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Swiss to make 'more attractive' offer in hopes of cutting tariff

BY LIZ ALDERMAN

PARIS

**Without a trade deal
the country faces a levy
of 39 percent on goods**

After days of hand-wringing in Switzerland about why President Trump targeted the country with a punishingly high tariff, the Swiss government held an emergency cabinet meeting this week and announced it would present Washington with a "more attractive offer" to reduce the levy before it takes effect.

At the same time, the government said on Monday that it was preparing measures to shield Switzerland's economy "in the event of temporary and unavoidable job losses caused by the new tariffs." If the country doesn't agree to a trade deal, Swiss goods will be hit with an eye-popping 39 percent tariff in the United States, starting Thursday.

The Swiss were stunned on Friday when Mr. Trump set the tariff rate on goods from its longtime European ally at one of the highest levels in the world. The announcement set off a frenzied weekend of discussions and recriminations over how a 20-minute phone call on

Thursday between Mr. Trump and President Karin Keller-Sutter of Switzerland appeared to have slid off the rails.

"We had no indication even in the last hours before the call of the president that it could end in this manner, and above all, no indication that we would be hit with such a punishment," the Swiss economy minister, Guy Parmelin, said in an interview on local radio.

Mr. Parmelin gave no details on what the Swiss could offer Mr. Trump to sweeten a deal and said one could be "difficult to achieve" by Wednesday. But the Swiss noted that countries that wound up securing a better outcome had done things like increase investment pledges and vow to buy more U.S. energy products, he added.

Mr. Parmelin said the Swiss had held "good negotiations" with White House officials, including U.S. Trade Representative Jamieson Greer and Commerce Secretary Howard Lutnick. They had been aiming to secure a 10 or 15 percent tariff, although U.S. officials "were always clear that at the end, it's the president of the United States who decides," Mr. Parmelin said.

When Mr. Trump was asked on Saturday why he singled out Switzerland for such a high tariff rate, he told reporters

it was because of "a big deficit." The United States ran a \$38.5 billion trade deficit with Switzerland last year.

As Mr. Trump seeks to reshape global

trade, he has focused squarely on the gap between what America buys from abroad and the amount of U.S. goods purchased in return. Those with large gaps, like Switzerland, have been hit with high import taxes.

Switzerland is an unusual case because two-thirds of its recent exports to the United States were gold bullion and bars refined in Swiss foundries. The Swiss central bank has suggested that gold, which is exempt from Mr. Trump's tariffs, shouldn't be counted in the trade balance sheet. Excluding gold, Switzerland's largest export is pharmaceuticals, which are temporarily excluded from U.S. import taxes while Mr. Trump considers imposing a sector-specific tariff.

Swiss negotiators believed that they had explained all this to their American counterparts. During the negotiations, the actions of Swiss pharmaceutical companies, which include the drugmaking giants Roche and Novartis, were not seen as a hurdle to a tariff deal, said Rahul Sahgal, chief executive of the Swiss-American Chamber of Commerce, which took part in some of the trade talks.

Agriculture was also not cited as a hurdle, he said, as Switzerland already allows the import of some U.S. farm goods at a low tariff rate.

In addition, the Swiss made the case that their companies invest more in the

United States than any other country per capita. The Swiss also announced a deal in 2021 to purchase 36 next-generation F-35 American fighter jets.

"We thought we had discussed and negotiated something that was fine more or less for both sides," said Mr. Sahgal, a former Swiss diplomat in

Washington. "The idea of the phone call between the Swiss president and Donald Trump was to have kind of a final concluding discussion, and not necessarily, one where everything was put back into question."

Swiss industry groups warned that a 39 percent tariff would have a signifi-

cant impact on the Swiss economy. Switzerland's famous watchmakers would have a hard time absorbing a 39 percent rate, said Yves Bugmann, president of the Federation of the Swiss Watch Industry.

"It would be difficult for watch brands, and for U.S. consumers and retailers," he said, adding that some small companies in the industry had put employees on temporary furlough since Mr. Trump imposed a 10 percent tariff in

April.

As it is, the Swiss government is making provisions to help companies if they need to furlough more employees for longer periods. Swiss companies that make precision instruments and machinery, as well as parts for Swiss watches, have put more employees on short-term furlough since April, said Hans Gersbach, a director at the KOF Swiss Economic Institute at ETH Zurich.

"This will increase substantially if the higher tariffs are put in place," he said.

A 39 percent tariff rate on goods, excluding pharmaceuticals, could subtract 0.3 percent from Swiss economic growth, costing every Swiss citizen about 300 Swiss francs (\$371) per year, according to the institute. If pharma were to take the same tariff hit, the economic hit would more than double, potentially pushing the economy into a recession.



ROBERT HRADIL/GETTY IMAGES

A high-end shopping street in Geneva, Switzerland's watch industry would be hit hard by steep U.S. tariffs. Pharmaceuticals are temporarily spared the import levies.