

GENERAL AGREEMENT ON

TARIFFS AND TRADE

RESTRICTED

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Notifications Pursuant to Article XVI:1

The following notification has been received from the delegation of Switzerland. This notification covers the period 1984-1986.

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PART ONE: AGRICULTURE

I. MILK AND DAIRY PRODUCTS

(a) Dairy account of the Confederation

Dairying is the most important branch of Swiss agriculture; it brings in more than one third of the gross value of agricultural production. The dairy account of the Confederation shown below gives a general picture of the financial measures taken in this sector. The details of these measures will be studied in the succeeding chapters dealing with the various groups of dairy products.

Accounting period (1 November-31 October)	(Sw F million)		
	<u>1983/84</u>	<u>1984/85</u>	<u>1985/86</u>
<u>Expenditure</u>			
1. Disposal of butter	263.0	264.4	267.1
2. Disposal of cheese	422.5	456.0	469.8
3. Contribution to cow keepers delivering no milk to the trade	66.9	76.0	79.2
4. Additional price reduction for soft and semi-hard cheese	33.9	35.1	35.6
5. Other measures (including valorization of preserved milk products)	<u>31.8</u>	<u>49.8</u>	<u>54.3</u>
Total expenditure	818.1 =====	881.3 =====	906.0 =====
<u>Coverage</u>			
1. General contribution by the Confederation	514.0	564.5	582.7
2. Revenue from charges and price supplements	243.3	242.5	272.5
3. Share of losses payable by producers	<u>60.8</u>	<u>74.3</u>	<u>50.8</u>
Total receipts	818.1 =====	881.3 =====	906.0 =====

(b) Butter

1. Nature and extent of the subsidy

(i) Background and authority

- Agriculture Act of 3 October 1951;
- Order of the Federal Assembly of 29 September 1953 concerning milk, dairy products and edible fats;
- Federal Act of 21 December 1960 concerning goods at protected prices;
- Dairy Economy Order of 7 October 1977.

The Swiss butter market is governed by the Swiss Central Office for Butter Supplies (BUTYRA), a public co-operative society which holds the monopoly of butter imports. It levies a charge on imported butter, purchases at a price corresponding to the base price of milk any domestic butter which cannot be readily sold and arranges for its disposal with the help of contributions granted by the Confederation.

(ii) Incidence

The following subsidies, which may be granted concurrently, promote the disposal of butter on the domestic market only:

1. (a) BUTYRA pays a subsidy to the butter centres to enable them to sell table butter without loss at prices fixed by the Federal Council.
 - (b) The Confederation allocates to BUTYRA the sums necessary to enable it to sell fresh or resolidified cooking butter at a reduced price. The amount of the price reduction, and consequently of the loss entailed, varies according to the destination and quality of the product.
2. BUTYRA shares in the cost of advertising to promote butter consumption.
 3. In order to encourage the use of fresh skimmed milk for animal feed, BUTYRA pays a subsidy to users of this product.

(iii) Amount of subsidy

Accounting period (1 November-31 October)	(Sw F million)		
	<u>1983/84</u>	<u>1984/85</u>	<u>1985/86</u>
1. Reduction in price of table butter (choice, full-cream and whey-based butter)	151.4	155.7	158.7
2. Reduction in price of cooking butter and resolidified butter	92.1	85.8	84.4
3. Advertising costs	3.5	5.8	7.0
4. Subsidy for fresh skimmed milk intended for animal feed	14.5	15.4	15.2
5. Miscellaneous contributions	<u>1.5</u>	<u>1.7</u>	<u>1.8</u>
Total expenditure on disposal of butter	263.0	264.4	267.1
	=====	=====	=====

(iv) Amount per unit

Subsidies for butter varied, according to quality, as follows (Sw F per kg.):

	<u>Choice butter</u>	<u>Cooking butter</u>	<u>Resolidified butter</u>
From 1.7.1983	2.87 to 4.71	5.48 to 8.46	9.37 to 12.35
From 1.7.1984	3.11 to 4.95	5.32 to 8.30	9.44 to 12.42
From 1.7.1986	3.69 to 5.50	5.83 to 8.81	10.10 to 13.08

2. Effect of subsidy

In order to limit as far as possible the losses incurred in the valorization of milk, an order of priority is laid down. The largest possible proportion of domestic production is used to meet the demand for fresh milk and fresh dairy products, which can be sold without loss. For the rest, manufacture of cheese and preserved milk products takes priority over butter which involves the heaviest losses in the utilization of milk, and butter imports are encouraged.

The share of butter in household consumption of oils and fats has remained close to 40 per cent for a number of years.

The share of oils and fats in total consumption is about 30 per cent.

The following tables show the trend in prices and consumption of butter since 1983:

Retail prices (Sw F per kg.)

	<u>From 1.7.1983</u>	<u>From 1.7.1984</u>	<u>From 1.7.1986</u>
Choice butter (packages of 200 gr.)	16.80	16.80	18.10
Fresh cooking butter (packages of 250 gr.)	12.80	13.20	14.20
Resolidified butter (tins of 450 gr.)	11.22	11.22	11.22

Production, trade and consumption (in tons)

<u>Year</u>	<u>Total production</u>	<u>Of which choice butter</u>	<u>Imports</u>	<u>Consumption</u> ¹
1984	37,872	21,704	7,874	46,261
1985	37,197	20,887	7,151	45,721
1986	36,854	19,939	7,869	45,526

Switzerland exports virtually no butter.

(c) Cheese

1. Nature and extent of the subsidy

(i) Background and authority

The legal basis is the same as for butter, with in addition the Federal Act of 27 June 1969 on cheese marketing.

Pursuant to these legislative provisions, the organizations of milk producers and of manufacturers and exporters of cheese established the Union Suisse du Commerce de Fromage S.A. (USF), which purchases the domestic output of hard cheese (Emmenthal, Gruyère and Sbrinz, representing 80 per cent of total output) at fixed prices and resells it through private firms at the best prices obtainable. However, in these operations, USF incurs losses which are charged to the dairy account of the Confederation.

(ii) Incidence

As the dairy account shows, most of the deficit resulting from USF operations is met by the Confederation; the remainder is borne by the producers. Certain valorization expenses are also met out of the dairy account in the case of other types of cheese which are not

¹Allowing for fluctuations in stocks

subject to compulsory delivery to USF. As to the incidence of the measures adopted in this connection it should be pointed out that, because of their quality, Swiss cheeses sell at higher prices than similar cheeses from other countries, whether on the home market or on export markets.

(iii) Amount of subsidy

(Cf. dairy account, page 3.)

(iv) Amount per unit

The losses incurred on disposal of cheese vary from market to market.

2. Effect of subsidy

The fact that the Confederation covers part of any deficits in the dairy account (the remainder being borne by the milk producers - see page 3) offsets the difference between, on the one hand, earnings from cheese sales on domestic and foreign markets¹ and, on the other, the production costs of the same cheese, established according to the base price of milk.

Production, trade and consumption ('000 tons)

<u>Year</u>	<u>Production</u>	<u>Imports</u>	<u>Exports</u>	<u>Consumption</u> ²
1984	129.5	21.3	62.9	89.1
1985	126.4	21.3	65.4	90.8
1986	130.9	22.7	64.2	93.8

(d) Preserved milk products

1. Nature and extent of the subsidy

(i) Background and authority

The legal basis is the same as for butter.

(ii) Incidence

The subsidy is designed to safeguard traditional exports of preserved milk products. It is paid on the basis of the quantity of milk used for the manufacture of these products.

¹USF is under a duty to dispose of cheese at the highest possible prices.

²Allowing for fluctuations in stocks

(iii) Amount of subsidy

The following amounts are included in the expenditure shown in the dairy account of the Confederation (see page 3).

<u>Period</u>	<u>(Sw F million)</u>		
(1 November-31 October)	<u>1983/84</u>	<u>1984/85</u>	<u>1985/86</u>
	22.3	26.5	23.1

(iv) Amount of subsidy per unit

The export contributions per kg. of milk used for the manufacture of these products have been as follows (in centimes per kg.):

	<u>Since 1.7.1983</u>
- sterilized milk	49
- cream	60
- preserved milk products	58
- yoghurt	60

They have not been modified up to the end of 1986.

2. Effect of subsidy

Since foreign selling prices do not cover the production cost of milk, these subsidies are necessary in order to maintain traditional exports.

Production, trade and consumption¹ (in tons of fresh milk used)

<u>Year</u>	<u>Production</u>	<u>Imports</u>	<u>Exports</u>		<u>Consumption</u>
			<u>Commercial assistance schemes</u>		
1983	214,200	24,000	29,300	20,900	188,000
1984	214,700	29,100	24,800	25,600	193,400
1985	172,800	26,400	79,700	25,100	104,800
1986	n.a.				

¹ Not including cream

(e) Measures taken in the field of dairy policy

Producer price

The base price guaranteed to milk producers has been fixed by the Government as follows:

from 1.1.1983 to 30.6.1984	91 centimes per kg.
from 1.7.1984 to 30.6.1986	92 centimes per kg.
since 1.7.1986	97 centimes per kg.

Quota system

A system limiting guaranteed payment of the base price for milk was instituted on 1 May 1977. Under this system, which has been modified several times, an individual quota is allotted to every milk producer in the plain, in the sub-Alpine hill zone and in mountain zone I. Within this quota the base price, less the normal deduction of 2 centimes/kg., is paid. The producer pays an individual charge of 80-85 per cent of the base price on any surplus. Since 1 May 1981 producers in mountain zones II to IV have been subject to a similar quota system.

In June 1986, the Federal Council decided to reduce the total volume of quotas by 75 million kg., or roughly 2.5 per cent, in two stages. A first reduction of 43 million kg. has already taken place, and the second stage should be carried out by the dairy associations themselves in the coming months.

The following figures show that the milk production quota system has brought an appreciable stabilization of deliveries:

<u>Period</u> (1 November-31 October)	<u>Commercial milk</u> ('000 tons)
1980/81	3,012
1981/82	2,981
1982/83	3,050
1983/84	3,149
1984/85	3,066
1985/86	3,067

Non-marketing subsidies for milk

In order to ease pressure on the milk market and to support mountain peasant incomes, subsidies to keepers of cows whose milk is not marketed were introduced in 1970. The relevant amounts, in Sw F per cow, are shown below:

	<u>From 1.7.1983 to 30.6.1984</u>	<u>From 1.7.1984 to 30.6.1986</u>	<u>Since 1.7.1986</u>
For the 2nd to 10th cows			
in mountain zones II-IV	1,350	1,400	1,500
in other areas	1,250	1,300	1,400
For the 11th to the 20th cow	1,250	1,300	1,400
For the 21st to the 50th cow	950	950	950
For the 51st to the 100th cow	600	600	600
As from the 101st cow	400	400	400

The total amounts paid in respect of these subsidies are included in the dairy account (see page 3).

II. BREEDING AND DAIRY CATTLE

1. Nature and extent of the subsidy

(i) Background and authority

- Agriculture Act of 3 October 1951;
- Federal Act of 15 June 1962 to facilitate the sale of breeding and dairy cattle, horses and wool;
- Federal Act of 28 June 1974 on contributions to the costs of cattle-keepers in mountain areas and the sub-Alpine hill zone.

The various measures taken in this sector are intended primarily to improve the farming situation in the mountain areas, where animal husbandry is the principal, if not the only, source of livelihood. Assistance can thus be given to smallholdings in mountain areas, which are placed at a disadvantage both by their geographical situation and by the climate.

The specific purpose of these measures is to ensure that good-quality breeding and dairy cattle can generally be sold at prices which cover production costs. The measures are financed partly out of the proceeds of the price supplements charged on imported fodder and partly out of the general funds of the Confederation.

(ii) Incidence

1. Promotion of sales within the country

- (a) In order to avoid difficulties in the disposal of breeding and dairy cattle from mountain areas, the Confederation grants subsidies to cantons and authorized bodies which purchase animals from stock-breeders in those areas at markets, shows or fairs and incur losses in the process.
- (b) The Confederation refunds part of their expenditure to cantons which grant subsidies to breeders in mountain areas for the slaughter of breeding and dairy cattle which are of inferior quality and unfit to be kept. In addition, special culling campaigns have been launched in the plain. Farmers wishing to receive bonuses under these campaigns were required to purchase stock from mountain areas to replace the culls.

2. Maintenance of traditional exports

Subsidies are granted in order to bring the prices of exported livestock into line with those charged in traditional export markets. These contributions are calculated as a percentage of the selling price, plus a uniform supplement per head of stock; they are paid up to a fixed maximum. The Confederation also pays the cost of transport to the Swiss frontier.

3. Contribution to the expenses of cattle-keepers in mountain areas

In view of the adverse production conditions in mountain areas, the Confederation grants an annual allowance to cattle-keepers in those areas. The allowance is payable for fifteen head of cattle per holding. The total number of head covered by the allowance was 538,947 in 1986.

(iii) Total amount of subsidy

	<u>1984</u>	<u>1985</u>	<u>1986</u>
		(Sw F '000)	
Promotion of sales within the country:			
- subsidies to relieve market pressure	1,524	2,364	1,712
- subsidies for culling	40,839	52,710	55,818
Maintenance of exports	18,414	28,488	27,654
Contribution to expenses of cattle-keepers in mountain areas	<u>169,330</u>	<u>169,924</u>	<u>170,623</u>
Total	<u>230,125</u> =====	<u>253,486</u> =====	<u>255,807</u> =====

(iv) Amount per unit¹

(Average Sw F per head)

Promotion of sales within the country:			
- subsidies to relieve market pressure	879	609	838
- subsidies for culling	406	437	439
Maintenance of exports	2,029	2,252	2,118
Contribution to expenses of cattle-keepers in mountain areas (limited to fifteen head of cattle per holding)			
- sub-Alpine hill area	110	110	110
- mountain zone I	210	210	210
- mountain zone II	380	380	380
- mountain zone III	550	550	550
- mountain zone IV	720	720	720

¹The contributions to transport cost per unit cannot be determined.

2. Effect of subsidy

Purchases intended to relieve market pressure are limited in time and geographically; their purpose is to prevent a collapse of livestock prices in mountain areas. They thus help to stabilize the income of farmers in those areas. The subsidies for culling campaigns aim at improving the quality and productivity of the livestock. In the long term, therefore, they provide a basis for improvements in income.

The export bonuses have made it possible to maintain traditional exports of cattle, mainly in the interests of breeding in mountain areas. Despite these subsidies, the prices of Swiss breeding and dairy cattle are generally higher than those of animals of foreign origin.

The contribution to the costs of cattle-keepers in hilly and mountainous areas is intended to ensure higher incomes for the peasant population in those areas in view of the difficult production conditions which prevail there.

Production and exports of breeding and dairy cattle (head)

<u>Year</u>	<u>Stock calves, up to 1 year</u> ¹	<u>Exports of calves, heifers, cows and bulls</u>
1984	340,800	9,072
1985	333,300	12,651
1986	316,700	13,055

Switzerland imports practically no breeding or dairy cattle.

III. HORSES

1. Nature and extent of the subsidy

(i) Background and authority

- Agriculture Act of 3 October 1953

On 1 November 1980 the Federal Council introduced measures designed to maintain domestic horse-breeding for the needs of agriculture, the army and equestrian sports. These measures apply to horses of the Franches-Montagnes and Hafling breeds, half-bred horses and mules.

¹ Census in April of each year

(ii) Incidence

Annual or one-time bonuses are paid to owners or groupings of horse-breeders, in particular for the breeding and maintenance of good-quality stallions, fillies and geldings and for foaling.

Since 1 December 1983, export contributions are paid to horse-breeders to offset the handicap resulting from higher domestic production costs. Total export subsidies in 1984, 1985 and 1986 amounted to about Sw F 7,000 per year.

(iii) Amount of subsidy

<u>Year</u>	<u>Total</u>	<u>Foaling bonus</u>	<u>Annual bonus per foal aged 1 1/2 to 3 1/2 years</u>
	(Sw F '000)	(Sw F)	(Sw F)
1984	1,755	60-200	400-700
1985	2,319	60-200	400-700
1986	2,425	60-200	400-700

2. Effect of subsidy

Between 1951 and 1980 the number of horses declined from 131,000 to 45,000. The measures introduced should allow a limited number of horses to be maintained in agriculture and should encourage horse-breeding for equestrian sports.

<u>Year</u>	<u>Numbers and trade (head)</u>		
	<u>Horse numbers</u>	<u>Imports</u> ¹	<u>Exports</u> ¹
1984	47,880	2,283	358
1985	48,300	2,421	416
1986	47,900	2,483	442

IV. WOOL1. Nature and extent of the subsidy(i) Background and authority

- Federal Act of 15 June 1962 to facilitate the sale of breeding and dairy cattle, horses and wool

¹Not including horses intended for slaughter

There are at present some 365,000 head of sheep, the great majority of which are in mountain areas. The subsidy enables the Swiss wool industry to purchase domestic wool, while at the same time it guarantees to producers, for part of their deliveries, prices corresponding more or less to the cost of production. It is designed on the one hand to raise the income level of the mountain population and on the other to guarantee, to some extent, the country's supply of domestic wool in time of crisis.

The subsidy is payable up to a certain maximum; it is financed out of the price supplements levied on imported fodder and, if necessary, out of the general funds of the Confederation.

(ii) Incidence

The Domestic Wool Board (CLI), a subsidiary of the Swiss Sheepfarmers' Federation, purchases domestic wool from the producers. The price received by the producer comprises a Federal contribution fixed by the Department of Public Economy and an amount that varies with the prices obtained by the Board when reselling in the domestic market. The Confederation reimburses CLI for any losses resulting from its operations up to a certain maximum amount, which since 1 November 1978 has been Sw F 1,800,000 per annum.

(iii) Amount of subsidy

<u>Year</u>	<u>Total</u> <u>(Sw F '000)</u>	<u>Sw F per ton</u>
1984	1,597	2,671
1985	1,573	2,496
1986	1,798	2,571

2. Effect of subsidy

The subsidy improves the modest incomes of the mountain peasants and helps to prevent a decline in the sheep population.

It should be noted that domestic production covers only 5 to 7 per cent of total consumption. There are no restrictions whatsoever on imports, and the exports referred to below do not consist of domestic wool.

<u>Year</u>	<u>Production and trade</u>		
	<u>Production</u>	<u>(in tons)</u>	
		<u>Imports</u> ¹	<u>Exports</u> ¹
1984	598	14,068	2,860
1985	630	15,751	2,924
1986	630	15,493	2,421

¹Wool, etc., falling within headings Nos. 5301.10/30, 5302.10, 5303.01, 5305.12

V. EGGS1. Nature and extent of the subsidy(i) Background and authority

- Agriculture Act of 3 October 1951
- Federal Act of 21 December 1960 concerning goods at protected prices and the price equalization fund for eggs and egg products

Importers of eggs in shell are obliged to take domestic eggs at the rate of 40 per cent of their imports for the preceding two years. A charge is levied on imports of eggs and egg products, and the proceeds from it are used mainly to reduce the price of domestic eggs taken over compulsorily by importers. The reduced take-over prices and the target prices to the producer are fixed by the authorities, after discussion with the producers and importers.

(ii) Incidence

The price equalization fund for eggs and egg products is financed solely out of the charges levied on imported eggs and egg products. It covers the expenses of the bodies responsible for the collection, transport and distribution of domestic eggs intended for importers required to take them. It also contributes to the cost of advertising to promote egg consumption and can make grants for other measures designed to facilitate disposal of domestic eggs.

(iii) Amount of subsidy

<u>Year</u>	<u>Total amount (Sw F '000)</u>	<u>Amount per egg taken over</u>
1984	10,492	5.3 centimes
1985	12,027	6.3 centimes
1986	13,196	6.9 centimes

2. Effect of the subsidy

The subsidy facilitates the take-over by importers of domestic eggs purchased by the collecting bodies. Such take-overs affect less than 25 per cent of total domestic production. This production accounts for between 63 and 66 per cent of total consumption of eggs in shell.

Production, trade and consumption of eggs in shell

<u>Year</u>	<u>Production</u>	<u>Imports</u>	<u>Consumption</u>
		(millions of eggs)	
1984	726	493	1,219
1985	760	503	1,263
1986	753	512	1,265

Exports are negligible.

VI. BREAD GRAINS1. Nature and extent of the subsidy(i) Background and authority

- Wheat Act of 20 March 1959

The subsidies are designed firstly to keep an area under wheat in order to safeguard the country's supplies in time of difficulty and secondly to relieve pressure on animal husbandry. In addition they are designed to ensure a fair return to farmers.

(ii) Incidence

The Wheat Administration purchases domestic bread wheat of good quality at prices which cover the average production costs and are fixed by the Federal Council.

Since 1982, following partial revision of the Wheat Act, the Wheat Administration can sell domestic wheat purchased from producers at prices not exceeding the cost price (purchase price, cost of purchase, transport and storage, as well as expenses for putting up in sacks). The customs duty on imported bread wheat amounts to Sw F 3 per quintal for durum wheat and Sw F 28 per quintal for common wheat. The customs duty charged on imported bread wheat serves to reduce selling prices to the extent that it exceeds Sw F 3 per quintal.

Until 1985, a producer who used home-grown wheat on his farm in the form of flour was entitled to a reduction of the milling price. The reduction in the milling price was reimbursed to mills by the Confederation.

Bread quality requirements mean that not more than 85 per cent of common wheat can be produced domestically; the remaining 15 per cent therefore has to be imported. In high-yield years, some of the harvest must be used to feed animals.

All durum wheat is imported; there is no domestic production.

(iii) Amount of subsidy

The amounts spent on subsidies by the Wheat Administration were as follows:

		(Sw F '000)		
		<u>1984</u>	<u>1985</u>	<u>1986</u>
-	Price reduction)	16,737	17,668	5,778
-	Disposal of lower-quality domestic grains)	14,070	67,144	40,290
-	Reduction of milling price and compensatory allowances	4,529	4,470	4,243
-	Acreage subsidies	19,200	19,200	20,630
-	Other subsidies	1,342	1,260	1,400
	Total subsidies	55,878	109,743	72,341
		=====	=====	=====

(iv) Amount per unit

		(Sw F per 100 kg.)		
		<u>1984</u>	<u>1985</u>	<u>1986</u>
-	Price reduction	4.59	4.84	1.58
-	Disposal of lower-quality domestic grains	30.90	39.30	36.30
-	Reduction of milling price, variable according to altitude of the farm	10-14	10-14	-

Acreage subsidies

		(Sw F per hectare)		
		<u>1984</u>	<u>1985</u>	<u>1986</u>
	Sloping land outside the mountain region	800	800	800
	Extended intermediate zone ¹	250	250	250
	Intermediate zone ¹	550	550	550
	Sub-Alpine hill zone ¹	800	800	800
	Mountain region, zone I	950	950	950
	Mountain region, zones II-IV	1,150	1,150	1,150

¹ Except sloping land

Under the Federal Order of 20 June 1980 reducing certain benefits granted by the Confederation in 1984 and 1985, the rates were reduced by 10 per cent for surfaces outside the mountain region.

2. Effect of the subsidy

The subsidy makes it possible to grow wheat in Switzerland and thus helps to guarantee the country's supply in times of trouble.

Production, trade and consumption

Wheat and rye intended for human consumption and animal feed, in '000 tons.

<u>Year</u>	<u>Production</u>	<u>Imports</u>	<u>Consumption</u>
1984	625	362	879
1985	570	293	917
1986	460 ¹	292	n.d.

Exports are negligible.

VII. FEED GRAINS

1. Nature and extent of the subsidy

(i) Background and authority

- Agriculture Act of 3 October 1951.

In order to guarantee the country's supplies in time of crisis and encourage arable farming in order to relieve pressure on animal husbandry, bonuses are paid to promote the growing of feed grains. The bonuses are financed out of price supplements levied on imported fodder.

(ii) Incidence

Feed grains cost more to grow than to buy imported, and crop bonuses proportionate to the area under cultivation are therefore paid to domestic producers of oats, barley, maize, high-protein peas and field beans. The allowances consist of a basic bonus, with supplementary bonuses for regions where farming conditions are difficult. They are fixed annually in June.

(iii) Total amount of crop bonuses (Sw F '000)

1984	Sw F 113,460
1985	Sw F 121,555
1986	Sw F 138,845

¹ Provisional

(iv) Amount per unit

In 1984, 1985 and 1986, the following amounts per hectare were paid (Sw F):

	Barley and oats		Maize	
	1984/85	1986	1984/85	1986
For the first 5 hectares ¹	1,300	1,400	1,050	1,050
5 to 10 hectares ²	1,100	1,300	600	600
More than 10 hectares	1,000	1,000	300	300

In respect of field beans and high-protein peas, and regardless of surface area, the basic bonus was at the rate of Sw F 1,300 per hectare in 1984 and 1985, and Sw F 1,500 per hectare in 1986.

Outside the mountain region, for budgetary reasons in 1984 and 1985 the bonuses were reduced by 10 per cent. Bonus supplements are granted in respect of surfaces cultivated in difficult conditions.

2. Effect of the subsidy

(i) The increase in the supplementary crop bonuses for feed grains is one of the measures designed to safeguard peasant income and at the same time to relieve pressure on animal husbandry. The purpose of the supplements for disadvantaged areas is to narrow the income gap between farms on the plain and those in the regions mentioned. It should be noted in this context that the area under feed grains increased from 78,000 hectares in 1980 to 87,700 hectares in 1986.

(ii) Production, trade and consumption

(not allowing for fluctuations in stocks)

Year	Production	('000 tons)	
		Imports ³	Consumption
1984	494	883	1,377
1985	484	690	1,174
1986	448	671	1,119

Exports are negligible.

VIII. COLZA SEEDSi. Nature and extent of subsidy(i) Background and authority

- Agriculture Act of 3 October 1951.

¹ From 1986, for the first two hectares

² From 1986, for areas of between two and ten hectares

³ Including oilcake

The measures taken to promote colza cultivation should be viewed in the general context of measures to promote arable farming. In addition, they are aimed at keeping a minimum area under oilseeds in order to make the country self-sufficient in vegetable oil in time of trouble. The Federal Council fixes annually the area for which it guarantees to producers the purchase of the colza crop. This area was 13,700 hectares in 1984 and 1985, and 15,809 hectares in 1986. The guaranteed price to the producer is fixed at harvest time, taking into account production costs and disposal prospects.

(ii) Incidence

Under the supervision of the Confederation, the organizations concerned conclude cultivation contracts with producers. There are also agreements between the Administration and the oil-processing plants for purchase of the crop, processing of the seed and disposal of the oil. The selling prices of colza oil are fixed in relation to the prices of other edible oils. The Confederation makes good to the oil-processing plants any loss resulting from the difference between their costs and the selling price of colza oil.

(iii) Amount of subsidy

<u>Year</u>	(Sw F '000)	(Sw F)
	<u>Total</u>	<u>Per ton of seed</u>
1984	24,820	577
1985	25,795	659
1986	32,200	800

2. Effect of the subsidy

The subsidy has made it possible to keep a minimum area under colza as a basis for extension in case of need. Without the subsidy this crop would disappear. Domestic production is equivalent, on average, to 20 per cent of Swiss consumption of vegetable oils and fats.

Production, Trade and Consumption (in tons)

<u>Year</u>	<u>Seed production</u>	<u>Colza oil production</u>
1984	42,997	17,370
1985	39,121	15,630
1986	40,237	16,266

Imports of colza seed and oil are irregular and small. There are no exports.

IX. SUGAR BEET

1. Nature and extent of the subsidy

(i) Background and authority

- Federal Order of 23 March 1979 concerning the domestic sugar industry

In order to enable the sugar refineries to take over, at prices fixed by the Federal Council, the beet produced under the cultivation contracts concluded with the planters, the Confederation grants them a subsidy in the form of a guarantee against any deficit. The price of beet corresponds in principle to the cost of production on properly run farms. Imports of sugar are unrestricted. Consequently the sugar refineries must sell the sugar refined in Switzerland at a price equal to that of imported sugar, customs cleared. This may involve them in a loss when the world price is very low, as it was from 1959 to 1962, from 1964 to 1973, from 1977 to 1979, and since 1982.

(ii) Incidence

The Federal Order concerning the domestic sugar industry, whose period of validity is limited to ten years, came into force on 1 October 1979. Any losses incurred through the sale of domestic sugar are covered, in the order shown, by:

1. Any gains made in previous years;
2. an initial contribution of not more than Sw F 10 million per annum from the Confederation;
3. other resources, chiefly:
 - a supplementary contribution of Sw F 1.5 million to 15 million from the Confederation;
 - a charge of Sw F 1.70 to 17 per 100 kg. of sugar imported;
 - a contribution from the planters of 6 to 60 centimes per 100 kg. of beet.

The three last-mentioned measures operate concurrently: in other words, for each tranche of Sw F 1.5 million of the Federal contribution there will be a charge on imports of Sw F 1.70 and a contribution of 6 centimes from the planters.

The area reserved for beet is limited to a maximum of 17,000 hectares. The quantity of beet for which the Confederation guarantees disposal at the price fixed is determined each year by the Federal Council. Since 1983 it has been fixed at 850,000 tons.

(iii) Amount of subsidy

<u>Year</u>	<u>Total</u> (Sw F million)	<u>Per kg. of domestic</u> <u>refined sugar</u> (centimes)
1984	26,480	21.9
1985	22,879	17.9
1986	24,375	20.6

2. Effect of the subsidy

In virtue of the Confederation guarantee, the sugar refineries are in a position to process domestic sugar beet even when sugar prices on the world market are extremely low. This both helps to secure the country's supplies in times of trouble and serves the purpose of promoting arable farming in order to relieve pressure on animal husbandry. Domestic production covers about 45 per cent of total consumption.

Production, Trade and Consumption of Sugar (in tons)

<u>Year</u>	<u>Production</u>	<u>Imports</u> ¹	<u>Exports</u> ¹	<u>Consumption</u>
1984	120,943	158,882	106	265,838
1985	127,726	163,190	188	269,082
1986	118,607	131,399	503	274,494

X. POTATOES

1. Nature and extent of the subsidy

(i) Background and authority

- Article 32 bis of the Federal Constitution;
- Federal Act of 21 June 1932 on alcohol;
- Agriculture Act of 3 October 1951.

¹Headings 17.01 and 1702.20 of the customs tariff

Article 32 bis of the Federal Constitution calls for legislation to encourage the use of domestic distillable materials - including potatoes - for food or fodder. This provision is designed inter alia to reduce the production and consumption of spirits with a view to safeguarding public health. Article 8 of the Alcohol Act authorizes the distillation of potatoes only if the crop cannot be used in a more appropriate manner. In this context, therefore, the subsidies serve to promote the use of potatoes for purposes other than alcohol production.

The producer prices of potatoes are fixed annually before the beginning of the main harvest, taking into account in particular average production costs and quality. The subsidies are financed out of the revenues of the Federal Alcohol Administration and the general funds of the Confederation.

(ii) Incidence

The subsidies take the following forms:

1. Information and advertising;
2. Sale of potatoes to the needy at reduced prices for use as food;
3. Subsidies of transport costs;
4. Disposal of potato seedlings;
5. Subsidies for the utilization of surpluses in the form of aids to the processing of potatoes into flakes or flour for fodder and of export promotion;
6. Subsidies to organizations and for research;
7. To maintain rational cultivation of potatoes in mountain areas or on sloping ground in other areas, subsidies have been granted since 1 March 1966 in the form of sharing in the higher production costs involved.

(iii) Amount of subsidy (Sw F '000)

Utilization of Potatoes (1-6)

<u>Year</u> (1.7 to 30.6)	<u>Total</u>	<u>Of which surpluses (5)</u>	<u>Subsidies</u> <u>to area</u>
1983/84	7,228	2,376	4,155
1984/85	29,236	21,256	4,237
1985/86	16,726	7,881	4,486

(iv) Amount per unit

<u>Year</u>	<u>Utilization of surpluses (Sw F per ton)</u>
1983/84	25.83
1984/85	112.17
1985/86	52.75

Subsidies to area (Sw F per ton)

	<u>Mountain areas</u>	<u>Sloping land in plain areas</u>
1984	1,700	1,300
1985	1,900	1,400
1986	2,100	1,500

2. Effect of subsidy

Domestic production has long been sufficient to meet the country's requirements (except for new potatoes and potato seedlings); the subsidies make it possible to protect public health by promoting the utilization of domestic distillable materials for purposes other than the production of alcohol.

The amount of the export aids depends on the price situation on the various export markets. The policy pursued in this connection does not involve undercutting and does not result in lower prices for exported Swiss products than for the corresponding domestic products in the market of the country of destination.

Production, Trade and Consumption

('000 tons; food, seed and fodder potatoes)

<u>Year</u>	<u>Harvest</u>	<u>Imports</u>	<u>Exports</u>	<u>Share of harvest intended for domestic human consumption</u>
1984	1,006	28	28	410
1985	963	5	18	410
1986	805	7	6	410

XI. FRUIT

1. Nature and extent of the subsidy

(i) Background and authority

- Article 32 bis of the Federal Constitution;
- Federal Act of 21 June 1932 concerning alcohol;
- Agriculture Act of 3 October 1951.

Article 32 bis of the Federal Constitution calls for legislation to aim at reducing the production and consumption of spirits and promoting the production of dessert fruit. As a result of the measures adopted to that end, Swiss per capita consumption of fresh fruit is among the highest in Europe.

(ii) Incidence

The subsidies are granted in different ways according to their nature.

1. In principle, the authorities pay half the cost of information and advertising to promote fruit consumption. The other half is paid by the business groups concerned (producers, user undertakings and importers).
2. The authorities pay the cost of transport and part of the trading margins for the sale of fruit at reduced prices to the needy.
3. The subsidies paid to promote the utilization of surpluses without distillation are intended mainly for manufacturers of concentrated fruit juice. The grant of these subsidies is conditional on adherence to the target prices fixed by the Federal Council for the fruit in question.
4. Export subsidies may be granted in particular cases in order to safeguard exports of fruit and concentrated juice to traditional markets.
5. Subsidies for the transformation of fruit growing, designed to make cultivation more efficient and to improve the quality of fruit, are granted to cantons which themselves provide assistance for this purpose.

6. The authorities pay subsidies to facilitate the disposal of domestic apricots. Without these subsidies, marketing difficulties would be inevitable, for the Swiss apricots arrive on a market already amply supplied with imports, and at a time when competition from imported substitute fruit, especially peaches, is particularly keen. Since 1982, the subsidies have been limited to apricots intended for industrial processing.

(iii) Amount of subsidy (Sw F '000)

Year (1.7 to 30.6)	Utilization of fruit		Transformation of fruit growing (5)	Disposal of apricots (6)*
	Total (1-4)	of which concentrated fruit (3)		
1983/84	22,961	14,498	951	468
1984/85	27,108	14,629	933	1,531
1985/86	25,084	16,880	982	261

(iv) Amount per unit

The subsidies to reduce the price of fruit for the needy and for persons living in mountain areas have fluctuated on the average between 29 and 34 centimes per kilogram.

The subsidies for apricot disposal amounted to 45 centimes per kilogram of apricots processed in 1984, 1985 and 1986.

The amount per unit of the other subsidies cannot be shown because it varies too widely with conditions and with the market situation.

2. Effect of subsidy

The main effect of the subsidies is to ensure, to a great extent, that the pip-fruit crop can be used for purposes other than the production of alcohol. As per capita consumption of fruit is very high in Switzerland, domestic production of dessert fruit covers only slightly more than half of the country's requirements, according to the year.

* Calendar years 1984, 1985 and 1986

Production and Trade ('000 tons)

Year	Production		Imports	
	Total ¹	Of which apples	Heading 0806/0807	Chapter 08
1984	618	384	80	399
1985	497	278	60	383
1986	n.a.	n.a.	62	404

The quantity of fruit exported is negligible (about 5,000 tons/year).

XII. WINE, GRAPE JUICE, DESSERT GRAPES

1. Nature and extent of the subsidy

(i) Background and authority

- Agriculture Act of 3 October 1951;
- Federal Order of 22 June 1979 instituting measures in favour of viticulture;
- Wine Statute of 23 December 1971.

Grape growing is restricted to the areas suitable for wine production, as determined by the vineyard survey. Outside that area the planting of new vines is prohibited; within the area permission must be obtained.

Subsidies have been granted for the following measures aimed at encouraging disposal of the harvest:

1. Maintenance of quality by vineyard renewal and verification of grape harvest.
2. Contribution to storage costs for surplus harvest of 1984.
3. Non-alcoholic use of grapes (grape juice and dessert grapes).
4. Industrial use of part of surplus wine.

These measures are financed out of the vineyard fund, which is constituted from the proceeds of a charge of Sw F 8.00 per quintal on wine imported in casks and of the additional customs duty levied on imports of red wine in bottles in excess of a certain quantity.

¹ Apples, pears, cherries, plums and prunes, apricots and walnuts.

(ii) Incidence

The contributions to vineyard renewal are paid to the producer for terraced lots and lots having a declivity of 30 per cent or more.

Subsidies for the non-alcoholic use of grapes are granted to traders and to manufacturers of grape juice on condition that they pay the fixed prices to the producer. These subsidies must ultimately be passed on to the consumer. The contributions for industrial use are paid to the cellarmen.

(iii) Amount of subsidy (Sw F '000)

<u>Year</u>	<u>Vineyard renewal</u>	<u>Verification of harvest</u>	<u>Utilization of grapes</u>	<u>Storage</u>
1984	1,970	1,230	26,985	32,799
1985	1,796	1,454	26,937	-
1986	2,527	969	32,986	-

(iv) Amount

Renewal of vineyards (Sw F per square metre):

- for lots of 30 to 50 per cent declivity 2.-
- for lots of more than 50 per cent declivity and terraced lots 3.-

Storage of wines in 1984: 25 to 30 centimes per litre.

Non-alcoholic use of grapes: between 45 centimes and Sw F 3.60 per litre.

Industrial use of part of surplus wine: 2.- per litre.

2. Effect of subsidy

The subsidies for the non-alcoholic use of grapes assist in the disposal of the harvest of certain types of grapes (Americano from the Tessin). In particular they make it possible to reduce consumer prices of these grapes or of the juice extracted from them.

The contributions to industrial use allow wine prices to be lowered to competitive levels. High production costs mean that wine cannot be used industrially without subsidies.

Subsidies for storage alleviated both storage costs and interest costs.

Production, trade and consumptionWine ('000 hectolitres)

<u>Year</u>	<u>Production</u>	<u>Imports</u>	<u>Exports</u>	<u>Consumption</u> ¹
1984	1,095	1,912	8	3,122
1985	1,164	1,965	11	3,113
1986	1,336	1,756	11	3,062

Grape juice ('000 hectolitres)

1984	84	46	5.8	113
1985	86	43	5.6	128
1986	89	33	6.9	122

Dessert grapes ('000 tonnes)

1984	0.5	33.7	-	34.2
1985	0.5	39.9	-	40.2
1986	1.3	37.8	-	39.1

XIII. PROCESSED AGRICULTURAL PRODUCTS1. Nature and extent of the subsidy(i) Background and authority

- Articles 28 and 31 bis of the Federal Constitution;
- Federal Law of 13 December 1974 on the import and export of processed agricultural products.

In order to place the Swiss foodstuffs industry on an equal footing with foreign competitors in respect of the cost of agricultural commodities used in the preparation of processed products, the above-mentioned law authorizes Switzerland:

- to charge variable elements on imports;
- to grant contributions on exports.

The contributions on exports as well as the variable elements on imports are calculated periodically on the basis of the difference between Swiss and foreign prices of agricultural commodities.

¹ For wine and grape juice, consumption is calculated on the basis of the vineyard year (1 July to 30 June) 1983/84, 1984/85 and 1985/86.

(ii) Incidence

The contributions on exports have been granted since 1 June 1976 for the following agricultural commodities:

- dairy products
- preserved eggs
- cereal products
- sugar and molasses

when they are exported in the form of processed foodstuffs, such as chocolate, biscuits, infant food, confectionery, macaroni, spaghetti and the like, soups, sauces, etc.

(iii) Amount of subsidy

For the past three years, the amount of the contributions to exports paid for each of the four agricultural commodity categories mentioned above has been as follows:

(Sw F '000)

	<u>1984</u>	<u>1985</u>	<u>1986</u>
Dairy products	12,710	19,855	22,459
Cereal products	4,044	3,984	6,296
Preserved eggs	442	509	657
Sugar and molasses	6,290	6,315	8,608

(iv) Amount per unit

The contributions to exports are calculated and fixed each month¹ for each of the principal agricultural commodities used by the foodstuffs industry on the basis of the difference between Swiss and foreign prices. The amount per unit of processed product also depends on the quantities of agricultural commodities used in preparing the goods exported.

2. Effect of subsidy

The subsidy allows Swiss undertakings to be placed, on foreign markets, in the same competitive conditions as foreign undertakings in respect of the cost of purchasing the principal agricultural commodities.

¹ Publication in the Feuille officielle suisse du commerce

Production, imports, exports and consumption of the principal processed agricultural products

(Biscuits, infant food, chocolate, soups and sauces, macaroni, spaghetti and the like, sugar confectionery)

('000 tons)

<u>Year</u>	<u>Production</u>	<u>Imports</u>	<u>Exports</u>	<u>Consumption</u>
1984	240	41	67	213
1985	246	44	78	212
1986	311	49	82	278

PART TWO: INDUSTRY

For the sake of transparency, the Swiss Government notifies below the subsidies granted in the industrial sector during the financial years 1984/1985/1986. In view of their limited financial impact, these subsidies have had very small economic repercussions. The first two are intended to reduce the economic difficulties which arose as a result of the recession during the second half of the 1970s and are therefore temporary. On the other hand, the Swiss Office for Development of Trade (OSEC) is a permanent institution. Lastly, it may be pointed out that the encouragement of Swiss film production has not really an economic, but a cultural objective.

A common characteristic of the subsidies is their general purpose. They are not designed to promote a specific product or category of products. It is therefore impossible to break down the total amount of a subsidy by units of production. Hence, in what follows no attempt has been made to calculate amounts per unit.

I. FINANCIAL ASSISTANCE TO AREAS WHOSE ECONOMY IS THREATENED

1. Nature and extent of the subsidy

(i) Background and authority

At the beginning of 1975, the Swiss economy suffered a substantial recession. Areas heavily dependent on certain branches of industry were particularly affected by a severe deterioration of the economic situation. In order to reduce the uniformity of certain regional economic structures, so as to avoid, if possible, dependence of the employment market on a single branch of industry (for example, watch and clock-making), the Confederation gives additional financial assistance to encourage the carrying out of economic projects in the private sector designed to create and maintain diversification of employment in areas whose economy is threatened.

(ii) Incidence

This Federal assistance is intended to benefit the areas whose economy is threatened.

Such areas are considered to be:

- (a) those whose economy is centred on a single branch of industry, and
- (b) those in which there has been, or is expected to be, a great reduction in the number of jobs, or which have severe unemployment, or which are threatened with imminent unemployment.

Federal assistance may be granted to all artisanal or industrial undertakings, Swiss or foreign, for projects which, in areas having a threatened economy, make it possible:

- (a) to continue to develop their products or to adopt new manufacturing processes and new distribution programmes, in order to adapt to the trend of the market and the possibilities it offers;
- (b) to start up the manufacture and marketing of new products;
- (c) to establish undertakings in branches of production which are not represented, or too little represented, in the area.

Financial assistance is allocated in the form of:

- (a) sureties to guarantee investment loans;
- (b) contributions to the servicing of loans granted by banks;
- (c) tax reductions.

For the Confederation to be able to guarantee up to one third of the total cost of a project, the following conditions must be satisfied:

- the capital invested by the undertaking itself must cover a reasonable proportion of the total cost of the project;
- a bank must advance, on the usual terms offered on the market, the credits needed to finance the project, and give an interest rate reduction of at least one quarter of the usual commercial rate on the guaranteed part of the loan;
- the canton in which the project is carried out must assume responsibility for half of any losses under the guarantee.

Surety obligations may be contracted for ten years at the most.

The participation of the Confederation in servicing the guaranteed part of the loans, and the tax reductions provided for in the above-mentioned Federal Order, are of a subsidiary nature.

(iii) Amount of subsidy

Under the Order, surety obligations contracted by the Confederation may not exceed Sw F 300 million. In addition, to finance the contribution to loan service a programme credit of Sw F 50 million has been opened.

Assistance by the Confederation has been as follows:

	<u>1984</u>	<u>1985</u> (Sw F million)	<u>1986</u>
- Total amount of credits guaranteed	69.6	58.6	53.3
- Effective provision to cover losses	0.34	0.48	0.61
- Contribution to loan service	0.99	1.68	2.10

(iv) Estimated amount per unit

See introduction.

2. Effects of the subsidy

Evaluation of quantitative effects of the subsidy on trade

By reason of their nature, these measures will produce their full effects only in the medium and long term. It may already be noted, however, that they have helped to maintain several hundred jobs and to create about 4,000 jobs in areas whose economy is threatened.

3. Guarantees and loan service contributions in mountain regions (Federal Law encouraging credit guarantees in mountain regions of 25 June 1976)

The purposes of this measure are to facilitate access to capital for small and medium-sized enterprises and to promote regional development. The Federal Government contributes to the losses of the Swiss Guarantee Co-operative (90 per cent) and its extraordinary expenses. In addition, the Federal Government makes a contribution to loan service of up to 40 per cent of the interest payable. The amount of the principal debt to be guaranteed must not exceed Sw F 500,000.

The amounts of these contributions are as follows:

	<u>Number of cases</u>	<u>Amount of guarantee</u> (Sw F million)
1984	53	17
1985	69	23
1986	70	25

Loan Service Contributions

	<u>Number of cases</u>	<u>Guarantee amount</u> (Sw F million)
1985	31	0.9
1986	48	1.5

II. PROMOTION PROGRAMMES

1. Nature and extent of the subsidy

(i) Background and authority

1. Federal Order allocating additional credits for the promotion of technological development and training of 4 October 1982 (budgetary appropriations for a total of Sw F 51 million for the period 1982-1988):
 - Advanced training courses in business data processing;
 - Advanced training courses in machine building (CAD);
 - Promotion of technological development of sensors for measurement and control techniques;
 - Technical installations of buildings.
2. Federal Order on the financing of supplementary measures to encourage the use of wood of 12 December 1985 (budgetary appropriations for a total of Sw F 17 million for the period 1986-1991).
 - Basic and advanced training of specialists.

These programmes fall in the category of supply-side measures. They consist essentially of advanced vocational training programmes of limited length and support for research aimed at practical goals.

(ii) Incidence

A central characteristic of the advanced training programmes is that they are jointly prepared by business, higher educational establishments and the Government. They are often carried out by associations. They aim at the rapid dissemination of technological know-how.

Research aimed at practical goals is promoted on the basis of financial support for projects drawn up jointly by the business and

scientific communities. The Confederation makes its financial contribution, usually representing half the cost of a project, to the higher educational establishments.

Undertakings profit only indirectly from the subsidies through a supply of better skilled labour and research results. Subsidies are not paid to undertakings.

(iii) Amount of subsidy

The amount of the subsidies granted is (in millions of francs):

<u>1984</u>	<u>1985</u>	<u>1986</u>
8.2	6.4	7.5

(iv) Estimated amount per unit

See introduction.

2. Effects of the subsidy

Evaluation of the quantitative effects of the subsidy on trade

The measures are aimed above all at improving general conditions, and it is therefore impossible to quantify their effects. In view of their small financial impact, their effects on trade can only be very slight.

III. CONTRIBUTION TO THE SWISS OFFICE FOR DEVELOPMENT OF TRADE (OSEC)

1. Nature and extent of the subsidy

(i) Background and authority

The Swiss Office for Development of Trade (OSEC) is a private law institution in which trade, industry and the Federal authorities have joined together to develop and expand economic relations between Switzerland and foreign countries, and to promote the export of Swiss products and services, with a view to maintaining full employment and, in general, promoting awareness of Switzerland abroad.

The legal bases are laid down in the Federal Law of 28 June 1982 allocating a contribution to the Swiss Office for Development of Trade.

(ii) Incidence

The activities of OSEC are as follows:

- (a) tasks especially concerned with developing awareness of Switzerland abroad, such as special publications on

Switzerland, press services, facilities granted to foreign journalists, visitors' services, etc.;

- (b) tasks designed to promote economic and trade relations with foreign countries, such as the organization of exhibitions and Swiss participation in international fairs and exhibitions, special advertising campaigns abroad, provision of documentation and information on the Swiss economy, documentation on foreign countries, exploratory journeys, etc.

The expenses of the Swiss Office for Development of Trade are financed by the members, including the Confederation, which pay contributions, and by the receipts from services provided.

The Confederation has allocated to the Swiss Office for Development of Trade an annual contribution of Sw F 7 million as from 1983.

(iii) Amount of subsidy

The total contribution allocated by the Confederation to the Swiss Office for Development of Trade was as follows:

<u>1984</u>	<u>1985</u> (Sw F million)	<u>1986</u>
7	7	7

(iv) Estimated amount per unit

See introduction.

2. Effect of subsidy

Evaluation of quantitative effects of the subsidy on trade

As the activities of the Swiss Office for Development of Trade (OSEC) are designed to encourage Swiss exports in general, it is impossible to quantify their effects.

IV. ENCOURAGEMENT OF SWISS FILM PRODUCTION

1. Nature and extent of the subsidy

(i) Background and authority

The object in view is not of an economic, but of a cultural nature. The main purpose is to ensure the continuation of Swiss film production and enable it to make long scenic films, documentaries and

cultural and educational films of high quality, which are of value from the point of view of culture.

The relevant legal provisions are laid down in the Federal Law of 28 September 1962 on the cinema.

(ii) Incidence

The Confederation may encourage the production of Swiss films of value, in particular by:

- (a) contributions and other assistance in meeting the cost of film production;
- (b) bonuses of high-quality films;
- (c) contributions to the operating costs of Swiss film studios;
- (d) granting fellowships to provide or complete the professional training of cinematograph personnel.

Each year, the budget of the Confederation fixes a maximum amount for the promotional measures. The Federal Council allocates subsidies within the limits of this maximum after consultation with the Federal Cinema Commission and the "Pro Helvetia" Foundation.

(iii) Amount of subsidy

The total amount of subsidies granted was as follows:

<u>1984</u>	<u>1985</u>	<u>1986</u>
4.75	7.5	8

(iv) Estimated amount per unit

The amount granted for each film varies considerably, according to its nature, category and length. Consequently, calculation of an amount per unit would be meaningless.

2. Effect of subsidy

In view of the limited financial means available to the Confederation for subsidizing Swiss film production, there can be no question of trying to develop this industry. The aim is rather to offset, to some extent, the difficulties encountered in producing films in a small country where four languages are spoken. Swiss production has remained very marginal; it varied between twelve and fifteen films a year in the period under consideration.