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papers during the last few years, and I take it as given that you all know the arguments for and against, and there is no further reason to go into this question any more.

Fiscal Legislation.

The numerous expenses which have to be faced by the Swiss Government as well as the Cantonal Governments especially as far as social legislation is concerned, have naturally their counterpart in continuously rising fiscal charges which have to be supported by all the categories of life and especially by the industrial undertakings.

The complaints regarding the imposition of excessive taxes on Swiss industries have been heard long before the War. Without considering it as a reason for starting the emigration of Swiss industries to foreign countries, one can nevertheless take it as given that the high taxes have contributed in a small way to this movement.

We must not forget that quite a lot of industries in Switzerland, which during the War have been able to make reasonable profits, entered shortly after peace was declared into a period of crisis and general business depression — the years of the fat cows were replaced by years of lean ones — but the fiscal charges continued merrily, not only on the same basis but were even increased, and increased still more by a number of firms going out altogether. In addition, the legislation for unemployment did not make things easier. It is, therefore, very understandable that the high fiscal charges actually carried by Swiss industries, are mentioned each time this question of emigration comes up.

Naturally, the State is seriously affected by this transfer of industry and it is in its own interest for public bodies and industries to be protected against excessive taxes.

The Rate of Exchange.

In examining the repercussion of different circumstances after the War on the question under study, we find that the high rate of exchange of Switzerland has very much favoured this emigration movement, but on the other hand, we must be quite clear that it would be a mistake to say that this was a principle reason for Swiss industries starting their activities abroad.

It is quite right to say that the high rate of exchange has increased the cost of production and made sales difficult, but what about the other side of the matter? Here again we come to a point which could be made the basis for a whole evening's discussion.

The rate of exchange does not have an even influence on all the factors of production. On the side of raw materials which generally come from abroad we see its benefits; but on the side of transport and labour we see its drawbacks.

Facts in Relation to Sales Abroad.

One of the most striking facts of the economic structure of our country is that the bigger part of our great industries have no important interior market as is the case in France, England or the United States. The most important sections of the Swiss industry as such are the Export industries. The part of production destined for Export varies according to the industry, and we find cases where it comes up to 95%.

Export is therefore the necessary condition for existence of several of the Swiss industries which find themselves forced to maintain very active relations with the centres of consumption of their products abroad. The obstacles which have interrupted these relations have favoured very much the emigration of Swiss industries. Our dependence of foreign markets seems to be the most important point in the emigration of our industries. Every point that makes the access to certain Export markets difficult or impossible, stimulates the emigration, whereas the disadvantageous position in which the Swiss industries find themselves from the point of view of cost of production are partly, in any case, compensated by the high quality of their production.

We find that of the difficulties which we have to overcome for the sale of our Swiss goods, those resulting from customs politics in the foreign countries play the most important rôle. It is therefore this point which we shall go more fully into.

Foreign Excise Policy.

It is quite evident that the increase of customs in foreign countries stand in direct relation with the tendency of Swiss industries to start manufacture in the respective countries, and this is also the reason of the respective legislation in the countries concerned.

The speed with which the Swiss industries react in this direction depends naturally upon the severity of the respective taxes.

In certain cases, it would still be possible and preferable for Swiss manufacturers to produce in Switzerland, as they probably have done for many years, before a decision is taken to start a factory abroad. It may be that the Works in Switzerland is able to obtain cheap electricity: it has also undoubtedly in every individual case

a certain sense of responsibility towards its employees. Such a factory has very probably *depreciated its assets considerably* during the many years of its existence, if not *entirely*, whereas a new establishment abroad invariably brings with it investment of large capital and all the problems in connection with the commencement of new Works. It may be that the protection of the foreign company is so strong that the Mother Company is confronted with a decision of either relinquishing entirely its market or starting manufacture abroad.

We can take here a very near lying example — the Nestlé and Anglo-Swiss Condensed Milk Company. Whereas for a number of years only the cheaper articles were manufactured in England, and the good quality lines were still imported from Switzerland, the last import duties on Chocolate and Confectionery made it quite impossible to continue this arrangement. The principle reason was naturally that the prices in England were at such a low level that they could not possibly support the import duty; therefore, this Company was obliged to transfer its entire manufacture to England or give up the English market to English competitors.

After the War we find the accentuation of protection not even saving the countries of Free Trade, like Great Britain. Since the War, the Custom measures find besides increased duties a specially dangerous form in the prohibition of imports, as for instance, importing chocolates into Germany. The import of watches to France comes under the same category.

General Advantages of Production in the Country of Consumption.

It is quite evident that the production of merchandise near to the centre of consumption has numerous advantages. These result definitely from the elimination of different obstacles which have made the production in Switzerland difficult or impossible. Further, in addition to these economic advantages, Swiss houses started to manufacture specialities abroad, which formerly came from Switzerland and generally found every support and all the facilities given to National producers in the respective countries.

To take an example, we have several cases where Swiss Machine manufacturers had no chance whatsoever of getting Government Orders in foreign countries as long as they did their work in Switzerland, but as soon as they started their own factories abroad they were able to participate, and do so with great success, in competition for public works, railways, ports, bridges, electric power stations, etc.

THE CONSEQUENCE OF EMIGRATION.

General Remarks.

We find that generally speaking emigration has favourable consequences for the *individual enterprise*, and rather *unfavourable* consequences for *Swiss national economy* as a whole. This is naturally because the transfer or creation of a factory in a foreign country is decided upon precisely in order to get a better result from the capital employed in the company. The advantages of emigration from the national point of view in general, seems therefore to be a partial recuperation of the losses of the general Swiss economy.

Favourable Consequences.

We take it as given that the new enterprise started by the Swiss Mother Company abroad has been thoroughly and carefully studied before any steps were taken, and all the factors entering into it have been taken into consideration. If therefore the production in the foreign factory is maintained on a permanent basis, there is reason to believe that the Mother Company in Switzerland will be satisfied with the results.

We have already studied the different reasons for emigration, and if we now consider that the new factory is near to its source of raw materials, near to a good market for cheap labour, there cannot be any question but that the production will be cheaper, and the result will have a general repercussion upon the results of the whole company.

(To be continued.)



FORTHCOMING EVENTS.

Tuesday, February 1st — City Swiss Club — Monthly Meeting (preceded by dinner at 7.15 p.m. sharp) at Pagan's Restaurant, Great Portland Street, W.

Wednesday, February 2nd, at 7.30 p.m. — Société de Secours Mutuels — Monthly Meeting, at 74, Charlotte Street, W.1.

Wednesday, February 16th — at 8 p.m. — Swiss Mercantile Society — Annual General Meeting — at Swiss House, 34/35, Fitzroy Square, W.

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Sonntag, den 23. Januar 1938.

11 Uhr morgens, Gottesdienst und Sonntag-
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7 Uhr abends, Gottesdienst.

8 Uhr, Chorprobe.

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