

# GENERAL AGREEMENT ON TARIFFS AND TRADE

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## ADJUSTMENT ASSISTANCE PROGRAMMES OF SWITZERLAND

### Statement Submitted by the Government of Switzerland

#### I. Introduction

1. By virtue of the principles underlying Switzerland's economic policy, the State leaves changes in the industrial structures to the interplay of the laws of supply and demand and the interaction of economic and social forces. Consequently, the main rôle in the functioning of the Swiss economy is played by industry itself; in the main, the public authorities only intervene in economic activities where measures are called for to safeguard the interests of the public at large. This system, in which individual capacity and private initiative are stimulated by competition, is regarded in Switzerland as the best means of ensuring optimum growth.

2. As the Swiss authorities pointed out in earlier notifications (COM.TD/W.6 and COM.TD/H/3), the country's lack of natural resources has led industry for the most part to devote itself to the processing of imported commodities and the finishing of semi-manufactured products. Undertakings tend to concentrate on the manufacture of quality articles for consumption, and on capital goods of high technical sophistication. They also make a speciality of adaptation to specific demand.

The policy of tariff protection in Switzerland is thus very moderate, and the Swiss market is liberally accessible to industrial products from abroad. Constant market competition stimulates undertakings to adapt their methods to the changing conditions of supply and demand. In addition, Switzerland has always actively participated in multilateral negotiations designed to liberalize trade at the world level.

3. Indirectly, the economic situation likewise influences industrial structures. In this connexion, the emergency economic measures which had to be adopted in 1963 and 1964 to combat inflationary pressure have had a significant effect on rationalization and automation in industry. Since the manpower supply cannot cope with the demand, many undertakings have had to increase the proportion of capital investment in their production arrangements so as to take advantage of the resources of technological progress.

## II. Measures taken by industry

4. The structural adjustment in industry has involved a variety of measures:

- (a) Modernization, rationalization of production and automation.<sup>1</sup>
- (b) Abandonment of certain types (or certain phases) of production with a view to increasing the level of specialization in competitive production.
- (c) Transfer of certain phases of production abroad, especially labour-intensive phases.
- (d) Concentration by absorption or fusion and co-operation in certain spheres.<sup>2</sup>
- (e) Vocational training (with the assistance of the authorities, economic bodies are anxious to develop vocational training of workers. See III.9 below.)

5. Two facts in particular bear witness to the efforts made by Swiss industry to adjust its structures.

In the first place, industrial productivity has improved steadily over the last few years.<sup>3</sup> Secondly, the size of undertakings has changed considerably. Between 1955 and 1965, the number of production units employing between 100 and 499 persons increased by 50 per cent, and that of undertakings employing 500 persons or over increased by 37 per cent; conversely the number of one-man businesses fell by 17 per cent, and that of businesses employing two or three persons by 7 per cent.

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<sup>1</sup>It may be pointed out in this connexion that some branches of the textile industry, cotton in particular, have introduced systems of collective assistance in scrapping and modernizing equipment. On this basis, weaving and spinning mills have been closed and weaving looms have been discarded.

<sup>2</sup>Instances of concentration have arisen for example in the foodstuff industry and the engineering industry. In the latter case, co-operation agreements have been concluded between large undertakings; the same is true of the textile industry.

<sup>3</sup>While the figures are not absolutely comparable, it may be pointed out that if we take 1958 = 100, the employment index in 1966 was 118.7 and the production index 159.

### III. The policy of the Swiss authorities.

6. As indicated above, the economic principle followed by the authorities in Switzerland is to leave the adjustment of structures to the interplay of the laws of supply and demand. But in some instances, the Federal and Cantonal authorities have departed from this rule and adopted measures which, directly or indirectly, encourage the adjustment of production to market conditions. However, this intervention is kept within relatively narrow limits. Its purpose is general, in particular the improvement of conditions conducive to the growth of productivity. It is not specific in character, in other words it is not intended to apply to a given sector of industry. Intervention is sometimes permanent; at other times it is temporary, and governed by the situation of the economy at a given moment. Let us look first of all at the measures of indeterminate duration.

7. Competition is the main factor in Switzerland making for structural adjustment in small businesses and in industry. To stimulate this competition, the Federal authorities have two devices at their command. The first, which has been applied over a long period, is the Confederation's liberal tariff and non-tariff policy. By charging only moderate duties on imports of industrial products and not imposing quantitative restrictions, Switzerland offers liberal access to its markets for products from abroad. This liberal practice is, moreover, bound up with the observance by Switzerland's trading partners of an export policy which avoids measures calculated to falsify competition.

By thus exposing Swiss firms to competition, Switzerland forces its industry to keep a constant watch on the organization of production and on manufacturing programmes. In the last few years, the pressure exerted by imports has obliged many Swiss undertakings to rationalize their production, to modify their manufacturing techniques and frequently also to give up certain types of production.

8. Obstacles to competition in the form of certain restrictive trade practices have also been looked into by the Federal authorities. In 1962, Parliament enacted a law on trusts and similar organizations.<sup>1</sup> This Law is based on the principle of possible competition, in other words, essentially it is concerned with malpractices by trusts, such as embargoes on purchase and delivery, the blacklisting of employers, price discrimination, etc. The 1962 Law also set up a Commission on trusts. In the course of a few years, this Commission has

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<sup>1</sup>Federal Law on Trusts and Similar Organizations, 20 December 1962.

carried out a number of investigations into conditions of competition in various sectors. As a general rule, the findings are made public, and whenever it sees fit to do so, the Commission makes appropriate recommendations to the undertakings or associations concerned. Where necessary, the Federal authorities can also take legal proceedings.

9. Adjustment of the economic structures by the Swiss authorities is not confined to stimulating competition. In particular, they have taken measures in the labour field to encourage training at various levels in small businesses, industry and trade. The current legislation, which takes account of the increased need for highly-skilled personnel and the growing mobility of the labour force, allows the Confederation to subsidize the work done by the Cantons and the professional associations.<sup>1</sup>

10. As regards assistance measures in the field of capital, it may be mentioned that some Cantons encourage industrial investment by a liberal assessment of the initial amortization arrangements.

11. Current economic policy is likewise designed to influence, although indirectly, the organization of production. This was true of the measures adopted in 1963 by the Swiss Government in the labour field.

For many years, Swiss undertakings have been calling in foreign manpower because of the shortage in the employment market. At the beginning of the 1960's, the number of foreign workers had increased to such an extent that the Federal authorities were obliged to take measures to restrict the influx of foreign labour and to limit the overall strength of industrial staffs.<sup>2</sup> These measures have had the effect of encouraging undertakings to introduce automation into their production, and to direct their investments towards rationalization rather than expansion.

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<sup>1</sup>Federal Law on Vocational Training, 20 September 1963.

<sup>2</sup>Federal Decree restricting the Admission of Foreign Manpower, 1 March 1963. This Decree has since been renewed from year to year, subject to a certain flexibility.