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WHY SWITZERLAND STOOD FIRM IN HAVANA.

After all, no country can be expected to commit economic suicide," concluded Minister Walter Stucki, leader of the Swiss delegation to the United Nations Conference on Trade and Employment, speaking in New York a few days before the Conference opened at Havana on 21st November, 1947.

The representatives of over sixty countries, which account altogether for about eighty per cent of international world trade met to consider the Draft Charter adopted on 22nd August, 1947, after six months of incessant deliberations at Geneva by the Preparatory Committee of eighteen countries. The main purposes of the Charter are: (1) To reduce tariffs and other barriers to trade, (2) to eliminate discriminatory treatment in international commerce, and (3) To establish the permanent International Trade Organisation to achieve the aims of the Charter.

As a country whose welfare depends essentially on the fullest possible scope for trade with other countries, Switzerland is in complete sympathy with the objects of the Conference. Switzerland did not, however, participate in the drafting of the Charter at Geneva. Although invited to take part in the deliberations at Havana, Switzerland had no voting rights, these being reserved exclusively for the United Nations.

As the statement made on 23rd December, 1947, by Mr. Clair Wilcox, Vice-Chairman of the U.S. Delegation, showed, the crucial issue of the Havana Conference was the question of "quantitative restrictions," that is to say, the right of any country to limit in any way the quantity of commodities it imports. This pronouncement from a competent authority showed that, while the American government recognised the impossibility of abolishing quantitative restrictions immediately and completely, "the issue, simply and solely, was whether quantitative restrictions might be freely used by everybody, all the time, or only used where and when there was no superior alternative." "The United States" added Mr. Wilcox, "has reluctantly come to the position that quantitative restrictions may be used for purely protective purposes in exceptional cases with appropriate safeguards."

According to the text of the Draft Charter, quantitative restrictions on trade and payments may be imposed only by a country whose currency is in danger, whereas a country whose currency is sound is compelled to keep its frontiers open. This is a condition that Switzerland could not accept. At present, only two countries in the world have a stable balance of payments — the United States and Switzerland. What useful object would be served, it is asked, by depriving one of these countries of the means of defending this stability?

This point of view was defended tenaciously by Minister Stucki at the Havana Conference on 5th January. The chief Swiss delegate proposed that a new article be inserted into the Charter reading:

"A Member, unable to invoke the provisions of Article 21 ("Restrictions to safeguard the Balance of Payments") and finding that its economic stability, particularly in the fields of agriculture and employment, is being seriously impaired or gravely threatened, may take such steps as are necessary for safeguarding its vital interests."

Introducing this amendment, Mr. Stucki declared that the Draft Charter put his country on the defensive, and that acceptance in its present form would be a catastrophe for Switzerland. The basic aim of the Swiss proposal, he said, was simply to permit Switzerland to adhere to the International Trade Organisation and to ratify the Charter. He added that without incorporation into the Charter of the principle underlying his amendment, Switzerland, to his profound regret, could not sign.

Switzerland, Mr. Stucki observed, does not fall into any of the three major groupings of countries represented at Havana: (1) Those nations — accounting for approximately 70% of world commerce — who participated at Geneva in the drafting of the Charter, (2) Nations experiencing balance of payments difficulties (whose interests are safeguarded by Article 21) and (3) under-developed countries. "Our situation is singular and our primary interests are not only not identical with, but are actually contrary to, those of nearly all other countries." That, in itself, implied the necessity for exceptional consideration.

"One might imagine from the foregoing" continued Mr. Stucki "that I represent a protectionist — or even an isolationist — country. But a few figures, as significant as they are surprising, prove the contrary. In 1946, imports into Switzerland aggregated Fcs.3,400 millions, exports Fcs.2,700 millions, that is to say, an import surplus of Fcs.700 millions. That itself was considerable. (In 1938, the import surplus was Fcs.290 millions.) The figures for 1947 are much more eloquent. Imports increased by Fcs.1,300 millions of Fcs.4,700 millions, while exports rose only to Fcs.3,200 millions, so that the surplus of imports reached Fcs.1,500 millions, that is to say, twice that of the year before.

"In 1946, the imports into Switzerland from the United States aggregated Fcs.548 millions, exports to U.S.A. Fcs.453 millions, — a deficit of Fcs.95 millions. In 1947, Switzerland increased her imports from U.S.A. by Fcs.484 millions to Fcs.1,032 millions, but her exports to U.S.A. decreased by Fcs.58 millions to Fcs.395 millions, so that Switzerland's deficit in trade with U.S.A. rose from Fcs.95 millions in 1946 to Fcs.637 millions in 1947.

"This enormous quantity of imports has been paid for without difficulty and without imposing any kind of restriction on the freedom and convertibility of the currency. Per head, the foreign trade of Switzerland in 1947 amounted to \$400 as against only \$97 in U.S.A.. In her trade with other countries, the

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deficit per head of Switzerland was Fcs.350, whereas U.S.A., also a creditor country, actually has a surplus per head of Fcs.150.

"No country in the world consumes as much imported merchandise as Switzerland. In 1947, the amount was \$250 per head, while the corresponding figure for U.S.A. was only \$33, or one-eighth of that of Switzerland . . . I believe this demonstrates convincingly that Switzerland is not a protectionist country, lacking comprehension of the necessities of world commerce.

"If you were to ask our business men whether, generally speaking, they had any reason to complain of the present commercial policy of Switzerland, and whether any change of policy were desired, you would almost invariably receive a negative answer. As regards the attitude in Switzerland towards the Charter, all political parties and all economic groups are unanimous.

"Despite the almost overwhelming deficit of our foreign trade balance, we have no intention of changing our system or our policy. But we are obliged to safeguard ourselves against further serious aggravation of this deficit. Above all, we dare not deprive ourselves of our only trump card in the economic game of nations, wherewith up till now we have been able to keep our currency safe and sound, and — despite all difficulties — maintain a certain volume of exports.

"If, in spite of the fact that many of our customers suffer from a lack of hard currency, and although certain of our staple products are all too often regarded as luxury or semi-luxury commodities, Switzerland has been able to maintain her economy at a relatively high level, the reason is to be found in her judicious trade policy which, while liberal, is based on the principle of *quid pro quo*. The proposed amendment, said Mr. Stucki, was purely and wholly defensive. Without some such provision, the Charter would deprive Switzerland of her only weapon in the eternal play of international business. Would it be fair to take away this sole means of defence of which, up till now, Switzerland has never made any use? Heretofore it has always been enough merely to recall its existence.

"If Switzerland were to accept the Charter as it stands now, the consequences would be that nearly 87% of our exports would be at the mercy of countries empowered by the Charter to apply quantitative restrictions. To obtain hard currency, many countries would apply discriminatory measures against Switzerland so as to increase to a maximum their surplus of exports over imports. With no other protection than an import duty of 8%, we should be inundated. Our balance of payments would be upset and our reserves quickly exhausted. What interests have the countries represented here in seeing one of the few remaining sound and convertible currencies disappear? That could hardly be one of the aims of the Charter."

On 4th February, the International Trade Conference rejected the Swiss amendment. The American delegation opposed the motion because it involved a question of principle on which no compromise could be envisaged. Finally, a special working group was formed "to study the peculiar problem raised by Switzerland."

But Switzerland remains adamant.

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