

GENERAL AGREEMENT ON

TARIFFS AND TRADE

RESTRICTED

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SUBSIDIES

Notifications Pursuant to Article XVI:1

SWITZERLAND

Switzerland communicates the attached notification pursuant to Article XVI:1 out of a concern for transparency, on the understanding that it does not prejudge the nature of the measures described for the purposes of Article XVI:1 or the provisions of the Agreement on Subsidies.

PART ONE: AGRICULTURE

This notification is submitted pursuant to Article XVI:1 of the General Agreement. Some of the measures mentioned, however, probably do not operate to increase exports or reduce imports.

I. MILK AND DAIRY PRODUCTS

(a) Dairy account of the Confederation

Dairying is the most important branch of Swiss agriculture; it brings in about 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	(Sw F million)		
(1 November-31 October)	<u>1986/87</u>	<u>1987/88</u>	<u>1988/89</u>
<u>Expenditure</u>			
1. Disposal of butter	265.8	289.8	322.5
2. Disposal of cheese	464.5	489.5	534.6
3. Contribution to cow keepers delivering no milk to the trade	83.8	89.4	94.7
4. Additional price reduction for soft and semi-hard cheese	36.0	42.4	49.0
5. Other measures (including valorization of preserved milk products)	<u>63.0</u>	<u>37.6</u>	<u>39.5</u>
Total expenditure	913.1 =====	948.7 =====	1,040.3 =====
<u>Coverage</u>			
1. General contribution by the Confederation	571.8	572.0	722.5
2. Revenue from charges and price supplements	289.6	326.0	258.7
3. Share of losses payable by producers	<u>51.7</u>	<u>50.7</u>	<u>59.1</u>
Total receipts	913.1 =====	948.7 =====	1,040.3 =====

(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, replaced as from 1 November 1989 by the Dairy Economy Order of 16 December 1988.

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>1986/87</u>	<u>1987/88</u>	<u>1988/89</u>
1. Reduction in price of table butter (choice, full-cream and whey-based butter)	159.7	177.9	197.0
2. Reduction in price of cooking butter and resolidified butter, and storage, transport and interest costs	82.0	87.5	98.8
3. Advertising costs	6.7	6.0	6.7
4. Subsidy for fresh skimmed milk intended for animal feed	15.7	16.8	18.5
5. Miscellaneous contributions	<u>1.7</u>	<u>1.6</u>	<u>1.5</u>
Total expenditure on disposal of butter	265.8	289.8	322.5
	=====	=====	=====

(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 1.7.1986	5.50	5.83 to 8.81	10.10 to 13.08
From 1.7.1987	5.50	5.87 to 8.79	10.16 to 13.08
From 1.7.1988	6.03	6.33 to 9.25	10.62 to 13.54

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 is declining. It fell from 38.6 per cent in 1987 to 34.9 per cent in 1989.

The following tables show the trend in prices and consumption of butter since 1986:

Retail prices (Sw F per kg.)

	<u>From 1.7.1986</u>	<u>From 1.2.1988</u>	<u>From 1.2.1990</u>
Choice butter (packages of 200 gr.)	18.10	19.00	19.00
Fresh cooking butter (packages of 250 gr.)	14.20	15.20	14.20
Resolidified butter (tins of 450 gr.)	11.22	13.22	13.22

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
1987	33,645	17,155	11,618	44,925
1988	35,675	18,661	8,002	43,542
1989	38,509	20,910	3,024	42,193

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 66 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.

¹Allowing for fluctuations in stocks

(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 consumers and the producers. Certain valorization expenses are also met out of the dairy account in the case of other types of cheese which are not 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 2)

(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 2) 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
1987	127.9	23.7	60.6	89.6
1988	130.1	24.1	62.2	90.7
1989	130.5	24.6	63.9	91.9

(d) Preserved milk products1. Nature and extent of the subsidy(i) Background and authority

The legal basis is the same as for butter.

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

²Allowing for fluctuations in stocks

(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.

(iii) Amount of subsidy

The following amounts are included in the expenditure shown in the dairy account of the Confederation (see page 2).

<u>Period</u>	<u>(Sw F million)</u>		
	<u>1986/87</u>	<u>1987/88</u>	<u>1988/89</u>
(1 November-31 October)	26.7	22.4	31.6

(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</u> <u>1.7.1983</u>	<u>From</u> <u>1.2.1988</u>
- sterilized milk	49	54
- cream	60	65
- preserved milk products	58	63
- yoghurt	60	65

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</u>	<u>Assistance schemes</u>	
1987	186,900	30,200	18,500	12,900	185,700
1988	171,300	28,700	30,200	10,000	159,800
1989	194,500	32,500	n.a.	n.a.	n.a.

¹Not including cream

(e) Measures taken in the field of dairy policyProducer price

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

from 1.7.1986 to 1.2.1988	97 centimes per kg.
from 1.2.1988	102 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. Since 1 May 1981 producers in mountain zones II to IV have been subject to a similar quota system. The new Dairy Economy Order of 16 December 1988 extends the individual quota system to mountain zones II to IV, which were previously subject to global quotas for co-operatives. Within this quota, the base price is paid, less the normal deduction amounting to 2 centimes/kg. until 1 November 1989 and 4 centimes/kg. since that date. The producer pays an individual charge of not more than 85 per cent of the base price on any surplus.

Since 1 November 1989 an additional charge of up to 5 centimes/kg. has been levied on producers for milk deliveries of between 80,000 kg. and 200,000 kg. This charge can reach a maximum of 10 centimes/kg. for deliveries over 200,000 kg.

In November 1989, the national dairy association launched a campaign to reduce the total volume of quotas by buying back quotas. This action will cost 6 million francs, to be financed by a contribution paid by all milk producers.

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)
1983/84	3,149
1984/85	3,066
1985/86	3,067
1986/87	2,987
1987/88	2,998
1988/89	3,081

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 1.7.1986 to 31.1.1988</u>	<u>From 1.2.1988 to 30.10.1989</u>	<u>Since 1.11.1989</u>
For the 2nd to 10th cows			
in mountain zones II-IV	1,500	1,620	1,820
in other areas	1,400	1,520	1,720
For the 11th to the 20th cow	1,400	1,520	1,680
For the 21st to the 50th cow	950	1,030	1,030
For the 51st to the 100th cow	600	600	500
As from the 101st cow	400	400	500

The total amounts paid in respect of these subsidies are included in the dairy account (see page 2).

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 on the sale of cattle;
- 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

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.

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 allowance was paid to over 47,000 farms, for a total of 522,743 head, in 1989.

(iii) Total amount of subsidy

	<u>1987</u>	<u>1988</u>	<u>1989</u>
		(Sw F '000)	
Promotion of sales within the country:			
- subsidies to relieve market pressure	2,286	1,555	1,524
- subsidies for culling	56,450	56,881	53,555
Maintenance of exports	46,546	28,894	36,677
Contribution to expenses of cattle-keepers in mountain areas and the sub-Alpine hill zone	<u>201,869</u>	<u>209,202</u>	<u>240,000</u>
Total	307,151 =====	296,532 =====	331,756 =====

(iv) Amount per unit¹

(Average Sw F per head)

Promotion of sales within the country:			
- subsidies to relieve market pressure	659	496	811
- subsidies for culling	439	405	409
Maintenance of exports	2,626	2,453	2,536
Contribution to expenses of cattle-keepers in mountain areas and the sub-Alpine hill zone (limited to fifteen head of cattle per holding)			
- sub-Alpine hill area	130 ² /170 ³	140/180	180/230
- mountain zone I	250/330	270/350	330/420
- mountain zone II	450/600	480/630	540/710
- mountain zone III	650/880	680/910	760/1,010
- mountain zone IV	870/1,180	900/1,210	1,000/1,330

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

²Cattle, breeding pigs and horses

³Sheep and goats

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 year¹</u>	<u>Exports of calves, heifers, cows and bulls</u>
1987	312,400	17,721
1988	307,467	11,779
1989	345,300	14,461

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.

¹Census 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.

A Federal financial export aid is paid to horse-breeders for exports of horses of the breeds encouraged by the Confederation, in order to offset the handicap resulting from higher domestic production costs. Total export subsidies in 1986, 1987 and 1988 amounted to about Sw F 9,000, 22,000 and 13,500 per year, respectively.

(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)
1987	2,994	60-200	400-700
1988	2,471	60-200	400-700
1989	2,803	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
1987	47,700	2,754	594
1988	49,190	2,845	1,855
1989	48,100	3,840	1,365

IV. WOOL

1. 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 370,000 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 Confederation allocates an annual contribution of 1.8 million francs; 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 market. The Confederation reimburses CLI for any losses resulting from its operations up to a maximum amount of Sw F 200,000 per annum.

(iii) Amount of subsidy

<u>Year</u>	<u>Total</u> (Sw F '000)	<u>Sw F per ton</u>
1987	1,798	2,829
1988	1,800	2,748
1989	1,798	2,733

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.

Production and trade

<u>Year</u>	<u>Production</u>	(in tons)	
		<u>Imports</u> ¹	<u>Exports</u> ¹
1987	635	14,446	3,476
1988	655	12,529	2,382
1989	690	13,457	2,131

¹Wool, etc., falling within headings Nos. 5101.1100/1900, 5101.2100/2900, 5101.3000, 5105.1000/2100/2900.

V. EGGS

1. 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>
1987	13,612	6.9 centimes
1988	14,623	7.2 centimes
1989	17,625	8.2 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 30 per cent of total domestic production. This production accounts for between 62 and 65 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)	
1987	690	551	1,085
1988	708	538	1,075
1989	692	497	1,016

Exports are negligible.

VI. BREAD GRAINS

1. 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.

The Wheat Administration can sell domestic wheat purchased from producers to millers 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.

Bread quality and foreign economic policy 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 (denatured).

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>1987</u>	<u>1988</u>	<u>1989</u>
- Price reduction	3,590	1,229	10,235
- Disposal of lower-quality domestic grains	31,976	41,357	33,032
- Reduction of milling price ¹ and compensatory allowances ¹	714	-	-
- Acreage subsidies	20,630	20,630	20,630
- Other subsidies	<u>1,500</u>	<u>1,400</u>	<u>1,400</u>
Total subsidies	<u>58,410</u>	<u>64,616</u>	<u>65,297</u>
	=====	=====	=====

(iv) Amount per unit

	(Sw F per 100 kg.)		
	<u>1987</u>	<u>1988</u>	<u>1989</u>
- Price reduction	0.96	0.32	2.51
- Disposal of lower-quality domestic grains	31.64	31.70	29.68
- Reduction of milling price, ¹ variable according to altitude of the farm	10-14	-	-

Acreage subsidies

	(Sw F per hectare)		
	<u>1987</u>	<u>1988</u>	<u>1989</u>
Sloping land outside the mountain region	800	800	800
Extended intermediate zone ²	225	225	225
Intermediate zone ²	500	500	500
Sub-Alpine hill zone ²	720	720	720
Mountain region, zone I	950	950	950
Mountain region, zones II-IV	1,150	1,150	1,150

¹Subsidy abolished as from 1988 harvest.

²Except sloping land

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>
1987	460	360	810
1988	570	315	860
1989	650	275	855

Exports are negligible.

VII. FEED GRAINS1. 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.

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

1987	143,000
1988	168,200
1989	181,500

(iv) Amount per unit

In 1987, 1988 and 1989, the following amounts per hectare were paid (Sw F):

	Barley and oats			Maize		
	1987	1988	1989	1987	1988	1989
For the first 2 hectares	1,400	1,500	1,500	1,050	1,050	1,050
2 to 10 hectares	1,300	1,400	1,400	600	600	600
More than 10 hectares	1,000	1,100	1,100	300	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 1,800 per hectare in 1987, 1988 and 1989.

2. Effect of the subsidy

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 with farms on the plain. It should be noted in this context that the area under feed grains increased from 87,900 hectares in 1986 to 107,100 hectares in 1989.

(ii) Production, trade and consumption

(not allowing for fluctuations in stocks)

<u>Year</u>	<u>Production</u>	('000 tons)	
		<u>Imports</u>	<u>Consumption</u>
1987	459	763	1,186
1988	644	702	1,337
1989	745	481	1,285

Exports are negligible.

VIII. COLZA SEEDS

1. Nature and extent of subsidy

(i) Background and authority

- Agriculture Act of 3 October 1951.

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 17,000 hectares in 1987, 1988 and 1989. The Federal Council fixes the

guaranteed price to the producer, taking into account production costs, yields and disposal prospects.

(ii) Incidence

Under the supervision of the Confederation, the organizations concerned conclude cultivation contracts with producers. 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>
1987	40,039	815
1988	37,407	747
1989	39,300	725

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 25 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>
1987	49,157	17,324
1988	50,059	20,133
1989	54,393	20,202

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

IX. SOYA BEANS

1. Nature and extent of 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.

Soya-bean production was introduced in 1988, in particular for biological reasons connected with the need for some diversification of crops. The measures to encourage soya-bean production come within the general context of measures to promote arable farming. In particular, they are aimed at a minimum level of self-sufficiency. The Confederation guarantees producers that it will purchase soya-beans at the price which it sets. This guaranteed purchase applies to soya-beans produced on an area of up to a maximum of 2,000 hectares. The Federal Council fixes the price to the producer taking into account production costs, yields and disposal prospects.

(ii) Incidence

Under the supervision of the Confederation, the organizations concerned conclude on their own behalf a yearly cultivation contract with each producer. The selling price of soya-beans to oil-processing plants is determined in the light of the situation of world markets and world market prices. The Confederation bears the cost of the difference between the oil processor's costs and the selling price.

(iii) Amount of subsidy

<u>Year</u>	(Sw F '000)	(SW F)
	<u>Total</u>	<u>Per ton</u>
1987	-	-
1988	2,693	1,392
1989	2,100	948

2. Effect of the subsidy

The subsidy makes it possible to keep a minimum area under soya-beans.

Production, Trade and Consumption (in tons)

<u>Year</u>	<u>Soya-bean production</u>	<u>Imports of soya oil¹</u>	<u>Exports of soya oil¹</u>	<u>Consumption of soya oil</u>
1987	-	-	-	-
1988	1,934	1,369	6,418	n.a.
1989	2,215	1,632	7,169	n.a.

¹Tariff headings 1507/1000/9010/9090

X. SUGAR BEET

1. Nature and extent of the subsidy

(i) Background and authority

- Federal Order of 23 March 1979 concerning the domestic sugar industry, replaced as from 1 October 1989 by the Federal Order of 23 June 1989 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 from 1985 to 1987.

(ii) Incidence

The Federal Order concerning the domestic sugar industry, which came into force on 1 October 1979, was in effect until 30 September 1989. A new Order, whose period of validity is limited to ten years, came into force on 1 October 1989. 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 22.5 million from the Confederation;
 - a charge of Sw F 1.70 to 25.5 per 100 kg. of sugar imported;
 - a contribution from the planters of 6 to 90 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 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)
1987	32,500	29.0
1988	32,500	23.6
1989	32,500	23.2

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>
1987	112,838	122,456	593	287,883
1988	137,889	129,117	161	305,041
1989	140,022	111,790	108	300,000

XI. 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 1701.1100/1200/9100/9900 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. Participation in the cost of information and advertising to promote potato consumption;
2. Sale of potatoes to the needy at reduced prices for use as food;
3. Subsidies to 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 are granted 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>
1986/87	7,842	2,401	4,592
1987/88	10,750	3,761	4,816
1988/89	25,356	16,535	4,684

(iv) Amount per unit

<u>Year</u>	<u>Utilization of surpluses (Sw F per ton)</u>
1986/87	20.21
1987/88	40.84
1988/89	80.15

Subsidies to area (Sw F per hectare)

	<u>Mountain areas</u>	<u>Sloping land in plain areas</u>
1987	2,200	1,600
1988	2,200	1,600
1989	2,200	1,600

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>
1987	748	5	7	410
1988	925	8	11	410
1989	884	15	15	410

XII. 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. Participation in the cost of information and advertising to promote fruit consumption.
2. Sale of dessert apples 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) ¹
	Total (1-4)	of which concentrated fruit (3)		
1986/87	32,133	22,925	1,056	3,850
1987/88	13,736	9,829	1,136	211
1988/89	41,979	29,827	1,073	4,199

(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 34 and 45 centimes per kilogram.

The subsidies for apricot disposal amounted to 33 centimes per kilogram of apricots processed in 1987, 1988 and 1989.

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.

¹Calendar years 1987, 1988 and 1989

Production and Trade ('000 tons)

Year	Production		Imports	
	Total ¹	Of which apples	Chapter 08	Heading 0808/0809 ²
1987	319	189	422	86
1988	731	472	419	69
1989	443 (prov.)	280 (prov.)	409	59

The quantity of fruit exported amount to:

1987: 4,610 tons
 1988: 5,378 tons
 1989: 2,814 tons

XIII. WINE, GRAPE JUICE, DESSERT GRAPES1. 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. Non-alcoholic use of grapes (grape juice and dessert grapes).
3. Industrial use of part of surplus wine.

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

² New Customs Tariff since 1 January 1988 (former headings 0806/0807)

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.

(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>Utilization¹ of grapes</u>
1987	1,901	1,035	36,455
1988	1,777	990	23,259
1989	1,870	1,126	20,145

(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.-

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.

¹Including industrial use

Production, trade and consumptionWine ('000 hectolitres)

<u>Year</u>	<u>Production</u>	<u>Imports</u>	<u>Exports</u>	<u>Consumption</u> ¹
1987	1,257	1,770	11	3,135
1988	1,161	1,833	12	3,179
1989	1,747	1,854	10	3,160

Grape juice ('000 hectolitres)

1987	86	41	2.9	129
1988	48	68	0.2	115
1989	47	80	0.1	130

Dessert grapes ('000 tonnes)

1987	0.8	39.0	-	39.8
1988	0.6	35.7	-	36.3
1989	1.2	34.6	-	35.8

XIV. 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.

¹For wine and grape juice, consumption is calculated on the basis of the vineyard year (1 July to 30 June) 1986/87, 1987/88 and 1988/89.

(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>1987</u>	<u>1988</u>	<u>1989</u>
Dairy products	34,785	50,284	47,113
Cereal products	3,748	9,472	7,197
Preserved eggs	770	1,069	965
Sugar and molasses	8,442	10,604	8,995

(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 representative 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.

¹Publication in the Feuille officielle suisse du commerce

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

('000 tons)

<u>Year</u>	<u>Production</u>	<u>Imports</u>	<u>Exports</u>	<u>Consumption</u>
1987	321	53	88	286
1988	330	33	87	276
1989	341	52	101	293

PART TWO: INDUSTRY

Period covered: 1987 to 1989

The Swiss Government notifies below the subsidies granted in the industrial sector during the financial years 1987/1988/1989. In view of their limited financial impact, these subsidies have had very small economic repercussions. The first two are part of a structural adjustment policy strategy. 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

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 (one half in exceptional circumstances) 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 dependent upon similar measures by the cantons.

(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>1987</u>	<u>1988</u>	<u>1989</u>
	(Sw F million)		
- Total amount of credits guaranteed	38.7	39.9	32.0
- Effective provision to cover losses	1.5	3.7	3.3
- Contribution to loan service	2.3	2.2	2.4
- Number of cases	48.0	44.0	29.0

(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>Guarantees</u>			
	<u>Number of cases</u>	<u>Amount of guarantee</u> (Sw F million)	<u>Losses on guarantee</u> (Sw F million)
1987	58	21.2	1.0
1988	55	21.0	1.5
1989	54	18.2	1.2

<u>Loan Service Contributions</u>			
	<u>Number of cases</u>		<u>Guarantee amount</u> (Sw F million)
1987	43		0.5
1988	47		0.8
1989	58		0.9

II. PROMOTION PROGRAMMES AND ENCOURAGEMENT OF APPLIED RESEARCH

1. Nature and extent of the subsidy

(i) Background and authority

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.

1. Federal Order of 4 October 1982 allocating additional credits for the promotion of technological development and training (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 of 12 December 1985 on the financing of supplementary measures to encourage the use of wood (budgetary appropriations for a total of Sw F 17 million for the period 1986-1991).
 - Basic and advanced training of specialists.
3. Federal Order of 5 December 1987 on the funding of applied research and development during the period 1988-1991.

4. Federal Order of 16 December 1987 on the funding of technological co-operation in Europe for the period 1988-1991.

(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>1987</u>	<u>1988</u>	<u>1989</u>
26.7	34.4	32.8

(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 since 1984.

(iii) Amount of subsidy

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

<u>1987</u>	<u>1988</u> (Sw F million)	<u>1989</u>
5.43	5.43	5.43

(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 objective pursued is not economic cultural. The main purpose is to ensure the continuation of Swiss film production and enable the industry to make full-length feature 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 for 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:

(Sw F '000)

<u>1984</u>	<u>1985</u>	<u>1986</u>
8.5	9.5	10

(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.