

GENERAL AGREEMENT ON TARIFFS AND TRADE

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Third Annual Report by the Government of Switzerland Under Paragraph 4 of the Protocol for the Accession of Switzerland

Paragraph 4 of the Protocol for the Accession of Switzerland to the General Agreement on Tariffs and Trade provides that Switzerland shall furnish annually to the CONTRACTING PARTIES a report on the measures maintained consistently with its reservation "with regard to the application of the provisions of Article XI of the General Agreement to the extent necessary to permit it to apply import restrictions pursuant to Title II of the Federal Law of 3 October 1951 as well as pursuant to Article 11 of the Federal Decree of 28 September 1956/28 September 1962 and to the Swiss legislation concerning alcohol and wheat based on Articles 32 bis and 23 bis of the Federal Constitution".

The first report (document L/2903 of 11 November 1967) covered the period from 1 January to 31 December 1966 and the second report (document L/3076 of 15 October 1968) the period from 1 January to 31 December 1967. This third report covers the period from 1 January to 31 December 1968.

The Council appointed a working party to undertake a first triennial examination of the application of the provisions of paragraph 4 of the Protocol for the accession of Switzerland. This report was prepared as a working document for that examination. Reference may also be made to document COM.AG/W/19 and Addenda of the Agricultural Committee which contained fuller information on the products considered by that Committee.

A. Legal basis of the Swiss restrictions

The import restrictions refer exclusively to agricultural products; the legislation on which their application is based has not been amended during the period under reference. It is as follows:

1. Federal Law on the Improvement of Agriculture and Maintenance of the Peasant Population (Agriculture Act), 3 October 1951;
2. Federal Law on Alcohol, 21 June 1932/25 October 1949;
3. Federal Decree of 28 September 1956/28 September 1962 concerning Measures of Economic Protection vis-à-vis Foreign Countries;
4. Federal Law on National Wheat Supplies (Wheat Act), 20 March 1959.

B. Products subject to quantitative restrictions

No new products were brought under quantitative restrictions during the period under consideration, nor has there been any change as regards the administrative bodies responsible for the application of these restrictions.

C. Application of restrictions

1. Bread cereals; flour and bread cereals; seeds of bread cereals

Article 23 bis of the Federal Constitution makes the Confederation responsible for ensuring food supplies for the country by maintaining the necessary reserves of wheat, encouraging domestic wheat production and ensuring the maintenance of the national milling industry, while at the same time respecting the interests of the consumers of flour and bread. The Article in question lays down in general terms the system to be used and establishes the principle that the Confederation shall supervise the trade in wheat.

(a) Bread wheat

There is no quantitative restriction at the frontier, and import permits are granted provided only that those who receive them (commercial millers and wheat merchants) keep a certain permanent reserve of wheat of good marketable quality. At the same time commercial millers must take over, on the basis of the average cost price of foreign wheat, domestic wheat which has been purchased by the Confederation. The quota of domestic wheat which they are obliged to accept is laid down by the Wheat Administration as a percentage of the quantity of wheat handled by each mill. The authorities may exempt millers from this obligation if they are handling hard wheat or if they transform foreign wheat for export in the form of bread flour or other products.

(b) Bread flour and hard wheat meal

According to Article 23 of the law concerning wheat supplies, the Federal Wheat Administration has a monopoly of imports but may not exercise this monopoly except in difficult periods, when the supply is seriously threatened or when there is a danger of war. Measures to control prices may also justify the exercise of this right. In these cases the Wheat Administration may import or have imported bread flour. It may also issue permits to industries for the importation of flour for technical purposes or for the manufacture of products for export and for imports of hard wheat meal for the manufacture of macaroni, spaghetti and the like. For this last purpose permits are granted to manufacturers up to 20 per cent of the quantity employed for the manufacture of macaroni and the like during the previous calendar year.

(c) Bread cereal seeds

On the basis of Article 23 bis of the Constitution, the Confederation encourages the production, purchase and use of certified domestic seeds. Consequently import permits are granted only when it appears that domestic production cannot meet the needs for good quality seeds; conditions are then laid down as to the varieties and qualities which are acceptable.

2. Cereals and feeding stuffs

Quotas for cereals and feeding stuffs are laid down in pursuance of the Federal Order of 28 September 1956/28 September 1962 concerning measures of economic protection vis-à-vis foreign countries.

Generally speaking, the Confederation encourage the ploughing of fields which have a surface such that it can be extended when necessary to ensure more fully the supply of food for the country. This encouragement to ploughing up fields should lead to a certain decrease in the production of livestock and particularly dairy cattle.

Imports are limited by fixing a global quota, which is released in quarterly allotments. The quota is fixed in the light of the aims outlined above and of the requirements of the country as regards feeding stuffs. On the basis of the global quota the Swiss Co-operative Society for Cereals and Feeding Stuffs (CCF), of which all importers are members, issues individual import permits. Importers must comply with the Federal provisions concerning reserves to maintain the food supplies of the country and those relating to the obligation to take over any surplus potatoes or sprouted wheat.

3. Dairy cattle and livestock for breeding

(a) Cattle, pigs, sheep and goats

In order to maintain the purity and quality of the stock and to protect mountain breeders whose efforts play an important part in ensuring an income for those regions, imports are permitted only in special cases: for cross breeding, improving the stock, making experiments in selection or research.

(b) Horses and mules (with the exception of animals for slaughter, race horses and ponies)

As a general rule the quota is fixed in the light of the possibility for domestic horses to reach the indicative prices fixed by the Department of Agriculture. Restrictions are imposed in order to safeguard the domestic breeding of horses, which has a certain importance from the military point of view.

At the beginning of each year the Department of Agriculture draws up a programme of imports after having consulted a Committee representing all those concerned. The number of horses to be imported may be increased subsequently in the light of the situation. The granting of an import permit is tied up with an obligation to take over a certain number of Swiss animals.

4. Animals for slaughter; meat

Imports are limited in quantity by means of global quotas which are generally fixed once a fortnight. An annual quota is laid down for frozen sausage meat, corned beef, pork butchers' meat, tinned ham and practically all forms of preserved pork. In the case of the last three of those categories account is taken of the bilateral quotas established by commercial treaties. For certain offal and special parts (tripe, beef tongue, liver and legs of animals intended to be used for dried meat) quotas are laid down quarterly. In practice the same rule applies to sirloin. The quota is applied in such a way that the price paid for domestic cattle for slaughter remains within the limits of the indicative price prescribed by the Federal Council for different categories and different grades of quality. This is linked up with a system of voluntary restraint of production on the home market whereby producers help to improve their situation by regulating the supply of cattle for slaughter in such a way that it corresponds to the absorptive capacity of the market while taking into account the fact that imports must meet between 5 and 10 per cent of the total requirements on the average over a period of several years. As regards beef, however, it should be noted that in recent years there has been a considerable increase in the percentage of consumption met by imports. However, in view of the difficulty of marketing Swiss dairy products on the home market and abroad it is to be expected that there will be certain changes in the composition of livestock which will favour the production of meat.

Since 1 January 1967 there has been no restriction on the quantity of imports of sheep and lamb for slaughter or of the flesh of those animals. Importers must take over domestic sheep and lambs in a certain ratio to the quantity imported according to the situation from time to time on the home market.

5. Dairy products

(a) Fresh milk

Imports are limited to the quotas traditionally imported from the free zones in order to supply the city of Geneva.

(b) Whole milk powder

Permission to import is subject to the obligation to take over a certain proportion of the domestic product as compared with the quantities imported. Since 1 May 1961 the ratio has been two parts of the home product to one part of the imported product.

(c) Butter

The Swiss butter market is governed by the Swiss Butter Supply Centre (BUTYRA) which is a co-operative society under public law. It has a monopoly of butter imports. It thus controls purchases abroad in such a way as to meet requirements without interfering with the sale of domestic butter.

There is a certain order of precedence laid down for the working up of milk. Priority is given to fresh milk for direct consumption, followed by the production of cheese and preserved milk as against the manufacture of butter, which the country is encouraged to import. Consequently the participation of producers in the losses sustained by working up this product is higher in the case of butter (60 per cent of the cost not covered by the Confederation) than for the other forms of milk products (10 per cent of the amount not covered).

(d) Casein

Permission to import is conditional on the obligation to take over a certain proportion of the domestic product in addition to the quantity imported. This proportion is one part of the domestic product for two parts of the imported product.

6. Shell eggs

Permission to import eggs is dependent on the obligation on the part of the importers to purchase a certain proportion of domestic eggs as compared with their imports. As a general rule the proportion of domestic eggs to be taken over is 30 per cent of the imports over the preceding two years. Importers have in addition voluntarily accepted certain additional quantities of domestic eggs.

The proportion of domestic eggs to be taken over is fixed weekly in the light of the development of output.

In order to avoid disturbing the market a ceiling has been fixed for imports of eggs from certain countries during the first half of each year since 1962. Permits are then granted according to the average imports during the first six months of the preceding year.

7. Fresh fruit and vegetables

Practically all types of fruits and vegetables of the same kind as those produced in Switzerland (the chief exceptions being peaches and table grapes, imports of which are free) are governed by the "three phases" system. This régime, which applies only to fresh or refrigerated products to the exclusion of all others, is as follows:

1st phase: There is no limit to the quantity which may be imported so long as domestic products of the same kind are not available.

2nd phase: Imports are permitted according to requirements (by quota) when a domestic product of the same kind is available on the market at a reasonable price but not in sufficient quantity. Permission to import may be subject to an obligation to take over domestic products of the same kind at fixed prices.

3rd phase: As a general rule imports are suspended when domestic products of the same kind are offered at reasonable prices and in sufficient quantities to cover requirements.

This system is applied with the help of an advisory committee of specialists on which all concerned (producers, traders and consumers) are represented. The definition of the term "product of the same kind" is very restrictive and in practice means simply the same product. It should also be noted that as a rule the harvest period in Switzerland is somewhat later than the corresponding period abroad.

8. Potatoes and potato products

(a) Food potatoes

In practice and apart from products from the free zone, import permits are granted only for early potatoes. From the beginning of the season and until the next harvest, a committee on imports and exports of potatoes (composed of representatives of the producers, the traders and the consumers) meets periodically and advises the authorities on the steps to be taken regarding imports. Its decisions are based on the market situation and take account of the stocks of domestic products of good quality which are still available to the consumers.

When imports are limited by global quotas, as is usually the case, these quotas are generally distributed among the various importers in proportion to the trade they have done in domestic potatoes.

(b) Seed potatoes

Global quotas are fixed in the light of the needs which cannot be covered by domestic products and after consulting the occupational groups concerned, through a committee of representatives of importers and of selectors. These global quotas are distributed over the various importers in proportion to their average annual turnover during the preceding three years.

Importers are obliged to take over domestic plants in a certain ratio to their imports. The ratio is fixed after consulting the various bodies concerned and depends on the volume of the harvest.

(c) Potato products

Import permits are issued on the basis of the quantities imported during the period from 1 January 1959 to 30 September 1960.

9. Seedling onions

Importers must take over a certain ratio of domestic plants as compared with their imports. This ratio is fixed in autumn each year and is, if necessary, revised in the course of the year after consulting representatives of the producers and the importers. It depends on the state of the market; during the last season it was three parts of domestic products to one part of imported products.

10. Apple pectin and apple and pear juice

(a) Apple pectin

An import permit is necessary; in view of the present supply and demand situation there is no restriction on the granting of permits.

(b) Apple and pear juice

An import permit is necessary; in view of the present supply and demand situation there is no restriction on the granting of permits for pulp and sugared juices. For other forms of juice permits are granted only as required.

11. Wine and grape juice

(a) Wine

Quotas are established for the importation of wine in casks or in containers other than the usual bottles. These quotas are fixed annually in the light of the traditional currents of trade and of the contractual obligations entered into with certain supplying countries. The quotas are allocated in quarterly fractions. According to the market situation additional quantities may be granted during the year.

So far it has not been necessary to enforce the system of compulsory take-over for which the legislation provides because, whenever conditions so required, the importers voluntarily accept a take-over. The wines which are allocated in the course of the take-over are generally used either for mixing with imported ordinary red wine or for direct sale to the consumer at a reduced price under a special standard name or for industrial purposes.

(b) Grape juice

A permit is required to import grape juice. These permits are granted on the basis of a percentage of the domestic grapes and must be purchased during the preceding year for the preparation of juice. The percentage is fixed every year. Additional permits may be granted in the light of the market situation.

12. Cut flowers

Imports of cut flowers are subject to a quota from 1 May to 25 October. The quota is fixed every month after consulting those concerned (importers, wholesalers, retailers and producers) for the different kinds of flowers coming from various countries. Account is taken of the market situation and of the terms of bilateral agreements.

13. Alcohol

Although it has a monopoly of imports the Federal Alcohol Administration does not directly import all alcohol but only that which has a high alcohol content. The volume of imports is determined by the needs of the market.

Permits are issued without restriction for imports of brandy with an alcohol content of between 75 and 80 per cent. Brandy, liqueurs and other products of a strength of less than 75 per cent may be imported without a permit.

D. Application of restrictions during the period under reference

During 1968 there was no change in the system of restrictions applied by Switzerland as compared with preceding years. Despite the fall in prices on the world market as a result of the increase and spread of export subsidies and despite certain internal difficulties, particularly as regards milk, the Swiss Government upheld its liberal policy as regards imports.

Figures for imports are shown in the table in Annex I. The various sectors called for the following comments:

1. Cereals and feeding stuffs

There was a further decrease in imports of bread wheat. Production increased notwithstanding the fact that there was little change in the area under cultivation or in production costs. The increase was therefore due essentially to greater efficiency. The percentage of domestic wheat which the millers were obliged to take over was 69.4 per cent (weighted annual average) of the total amount of wheat worked up.

Imports of cereals and feeding stuffs showed some decline in 1968 after the rapid increase in previous years. This is due mainly to the fact that a considerable quantity of sprouted wheat from the 1968 harvest had to be purchased by the trade. Moreover, problems of over-production of milk involved a certain restriction on the use of feeding stuffs.

2. Livestock and meat

In previous years the production of meat in Switzerland was in general far from developing at the same rate as consumption of that product. A revival in 1968 led to a sharp decline in imports. This was due in part to an increase in the volume of livestock because of increased availability of domestic feeding stuffs and the increase in imports of foreign feeding stuffs during the preceding years, and in part to a campaign for reducing the number of cows in order to keep down the production of milk.

On the other hand imports of meat products and preserved meat increased by 10 per cent.

3. Dairy products

As a result of a number of measures taken to stabilize the situation in the milk sector, imports of butter began to be permitted again as from November 1968. Imports of whole milk powder increased slightly.

4. Fresh eggs

There was a slight increase in imports.

5. Vegetables

The high level of imports continued. Imports of seed potatoes were on a small scale because of the quality and quantity of the domestic products.

6. Fruit and fruit preparations

The very large domestic harvest in 1967 affected to some extent imports of apples in 1968.

7. Wines and grape juice

There was a slight increase in imports.

8. Fresh flowers

The growing demand made it possible to increase still further the number of import licences granted.

9. Alcohol

The marked reduction in imports was a result of the abundant apple and pear harvest in 1967.

E. Concluding remarks

There has been no change in the basic aims of Swiss agricultural policy. As in the past, these continue to be:

- to maintain a healthy rural population;
- to ensure food supplies for the country so as to be able to overcome any possible difficulties concerning imports;
- to give special support to agriculture in mountainous regions;
- to take account, in pursuing these aims, of the interests of the other classes of the population and other sectors of the national economy which are in any case very dependent on international trade.

These aims were recently confirmed in the fourth report of the Federal Council to the Federal Assembly on the position of Swiss agriculture and the agricultural policy of the Confederation. This report does not introduce any fresh ideas but it brings out certain specific problems, the importance of which have grown because of steady technical progress in agricultural production and because of the expansion of the Swiss economy. For this reason the Swiss Government intends to pursue a more active structural policy. In this connexion it is recognized that primary importance attaches to the maintenance of full employment in general as this facilitates the transfer of agricultural labour to other sectors of the economy. Prices policy still continues to play a part in enabling farmers to earn a reasonable income. However, the Federal Council recognize that prices policy in future must aim to a larger extent at guiding production and thus enabling supply to be adapted more fully to market conditions.

In practice, Swiss agricultural policy has led to the country being self-sufficient in foodstuffs to a comparatively low degree (56 per cent on an average during 1966/1967) and having the highest proportion of imports per head of the population of any country in the world. Between 1955 and 1965 the number of persons engaged in agriculture fell by 32 per cent and the number of holdings by 21 per cent. The proportion of the gainfully employed population working in agriculture fell between 1941 and 1965 from 19 per cent to 8 per cent. In recent years the rural exodus has been rather marked and is estimated at 5 per cent per annum.

Swiss commercial policy as regards agriculture falls within the framework which has been outlined above. It aims therefore at preserving a certain basic amount of agriculture while at the same time enabling such adaptations to be made as are required by economic development in general. At the same time it is integrated in the whole foreign trade policy of the country, which must necessarily be a liberal one because of the extreme importance of foreign trade for the economy of the country. There is no discrimination in applying quantitative restrictions, and the machinery used provides all the necessary flexibility. The Swiss Government intends to pursue this policy.

ANNEX I

Trend of Swiss Imports of Agricultural Products
• Subject to Quantitative Restrictions

(for the years 1960 to 1965, see document L/3073)

	1966	1967	1968
1. <u>Cereals and feeding stuffs</u>	<u>Tons</u>	<u>Tons</u>	<u>Tons</u>
Bread wheat	297,796	248,921	211,377
Flour (including hard wheat meal)	252	603	370
Fodder cereals and feeding stuffs	1,046,823	1,096,488	919,822
Grain for sowing	9,613	7,704	6,208
2. <u>Livestock and meat</u>	<u>Head</u>	<u>Head</u>	<u>Head</u>
Dairy cattle and livestock for breeding (principally horses)	3,367	2,571	2,447
Cattle for slaughter	32,107	15,538	9,127
	<u>Tons</u>	<u>Tons</u>	<u>Tons</u>
Meat, and animal fats	40,548	47,179	32,838
Meat preparations and preserved meat	4,883	4,721	5,218
3. <u>Dairy products</u>			
Fresh butter	4,862	765	2,367
Wholemilk powder	2,522	2,181	2,278
Casein	485	196	329
4. <u>Fresh eggs</u>	22,384	21,220	22,725
5. <u>Vegetables</u>			
Fresh vegetables	139,555	140,627	142,427
Food potatoes	6,587	8,735	6,921
Potato products	28	85	59
Seed potatoes	11,624	9,670	3,300
Seedling onions for planting	160	140	95

	1966	1967	1968
6. <u>Fruit and fruit preparations</u>	<u>Tons</u>	<u>Tons</u>	<u>Tons</u>
Apples and pears	31,549	37,955	28,678
Stone fruit (except peaches)	14,790	18,944	16,901
Fresh berries	11,614	13,002	11,336
Apples and pears for cider and perry	8,019	167	
Pectin	50	135	78
Apple juice and pear juice	55	67	69
7. <u>Wine and grape juice</u>	<u>1'000 hl.</u>	<u>1'000 hl.</u>	<u>1'000 hl.</u>
Wine in casks	1,429	1,443	1,524
Grape juice	32.1	35.4	36.5
8. <u>Fresh flowers</u>	<u>Tons</u>	<u>Tons</u>	<u>Tons</u>
Fresh flowers 1 May-25 October	653	726	842
9. <u>Alcohol</u>	<u>hl. 100%</u>	<u>hl. 100%</u>	<u>hl. 100%</u>
	136,573	123,105	74,060

ANNEX II

Trend in the Extent to Which Switzerland is Self-supporting

1. Calorie content of foodstuffs produced in Switzerland as a percentage of the calorie content of total foodstuff consumption.

1956/57	48.7%	1962/63	53.4%
1957/58	51.3%	1963/64	53.8%
1958/59	56.5%	1964/65	55.8%
1959/60	55.7%	1965/66	52.4%
1960/61	56.7%	1966/67	52.0%
1961/62	51.8%	1967/68	57.4%

2. Degree of self-sufficiency for certain groups of foodstuffs (as a percentage of the calorie content of total consumption)

	<u>1956/57-1959/60</u>	<u>1964/65-1967/68</u>
Cereal products	40.7%	52.6%
Potatoes	94.0%	89.1%
Vegetables	67.4%	47.7%
Fruit	57.0%	57.7%
Meat	91.3%	84.4%
Eggs and egg products	56.3%	53.2%
Milk and milk products (excl. butter)	94.6%	89.5%
Animal fats	88.6%	88.0%

ANNEX III

Trend of Total Agricultural Imports of Switzerland
(sections 1 to 24 of the tariff schedule)

Year	Total imports		Imports from EEC		Imports from EFTA		Imports from developing countries	
	Millions of francs	%	Millions of francs	%	Millions of francs	%	Millions of francs	%
1960	1,873	100	740	40	120	6	n.a.	
1963	2,448	100	1,108	45	255	10	n.a.	
1966	2,983	100	1,302	44	289	10	826	28
1967	3,025	100	1,413	47	279	9	811	27
1968	2,935	100	1,363	46	249	9	810	28