



Trump's Trade Wars Ensnare Switzerland

MEZZOVICO-VIRA, Switzerland—When Nicola Tettamanti looked at his phone Friday morning, his first reaction was disbelief: Overnight, President Trump had slapped Switzerland with close to the highest tariffs of any country in the world.

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Tettamanti is the chief executive of a 55-year-old precision toolmaking business nestled in this mountain-hugged town. He had planned in the near future to expand further into the U.S. by opening an office in Indiana.

His company, Tecnopinz, counts on the American market for as much as a fifth of

the demand for its components for industrial machines that make cars, planes and watches.

"I had to check my phone twice, I thought it was fake news," said Tettamanti on the company's factory floor, about two scenic hours by train south of Zurich. "This is a catastrophic scenario."

In a land famed for its neutrality and order, the Swiss reacted with shock and confusion to Trump's decision to impose a 39% tariff—higher than all but three nations on last week's executive order: Laos, Myanmar and Syria. Switzerland is one of the few nations whose Aug. 1 tariff rate

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was higher than Trump's "Liberation Day" threats in April.

The move upended months of negotiations in which Swiss officials believed they were on the verge of securing a favorable deal.

Business leaders and politicians are scrambling to understand why their historically stable relationship with Washington has suddenly fractured. The Swiss newspaper Blick called it the country's biggest defeat since French victory in the Battle of Marignano in 1515.

"Switzerland is not a threat to U.S. national security," said Jan Atteslander, member of the executive board at Swiss business organization Economiesuisse. "Our chocolate and watches don't endanger U.S. manufacturing."

Many here now wonder whether Switzerland's go-it-alone stance in the world should be jettisoned for a closer relationship with the European Union, which struck a more advantageous 15% rate with Trump.

"We're a small country, we're extremely vulnerable and we've just been humiliated," said Sherban Tautu, founder of Geneva-based asset manager Ten Edges Capital. "The cost of being independent suddenly becomes cruelly obvious to people."

The levy on Switzerland, which could still change until an Aug. 7 deadline, threatens to cripple key sectors of the Alpine nation's export-reliant economy. The U.S. is Switzerland's top export market for goods including watches, chocolates, drugs and machine tools. It puts the nation at a steep disadvantage to EU neighbors Germany, Italy and France.

Switzerland earns its every second franc from foreign trade and around 19% of its exports go to the U.S., its largest market, according to UBS. The relationship is a two-way street, however: Switzerland is the

sixth-largest foreign investor in the U.S., according to Economiesuisse, with major companies such as Nestlé, Roche and Novartis and others supporting some 400,000 American jobs.

But the key issue for Trump is that the nine million-strong nation has one of the largest trade imbalances with the U.S.

The deficit in goods has skyrocketed this year amid a

surge in pharmaceutical and gold imports looking to get to the U.S. ahead of anticipated tariffs. The deficit was nearly \$50 billion this year through May, ranking as the fifth-largest goods-trade imbalance among U.S. trading partners.

In June, the U.S. Treasury Department added Switzerland to its watchlist for unfair economic and currency practices. During Trump's first term, it labeled Switzerland a currency manipulator, accusing it of weakening the franc to aid exports. The central bank has said it intervenes in currency markets to stabilize inflation, not for trade advantage.

Addressing crowds on Friday gathered to celebrate the country's founding charter, signed in 1291, President Karin Keller-Sutter said "Switzerland has repeatedly experienced storms" and will find a solution.

For months, Keller-Sutter and her officials had been negotiating a deal that would see Switzerland invest around \$150 billion into the U.S. and keep its exports at a lower tariff rate than for the EU.

The two sides met in Washington in April, after which Keller-Sutter said Switzerland was one of 15 countries the U.S. was working with on negotiations to reach fast deals.

Switzerland gained further

credibility when it hosted trade talks between the U.S. and China in May that led to a dialing down of hostilities. In recent weeks, Swiss government officials suggested a deal was in its final stages. That optimism evaporated

late Thursday after a phone call with Trump, following which Keller-Sutter posted on X that "no agreement could be reached."

"We have a \$40 billion deficit with Switzerland. That's a big deficit," Trump said on Friday.

Rahul Sahgal, chief executive of the Swiss-American Chamber of Commerce, said his group worked on 20 or so rounds of negotiations between Swiss and U.S. officials in recent months. He said the \$150 billion on the table for Swiss investment into the U.S. is far more per Swiss person than other countries have committed.

"We will never be able to import the same amount of goods from them as they will be able to from us. Even if the Swiss drink bourbon every day and buy a Harley-Davidson, the trade deficit is not going to change," Sahgal said.

Some companies took immediate action. The Lucerne-based confectionery maker Confiserie Bachmann—known for its Schutzenseli, or handcrafted guardian-angel chocolate truffles—closed its online shop to U.S. customers to avoid the new levy.

"We will survive without the American market but it was a growing market for us," said Raphael Bachmann, the managing director of the more than 125-year-old family business, whose father started selling to U.S. customers de-

cades ago. "Enjoyment normally knows no boundaries, but our guardian angels don't fly through walls of customs

papers."

The overall economic hit will depend on whether the rate is negotiated down, and whether pharmaceuticals, which are currently exempted, remain so.

If the tariff were to remain in place, it would knock around 0.6% off the Swiss gross domestic product—and significantly more if the exemption on pharmaceutical goods is removed, Capital Economics wrote in a note to clients.

It is precisely this uncertainty that has dogged Tettamanti's company for months. Tecnopinz has been exporting to the U.S. since the 1980s. But since Trump's second term began, most of its American business is on ice.

Walking around his facility, where wardrobe-sized machines and robotic arms shape, mill and grind pieces of steel, aluminum and titanium into polished industrial clamps and other components, Tettamanti lamented the "loss of trust" that Trump's trade policies are causing.

"I have American customers that have bought from us for years and are now saying, 'Nicola, we need to put it on hold, we need clarity on tariffs,'" Tettamanti said. "Well, the clarity we just got is a slap in the face."

For some in Switzerland, the country's usually close relationship with the U.S. is now under question.

"We're a small country, we can't pressure the U.S.," said Karl Gschwend, a pensioner living in Zurich who used to work as an electrical engineer and had U.S. customers. "Now I wouldn't want to work with Americans if I had to. Well, maybe in three and a half years when Trump is gone."



For the Tecnopinz precision toolmaking business in Zurich, U.S. tariffs are a 'catastrophic scenario.'

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