality and the Cold War', in *Neutrality and Neutralism in the Global Cold War: Between or Within the Blocs?*, ed. by Sandra Bott, Jussi M. Hanhimaki, Janick Schaufelbuehl, and Marco Wyss (London; New York: Routledge, 2015), p. 17–32.

Hanieh, Adam, *Lineages of Revolt: Issues of Contemporary Capitalism in the Middle East* (Chicago: Haymarket Books, 2013)

Hardmeier, Benno, 'Konsumentenpreisindex und Teuerungsausgleich', *Gewerkschaftliche Rundschau: Vierteljahresschrift des Schweizerischen Gewerkschaftsbundes*, 66 (1974), p. 77–84.

Harrigan, Jane, and El-Said, Hamed, *Aid and Power in the Arab World: IMF and World Bank Policy-Based Lending in the Middle East and North Africa* (Basingstoke; New York: Palgrave Macmillan, 2009)

- Heath, Edward, 'North-South: A Programme for Survival', *The Geographical Journal*, 147.3 (1981), p. 298–306.
- Hellema, Duco, Wiebes, Cees, and Witte, Toby, *The Netherlands and the Oil Crisis: Business as Usual* (Amsterdam University Press, 2004)
- Hiestand, Manuel, 'Der Konjunkturreinbruch 1975/76 in der Schweiz. Eine Ursachenanalyse auf Branchenebene' (University of Zürich, 2004), unpublished Masters thesis
- Higgs, Robert, *Depression, War, and Cold War: Studies in Political Economy*, (Oakland: Oxford University Press, 2006)
- Hilferding, Rudolf, *Finance Capital. A Study of the Latest Phase of Capitalist Development* (London: Routledge & Kegan Paul, 1981)
- Hinnebusch, Raymond A., *Syria: Revolution from Above* (London; New York: Routledge, 2002)
- Hinnebusch, Raymond A., *The International Politics of the Middle East* (Manchester: Manchester University Press, 2003)
- Hinnebusch, Raymond A., 'The Political Economy of Economic Liberalization in Syria', *International Journal of Middle East Studies*, 27.3 (1995), p. 305–320.
- Hinnebusch, Raymond A., 'The Politics of Economic Liberalization: Comparing Egypt and Syria', in *The State and Global Change: The Political Economy of Transition in the Middle East and North Africa*, ed. by Hassan Hakimian and Ziba Moshaver (Richmond: Cruzon, 2001), p. 111–133.
- Höpflinger, François, *L'empire suisse* (Genève: Gronauer, 1978)
- Hopkins, Michael F., 'Continuing Debate and New Approaches in Cold War History', *The Historical Journal*, 50.4 (2007), p. 913–934.
- Hottinger, Arnold, 'Das Bild der Schweiz in der arabischen und nahöstlichen Welt', in *Schweiz – Naher Osten von der Nachkriegszeit bis zu den 1990er Jahren*, ed. by Schweizerisches Bundesarchiv (Zürich: Chronos, 2004), p. 13–18.
- Howard, Esther, 'Israel: The Sorcerer's Apprentice', *MERIP Reports*, 112, 1983, p. 16–30.
- Hug, Peter, 'Vom Neutralismus zur Westintegration. Zur schweizerischen Aussenpolitik in der Nachkriegszeit', in *Goldene Jahre: zur Geschichte der Schweiz seit 1945*, ed. by Walter Leimgruber and Werner Fischer (Zürich: Chronos, 1999), p. 59–100.
- Humair, Cédric, 'Commerce extérieur et politique commerciale aux 19e et 20e siècles', *Travese: Revue d'histoire*, 17.1 (2010), p. 184–202.
- Hussein, Hussam, 'Politics of the Dead Sea Canal: A Historical Review of the Evolving Discourses, Interests, and Plans', *Water International*, 42.5 (2017), p. 527–542.
- Iken berry, G. John, 'The Irony of State Strength: Comparative Responses to the Oil Shocks in the 1970s', *International Organization*, 40.1 (1986), p. 105–137.
- Ikram, Khalid, *The Egyptian Economy, 1952-2000: Performance, Policies, and Issues*, (London; New York: Routledge, 2006)
- Ikram, Khalid, *The Political Economy of Reforms in Egypt: Issues and Policymaking since 1952* (Cairo; New York: The American University in Cairo Press, 2018)

- Independent Commission on International Development Issues, *Common Crisis North-South : Cooperation for World Recovery* (Cambridge; MIT Press, 1983)
- Indergand, Ronald, Stefan Leist, and Kornel Mahlstein, 'Wie konjunkturell abhängig ist die Schweiz vom Ausland', *Die Volkswirtschaft*, 1.2 (2013), p. 4–9.
- Issawi, Charles, *An Economic History of the Middle East and North Africa* (London: Methuen, 1982)
- Iversen, Martin Jes, and Larsson, Mats, 'Strategic Transformations in Danish and Swedish Big Business in an Era of Globalisation, 1973–2008', *Business History*, 53.1 (2011), 119–43
- Jackson, Henry F., 'Egypt and the United States after Sadat: Continuity and Constraints', *Issue: A Journal of Opinion*, 12.3/4 (1982), p. 70–75.
- Jensehaugen, Jørgen, *Arab-Israeli Diplomacy under Carter: The US, Israel and the Palestinians* (I.B. Tauris, 2018)
- Jöhr, Walter A., and Kneschaurek, Francesco, 'Study of the Efficiency of a Small Nation: Switzerland', in *Economic Consequences of the Size of Nations. Proceedings of a Conference Held by the International Economic Association*, ed. by Edward Austin Gossage Robinson (London; New York: Macmillan ; St. Martin's Press, 1963), p. 54–77.
- Jones, Bruce D., 'The Security Council and the Arab-Israeli Wars: 'Responsibility Without Power"', in *The United Nations Security Council and War: The Evolution of Thought and Practice since 1945*, ed. by Vaughan Lowe, Adam Roberts, Jennifer Welsh, and Dominik Zaum (Oxford: Oxford University Press, 2008), p. 298–323.
- Jones, Geoffrey, and Comunale, Rachael, 'Business, Governments and Political Risk in South Asia and Latin America since 1970', *Australian Economic History Review*, 58.3 (2018), p. 233–264.
- Jones, Phillip W., 'Globalisation and the UNESCO Mandate: Multilateral Prospects for Educational Development', *International Journal of Educational Development*, 19.1 (1999), p. 17-25.
- Jong, Abe de, Sluyterman, Keetie and Westerhuis, Gerarda, 'Strategic and Structural Responses to International Dynamics in the Open Dutch Economy, 1963–2003', *Business History*, 53.1 (2011), p. 63-84.
- Jost, Hans Ulrich, 'Switzerland's Atlantic Perspectives', in *Swiss Neutrality and Security: Armed Forces, National Defence and Foreign Policy*, ed. by Marko Milivojević and Pierre Maurer (New York; Oxford: Berg, 1990), p. 110–21
- Jost, Hans Ulrich, *Le salaire des neutres: Suisse, 1938-1948* (Paris: Denoël, 1999)
- Jost, Hans Ulrich, *Europa und die Schweiz 1945-1950* (Lausanne; Zürich: Payot; Chronos, 1999)
- Jost Hans Ulrich, 'Origines, interprétations et usages de la «neutralité helvétique»', *Matériaux pour l'histoire de notre temps*, 93.1 (2009), p. 5-12.
- Jost, Hans Ulrich, 'A rebours d'une neutralité suisse improbable', *Traverse. Revue d'histoire*, 20.1 (2013), p. 200–214.
- Jost, Hans Ulrich, Ceni, Monique, and Leimgruber, Matthieu, eds., *Relations internationales et affaires étrangères suisses après 1945* (Lausanne: Antipodes, 2006)

- Junge, Georg, 'Die schweizerischen Banken und die Schuldenkrise der Dritten Welt', *Schweizerisches Jahrbuch für Entwicklungspolitik*, 6 (1986), p. 143–158.
- Kahana, Ephraim, and Sagit Stivi-Kerbis, 'The Assassination of Anwar Al-Sadat: An Intelligence Failure', *International Journal of Intelligence and CounterIntelligence*, 27.1 (2014), p. 178–192.
- Kälin, Walter, and Riklin, Alois, 'Ziele, Mittel und Strategien der schweizerischen Aussenpolitik', in *Neues Handbuch der schweizerischen Aussenpolitik*, ed. by Alois Riklin, Hans Haug, and Raymond Probst, Schriftenreihe der schweizerischen Gesellschaft für Aussenpolitik, Bd. 11 (Bern ; Stuttgart: P. Haupt, 1992), p. 167–189.
- Kalt, Monica, *Tiersmondismus in der Schweiz der 1960er und 1970er Jahre: von der Barmherzigkeit zur Solidarität*, (Bern: P. Lang, 2010)
- Kamrava, Mehran, *The Modern Middle East: A Political History since the First World War*, (Berkeley: University of California Press, 2011)
- Kanovsky, Eliyahu, 'What's Behind Syria's Current Economic Problems?', in *Middle East Contemporary Survey, Vol. 8, 1983-84*, ed. by Haim Shaked and Daniel Dishon (The Moshe Dayan Center), p. 280–347.
- Karsh, Efraim, 'Cold War, Post-Cold War: Does It Make a Difference for the Middle East?', *Review of International Studies*, 23.3 (1997), p. 271–291.
- Karsh, Efraim, 'Israel', in *The Cold War and the Middle East*, ed. by Yezid Sayigh and Avi Shlaim, (Oxford; New York: Clarendon Press, 1997), p. 156–185.
- Karsh, Efraim, *Soviet Policy towards Syria since 1970* (London: Palgrave Macmillan, 1991)
- Kassem, Susann, "Call for Papers: Western Intervention in the Wake of the Arab Uprisings: Political Containment, Neoliberalism, and Imperial Legacies", 11.10.2019, <https://www.mes.ox.ac.uk/article/call-for-papers-western-intervention-in-the-wake-of-the-arab-uprisings-political-containment> (consulted on 13.10.2019)
- Katzenstein, Peter J, *Corporatism and Change: Austria, Switzerland, and the Politics of Industry*, Cornell Studies in Political Economy (Ithaca ; London: Cornell University Press, 1984)
- Keddie, Nikki R., 'The End of the Cold War and the Middle East', *Diplomatic History*, 16.1 (1992), p. 95–103.
- Kennedy, Gillian, *From Independence to Revolution: Egypt's Islamists and the Contest for Power*, (London: Hurst, 2017)
- Kenwood, A. G., and A. L. Lougheed, *Growth of the International Economy 1820-2000: An Introductory Text*, (London ; New York: Routledge, 1999)
- Ketkar, Duhas, and Dilip Ratha, 'Development Finance via Diaspora Bonds', in *Innovative Financing for Development*, ed. by Suhas Ketkar and Dilip Ratha (Washington, DC: World Bank, 2009), p. 59–78.
- Khalidi, Rashid, *Sowing Crisis: The Cold War and American Dominance in the Middle East* (Boston: Beacon Press, 2010)
- Klaus, Manuel, 'Märkte, Moral und Mitsprache. Die Politisierung des schweizerischen Aussenhandels mit den Militärdiktaturen Argentiniens, Chiles und Perus 1968-1983' (University of Basel, 2017), unpublished PhD thesis

- Kneschaurek, Francesco, *Der 'Trendbruch' der siebziger Jahre und seine wirtschaftlichen Konsequenzen* (Diessenhofen: Rüegger, 1980)
- Kneschaurek, Francesco, and Peter Meier, *Der sektorale Strukturwandel in der Schweiz von 1960 bis 1980* (Diessenhofen: Rüegger, 1983)
- Knüsel, Ariane, '«Armé de la pensée de Mao Tsé-toung, on peut résoudre tous les problèmes» l'influence de la Révolution culturelle sur les relations entre la Suisse et la République populaire de Chine', *Relations internationales*, 163.3 (2015), p. 29-46.
- Knüsel, Ariane, 'Small Country – Great Importance: Switzerland and the Chinese Presence in Europe during the 1950s and 1960s', in *Europe and China in the Cold War. Exchanges Beyond the Bloc Logic and the Sino-Soviet Split*, ed. by Janick Marina Schaufelbuehl, Marco Wyss, and Valeria Zanier (Leiden ; Boston: Brill, 2018), p. 42-61.
- Kobrak, Christopher, Hansen, Per H., and Kopper, Christopher, 'Business, Political Risk, and Historians in the Twentieth Century', in *European Business, Dictatorship, and Political Risk, 1920-1945*, ed. by Christopher Kobrak and Per H. Hansen (New York: Berghahn Books, 2004), p. 3–21.
- Koese, Yavuz, 'Nestlé in the Ottoman Empire: Global Marketing with Local Flavor 1870–1927', *Enterprise & Society*, 9.4 (2008), p. 724–761.
- Kopper, Christopher, 'The Recycling of Petrodollars', *Revue d'économie Financière*, 9.1 (2009), p. 37–46.
- Korany, Bahgat, 'The Cold Peace, the Sixth Arab-Israeli War, and Egypt's Public', *International Journal*, 38.4 (1983), p. 652–673.
- Korn, David A., *Stalemate: The War of Attrition and Great Power Diplomacy in the Middle East, 1967-1970* (Boulder: Westview Press, 1992)
- Kreis, Georg, *Kleine Neutralitätsgeschichte der Gegenwart: ein Inventar zum neutralitätspolitischen Diskurs in der Schweiz seit 1943* (Bern: Haupt Verlag, 2004)
- Kreutner, Jonathan, *Die Schweiz und Israel: auf dem Weg zu einem differenzierten historischen Bewusstsein* (Zürich: Chronos, 2013)
- Kreutner, Jonathan, 'Euphorie, Kritik, Ablehnung. Israelbilder in der Schweiz', in *Dialog, Verständnis, Freundschaft: 50 Jahre Gesellschaft Schweiz-Israel*, ed. by Gesellschaft Schweiz-Israel (Zürich: Chronos, 2007), p. 113–135.
- Krueger, Anne O., 'Origins of the Developing Countries' Debt Crisis: 1970 to 1982', *Journal of Development Economics*, 27.1 (1987), p. 165–187.
- Kumaraswamy, P. R., ed., *Revisiting the Yom Kippur War*, (London; Portland, OR: Routledge, 2000)
- Kunz, Diane B., *Butter and Guns. America's Cold War Economic Diplomacy* (New York: Free Press, 1997)
- Kuoni, Wolfram A, *Die Exportrisikogarantie des Bundes*, (Zürich: Schulthess, 2004)
- Kupper, Patrick, and Paulla, Irene, *Energieregime in der Schweiz seit 1800* (Innsbruck: Swiss Federal Office of Energy, 2016)
- Landmann, Oliver, and Kappel, Rolf, *La Suisse dans un monde en mutation. Économie extérieure et politique du développement: défis et perspectives* (Fribourg Suisse: Ed. Universitaires, 1997)

- Langer, Simon H., 'The Israel-EEC Free Trade Agreement: An Analysis of the Agreement and Its Effect on Investments', *Syracuse Journal of International Law and Commerce*, 9 (1982), p. 63–114.
- Languetin, Pierre, 'La politique extérieure de la Suisse en matière d'énergie', in *La Suisse et la diplomatie multilatérale*, ed. by Jacques Freymond (Genève: Institut universitaire de Hautes études internationales, 1978), p. 175–194.
- Laron, Guy, *Origins of the Suez Crisis: Post-war Development Diplomacy and the Struggle over Third World Industrialization, 1945–1956* (Washington, D.C.; Baltimore: Woodrow Wilson Center Press / Johns Hopkins University Press, 2013)
- Laron, Guy, 'Surveying the Revolutionary Arc', *International Journal of Middle East Studies*, 43.2 (2011), p. 323–325.
- Laron, Guy, *The Six-Day War: The Breaking of the Middle East* (New Haven; London: Yale University Press, 2019)
- Lavy, Victor, 'The Economic Embargo of Egypt by Arab States: Myth and Reality', *Middle East Journal*, 38.3 (1984), p. 419–432.
- Lawson, Fred H., 'Syria's Intervention in the Lebanese Civil War, 1976: A Domestic Conflict Explanation', *International Organization*, 38.3 (1984), p. 451–480.
- Lefèvre, Raphaël, *Ashes of Hama: The Muslim Brotherhood in Syria* (Oxford: Oxford University Press, 2013)
- Leimgruber, Walter, and Fischer, Werner, eds., *Einleitung* (Zürich: Chronos, 1999)
- Lesch, David W., *Syria: A Modern History* (Cambridge: Polity, 2019)
- Lesch, David W., 'Syria. Playing With Fire', in *The 1967 Arab-Israeli War: Origins and Consequences*, ed. by Roger Louis and Avi Shlaim (Cambridge; New York: Cambridge University Press, 2012), p. 79–98.
- Lesch, David W. *The Arab-Israeli Conflict: A History*, (New York: Oxford University Press, 2007)
- Leverett, Flynt, *Inheriting Syria: Bashar's Trial by Fire*, (Washington, D.C: Brookings Institution Press, 2005)
- Levi-Faur, David, 'The Developmental State: Israel, South Korea, and Taiwan Compared', *Studies in Comparative International Development*, 33.1 (1998), p. 65–93.
- Leving, Yuri "Nabokov's Jewish Family", *Tablet*, 2012, <https://www.tabletmag.com/jewish-arts-and-culture/books/119287/nabokov-jewish-family> (consulted on 26.09.2019)
- Lifshitz, Ya'akov, *The Economics of Producing Defense: Illustrated by the Israeli Case* (Boston: Kluwer Academic Publishers, 2003)
- Lipartito, Kenneth, 'Reassembling the Economic: New Departures in Historical Materialism', *The American Historical Review*, 121.1 (2016), p. 101–139.
- Lipp, Silvan, *Standort Schweiz im Umbruch. Etappen der Wirtschaftspolitik im Zeichen der Wettbewerbsfähigkeit* (Zürich: Verlag Neue Zürcher Zeitung, 2012)
- Lippman, Thomas W., *Hero of the Crossing: How Anwar Sadat and the 1973 War Changed the World* (Lincoln: Potomac Books, 2016)

- Lipsey, Robert E., 'Foreign Direct Investment and the Operations of Multinational Firms: Concepts, History, and Data', in *Handbook of International Trade*, ed. by James Harrigan and E. Kwan Choi (Oxford: Blackwell, 2004), p. 287–319.
- Lipson, Charles, 'American Support for Israel: History, Sources, Limits', *Israel Affairs*, 2.3–4 (1996), p. 128–46.
- Little, Douglas, *American Orientalism: The United States and the Middle East since 1945* (University of North Carolina Press, 2008)
- Little, Douglas, 'The Cold War in the Middle East: Suez Crisis to Camp David Accords', in *The Cambridge History of the Cold War*, ed. by Melvyn P. Leffler and Odd Arne Westad (Cambridge; New York: Cambridge University Press, 2010), II, p. 305–326.
- Lockman, Zachary, *Contending Visions of the Middle East: The History and Politics of Orientalism* (Cambridge; New York: Cambridge University Press, 2010)
- Löfgren, Hans, 'Economic Policy in Egypt: A Breakdown in Reform Resistance?', *International Journal of Middle East Studies*, 25.3 (1993), p. 407–421.
- Lomax, David F., *The Developing Country Debt Crisis* (New York: Palgrave Macmillan, 1986)
- Louis, Roger, and Shlaim, Avi, eds., *The 1967 Arab-Israeli War: Origins and Consequences* (Cambridge; New York: Cambridge University Press, 2012)
- Lucas, Isabelle, 'Des francs suisses pour soutenir une argentine libérale non péroniste - relations économique helvético-argentine durant les trois premières décennies de la Guerre froide', in *Itinera. Die internationale Schweiz in der Zeit des Kalten Krieges*, ed. by Sandra Bott, Janick Marina Schaufelbuehl, and Sacha Zala (Basel: Schwabe Verlag, 2011), p. 101–115.
- Lucas, Isabelle, "'La cime insubmersible de l'argent" et "la grande réserve de l'occident": un siècle de relations helvético-argentine' (University of Lausanne, 2016), unpublished PhD thesis
- Lynn, Hyung-Gu, 'Globalization and the Cold War', in *The Oxford Handbook of the Politics of Development Online*, ed. by Rhichard H. Immerman and Petra Goedde, 2013 <<https://www.oxfordhandbooks.com/view/10.1093/oxfordhb/9780199236961.001.001/oxfordhb-9780199236961-e-33>> [accessed 2 July 2019]
- Lyons, Gene M., Baldwin, David A., and McNemar, Donald W., 'The "Politicization" Issue in the UN Specialized Agencies', *Proceedings of the Academy of Political Science*, 32.4 (1977), p. 81–92.
- Ma'oz, Moshe, *Asad: The Sphinx of Damascus: A Political Biography* (New York: Grove Weidenfeld, 1989)
- Maier, Charles S., 'Two Sorts of Crisis? The "long" 1970s in the West and the East', in *Koordinaten deutscher Geschichte in der Epoche des Ost-West-Konflikts*, ed. by Hans Günter Hockerts (Berlin; Boston: De Gruyter, 2009), p. 49–62.
- Marbet, Peter, 'Die schweizerische Handelspolitik gegenüber Brasilien in der Krise der 30er Jahre: auf der Suche nach neuen Absatzmärkten', *Traverse. Zeitschrift für Geschichte*, 4 (1997), p. 117–127.
- Ma'oz, Moshe, 'From Conflict to Peace? Israel's Relations with Syria and the Palestinians', *Middle East Journal*, 53.3 (1999), p. 393–416.

- Maron, Asa, and Shalev, Michael, 'Introduction', in *Neoliberalism as a State Project: Changing the Political Economy of Israel*, ed. by Asa Maron and Michael Shalev (Oxford: Oxford University Press, 2017), p. 1–26.
- Maron, Asa, and Shalev, Michael, eds., *Neoliberalism as a State Project: Changing the Political Economy of Israel* (Oxford: Oxford University Press, 2017)
- Matar, Linda, *The Political Economy of Investment in Syria* (London: Palgrave Macmillan, 2016)
- Matter, Dominik, 'SOS Biafra': *die schweizerischen Aussenbeziehungen im Spannungsfeld des nigerianischen Bürgerkriegs 1967-1970* (Bern: Diplomatische Dokumente der Schweiz (DDS), 2015)
- Mauerhofer, Carol, 'Die Aussenpolitik der Schweiz im Sechstagekrieg: Analyse der Haltung und Rolle der schweizerischen Exekutive im dritten israelisch-arabischen Krieg vom Juni 1967' (Fribourg: Universität Fribourg, 2006), unpublished Masters thesis
- di Mauro, Danilo, *The UN and the Arab-Israeli Conflict: American Hegemony and UN Intervention since 1947* (New York: Routledge, 2012)
- McMahon, Robert J., 'Introduction', in *The Cold War in the Third World*, ed. by Robert J. McMahon, *Reinterpreting History: How Historical Assessments Change over Time* (Oxford; New York: Oxford University Press, 2013), p. 1–10.
- Meier, Daniela, *Helvetias guter Draht zum Pfauenthron: die Beziehungen der Schweiz zu Iran (1946-1978)* (Zürich: O. Füssli, 2002)
- Meister, Magnus, 'Des supposées restrictions. Les exportations d'armement suisse en Iran et la loi sur le matériel de guerre, 1969-1974', in *Itinera. Kriegsmaterial im Kalten Krieg. Rüstungsgüter in der Schweiz zwischen Militär, Industrie, Politik und Öffentlichkeit*, 2019 (forthcoming)
- Meister, Magnus, 'Les Trente Glorieuses et la crise des années 1970 en Suisse. Une politique conjoncturelle et économique au service de l'internationalisation de l'économie suisse.' (University of Geneva, 2013), unpublished Masters thesis
- Meister, Magnus, '«Où se tourner, sinon vers les pays neutres ?» Le rôle de la Suisse dans l'ouverture économique et politique de l'Égypte vers l'Occident (1969-1973)', *Relations internationales*, 163.3, (2015), p. 111–128.
- Meyer, Gregory, 'Genève et les organisations internationales: une histoire locale de l'international', *Bulletin de la Société d'histoire et d'archéologie de Genève*, 43 (2013), p. 86–94.
- Milivojević, Marko, ed., 'Switzerland's Atlantic Perspectives', in *Swiss Neutrality and Security: Armed Forces, National Defence and Foreign Policy* (New York; Oxford: Berg, 1990), p. 110–21.
- Miller, Rory, 'Faraway Causes, Immediate Effects. The War and European Consequences', in *The Yom Kippur War: Politics, Legacy, Diplomacy*, ed. by Asaf Siniver (Oxford; New York: Oxford University Press, 2013), p. 155–172.
- Mintz, Alex, 'The Military-Industrial Complex: American Concepts and Israeli Realities', *The Journal of Conflict Resolution*, 29.4 (1985), p. 623–639.
- Mironesco, Christine, *Débat sur l'énergie en Suisse : les processus législatifs fédéraux de 1973 à 1983* (Lausanne: Presses polytechniques romandes, 1986)

- Mishrif, Ashraf, *Investing in the Middle East: The Political Economy of European Direct Investment in Egypt* (London: I.B. Tauris, 2010)
- Mockli, Daniel, *European Foreign Policy During the Cold War: Heath, Brandt, Pompidou and the Dream of Political Unity*, First edition (London: I.B. Tauris, 2008)
- Moosmann, Reto, 'Die Verwässerung des "generellen Ausfuhrverbots" im Dienste von Armee und Rüstungsindustrie : zur Kriegsmaterialausfuhrpolitik des Bundesrates in den 1950er und 60er Jahren', *Schweizerische Zeitschrift für Geschichte*, 56 (2006), p. 152–167.
- Müller, Anita, *Schweizer in Alexandrien 1914-1963: zur ausländischen Präsenz in Ägypten* (Stuttgart: F. Steiner, 1992)
- Müller, Felix, Schaeppi, Hans, and Tanner, Jakob, *Krise, Zufall oder Folge des Kapitalismus? Die Schweiz und die aktuelle Wirtschaftskrise: Eine Einführung aus marxistischer Sicht* (Zürich: Limmat Verlag Genossenschaft, 1976)
- Müller, Margrit, 'Die Exportindustrien im Verlauf des 20. Jahrhunderts', *Traverse. Zeitschrift für Geschichte*, 17.1 (2010), p. 119–138.
- Müller, Margrit, 'Die Schweiz in der internationalen Arbeitsteilung: Einleitung', in *Wirtschaftsgeschichte der Schweiz im 20. Jahrhundert* (Basel: Schwabe, 2012), p. 319–337.
- Müller, Margrit, 'From Protectionism to Market Liberalization: Patterns of Internationalisation in the Main Swiss Export Sectors', in *Pathbreakers: Small European Countries Responding to Globalisation and Deglobalisation*, ed. by Margrit Müller (Bern: P. Lang, 2008), p. 113–143.
- Müller, Margrit, 'Internationale Verflechtung', in *Wirtschaftsgeschichte der Schweiz im 20. Jahrhundert*, ed. by Patrick Halbeisen, Margrit Müller, and Béatrice Veyrassat (Basel: Schwabe Verlag, 2012), p. 339–465.
- Müller, Margrit, 'The Role of Firms in Overcoming Major Economic Crises: Switzerland in the 1930s and in the 1970s', *Entreprises et Histoire*, 69 (2012), p. 65–76.
- Müller, Margrit, and Woitek, Ulrich, 'Wohlstand, Wachstum und Konjunktur', in *Wirtschaftsgeschichte der Schweiz im 20. Jahrhundert*, ed. by Patrick Halbeisen, Margrit Müller, and Béatrice Veyrassat (Basel: Schwabe Verlag, 2012), p. 983–1076.
- Müller, Philipp, *La Suisse en Crise (1929-1936). Les politiques monétaire, financière, économique et sociale de la Confédération helvétique* (Lausanne: Antipodes, 2010)
- Mumenthaler, Stephan, *Die geographische Struktur des Schweizer Aussenhandels. Historischer Überblick, theoretische und empirische Analyse sowie Szenarien für die Zukunft* (Chur; Zürich: Rüegger, 1999)
- Musu, Costanza, *European Union Policy towards the Arab-Israeli Peace Process: The Quicksands of Politics* (Basingstoke: Palgrave Macmillan, 2010)
- Naaz, Farah, 'Israel's Arms Industry', *Strategic Analysis*, 23.12 (2000), p. 2077–2087.
- Naor, Arye, 'The Political System: Government, Parliament, and the Court', in *Israel Since 1980*, ed. by Guy Ben-Porat, Yagil Levy, Shlomo Mizrahi, Arye Naor, and Erez Tzfadia, (Cambridge: Cambridge University Press, 2008), p. 69–90.
- Naylor, Robin Thomas, *Hot Money and the Politics of Debt* (London; Sidney: Unwin Paperbacks, 1987)

- Nilsson, Mikael, and Wyss, Marco, 'The Armed Neutrality Paradox: Sweden and Switzerland in US Cold War Armaments Policy', *Journal of Contemporary History*, 51.2 (2016), p. 335–363.
- Nitzan, Jonathan, and Bichler Shimshon, 'Inflation and Accumulation: The Case of Israel', *Science & Society*, 64.3 (2000), p. 274–309.
- Nitzan, Jonathan, and Shimshon Bichler, *The Global Political Economy of Israel* (London: Pluto Press, 2002)
- Noreng, Oystein, *Crude Power: Politics and the Oil Market* (London: I.B. Tauris, 2005)
- Ocampo, José Antonio, 'The Latin American Debt Crisis in Historical Perspective', in *Life After Debt: The Origins and Resolutions of Debt Crisis*, ed. by J. Stiglitz and D. Heymann, (Basingstoke; New York: Palgrave Macmillan, 2014), p. 87–115.
- OECD, *Economic Surveys: Switzerland 1975*, (OECD: Paris, 1975)
- OECD, *Benchmark Definition of Foreign Direct Investment*, Fourth Edition (OECD, 2008)
- van Ooyen, Robert Christian, *Die schweizerische Neutralität in bewaffneten Konflikten nach 1945* (Frankfurt am Main; Bern: P. Lang, 1992)
- 'Open Door in the Middle East', *MERIP Reports*, 31, 1974, p. 3–28.
- Oren, Michael, *Six Days of War: June 1967 and the Making of the Modern Middle East* (Oxford: Oxford University Press, 2002)
- Oren, Michael, 'The Revelations of 1967: New Research on the Six Day War and Its Lessons for the Contemporary Middle East', *Israel Studies*, 10.2 (2005), p. 1–14.
- Osman, Tarek, *Egypt on the Brink: From Nasser to the Muslim Brotherhood, Revised and Updated*, (New Haven; London: Yale University Press, 2013)
- Osoegawa, Taku, *Syria and Lebanon: International Relations and Diplomacy in the Middle East*, Library of Modern Middle East Studies, 140 (London: I B Tauris, 2013)
- Owen, Roger, 'The Cumulative Impact of Middle Eastern Wars', in *War, Institutions, and Social Change in the Middle East*, ed. by Steven Heydemann (Berkeley: University of California Press, 2000), p. 325–334.
- Owen, Roger, and Pamuk, Şevket, *A History of Middle East Economies in the Twentieth Century* (Cambridge: Harvard University Press, 1998)
- Paccaud, Isabelle, 'La proclamation de la République égyptienne en 1953: la fin d'un âge d'or pour les intérêts économiques en Egypte?', in *Suisse - Afrique (18e-20e siècles): de la traite des Noirs à la fin du régime de l'apartheid*, ed. by Sandra Bott, Thomas David, Claude Lützel Schwab, and Janick Marina Schaufelbuehl (Münster: LIT, 2005), p. 73–84.
- Page, Steve, *Le Nigeria et la Suisse, des affaires d'indépendance. Commerce, diplomatie et coopération 1930–1980* (Bern: Peter Lang, 2016)
- Painter, David S., 'Oil and Geopolitics: The Oil Crises of the 1970s and the Cold War', *Historical Social Research / Historische Sozialforschung*, 39.4 (2014), p. 186–208.

- Painter, David S., 'Oil and the October War', in *The Yom Kippur War: Politics, Legacy, Diplomacy*, ed. by Asaf Siniver (Oxford; New York: Oxford University Press, 2013), p. 173–193.
- Pamuk, Şevket, 'Estimating Economic Growth in the Middle East since 1820', *The Journal of Economic History*, 66.3 (2006), 809–28
- Pearson, Frederic S., and Nyden, Michael, 'Energy Crisis and Government Regulations: Swedish and Dutch Responses in 1973', *West European Politics*, 3.3 (1980), p. 406–420.
- Perrenoud, Marc, 'La place financière suisse en tant qu'instrument de la politique étrangère helvétique.', *Relations internationales*, 121.1, (2005) p. 25–42.
- Perrenoud, Marc, 'Politique économique et relations extérieures', *Traverse. Revue d'histoire*, 17.1 (2010), p. 171–183.
- Perthes, Volker, 'From Front State to Backyard? Syria and the Risks of Regional Peace', in *Economic and Political Impediments to Middle East Peace: Critical Questions and Alternative Scenarios*, ed. by J.W. Wright and Laura Drake (New York: Palgrave Macmillan, 2000), p. 225–240.
- Perthes, Volker, 'Kriegsdividende und Friedensrisiken: Überlegungen zu Rente und Politik in Syrien', in *Staat, Markt und Rente in der internationalen Politik*, ed. by Andreas Boeckh and Peter Pawelka (Springer-Verlag, 2013), p. 258–270.
- Perthes, Volker, *The Political Economy of Syria under Asad* (London: I.B. Tauris, 1995)
- Perthes, Volker, 'The Syrian Economy in the 1980s', *Middle East Journal*, 46.1 (1992), p. 37–58.
- Petras, James, 'The U.S. and the Middle East: Recolonization or Decolonization?', *Arab Studies Quarterly*, 2.2 (1980), p. 150–161.
- Pfenniger, Christina, 'La Guerre des Six Jours : un défi pour la neutralité suisse? : une analyse des relations bilatérales entre la Suisse et Israël (1967-1973)' (Neuchâtel: Université de Neuchâtel, 2007), unpublished Masters thesis
- Pfenniger, Urs, and Schuler, Barbara, 'Die Schweiz - ein früher Freund Israels? Ausbau und Festigung der bilateralen Beziehungen zwischen der Schweiz und Israel', in *Aufstieg und Niedergang des Bilateralismus: schweizerische Aussen- und Aussenwirtschaftspolitik 1930-1960: Rahmenbedingungen, Entscheidungsstrukturen, Fallstudien*, ed. by Peter Hug and Martin Kloter (Lausanne; Zürich: Payot; Chronos, 1999), p. 487–512.
- Pfirter, Eva, 'La protection des intérêts britanniques en Égypte par la Suisse en 1956 : une stratégie de compensation', *Relations internationales*, 144.4 (2010), p. 65–71.
- Pitteloud, Sabine, 'Les abysses de l'autorégulation à l'heure de la surchauffe économique en Suisse (1945-1973)', *Traverse, Revue d'histoire*, 24.3 (2017), p. 113–126.
- Pitteloud, Sabine, '«Les invisibles deviennent visibles». Le rôle politique des multinationales et les débats sur l'internationalisation en Suisse [1942-1993]' (University of Geneva, 2019), unpublished PhD thesis
- Podeh, Elie, *Chances for Peace: Missed Opportunities in the Arab-Israeli Conflict*, Reprint edition (Austin: University of Texas Press, 2016)

- Pollins, Brian M., 'Conflict, Cooperation, and Commerce: The Effect of International Political Interactions on Bilateral Trade Flows', *American Journal of Political Science*, 33.3 (1989), p. 737–761.
- Porter, Michael E, *The Competitive Advantage of Nations* (Basingstoke; London: Macmillan, 1994)
- Prashad, Vijay, *The Darker Nations: A People's History of the Third World* (New York: The New Press, 2007)
- Press-Barnathan, Galia, 'The Neglected Dimension of Commercial Liberalism: Economic Cooperation and Transition to Peace', *Journal of Peace Research*, 43.3 (2006), p. 261–278.
- Press-Barnathan, Galia, *The Political Economy of Transitions to Peace: A Comparative Perspective* (Pittsburgh: University of Pittsburgh Press, 2009)
- Pressman, Jeremy, 'Explaining the Carter Administration's Israeli–Palestinian Solution', *Diplomatic History*, 37.5 (2013), p. 1117–1147.
- Preston, William Jr., Herman, Edward S., and Schiller, Herbert I., *Hope and Folly. The United States and UNESCO, 1945-1985* (Minneapolis: University of Minnesota Press, 1989)
- Probst, Raymond R., *'Good Offices' in the Light of Swiss International Practice and Experience* (Dordrecht; Boston: M. Nijhoff, 1989)
- Purtschert, Patricia, and Fischer-Tiné, Harald, eds., *Colonial Switzerland: Rethinking Colonialism from the Margins* (Basingstoke: Palgrave Macmillan, 2015)
- Purtschert, Patricia, Lüthi, Barbara and Falk, Francesca, eds., *Postkoloniale Schweiz. Formen und Folgen eines Kolonialismus ohne Kolonien* (Bielefeld: Transcript Verlag, 2012)
- Quandt, William B., *Camp David: Peacemaking and Politics*, (Washington, D.C: Brookings Institution Press, 2016)
- Quandt, William B., *Peace Process: American Diplomacy and the Arab-Israeli Conflict since 1967*, (Washington, D.C. : Brookings Institution Press, 2005)
- Rabil, Robert G., *Syria, the United States, and the War on Terror in the Middle East* (Westport: Praeger, 2006)
- Rabinovich, Iramar, *The Brink of Peace: The Israeli-Syrian Negotiations* (Princeton: Princeton University Press, 1998)
- Rehavi, Yehiel, and Asher Weingarten, *Fifty Years of External Finance via State of Israel Non-Negotiable Bonds*, Foreign Exchange Activity Department, Assets and Liabilities Unit (Bank of Israel, 2004)
- Reid, Margaret, *The Secondary Banking Crisis, 1973–75. Its Causes and Course* (London: Palgrave Macmillan, 1982)
- Richards, Alan, 'The Political Economy of Dilatory Reform: Egypt in the 1980s', *World Development*, 19.12 (1991), p. 1721–1730.
- Richards, Alan, Waterbury, John, Cammett, Melani, and Diwan, Ishac, *A Political Economy of the Middle East*, (Boulder: Westview Press, 2008)
- Richman, Barak D., 'How Community Institutions Create Economic Advantage: Jewish Diamond Merchants in New York', in *The Global Diamond Industry*:

- Economics and Development Volume II*, ed. by Roman Grynberg and Letsema Mbayi (Basingstoke: New York: Palgrave Macmillan, 2015), p. 44–86.
- Riegler, Thomas, *Im Fadenkreuz: Österreich und der Nahostterrorismus 1973 bis 1985* (Göttingen; Wien: V&R Unipress ; Vienna University Press, 2011)
- Rivlin, Paul, *The Israeli Economy from the Foundation of the State through the 21st Century* (Cambridge; New York: Cambridge University Press, 2011)
- Roccu, Roberto, *The Political Economy of the Egyptian Revolution: Mubarak, Economic Reforms and Failed Hegemony* (Houndmills, Basingstoke, Hampshire: Palgrave Macmillan, 2013)
- Rodinson, Maxime, *Islam and Capitalism* (London: Saqi Books, 2007)
- Roethlisberger, Eric, ‘Les relations de la Suisse avec les pays en développement: aspects commerciaux et financiers’, in *La Suisse et la diplomatie multilatérale*, ed. by Jacques Freymond (Genève: Institut universitaire de Hautes études internationales, 1978), p. 125–44.
- Rolef, Susan Hattis, ‘The Domestic Fallout of the Yom Kippur War’, *Israel Affairs*, 6.1 (1999), p. 177–194.
- Rosenberg, Justin, ‘Uneven and Combined Development: “The International” in Theory and History’, in *Historical Sociology and World History: Uneven and Combined Development Over the Longue Duree*, ed. by Alexander Anievas and Kamran Matin (Lanham: Rowman & Littlefield International, 2016), p. 17–30.
- Roy, Satyaki, ‘Imperialism, the “Old” and the “New”. Departures and Continuities’, in *The Changing Face of Imperialism. Colonialism to Contemporary Capitalism*, ed. by Sunada Sen and Maria Cristina Marcuzzo (London; New York: Routledge, 2018), p. 15–36.
- Rubin, Avshalom, *The Limits of the Land: How the Struggle for the West Bank Shaped the Arab-Israeli Conflict* (Bloomington, Indiana: Indiana University Press, 2017)
- Rubin, Gil S., ‘Vladimir Jabotinsky and Population Transfers Between Eastern Europe and Palestine.’, *The Historical Journal*, 62.2 (2019), p. 495–517.
- Rubinstein, Alvin Z., *Red Star on the Nile: The Soviet-Egyptian Influence, Relationship since the June War*, A Foreign Policy Research Institute Book (Princeton: Princeton University Press, 1977)
- Said, Edward W., *Orientalism* (London: Penguin Books, 2003)
- Salacuse, Jeswald W., and Parnall, Theodore, ‘Foreign Investment and Economic Openness in Egypt: Legal Problems and Legislative Adjustments of the First Three Years’, *The International Lawyer*, 12.4 (1978), p. 759–777.
- Salevurakis, John William, and Abdel-Haleim, Sahar Mohamed, ‘Bread Subsidies in Egypt: Choosing Social Stability or Fiscal Responsibility’, *Review of Radical Political Economics*, 40.1 (2008), p. 35–49.
- dos Santos, Norma Breda, Farias, Rogério, and Cunha, Raphael, ‘Generalized System of Preferences in General Agreement on Tariffs and Trade/World Trade Organization’, *Journal of World Trade*, 39.4 (2005), 637–670.
- Sargent, Daniel J., ‘The Cold War and the International Political Economy in the 1970s’, *Cold War History*, 13.3 (2013), p. 393–425.

- Sargent, Daniel J 'The United States and Globalization in the 1970s', in *The Shock of the Global: The 1970s in Perspective*, ed. by Niall Ferguson, Charles S. Maier, Erez Manela, and Daniel J. Sargent (Cambridge: Belknap Press of Harvard University Press, 2010), p. 49–64.
- Sayigh, Yezid, and Shlaim, Avi, eds., *The Cold War and the Middle East*, (Oxford: New York: Clarendon Press, 1997)
- Schaufelbuehl, Janick Marina, *La France et la Suisse ou la force du petit : Evasion fiscale, relations commerciales et financières* (Paris: Les Presses de Sciences Po, 2009)
- Schaufelbuehl, Janick Marina, Bott, Sandra, Hanhimäki, Jussi, and Wyss, Marco, 'Non-Alignment, the Third Force, or Fence-Sitting: Independent Pathways in the Cold War', *The International History Review*, 37.5 (2015), p. 901–911.
- Schaufelbuehl, Janick Marina, Wyss, Marco, and Bott, Sandra, 'Choosing Sides in the Global Cold War: Switzerland, Neutrality, and the Divided States of Korea and Vietnam', *The International History Review*, 37.5 (2015), p. 1014–1036.
- Schein, Andrew, 'The Economic Consequences of Wars in the Land of Israel in the Last Hundred Years, 1914–2014', *Israel Affairs*, 23.4 (2017), 650–68
- Schiffman, Daniel, Young, Warren, and Zelekha, Yaron, *The Role of Economic Advisers in Israel's Economic Policy: Crises, Reform and Stabilization* (Springer International Publishing, 2017)
- Schmid, Christoph, 'Herausforderung Zerka : die Entführung einer Swissair-Maschine durch palästinensische Extremisten im September 1970 und deren Bewältigung in der Schweiz' (Universität Bern, 2006), unpublished Masters thesis
- Schmid, Hans L., 'The Swiss Energy Concept', in *East and West in the Energy Squeeze: Prospects for Cooperation*, ed. by C. T. Saunders (London: Palgrave Macmillan, 1980), p. 323–339.
- Schröter, Harm G., 'Swiss Multinational Enterprise in Historical Perspective', in *The Rise of Multinationals in Continental Europe*, ed. by Geoffrey Jones and Harm G. Schröter (Aldershot; E. Elgar, 1993), p. 49–64.
- Schümperli Younossian, Catherine, *La politique suisse de solidarité internationale: de la coopération au développement global* (Lausanne: Presses polytechniques et universitaires romandes, 2007)
- Schuster, Carl Otis, 'Aircraft, Kfir Fighter', ed. by Spencer Tucker and Priscilla Mary Roberts, *The Encyclopedia of the Arab-Israeli Conflict: A Political, Social, and Military History* (Santa Barbara: ABC-CLIO, 2008), p. 55–56.
- Schweizerische Nationalbank, ed., *75 Jahre Schweizerische Nationalbank. Die Zeit von 1957 bis 1982* (Zürich: Verlag Neue Zürcher Zeitung, 1981)
- Scott, Richard, *The History of the International Energy Agency - The First 20 Years: Origins and Structure* (Paris: OECD Publishing, 1994)
- Seale, Patrick, *Assad of Syria: The Struggle for the Middle East* (Berkeley: University of California Press, 1995)
- Seale, Patrick, 'Syria', in *The Cold War and the Middle East*, ed. by Yazid Seyigh and Avi Shlaim (Oxford: Oxford University Press, 1997), p. 48–76.
- Sela, Avraham, *The Decline of the Arab-Israeli Conflict: Middle East Politics and the Quest for Regional Order* (Albany: SUNY Press, 1998)

Selby, Jan, 'The Political Economy of Peace Processes', in *Whose Peace? Critical Perspectives on the Political Economy of Peacebuilding*, ed. by Michael Pugh, Neil Cooper, and Mandy Turner (Basingstoke: Palgrave Macmillan, 2008), p. 11–29.

Selva, Simone, *Before the Neoliberal Turn: The Rise of Energy Finance and the Limits to US Foreign Economic Policy* (London: Palgrave Macmillan, 2017)

Shalev, Michael, 'Have Globalization and Liberalization "Normalized" Israel's Political Economy?', *Israel Affairs*, 5.2–3 (1998), p. 121–155.

Shapira, Anita, *Israel: A History* (Waltham: Brandeis University Press, 2012)

Shindler, Colin, *A History of Modern Israel*, (Cambridge; New York: Cambridge University Press, 2013)

Shindler, Colin, ed., *Israel and the World Powers: Diplomatic Alliances and International Relations Beyond the Middle East* (London: I.B. Tauris, 2014)

Shindler, Colin, *The Land Beyond Promise: Power, Politics and Ideology from Begin to Netanyahu* (London: I.B. Tauris, 2001)

Shindler, Colin, *The Rise of the Israeli Right* (Cambridge: Cambridge University Press, 2015)

Siniver, Asaf, ed., *The Yom Kippur War: Politics, Legacy, Diplomacy* (Oxford; New York: Oxford University Press, 2013)

Sklair, Leslie, 'The Costs of Foreign Investment: The Case of the Egyptian Free Zones', in *Essays on the Economic History of the Middle East*, ed. by Sylvia G. Haim and Elie Kedourie (London: Routledge, 1988), p. 108–126.

Slater, Jerome, 'The Superpowers and an Arab-Israeli Political Settlement: The Cold War Years', *Political Science Quarterly*, 105.4 (1990), p. 557–577.

Smith, Charles D., 'The United States and the 1967 War', in *The 1967 Arab-Israeli War: Origins and Consequences*, ed. by Roger Louis and Avi Shlaim (Cambridge; New York: Cambridge University Press, 2012), p. 165–192.

Spar, Debora L., 'Markets: Continuity and Change in the International Diamond Market', in *The Global Diamond Industry: Economics and Development Volume I*, ed. by Roman Grynberg and Letsema Mbayi (Basingstoke: New York: Palgrave Macmillan, 2015), p. 11–26.

Späti, Christina, *Die schweizerische Linke und Israel: Israelbegeisterung, Antizionismus und Antisemitismus zwischen 1967 und 1991* (Essen: Klartext, 2006)

Speich Chassé, Daniel, 'Verflechtung durch Neutralität. Wirkung einer Schweizer Maxime im Zeitalter der Dekolonialisierung', in *Postkoloniale Schweiz. Formen und Folgen eines Kolonialismus ohne Kolonien*, ed. by Patricia Purtschert, Barbara Lüthi, and Francesca Falk (Bielefeld: Transcript Verlag, 2012), p. 225–244.

Springborg, Robert, 'The Arab Bourgeoisie: A Revisionist Interpretation', *Arab Studies Quarterly*, 15.1 (1993), p. 13–39.

Stearns, Peter N., *Globalization in World History*, (London ; New York: Routledge, 2009)

Steck, Renato, 'Die Rezeption des Sechstage- und des Jom-Kippur-Kriegs bei Schweizer Bundesbehörden und der Deutschschweizer Presse' (Universität Bern, 2007), unpublished Masters thesis

- Stein, Kenneth W., 'Evolving a Diplomatic Legacy from the War. The US, Egyptian, and Israeli Triangle', in *The October 1973 War: Politics, Diplomacy, Legacy*, ed. by Asaf Siniver (London: Hurst, 2013), p. 209–29
- Stein, Kenneth W., *Heroic Diplomacy. Sadat, Kissinger, Carter, Begin and the Quest for Arab-Israeli Peace* (New York: Routledge, 1999)
- Steiner, Yves, and Zala, Sacha, 'Die Schweizer Diplomatie auf dem Pulverfass des Nahen Ostens 1945–1975', *Saggi di Dodis*, 1.2 (2019)
- Steiner, Yves, and Sacha Zala, 'La Suisse, le Moyen-Orient et le conflit israélo-arabe (1945-1975)', *Relations internationales*, 172.4 (2017), p. 67–80.
- Straumann, Tobias, *Fixed Ideas of Money: Small States and Exchange Rate Regimes in Twentieth Century Europe* (New York: Cambridge University Press, 2010)
- Styan, David, *France and Iraq. Oil, Arms and French Policy Making in the Middle East*, Library of International Relations, 25 (London; New York: I.B. Tauris, 2006)
- Tanner, Jakob, *Geschichte der Schweiz im 20. Jahrhundert* (München: C. H. Beck, 2015)
- Taylor, Alan M., 'The Global 1970s and the Echo of the Great Depression', in *The Shock of the Global: The 1970s in Perspective*, ed. by Niall Ferguson, Charles S. Maier, Erez Manela, and Daniel J. Sargent (Cambridge: Belknap Press, 2010), p. 97–112.
- Thomas, Darryl C., *The Theory and Practice of Third World Solidarity* (Greenwood Publishing Group, 2001)
- Tschudi, Hans Peter, 'Willy Spühler Zum Gedenken', *Rote Revue*, 69.5–6 (1990), p. 11–12.
- Tuma, Elias H., 'Will an Arab-Israeli PEace Bring a Trade Dividend', in *Economic and Political Impediments To Middle East Peace: Critical Questions and Alternative Scenarios*, ed. by J.W. Wright and Laura Drake, 2000 edition (New York: Palgrave Macmillan, 2000), p. 87–98.
- Türk, Henning, 'The Oil Crisis of 1973 as a Challenge to Multilateral Energy Cooperation among Western Industrialized Countries', *Historical Social Research / Historische Sozialforschung*, 39.4 (2014), p. 209–230.
- Venn, Fiona, *The Oil Crisis* (London: Longman, 2002)
- Vettovaglia, Jean-Pierre, 'La Suisse en tant que pays d'accueil d'organisations et de conférences internationales', in *Neues Handbuch der schweizerischen Aussenpolitik*, ed. by Alois Riklin, Hans Haug, and Raymond Probst, Schriftenreihe der schweizerischen Gesellschaft für Aussenpolitik (Bern; Stuttgart: P. Haupt, 1992), p. 777–790.
- Villaume, Poul, Mariager, Rasmus, and Porsdam, Helle, 'Introduction: The "Long 1970s". New Perspectives on an Epoch-Making Decade', in *The 'Long 1970s'. Human Rights, East-West Détente and Transnational Relations*, ed. by Poul Villaume, Rasmus Mariager, and Helle Porsdam (London; New York: Routledge, 2016), p. 1–11.
- Vogel, Hans, 'Das Verhältnis von Staat und Wirtschaft in den Schweizerischen Aussenbeziehungen', *Schweizerisches Jahrbuch für Politische Wissenschaft*, 16 (1976), p. 245–264.
- Watanabe, Lisa, 'Nach den arabischen Rebellionen: Eine neue Schweizer Nordafrikapolitik', in *Bulletin 2013 zur schweizerischen Sicherheitspolitik*, ed. by

- Christian Nuenlist and Oliver Thränert (Zurich: Center for Security Studies (CSS), ETH Zurich, 2013), p. 71-89.
- Waterbury, John, *The Egypt of Nasser and Sadat: The Political Economy of Two Regimes*, Princeton Studies on the Near East (Princeton: Princeton University Press, 1983)
- Waterbury, John, 'The "Soft State" and the Open Door: Egypt's Experience with Economic Liberalization, 1974-1984', *Comparative Politics*, 18.1 (1985), p. 65–83.
- Watkins, Michael, and Winters, Kim, 'Intervenors with Interests and Power', *Negotiation Journal*, 13.2 (1997), p. 119–142.
- Wehrle, Felix, 'Die sechste Schweiz Bestandsaufnahme und Analyse der Dritt-Welt-Aktivitäten der Schweizer Industriemultis', *Schweizerisches Jahrbuch für Entwicklungspolitik*, 4 (1984), 159–175.
- Weinbaum, Marvin G., 'Egypt's "Infatih" and the Politics of US Economic Assistance', *Middle Eastern Studies*, 21.2 (1985), p. 206–222.
- Weinberger, Naomi Joy, *Syrian Intervention in Lebanon: The 1975-76 Civil War* (New York: Oxford Univ. Press, 1986)
- Wells, Clare, *The UN, UNESCO and the Politics of Knowledge* (New York: Palgrave Macmillan, 1987)
- Wenger, Andreas, and Nuenlist, Christian, 'A "Special Case" between Independence and Interdependence: Cold War Studies and Cold War Politics in Post-Cold War Switzerland', *Cold War History*, 8.2 (2008), p. 213–240.
- Werner, Simcha B., 'The Development of Political Corruption: A Case Study of Israel', *Political Studies*, 31.4 (1983), p. 620–639.
- Westad, Odd Arne, *The Global Cold War: Third World Interventions and the Making of Our Times*, New Ed edition (Cambridge; New York: Cambridge University Press, 2007)
- Widmer, Sabina, 'Neutrality Challenged in a Cold War Conflict: Switzerland, the International Committee of the Red Cross, and the Angolan War', *Cold War History*, 18.2 (2018), p. 203–220.
- Widmer, Sabina, 'Switzerland, Regime Change, and Armed Conflict in Sub-Saharan Africa in the Global Cold War, 1967-1979' (University of Lausanne, 2018), unpublished PhD thesis
- Williamson, Jeffrey G., 'Globalization, Convergence, and History', *The Journal of Economic History*, 56.2 (1996), p. 277–306.
- Wilson, Rodney, *Economic Development in the Middle East* (London; New York: Routledge, 1995)
- Winham, Gilbert R., *International Trade and the Tokyo Round Negotiation* (Princeton: Princeton University Press, 2014)
- Witschi, Beat, *Schweizer auf imperialistischen Pfaden. Die schweizerischen Handelsbeziehungen mit der Levante 1848-1914* (Stuttgart: Steiner, 1986)
- Wood, Robert Everett, *From Marshall Plan to Debt Crisis: Foreign Aid and Development Choices in the World Economy*, (Berkeley: University of California Press, 1986)

- Yachir, Faysal, 'Wither the Arab World?', *Social Justice*, 23.1/2 (63-64) (1996), p. 184–202.
- Yaqub, Salim, *Imperfect Strangers: Americans, Arabs, and U.S.–Middle East Relations in the 1970s* (Ithaca: Cornell University Press, 2016)
- Yaqub, Salim, 'The Cold War in The Middle East', in *The Cold War in the Third World*, ed. by Robert J. McMahon (Oxford; New York: Oxford University Press, 2013), p. 11–26.
- Yishai, Yael, 'Israeli Annexation of East Jerusalem and the Golan Heights: Factors and Processes', *Middle Eastern Studies*, 21.1 (1985), p. 45–60.
- Zacek, Thomas, 'Die Förderung privater Direktinvestitionen. Die ersten bilateralen Abkommen über den Schutz und die Förderung von Kapitalinvestitionen mit Tunesien, Niger und Guinea', in *Von der Entwicklungshilfe zur Entwicklungspolitik*, ed. by Peter Hug and Beatrix Mesmer (Bern: Schweizerisches Bundesarchiv, 1993), p. 335–349.
- Zala, Sacha, 'Historiografische Anmerkungen zur Geschichte der schweizerischen Aussenbeziehungen in der Nachkriegszeit', *Traverse. Zeitschrift für Geschichte*, 20 (2013), p. 242–257.
- Zala, Sacha, 'Publications sur les relations internationales de la Suisse parues depuis la fin de la Guerre froide', *Relations internationales*, 113 (2003), p. 115–33.
- Zala, Sacha, Bürgisser, Thomas, and Steiner, Yves, 'Die Debatte zu einem «geheimen Abkommen» zwischen Bundesrat Graber und der PLO. Eine Zwischenbilanz', *Schweizerische Zeitschrift für Geschichte*, 66.1 (2016), p. 1–24.
- Zeller, Christian, *Globalisierungsstrategien. Der Weg von Novartis* (Berlin: Springer-Verlag, 2001)
- Zilberfarb, Ben-Zion, 'From Socialism to Free Market – The Israeli Economy, 1948–2003', *Israel Affairs*, 11.1 (2005), p. 12–22.
- Zilberfarb, Ben-Zion, 'The Short- and Long-Term Effects of the Six Day War on the Israeli Economy', *Israel Affairs*, 24.5 (2018), p. 785–798.
- Zingg, Prisca, 'Diplomatischer Erfolg in Ägypten. Das schweizerisch-ägyptischen Entschädigungsabkommen vom 20. Juni 1964', in *Gouvernementale Aussenpolitik: Staatsverträge (1848-1996), Bundesratsentscheide zur Aussenpolitik (1918-1976) und Fallbeispiele*, ed. by Schweizerisches Bundesarchiv (Bern: Schweizerisches Bundesarchiv, 1999), p. 101–116.
- Zisser, Eyal, *Asad's Legacy: Syria in Transition* (New York: New York University Press, 2001)
- Zisser, Eyal, 'Syria and the October War. The Missed Opportunity', in *The Yom Kippur War: Politics, Legacy, Diplomacy*, ed. by Asaf Siniver (Oxford; New York: Oxford University Press, 2013), p. 67–83.
- A Chronology of UNESCO, 1945-1987* (Paris: UNESCO, 1987)
- 'Aktuelle Probleme und Zukunftsperspektiven der ERG im Rahmen der Beziehungen Schweiz - Dritte Welt. „Round-table“-Diskussion zwischen Vertretern des Bundes, des Vororts, des SBV, des SGB und Hilfswerken, vom 10. Juli 1985 in Bern unter der Leitung des IUED, Genf', *Schweizerisches Jahrbuch für Entwicklungspolitik*, 5, 1985, p. 123-53.
- 'Beyond and Between the Cold War Blocs', *International History Review*, 37.5 (2015)

- 'Open Door in the Middle East', *MERIP Reports*, 31, 1974, p. 3–28.
- 'Roundtable: Relocating the Cold War', *International Journal of Middle East Studies*, 43.2 (2011), p. 313–325.
- 'Suisse et Guerre froide dans le tiers-monde', *Relations internationales*, 163.3 (2015)
- Suisse* (Paris: OECD, 1978)
- World Development Report 1983* (World Bank Publications, 1983)
- Who owns whom. Der schweizerische Beteiligungsatlas* (Zürich: U. Bär, 1981)

