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SWISS IMPORT RESTRICTIONS

First Annual Report

on the Measures Maintained by the Government of Switzerland under
the Provisions of Paragraph 1(b) of the "Declaration on
the Provisional Accession of the Swiss Confederation
to the General Agreement" of 22 November 1958

The Government of Switzerland is submitting hereunder to the CONTRACTING PARTIES to GATT, on the occasion of the sixteenth session, its first report on the application of the reservations set forth under paragraph 1(b) of the "Declaration on the provisional accession of the Swiss Confederation to the General Agreement on Tariffs and Trade" in respect of the application of the General Agreement.

The present report deals exclusively with the application of Article XI of the General Agreement and with imports in the private sector.

A. Legal Basis

Authority for the import restrictions applied under the aforementioned reservations is provided by the following legislation:

Federal law on improvement of agricultural and protection of the rural population (Law on agriculture) of 30 October 1951,

Federal law on alcohol of 21 June 1932/25 October 1949,

Federal decree on economic defence measures in respect of foreign countries of 28 September 1956.

The most important provisions of these laws, with regard to imports, are as follows:

Article 23 of Law on Agriculture:

1. If the marketing of agricultural products at fair prices, consistently with the principles of the present law, is endangered, the Federal Council is empowered, after paying due regard to other sectors of the national economy, to take the following action:

- (a) To restrict the volume of imports of like products;
- (b) To levy additional customs duties on imports of like products if such imports exceed a predetermined volume;
- (c) To make it mandatory for importers to take over, in an acceptable proportion in relation to imports, like products of domestic origin and of marketable quality, and to take the necessary measures and issue appropriate regulations to that effect.

3. In the case of products subject to import licensing, the regulations governing such licensing shall be periodically reviewed, reserving sufficient quotas to allow for adjustments as may be required by circumstances.

Article 24/3 of the Law on Alcohol:

1. If utilization, without having recourse to distillation, of home-grown potatoes and fruit, and of by-products and waste products thereof, is seriously hampered as a result of imports of like products, the Federal Council is empowered to restrict such imports to particular periods or quantities, or to make such imports conditional upon a fair ratio of like domestic products being taken over by importers.

2. If utilization without recourse to distillation renders it necessary, the Federal Council is empowered to make imports of fodder conditional upon the obligation to take over home-grown potatoes or fruit, or by-products and waste products thereof, for foddering purposes.

3. To prevent an over-expansion of orcharding likely to jeopardize utilization of fruit without recourse to distillation, the Federal Council is empowered to restrict imports of young plants and slips of fruit-trees and to subject such imports to appropriate conditions.

Article 11, Paragraph 2 of Federal Decree Relating to Economic Defence Measures in Respect of Foreign Countries:

2. Import restrictions based on Federal decree of 14 October 1933/22 June 1939 covering economic defence measures in respect of foreign countries are maintained in force until further orders with regard to motor lorries, trolley-buses, motor buses and motor coaches of the heavy and medium-heavy duty types (ex item no. 914 c/d of the customs tariff), while provision in

respect of farm tractors (ex items nos.896b/898b M 5, 914g of the customs tariff) and in respect of cinema films (item no.902a of the customs tariff) remain in force until the end of the year 1960 at the latest.

Implementing ordinances have been issued, under the provisions of these laws, for the relevant products or groups of products, by the competent authorities (ordinance on cattle for slaughter, wine statute, etc.).

B. Import Restrictions on Agricultural Products

1. General data

The following products are at present subject to restrictions on the basis of the above-mentioned laws:

Horses and foals,

Live animals of the bovine species, live swine, sheep and goats,

Meat, fresh and preserved, sausages and the like,

Edible meat offals and other meat preparations of the above-mentioned animals;

Young plants of fruit trees and vine, fresh cut flowers (in summer), seedling onions, potatoes other than seed potatoes, apples and pears for cider manufacture, several fruits and vegetables (partial restriction), fruit pectin, juice of grapes or other seed fruits (sweet cider), including concentrated juices, grape must (sauser), wines, apple and pear cider;

Casein for industrial purposes.

These products are generally imported on a quota basis. When quotas are set on the basis of bilateral agreements, as is partly the case, for instance, for wine, several kinds of meat (salami, etc.) or for cut flowers, they are established on the basis of the traditional purchases and regular requirements of the Swiss importers and consumers; they do not entail an obligation to purchase on the part of the importers. In the case of products not covered by bilateral agreements, they are imported either within global quotas or under licences issued in each specific case in line with internal requirements. The recipients of such special licences are free to import from any source they may choose. In some cases, control measures are taken as a direct result of the prevailing supply situation on the domestic market; in such cases imports may be suspended, restricted or reinstated in accordance with availability of domestic products and the requirements of home consumption. Such measures are resorted to, for instance, in the case of vegetables and some varieties of fruit.

2. Import Restrictions on Various Products

(a) Cattle for Slaughter, Meat and Meat Products

Authority: Ordinance relating to the marketing of cattle for slaughter and the provision of meat supplies (dated 30 December 1953).

This ordinance covers animals of the equine and bovine species, swine, sheep and goats, as well as meat and meat products of the animals referred to. It contains inter alia provisions relating to domestic production, to the fixing of prices and to imports.

As far as natural conditions permit, producers are required to adjust output in line with the absorption capacity of the domestic market. In the case of meat, however, in order to cover the country's requirements, it has been necessary to resort to imports to the extent of an average of 5 to 10 per cent over the past several years. Indicative or target prices (producers' selling prices) are fixed by the Federal Council for the various categories and grades of larger cattle for slaughter (bulls, oxen, heifers, cows), calves for slaughter, pigs and sheep. In fixing these target prices on bovine cattle and pigs for slaughter, margins are provided, plus and minus, allowing for normal price fluctuations. The measures prescribed by the ordinance on cattle for slaughter to regulate production, imports and marketing are to be applied in such a manner as to ensure that actual market prices are maintained within the limits of these indicative prices and margins.

In principle, import permits are being issued to importers on cattle for slaughter and on meat as and when the price level of like domestic products exceeds, or threatens to exceed, the upper limit of the target prices. In many instances, however, imports of various kinds of meat and meat products (special cuts, sausages and the like) are facilitated when justified by demand. Such imports are authorized under global quotas or under bilateral quotas agreed upon with particular countries and based on traditional trade. Quotas are established for periods of varying duration and may be supplemented, if necessary, by additional quotas. Subject to veterinary police regulations, importers are generally free to draw their supplies from any country, on the basis of commercial criteria of quality and price.

If and when, as a result of oversupply, producers' prices of domestic cattle for slaughter drop below minimum target prices, importers of cattle for slaughter and various kinds of meat are required, under specified conditions, to take over and arrange to dispose of surplus quantities of cattle for slaughter, based on a bearable ratio of their imports of like products.

Owing to an upward trend in meat consumption in Switzerland during recent years, the portion of the market's requirements covered by imports rose to 10.8 per cent in 1959 (9.2 per cent in 1958).

The growing volume of imports is a proof that the measures under reference are being applied as liberally and smoothly as possible.

The aim of the agricultural law, with regard to production policy, is to maintain a sound balance between land cultivation and cattle farming. Considering the close relationship between the sector of dairy production and the raising of beef and dairy cattle, and having regard in particular to the difficulties encountered for some time in disposing of the heavy milk production, it is of paramount importance to provide a steady market for cattle for slaughter at fair prices. To achieve this objective, a system of import control is an imperative necessity.

(b) Breeding and Dairy Cattle

Authority: Ordinance relating to economic provisions of the basic law on agriculture (general agricultural ordinance) of 21 December 1953/ 28 December 1956.

Federal Council decree covering import restrictions on agricultural products (under date of 30 December 1953).

Imports of dairy and breeding cattle are restricted quantitatively. In an endeavour to support and improve the raising of high-grade, pure-bred livestock, and to enable the Swiss peasantry, particularly in the mountain areas, to keep up its cattle-raising activities, the agricultural division of the Federal Department of Public Economy has ruled that import permits for bovine cattle, pigs, sheep and goats can only be granted in exceptional and specific cases. Mules and asses may be imported freely to meet requirements. While some degree of protection is necessary in the case of horse-breeding, in which the Army is also interested, imports are relied upon to supply the limited needs for certain particular breeds of horses. At any rate, owing to the ever-increasing use of motorized equipment in the Army, in farming and other undertakings, the demand for both domestic and imported horses is experiencing a steady decline.

(c) Young Plants of Fruit Trees and Vine-stock

Authority: for young plants of fruit trees, Federal Council decree of 20 June 1952 covering professional cultivation, trading and imports of young plants of fruit trees; for vine-stock, ordinance of 18 December 1953/ 27 February 1959 covering viticulture and marketing of wine production (wine statute).

Imports of young plants of fruit trees are only authorized if they comply as to sort, variety, quality and quantity with the specifications issued under the law on alcohol in respect of domestic production and imports of such plants. These regulations are part of general measures for the improvement and rationalization of orcharding, the dual objective of which is to curtail the number of fruit trees and to promote the utilization of fruit production without having recourse to distillation.

Imports of vine-stock, i.e. cuttings, slips and parent-stock, are authorized without quantitative limitations provided they suit the particular conditions of Swiss vineyards. All stock to be imported are subjected to inspection, as prescribed by regulations, for quality and precautions against disease. Existing regulations are designed to protect and develop high-quality vine-growing.

(d) Fresh Cut Flowers

Authority: Federal Council decree of 3 May 1957 covering imports of cut flowers.

To provide outlets for home production, imports of cut flowers are restricted quantitatively during the period from 1 May to 25 October, so as to regulate imports of each individual variety of cut flowers in line with actual demand on the domestic market.

The fact that imports of cut flowers are restricted during the summer months only goes to prove that it is not intended to afford special protection to greenhouse production.

(e) Seedling Onions

Authority: Ordinance of 21 December 1953/28 December 1956 covering economic provisions of the law on agriculture (general ordinance on agriculture).

Imports of seedling onions are only permitted with the proviso that importers agree to take over home-grown seedling onions to the extent of a specified percentage of their import volume, to provide outlets for domestic production. Several agricultural districts in Switzerland have specialized in the production of quality seedling onions. This measure, which is enforced for a short period of each year only, was called for in order to protect home production, owing to the wide variations in price and quality of foreign competitive products.

(f) Ware Potatoes

Authority: Federal Council decree of 21 April 1950 covering imports of ware potatoes.

In view of the fact that potatoes - as is also the case for seed fruits - constitute a basic produce for distillation, regulations governing imports of these commodities are entirely based on Article 24/3, paragraph 1, of the Federal law on alcohol of 21 June 1932, as amended on 25 October 1949.

This law lays down as a principle that Government is to use every endeavour to promote the utilization of distillable produce for food or fodder purposes or for any other purposes excluding distillation. Measures

may be implemented, under this law, to regulate the output of potatoes (and of seed fruit) in line with marketing possibilities and to provide for the utilization of surpluses without recourse to distillation. Should the utilization without recourse to distillation of domestic potatoes (and seed fruit) or of products and waste materials thereof be seriously prejudiced by imports of like products, Federal decree of 21 April 1950 provides that imports of ware potatoes may be restricted time-wise and quantity-wise and subjected to the obligation of taking over a fixed proportion of home-grown ware potatoes at established domestic market prices. In the latter case, the proportion between the quantities allowed to be imported and the amount of home produce to be taken over is determined by the Federal Alcohol Administration, after consultation with the interested parties.

(g) Seed fruit for cider manufacture, seed fruit juices (sweet cider) including concentrated juices, fermented apple and pear cider

Authority: Federal Council Decree of 26 March 1957 covering imports of cider fruit and fruit products.

Since seed fruits also come under the category of distillable produce, their imports are governed, under Article 24/3 of the revised law on alcohol, by the same principles as apply to ware potatoes. In the same circumstances as in the case of the latter, the Federal Alcohol Administration is empowered under Article 2 of Federal Decree of 26 March 1957, to restrict imports of cider fruit and fruit products time-wise and quantity-wise, to subject them to certain conditions or obligations, and to make them conditional on the taking over of a percentage of home produce of like nature at fixed prices prevailing on the domestic market.

(h) Fruit Pectin

Authority: Federal Council Decree of 26 March 1957 on imports of cider fruit and fruit products.

To foster the utilization of fruit without recourse to distillation, the Federal Alcohol Administration is empowered to restrict imports of pectin time-wise and quantity-wise, to subject them to certain conditions or obligations, and to make them conditional on the taking-over of domestic pectin (made from pomace). To this end, imports of pectin are subject to the granting of permits by the Federal Alcohol Administration. At the present time, all applications for such permits are being granted without restrictions.

(i) Natural wines, in casks, grape must (sauser) and grape juices

Authority: ordinance of 18 December 1953 on viticulture and the marketing of vine products (wine statute).

To assist in disposing of domestic wine products at fair prices, quantitative restrictions may be imposed insofar as they are compatible with commercial agreements.

Imports of red wines are allowed within bilateral quotas, established with due regard to traditional sources, quality and consumer preferences. To provide outlets for domestic white wines, imports of white wine must and of ordinary white wines are not permitted; this prohibition, however, may be waived under Article 16, paragraph 2, if justified by market conditions. Limited quantities of high-grade white wines may also be imported provided they represent acknowledged specialities.

(j) Fruit and Vegetables

Authority: ordinance relating to economic provisions of the Law on Agriculture (general ordinance on agriculture) of 21 December 1953 (Articles 25 and 26).

Federal Decree on imports of table apples and pears of 17 May 1957.

The so-called three-phase system is applied to imports of certain varieties of fruit competing with home-grown production.

The Swiss Government usually supports the marketing of home produce at indicative or target prices, which are regularly determined by the regional fruit and vegetable exchanges, by means of import controls providing for:

- (a) free imports while there is no home produce on the market,
- (b) restricted imports as long as home produce is on the market but in insufficient volume,
- (c) imports suspended as soon as the market is fully supplied with home produce.

Sales possibilities, by traditional foreign suppliers, are only very slightly affected by this three-phase system. Owing to the difference in climatic conditions, foreign produce generally reaches the Swiss market several weeks ahead of home produce, that is at a time when imports to Switzerland are still free or only partly restricted.

(k) Milk Casein for Industrial Purposes

Authority: General ordinance on agriculture of 21 December 1953/28 December 1956.

Federal Council Decree of 18 July 1958 on the taking-over of domestic milk casein.

Import permits for milk casein are only issued provided that importers can show proof that they have taken over home-produced casein in a given proportion to the quantities they wish to import.

The object of this measure is to promote the processing to casein of skimmed milk resulting from butter-making and to help its sale. Milk casein is used in the manufacture of glue and is bought in large quantities by the paper-making industry. The availability of skimmed milk is in direct relation to the volume of milk used in the production of butter. The growing volume of domestic butter production which has resulted for some time from increased milk supplies has made it imperative to take steps to expand the sales possibilities for skimmed milk. Apart from its limited use for the manufacture of cheese of low fat contents and for the feeding of pigs, casein production is the main outlet for skimmed milk.

C. Import Restrictions in the Industrial Sector

The only import restrictions maintained in the industrial sector, under Article 11 of the Federal Decree of 28 September 1956, apply to the following types of heavy motor vehicles:

Motor vehicles for goods transportation of a carrying capacity in excess of 5,000 kilogrammes, fitted with bodies of normal goods-carrying types;

Motor vehicles for goods transportation of a carrying capacity in excess of 4,500 kilogrammes, fitted with bodies of special types (tipplers, vans, tanks, etc.);

Motor vehicles for special uses of a carrying capacity in excess of 4,500 kilogrammes;

Motor vehicles for public transportation (motor coaches, motor buses, trolley-buses) with more than 30 seats (not including the driver's seat);

Chassis for the above-mentioned motor vehicles;

Parts assemblies (engine, gears, front and rear axles, steering assembly) for the above-mentioned motor vehicles, not intended for repair-work.

This import prohibition is in principle a measure decreed for reasons of national defence. Its purpose is to reserve the supply of the heavy types of vehicles suitable for military use to the Swiss lorry industry, because of the necessity of being able to obtain spare parts from local sources without resorting to imports. Very limited quotas have been granted, however, under bilateral agreements, in the case of special types of vehicles, for instance.