

# GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

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Working Party on Structural Adjustment  
and Trade Policy

RECORD OF DISCUSSION ON COUNTRY CONTRIBUTIONS  
RELATING TO EXPERIENCE WITH STRUCTURAL ADJUSTMENT

Switzerland  
(Spec(82)6/Add.5)

1. The representative of Switzerland, introducing his country's submission, said that he wished to emphasize three points. The first was the high degree of interdependence between the economy of Switzerland and that of the world, Switzerland's foreign trade representing about one-third of its GNP. Secondly, he stressed the importance that Switzerland attached to stable conditions of access and to continued trade liberalization. Thirdly, Switzerland followed a policy of non-intervention; it was the market that gave the signals and the enterprises that took the adjustment decisions. Even in the recent difficult years, Switzerland had not taken restrictive measures at the frontier nor had it given subsidies to protect particular industries, such as those producing textiles, watches or machines which had experienced great difficulties.
2. He said the adjustment policy introduced in 1978, the content which was described on page 6 of Spec(82)6/Add.5, had consisted of measures to facilitate the adjustment process, and not to delay it. A new programme had been adopted in October 1982, which, like the earlier programme, concerned financial support for research and training. Among the training courses were courses in the fields of computerized management techniques, computerized machine construction techniques and energy-saving installations in buildings. The research projects related to the construction of industrial robots and instruments for automatic measuring, analysis as well as measuring and verification techniques in the building sector to better detect sources of energy losses. He said that this programme, like the preceding one, was very modest, amounting to a total contribution of SwF 51 million over a period of six years.
3. In reply to a number of written questions, the Swiss delegate made available replies in writing. These questions and replies as well as certain additional comments made in the discussion are summarized below.
4. In response to a question regarding policies to influence structural adjustment in agriculture, the Swiss delegation said that freedom of trade and industry was guaranteed by the Federal Constitution (Article 31). However, Article 31 bis of the Constitution allowed the Confederation to derogate from this principle of freedom of trade and industry to safeguard the country's agriculture in the interests of national supply. The agricultural policy measures established to this end covered various aspects: improvement of production bases and reduction of costs, support

for prices and product disposal, guidance and limitation of production, measures in favour of mountain regions, and social policy measures. These various measures had not prevented continuing structural adjustment. Over the past four decades, fundamental and often painful adjustment had been made in Switzerland's agriculture. Thousands of farms had been abandoned; the farming population had turned towards industry and the tertiary sector because of lack of earning possibilities. It was estimated that at the present time three farms were taken out of operation each day. The number of farms had fallen from 162,000 in 1965 to 125,000 in 1980 and the number of persons engaged in agriculture had declined from 285,700 in 1965 to 184,900 in 1980. In reply to a supplementary question on this matter, the representative of Switzerland said the main factor in this labour migration had been the attraction of better employment prospects in the manufacturing and service sectors.

5. Questioned about the self-sufficiency level in agriculture sought by the Swiss government, the Swiss delegation indicated that Switzerland's agriculture had in particular to be able to ensure supplies in times of crisis where imports are no longer possible. To this end, adequate production in "normal" times was essential to allow the production increase needed in time of "crisis". It would appear that the present level of 55 per cent net self-sufficiency was a minimum.

6. Giving, in response to a request, more details of the "punctual measures" to encourage technical innovation in certain industries or certain less-favoured regions of Switzerland mentioned in paragraph 3 of page 6 of Spec(82)6/Add.5, the Swiss delegation said that the more punctual measures included sureties granted by the Confederation to guarantee investment credits, contributions for interest servicing and tax relief. These measures should allow industry in regions where the economy was threatened to facilitate adjustment through diversification or innovation of their production and to attract new establishments to these regions. The programme in question covered a ten-year period (1979-1989). Total commitments in the form of sureties could not exceed SwF 250 million, and the credit opened for contributions to interest servicing amounted to SwF 30 million.

7. Providing, in response to a question, details on the "internal programmes" to encourage adjustment mentioned in paragraph 2 of page 7 of Spec(82)6/Add.5, the Swiss delegation said that the programmes included quality evaluation and control of electronic components; training and counselling in systems developments and process control; microtechnical research; improvement of access to technical or scientific data banks, etc. In principle, these programmes were not focused on specific industries. Special emphasis was laid on the watchmaking industry - which had been particularly affected by the recession - with a common improvement programme for electronic watch components. The total cost of these programmes was approximately SwF 60 million for a four-year period.

8. The delegation of Switzerland provided, in response to requests, information on changes in employment by sectors and in imports and exports by sectors. This information is reproduced in tables 1 and 2 of the Annex.

9. Replying to a question about the effect on Swiss agriculture of imports whose production and export had been heavily subsidised, the delegation of Switzerland said that in some sectors, for example fruit, the Swiss market and subsequently production had sometimes been affected by subsidized imports. However, the impact of such low-price imports on the process of adjustment in Swiss agriculture was difficult to measure. In response to a supplementary question, the representative of Switzerland said that certain temporary frontier measures had been taken, notably in the fruit sector.

10. In response to a question, the delegation of Switzerland indicated that the percentage of Swiss GNP represented by exports had been 28.1 in 1979 and 29.9 in 1980; for imports, the corresponding figures had been 31.1 and 36.7.

11. Asked whether Switzerland had encountered trading problems as a result of rigidities elsewhere in the world economy, the Swiss delegation said that, generally speaking, rigidities in import régimes had had the effect of impeding the expansion of exports. For enterprises, these rigidities had led to stronger competition in international trade and difficulties in moving their products on certain markets. In the textile sector, in particular, industry had seen its efforts to restructure poorly rewarded, since access for new specialties was restricted or even impossible in certain markets.

12. Responses by the Swiss delegation to a request for information on certain fundamental indicators of change and adjustment are contained in Annex table 3.

13. Commenting on the Swiss submission, a member said that in examining country submissions to the Working Party his delegation had always focused on what was the attitude of a country to trade measures with respect to structural adjustment. Such issues as labour mobility, investment policy and the like, while of interest, had been looked at only to the extent that they affected trade policy measures. He felt that the submission of Switzerland and the Swiss responses to questions had provided the necessary information on the use of trade measures as instruments of structural policy. He was of the view that the diverse experiences of countries in this respect could be fitted into three categories. First, countries which did not use trade measures to influence structural adjustment, but took the necessary internal measures to respond to international competition in a purely reactive way. It appeared from the submission and discussion on the Swiss experience that Switzerland placed itself in this category, with the possible exception of its treatment of the agricultural sector. Secondly, there were countries that used trade measures occasionally to affect structural adjustment, usually to influence the pace or direction of such adjustment, but generally tried to respond to international competition. He would place, for example, Sweden in this category on the basis of its submission and the discussion on it in the Working Party. Thirdly, there were countries that used trade measures actively to influence structural adjustment, to move resources intentionally from one sector to another, for example in the form of infant industry protection or measures to stimulate an export sector. Often these measures were taken in the context of a development plan.

14. The representative of Switzerland confirmed that his country did not employ trade measures to influence structural change in any negative way. Rather the Swiss liberal trade policy affected structural change in Switzerland by making it responsive to developments in external markets.

15. In reply to a question how one could reconcile what had been stated in document Spec(82)6/Add.5 regarding the liberal Swiss attitude, with the unwillingness to ease and/or eliminate the restrictions on imports of certain agricultural products provided for in the Swiss Protocol of Accession to the GATT, the representative of Switzerland stated that the explanation requested had already been furnished in Switzerland's reply to questions put by another delegation. Furthermore, he drew attention to the discussion in the Working Party on paragraph 4 of the Protocol for the Accession of Switzerland (L/5311, 27 April 1982) which was the occasion for a more detailed explanation of the fundamental principles underlying Swiss agricultural policy.

ANNEX

Table 1

Employment by Sector  
(as percentage of total active population)

	<u>1965</u>	<u>1970</u>	<u>1980</u>
Agriculture	9.5	7.5	6.1
Textiles	2.6	2.2	1.5
Clothing	3.3	2.7	1.6
Chemicals	1.9	2.3	2.4
Metals	6.7	6.3	5.6
Machinery	9.0	9.0	8.6
Watches	3.0	3.1	2.0
Construction	8.6	8.0	6.3

Table 2

Changes in Imports and Exports by Sectors  
(as a percentage of total exports and imports respectively)

Sector	1970		1981	
	Imports	Exports	Imports	Exports
Agriculture and forestry	15.5	6.9	11.0	4.0
Textiles and clothing	10.2	9.5	9.5	7.1
Chemical products	10.1	20.8	10.8	20.1
Metals and metal products	15.0	7.1	9.0	8.1
Machinery and equipment	18.7	33.5	17.7	33.9
Watches	0.6	11.9	0.7	7.4

TABLE 3

Fundamental Indicators of Change and Adjustment.

i) Employment in agricultural sector in relation to total employment:

	<u>Agriculture</u> 1) (000)	<u>Total</u> (000)	<u>%</u>
1970	269	3124	8,6
1971	262	3167	8,3
1972	255	3189	8,0
1973	247	3203	7,7
1974	244	3187	7,7
1975	237	3017	7,9
1976	235	2918	8,1
1977	229	2923	7,8
1978	223	2940	7,6
1979	220	2962	7,4
1980	218	3012	7,2

1) including forestry and fishery

ii) Rate of capital formation in agricultural sector in comparison with overall average rate:

	<u>1975-1980</u> (annual growth in %)
Agriculture	4,9
Total	2,2

iii) Output per unit of labour:

(real gross output in Sw F)

1970	9'225
1971	9'750
1972	10'125
1973	10'700
1974	11'050
1975	11'280
1976	11'820
1977	12'350
1978	12'985
1979	13'950
1980	14'135
1981	14'135

iv) Amount exported in relation to output

	<u>Production</u> in million Sw F	<u>Exports</u> in million Sw F	<u>%</u>
.... 1)			
1974	6292	1040	16,5
1975	6410	1029	16,1
1976	6716	1080	16,1
1977	6686	1288	19,3
1978	6993	1150	16,4
1979	7406	1163	15,7
1980	7243	1335	18,4
1981	7574	1486	19,6

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<sup>1</sup> Figures for earlier years not available

v) Ratio of capital input to labour input <sup>1)</sup>

1970	1 : 0,56
1971	1 : 0,56
1972	1 : 0,64
1973	1 : 0,65
1974	1 : 0,7
1975	1 : 0,57
1976	1 : 0,67
1977	1 : 0,63
1978	1 : 0,65
1979	1 : 0,66
1980	1 : 0,65

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<sup>1</sup> Calculated on the basis of centralized processing of data concerning production costs (per hectare of agricultural area).