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Consultation on Reservations

Statement by the Swiss Representative at the Plenary Meeting of 16 November 1960

The Declaration on the Provisional Accession of Switzerland to the General Agreement of 22 November 1958 provides, in paragraph 1:(c) that the Government of the Swiss Confederation shall, following the entry into force of the Declaration, enter into consultations with the CONTRACTING PARTIES. These consultations - which we herewith initiate - concern the reservations which Switzerland made, at the time of its accession, with respect to Articles XI and XV of the General Agreement. The objective of the consultations is - according to paragraph 1:(c) - "to find solutions compatible with the basic principles of the General Agreement to the problems dealt with in the reservations".

With your permission, Mr. Chairman, I should like to refrain, at this initial stage of the consultations, from any comments on the reservation we made with respect to Article XV of the General Agreement. As you know, this reservation has to do with Swiss monetary policy; it springs from the fact that Switzerland has not joined the International Monetary Fund and is not prepared to conclude a Special Exchange Agreement with the CONTRACTING PARTIES. However, since the monetary policy pursued by our country is absolutely orthodox and has never been a target of criticism from any quarter, I might leave this point aside, at least for the time being.

I shall not comment either on the reservation we made as to the applicability of Article 11 of the Federal Law of 28 September 1956, which concerns the only Swiss import restriction still in operation in the industrial field: heavy lorries. This restriction is of a residual character and not of great practical importance.

The very essence of our membership problem is to be found, as you all know, in the agricultural import restrictions we still maintain in derogation of Article XI of the General Agreement. Here, the CONTRACTING PARTIES are treading on familiar ground; since if there is one problem that has been debated over and over again in all its manifold aspects in GATT it is surely the agricultural problem. It is no accident that Switzerland, a highly industrialized country with a residual hard core of agricultural protection, should represent one of the typical aspects of the problem. But it certainly is an accident that our country,

although its policies in the field of agriculture are by no means different from the policies of other countries in a similar position should only be a provisional member of GATT, while these other countries enjoy full membership and no inclination exists on the part of the CONTRACTING PARTIES to deprive them of this status. What I would like to impress upon you is the paradoxical character of this situation, the lack of justification to accord dissimilar treatment to similar cases.

Now, I know full well all the arguments that might be advanced to question the validity of the statement I just made. It might be said that Article XI of the General Agreement applies indiscriminately to both industrial and agricultural products. One might add that the principal reason permitting the maintenance of import restrictions, namely the existence of balance-of-payments difficulties, is no pretext for retaining such restrictions if they are not defensible on balance-of-payments grounds. One might further point to the fact that countries emerging from balance-of-payments difficulties are entitled to uphold agricultural import restrictions as a residual measure and for a very limited period only, or then have to apply for a waiver of which there are celebrated examples.

All this being said, the fact remains that countries in a situation similar to that of Switzerland have retained their agricultural restrictions, no matter whether they are or are not in balance-of-payments difficulties. Furthermore - and here I must apologise for being quite outspoken - there does not seem to be much of a chance that they will do away with most of these restrictions in the foreseeable future. So what I say boils down to simply this, that there are important provisions of the General Agreement which are not applied and will, in all probability, never be applied by a considerable number of countries.

I would go far beyond the scope of my present statement if I tried to propose any specific solution to a problem which, I think, is serious because it strikes at the very root of the General Agreement. Let me just make it perfectly clear that I have the fullest possible appreciation for the point of view which has so ably and so eloquently been defended on many occasions by the agricultural exporting countries. I sympathize with the disappointment and even bitterness they are bound to feel to see the products of their industry treated on a different scale and in a different way. Despite my sympathy with their reactions, I still think another way will have to be found to do justice to their interests rather than to force them to stick to an argument which, respectable though it may be, is at the same time so unrealistic that its constant repetition is only so much proof of its intrinsic lack of strength. But this is a huge problem which the CONTRACTING PARTIES will have to tackle one day, sooner or later, and which little Switzerland cannot do much about, this way or the other.

There are other arguments than just simple fairness and equality of treatment on which Switzerland's claim to be accepted as a full member of GATT can be based. We recognize that we are protecting part of our agricultural

economy by instruments whose number and variety is much more impressive than what they actually do achieve. What we intend to maintain by means of these protective measures is not more than a minimum of agricultural production. It could not be maintained without some protection since topographic conditions are very unfavourable and production costs exceptionally high. Furthermore, we do not wish to change the basic principles on which our agricultural structure rests, although a comprehensive government programme is underway whose aim it is to transform small units progressively into medium size family farms which are better suited for a rational management. For both these elements, the maintenance of a hard core of agricultural production and the maintenance of a suitable structure, there are reasons economic as well as social, military and political. There is no need to stress the importance of these various factors again, because you all remember from former Swiss statements that our agricultural policy represents the will of the whole Swiss people which solemnly sanctioned it in a popular vote held nine years ago. The Government is bound by this decision, and there is not much it can do to change the fundamental aspects of our agricultural policy as it is embodied especially in the Federal Law of 3 October 1951.

This candid description of our policy, as far as it expresses itself in protective measures, does not give you, by any means, a full picture of the situation. If there is protection, there is at least as much freedom. Imports as a source of supply rank equal to domestic production. The figures reveal, in this respect, an astonishing picture. Consumption of foodstuffs in Switzerland is on a very high level, far higher than the average of European countries. About one third of all we eat comes from abroad if we consider quantities; it is one half, calculated on a caloric basis. We pay about \$500 million every year for imports of agricultural products, a very considerable amount for a small country of only just 5 million inhabitants. On a per capita basis we are, next to the United Kingdom, the largest importer of agricultural products of the whole world.

Our agriculture is not at all - if I may put it this way - of an aggressive nature. The increase in agricultural production is far below the world average. So it comes as no surprise that the part provided by domestic production to cover total consumption has remained stable and shows, in recent years, even a slowly receding tendency. There is no such target as to provide the whole supply of the country by its own domestic production. In quite a few instances, stringent measures are in operation aimed at limiting the production of certain agricultural commodities. Agricultural exports, though important as a source of income for our farmers, are definitely not a danger for anyone; they amount to only one fifth of our agricultural imports, \$90 million upon an annual average.

Last but by no means least: there is no intention on our part to do anything that might impair the existing situation which provides maximum access to the Swiss market for agricultural exporters. It is, in other words, the policy of our Government to maintain, if at all possible, the present degree of liberalization for agricultural imports. Viewed from this angle, the very general reservation contained in paragraph 1:(b) of the Declaration

on Swiss Accession as to the applicability of the existing agricultural legislation goes beyond what is actually done on the basis of this legislation. If we insisted on a general exception, it was by no means for want of liberal intentions, but mainly out of concern lest the competitive situation of our agriculture be compromised, be it that export markets for our agricultural products should be partly or completely lost, be it that the practice, existing here and there, of subsidizing agricultural exports to Switzerland should receive increased emphasis. We shall obviously have to reserve our freedom of action also in the future if a danger of this kind should materialize.

We would feel grateful if the CONTRACTING PARTIES would give serious and sympathetic consideration to the ideas I took the liberty of putting before you. They were necessarily of a summary nature and do not at all claim to exhaust a subject that is so intimately linked up with the fundamental objectives of the General Agreement. What we are proposing to the CONTRACTING PARTIES is a realistic approach to the problem of Switzerland's accession, to consider what we do - and are prepared to continue to do - in the field of economic reality, rather than to use our agricultural policy once again as a starting point for a general debate that would not really centre on what is good and healthy and promising in the Swiss situation.

We are suggesting, in short, to maintain a policy that has made us the second largest per capita importer of agricultural products in the world, a policy that not only gives maximum access to our market, but will ensure, by its very nature, ample opportunity to increase the share now held by agricultural exporting countries. Is there, Mr. Chairman, - always remaining in the realm of economic reality - any better contribution Switzerland can make to the solution of the world problem of agriculture? And is it fair to deny us full access - to use the same magic word - to the distinguished circle of the CONTRACTING PARTIES?