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COMMERCIAL NEWS

THE AMERICAN TARIFF ON WATCHES. A Blow to Europe.

By Willy Bretcher, President of the Committee for Foreign Affairs of the Swiss National Council.

The question of the American tariff on watches has just been decided. President Eisenhower has ordered a 50 per cent increase, to become effective at once. In view of the present full employment and high degree of prosperity in the United States, no primarily economic reasons can have been responsible for this decision. Considerations of domestic policy must have played an important role. With the Congressional elections ahead, the Republican Administration probably deemed it opportune to make a concession to the protectionist demands of a group relatively insignificant in economic respects but politically influential. Against the pressure brought to bear by these special interests no voice in support of general considerations and of the principles of liberal trade policy — as expressed in the report of the Randall Commission, for example — has obviously been able to make itself heard in the right places.

Swiss public opinion will learn of President Eisenhower's decision with deep disappointment and profound regret. This tariff increase means a heavy blow to the Swiss watch industry, a very important part of the economy of a country with a traditional surplus of imports from the United States, a liberal import policy, low tariff rates, and a convertible currency. The raising of the already high tariffs on watches, which constituted a heavy burden, as it was, on this main item of Swiss exports to the United States, implies a serious threat to this branch of the Swiss export industry, which employs no less than one-tenth of the total Swiss industrial labour force. This fact, however, is overshadowed by the basic importance of the decision, a decision incompatible with the liberal trade policy time and again advocated by President Eisenhower himself, and — let us be frank — incompatible with the United States' present position of leadership in world economic policy.

Had the United States returned to isolationism after the Second World War, it might be understandable if under certain circumstances even important foreign trade relations were sacrificed to the dictates of domestic politics. In the awareness of its unique position America, however, deliberately and emphatically accepted the role of world political leadership that fell to it as a result of its participation in the great struggle of the peoples. Nor has its Government hesitated since to place the large economic and financial resources of the nation at the service of its foreign policy.

With the Marshall Plan, a project probably unique in history, it embarked upon a singularly generous policy of raising up and strengthening the democratic world by economic means. Year after year the American Congress voted very large appropriations for this economic aid. Can one imagine a bigger paradox than that of a nation spending \$30 billions on economic aid for Europe, then turning around and inflicting a heavy blow upon a democratic small State


by way of a measure of the narrowest high tariff policy, in order to "protect" three American watch manufacturing firms with an annual business total of \$90 millions and not in any demonstrable need?

It is obvious that the importance of the American business interests to be protected by the increased tariff rates is in no proportion to the importance of the watch industry in Switzerland. This typical Swiss export industry is being punished without regard to the fact that this very source of income made it possible for Switzerland to buy goods freely in the United States. It is a case of reason shining by its absence.

It is even more depressing that with this measure the United States ruthlessly jeopardises the economic strength of a country whose very existence has for centuries been a living testimony to the ideas of democracy and freedom as upheld by the United States. No one claims to know more than the Americans do about the interrelation between economic well-being and political stability. But where is the practical application of this knowledge? Where is political reason when a Government, seeking to strengthen the democratic regimes everywhere by means of great financial sacrifice, deals a heavy economic blow to a nation which has a long tradition of developing and fortifying democracy from its own strength, and which constitutes an element of political health and stability in present-day Europe?

A last question remains to be raised. What, in the face of this decision, are all those European countries to think which suffer from a so-called dollar gap and are constantly being admonished by the United States to earn more dollars through their own efforts, through an increase of their productivity, and through an increased effort to compete in the difficult American market? If the United States punishes with a tariff increase a country which has so far been successful with its product on the American market in spite of high tariff rates, the other European nations will have to tell themselves that obviously it would be dangerous for them to attract attention with their products in the American market.

In the long run, and perhaps not until after having learned a costly lesson, the Americans will have to realise that it is impossible to squeeze Europe between the Iron Curtain of the East and a Tariff Curtain of the West. The cause of free enterprise and liberal trade, based on the recognition of an international division of labour, has been rendered a poor service by the decision just taken in Washington.



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