1. In accordance with the decision adopted by the CONTRACTING PARTIES at the fourteenth session that consultations should be held with the individual contracting parties regarding their agricultural policies, the Committee has carried out the consultation with Switzerland. The Committee had before it: (i) a synopsis, furnished by the Government of Switzerland, of non-tariff measures for the protection of agriculture or in support of incomes of agricultural producers and (ii) a document giving detailed information on the commodities entering importantly into world trade on which the CONTRACTING PARTIES had agreed the consultations should in the main be concentrated. In conducting the consultation, which was concluded on 24 September, the Committee followed the plan for consultation contained in Annex A to document COM.II/5 and adopted by the CONTRACTING PARTIES at the fourteenth session. The present report summarizes the main points discussed during the consultations.

A. GENERAL AGRICULTURAL POLICY

2. In his opening statement the representative of Switzerland drew the Committee's attention to the comprehensive description of Swiss agricultural policies, and the measures which had been adopted to implement those policies, which was contained in the documentation which had been supplied to the Committee. He stressed that there were two points of fundamental character which should be borne in mind in order that Swiss agricultural problems could be seen in their proper perspective.

3. The first point was that the maintenance of a healthy and prosperous agriculture in Switzerland went far beyond the economic sphere only; it was intimately linked to the very existence of the country as a political entity. Switzerland was a permanently neutral country which had always considered neutrality not only a privilege but an obligation, which involved defence by her own political, military and economic means. Despite, therefore, natural conditions that were very unfavourable, Switzerland had to maintain her agricultural industry as a going concern. The fact that Switzerland had been able to rely, at least partly, on her own resources had saved her population from starvation and possibly destruction during two world wars and enabled her to play her traditional humanitarian rôle. Since the basic conditions for agricultural production in Switzerland were difficult, there had to be a certain degree of agricultural protection in order to keep the industry alive.
4. The representative of Switzerland stated that the second point that he wished to stress was that the moderate measure of agricultural protection existing in Switzerland should in no way be construed as a departure from the country's traditionally liberal trade policy. The Swiss authorities were convinced that the restrictions it maintained were the very minimum that was essential to achieve the general objective. Switzerland was a great importer of agricultural commodities from all parts of the world and ranked among the largest importers of agricultural goods per head of population, holding second place among European importers. It was the constant ambition of the Government of Switzerland to expand this area of freedom in her agricultural imports as far as possible without jeopardizing the fundamental interests of the country. Viewed from this angle, Switzerland could with confidence face any test of her agricultural policies.

5. The Committee expressed appreciation for the concise statement made by the representative of Switzerland and for the documentation which had been furnished by the Government of Switzerland.

6. In discussion on the statement made by the representative of Switzerland, members of the Committee pointed out that the aims of Swiss Government agricultural policy found expression in a most comprehensive and thoroughgoing system of agricultural support which included almost every possible type of protective measure such as fixed prices, quantitative restrictions, State trading and subsidies. A member of the Committee noted that the documentation supplied by the Government of Switzerland contained no reference to the percentage of the population at which the Government aimed for agriculture. In 1950, the percentage of the population engaged in agriculture had been 15 per cent and unofficial calculations made in 1956 had shown a decline to 12 per cent. This member considered that the omission of any reference to the aims of the Government in regard to the percentage of the population to be maintained in agriculture implied that, despite all the protective measures that were in operation, the earlier aims had proved impossible of fulfilment. In the view of this member of the Committee, this demonstrated that even the most comprehensive support could not prevent flight from the land. He assumed that the discussions on agricultural policy and possible revisions of the existing system which he understood the Swiss authorities were now engaged in would include consideration of the question of the percentage of the population to be maintained in agriculture.

7. Members of the Committee stated that in their view there was no serious social or economic problem in relation to farmers in Switzerland and, as shown in the 1957 OEEC Report, the agricultural population was declining and there was profitable employment elsewhere in the country. They recognized that movement of population away from agriculture would give rise to social difficulties in particular regions, but considered that these marginal producers should be helped by means other than very high income support which at the present time went to all farmers in Switzerland. They stressed their view that as exporters they would wish to see the elimination of the marginal producer since it was this producer that set the price; there could be little objection to support for real cases of necessity but, in their view, such cases were few in number. Members of the Committee emphasized their feeling that the Government of Switzerland should give consideration to the possibility of directing support towards the improvement of productivity rather than towards compensation for unfavourable circumstances. Even if one accepted the existence of special
factors involved in the maintenance of agriculture in Switzerland, it could still be legitimately questioned whether every measure adopted by Switzerland was justified. The system operating in Switzerland was designed to bring forth as much production as the land and resources could yield and the stimulation of this production depended on a thorough-going protection which had a restrictive effect on international trade in agricultural products. Members of the Committee doubted whether this system contained any incentives to efficiency since farmers knew that they had almost complete protection.

8. The representative of Switzerland stated that the omission of references in the documentation to the percentage of the population which the Government aimed at maintaining in agriculture was not to be taken as an indication that the Government of Switzerland no longer attached importance to this point. The aim of the Government was the maintenance of a minimum of agricultural population and the promotion of a stronger and more effective agricultural industry, and these aims were laid down in the Basic Agricultural Law of October 1951. The Government recognized the existence of a trend towards a steadily declining agricultural population but did not regard this necessarily as a bad thing in itself since methods of productivity were constantly being improved and this compensated for the decline in the number of people engaged in agriculture. Swiss agriculture suffered from the existence of too many small farms and the Government deemed desirable, always with the aim of increasing productivity, a reduction in the number of excessively small farms and their amalgamation into larger units. In regard to the suggestion that support should be confined to marginal producers only, Swiss agriculture as a whole needed support and additional protection was granted to farmers in difficult mountain regions. The Government was attempting always to evolve new methods of support for agriculture which would concentrate on correction of handicaps rather than on compensation for handicaps, though it could not be denied that such an evolution took place only slowly. Nevertheless, the Government was concentrating on all possible measures, including education, research, improvement of livestock breeding etc., that could make the agricultural industry more effective, though it was obvious that limits were set to what could be achieved since it was not possible to change the conditions imposed by nature on the country and, in addition, Switzerland's suppliers were also increasing their productivity. The Government considered that the compromise between agricultural and industrial population which had been reached in the legislation of 1951 was sound and they would not want to jeopardize this compromise unnecessarily. Furthermore, in the view of the Government, protective measures as used by Switzerland had resulted in the achievement of a fair equilibrium between domestic production and the interests of Switzerland's trading partners and had prevented Swiss agriculture from declining faster than it would have done without these protective measures.

9. Members of the Committee noted that Swiss Government policy aimed at fixing the internal market by the use of physical controls on imports in order to produce acceptable internal prices for farmers and stressed their great concern at the effects that this had on the trade of other suppliers to the Swiss market. Members of the Committee asked how the Swiss authorities calculated the price levels they sought to achieve, what considerations of efficiency of the domestic industry were taken into account in these calculations and how the consumer interest was taken into account compared with the question of the price to the domestic farmer. The representative of Switzerland said that the desired internal prices were based largely on costs
of production; the Swiss Peasants Union maintained a list of 500 to 600 average farms and constantly examined the book-keeping and administration of these farms in order to provide the Government with cost data for the fixing of production prices. Consumer interests were taken into account as required by the Basic Agricultural Law of 1951 which laid down that all measures should be taken with due respect to the national economy in general, and the Government maintained advisory boards and committees which criticized existing measures and advised on new measures also from the consumer point of view.

10. Members of the Committee expressed their view that, since Switzerland was a relatively rich country with no balance-of-payments difficulties, it would have been reasonable to expect her to have provided a valuable market for agricultural products unless she could provide them for herself on competitive conditions. The industry was not competitive; the total cost of the Government's support programme, which had shown a marked increase between 1956 and 1958, was a very heavy burden but was only a fraction of the total cost involved for the Swiss citizen. The maintenance of high internal prices, which, for example, required the Swiss consumer to pay more than double the price for butter, cheese, beef and lamb than the consumer in the United Kingdom, represented a further heavy burden for the Swiss citizen. Members of the Committee recognized the existence of the strategic considerations described by the representative of Switzerland and the problems which these gave rise to, but doubted whether strategic justifications necessitated the adoption of policies which included high consumer prices and a very limited scope for imports. They enquired whether the Government of Switzerland could not devise a system that would have less adverse effects on the trade of other suppliers to Switzerland; this need create only limited disturbances in the Swiss market but would have marked benefits to the Swiss consumer who would be able to buy better quality goods at lower prices. In this connexion, one member drew the attention of the Committee to the view expressed in the Haberler Report that a moderate change in the direction of agricultural and food policies might, over a number of years, by imposing a moderate restraint on domestic production and providing a moderate stimulus to consumption, have a substantial percentage effect upon the volume of net imports. Members of the Committee, noting that Swiss agricultural policy aimed at ensuring the maximum possible supply from domestic production, asked whether, in the event of an increase in Swiss demand for agricultural products, domestic producers would be given further incentives to production or whether other suppliers to Switzerland could be assured that this increased demand would be met from imports. Meanwhile, in their view, the scope for increased consumption in Switzerland was limited by the policies adopted by the Swiss Government. They said that there had been ample evidence in the last eighteen months that even in highly industrialized countries, demand was responsive to changes in consumer price and stressed their view that the highly restrictive import controls should be relaxed to the undoubted benefit of the consumer. There was little doubt that there was a high level of consumption of some types of food in Switzerland, e.g. bread, and there was equally little doubt that the level of consumption of other types of food, e.g. animal products, fruit and vegetables, could be increased to the benefit of the Swiss citizen if these foodstuffs were made available at lower prices.

11. The representative of Switzerland stated that the Government of Switzerland would not maintain that the system that had been adopted was the only system that could achieve its aims, nevertheless the system was an historical evolution arising from the special conditions in the country and, as it stood
at the present time, was the result of a compromise, not easily achieved, between different groups of interests. With regard to the views that had been expressed about high consumer prices in Switzerland and the possibility that consumption in Switzerland would be increased if prices were lowered, there was no evidence that the Swiss citizen was under-nourished and there was room for doubt whether high prices had a limiting effect on consumption in Switzerland. Switzerland was a wealthy country and the citizens seemed prepared to pay and able to pay high prices for food and, furthermore, the agricultural support programme had been put to popular vote in Switzerland and accepted by the people. It was calculated that the average Swiss family used 30 per cent of its total expenditure on food. In replying to questions, the representative of Switzerland said that in the drawing together and codifying of earlier agricultural laws in the new legislation enacted in 1951, no direct link had been established between the relatively low income tax burden on the Swiss population and protection to the Swiss farmer. Nevertheless, the fact that direct taxation of the population was not excessive contributed to making the level of food prices tolerable for the Swiss consumer. In regard to the question raised by members of the Committee about incentives to production, the representative of Switzerland said that development would be allowed to take a free course and no additional incentives would be given to domestic producers if there were an increase in domestic consumption of agricultural products.

12. Members of the Committee noted the large number of agricultural items subject to quantitative restrictions and stressed their concern at the adverse effects of such restriction on the trade of exporting countries; they also stressed their concern at the effects of restrictive techniques, such as the closing of the Swiss frontier to imports of certain products at seasons of the year when domestic supplies were adequate, which not only carried repercussions for exporting countries but accumulated problems for other importing countries. They asked for information on the part that considerations of international trade and the needs of Switzerland's trading partners played in the formulation of the Government's detailed national agricultural policy. It was their impression that imports of agricultural products were only allowed if they did not interrupt or interfere with domestic production. The representative of Switzerland said that his country had achieved liberalization of 68 per cent of imports in the private sector under the rules of CEBC and this liberalization was extended to all countries. He agreed with members of the Committee that the percentage would not be so high if imports made by the State-trading agencies were included in the calculations, but pointed out that State trading was not necessarily the strongest weapon of protection available to the Government since the agencies acted solely in accordance with commercial considerations and imported from those sources from which the best quality and price could be obtained. The interests of Switzerland's trading partners were taken into account in the formulation of the Government's detailed national agricultural policy, within the framework of the limitations imposed by existing laws and existing international engagements. The Basic Law on Agriculture itself imposed strict limitations and, having achieved a 68 per cent level of liberalization which inevitably involved opposition from Swiss agricultural organizations, the area of freedom where it was possible to decide in favour of protection or increased imports was a marginal one; here it was essential to reach a compromise between the agricultural organizations and exporters for each case on its merits and the decision was never an easy one for the Government.
13. In reply to questions about allocation of licences for import, the representative of Switzerland stated that the administration of the quotas within the limits established by the Government was as liberal as possible. The quotas were divided up among traditional importers who were in most cases entirely free to decide on sources. Members of the Committee expressed their view that the bilateral agreements which existed in both the private and State-trading sectors and the priorities in the Swiss market which were thus afforded to some supplying countries could represent serious discriminatory effects against the trade of other countries. Members of the Committee also considered that the allocation of import licences in the private sector to traditional importers only could prevent efficient development of import trade; since no provision was made for newcomers there could be little competition between the importers or incentive to efficiency. The representative of Switzerland stated that there were very few bilateral agreements left; instead, for most of the products of concern to the Committee, importation was effected through a variety of systems all characterized by a large measure of freedom. He agreed with the views expressed that the limitation of import licences to traditional importers only could have undesirable effects, but pointed out that such effects were mitigated in the Swiss import licensing system which provided for 10 per cent of quotas to be set aside for hardship cases and also provided for periodic revision of import rights with reductions of the rights of importers who did not make full use of their quotas.

14. Members of the Committee noted that in the documentation furnished to the Committee the Swiss authorities had stated that no mixing regulations were in force in Switzerland. They pointed out that for some commodities, e.g. milk-powder and eggs, importers were compelled to buy a certain amount of domestically produced material in order to obtain the right to import, and said that in their view such a requirement had the same effects on international trade as a mixing regulation. The representative of the Swiss Government considered that this system was more liberal than the imposition of a high tariff or an import prohibition.

15. Members of the Committee noted that the Government's agricultural policy took account of natural conditions and outlets offered by domestic and foreign markets; in this connexion they thought it possible that, given the high level of production costs and support, exports of some Swiss products might attract anti-dumping measures in other countries. The representative of Switzerland stated that for many products Switzerland was able to export at the exact prices of production. In the case of cheese, for example, it was precisely because the production costs and prices were high that the United States did not restrict its entry.

16. Members of the Committee pointed out that in their view Government agricultural policy appeared to be directed towards self-sufficiency within the limits imposed by natural resources. They noted that Swiss agricultural production accounted for 70 per cent of agricultural requirements (with a far higher degree of self-sufficiency for some products) and asked for information on the trend of domestic production compared with the pre-war level. They noted with concern that the system of agricultural production and large-scale protection for the stimulation of this production appeared to be designed for permanency and asked for any indications that could be given of possible changes in direction of agricultural or trade policies. The representative of Switzerland stated that the Government's agricultural policy was not aimed at self-sufficiency; Switzerland depended on exports for her economic prosperity.
and the Government were fully aware of the unfortunate repercussions that would affect those exports if self-sufficiency for agriculture were achieved. The percentage of agricultural requirements met by domestic production had been extremely stable over the last twenty to thirty years and no great changes were expected for the future. In its fundamental aspects the maintenance of a healthy and prosperous agricultural industry in Switzerland was intended as a matter of principle to be a permanent feature of Swiss life and there was little prospect of radical change in the Swiss system. It was a matter of the highest political importance that the agricultural population, which had now declined to a level of 12 or 13 per cent of the total numbers employed in Switzerland, should be maintained. The Government were satisfied that the present level of restrictions were necessary to prevent further decline in the agricultural population and therefore the prospects for further dismantling of protection were small.

17. Members of the Committee expressed their disappointment at some of the statements made concerning Swiss Government policy for agriculture. In brief, this policy aimed at the maximization of domestic production and was only maintained through use of extensive import controls which it appeared the Swiss authorities had little or no intention of relaxing. Economically, Switzerland was as involved in world trade as the other countries of the world; as her own representative had pointed out, the natural resources of the country were poor and the country was dependent on exports. The members stressed their view that the Government of Switzerland should consider a modification of their protective measures and seek to attain their objectives through other means with less restrictive effects on trade; this could have only beneficial effects on Switzerland and her trading partners in the world.

18. The representative of Switzerland stated that he wished to draw attention once again to the great political importance attached to the agricultural industry in Switzerland and to the unfavourable conditions in which this industry had to be operated. He stressed that consumption was at a very high level and that considerable imports of agricultural products entered Switzerland. The degree of 70 per cent self-sufficiency which had been mentioned was on the basis of prices while, calculated on a caloric basis, agricultural imports amounted to 50 per cent of total consumption. Consequently, despite the protective devices employed in the country, Switzerland was still a large market for imports and, because of her dependence on exports for economic well-being, intended to remain so in the future.

B. COMMODITIES

19. The Committee conducted a detailed examination of the information submitted by Switzerland on those commodities on which it had been agreed the consultations should be concentrated. This section of the present report summarizes the main points discussed during the consultations.

Milk Products

20. In reply to questions about import arrangements for this group of products, the representative of Switzerland said that for milk-powder importers were required to buy from home production an amount equal to the amount it was desired to import. BUTYRA, a State agency monopoly, purchased the supplies of butter, in addition to the amounts arising from domestic production, needed by
the country and was free to buy from any source those supplies which were needed from other than home production. No bilateral quotas were in operation. The representative of Switzerland said that the aim of Government policy within this group of goods was the production of as much cheese and as little butter as possible in order to increase imports of butter; exports of cheese were subsidized in certain cases and this gave a corresponding opportunity for increased imports of butter. Imports of other goods within this group, e.g. cheese, were liberalized.

21. Members of the Committee pointed out that a guaranteed price of 43 centimes per kilo for milk was high in relation to prices in other countries. This high guaranteed price had acted as an incentive to production of milk and had led in turn to a high support price of 9.65 to 9.80 francs per kilo for butter. On the basis of prices of exports of butter from Denmark, one member of the Committee calculated that the basis for the price to the consumer in Switzerland, which was over 9 francs per kilo, was more than double the basis that it would be if the Swiss market obtained more of its supplies from abroad. This member, having noted the statement of the Swiss representative that there was a high level of food consumption in the country, pointed out that the level of butter consumption in Switzerland was considerably lower than the level in, for example, Denmark, and this could only be the result of the very high consumer price for butter.

22. Members of the Committee noted the very heavy subsidies that were paid on exports of cheese and that there had been a sharp increase in these subsidies from 8 million Swiss francs in 1957 to 40 million Swiss francs in 1958. They also concluded that to the extent that Switzerland was exporting milk-powder and preserves at a price which corresponded to world market prices, there must be some element of subsidy granted on the export of these products.

23. The representative of Switzerland stated that the Government of Switzerland were concerned at the high rate of milk production and since a year ago 2 centimes per kilo of the guaranteed price had not been paid to milk producers but had been held back by the Government to stabilize the situation and discourage production. All industries manufacturing products containing milk had been able since 1 November 1957 to purchase milk at 2 centimes a litre cheaper than the price paid to the producer for liquid milk destined for the Swiss consumer. Subsidies were paid on the export of cheese (though not to all countries) but, except for the 2 centimes a litre reduction in the price of milk which all manufacturing industries received, there was no other subsidy on the export of milk-powder which consisted largely of baby foods. As to the references to higher butter consumption in other countries, the representative of Switzerland pointed out that there was instead a high rate of cheese consumption in Switzerland so that there was in fact a high level of milk consumption in one form or another.

24. One member of the Committee noted that, in addition to the requirement that an amount of milk-powder equal to the amount of imports had to be bought from domestic sources, importers of milk-powder had to pay high import duties and supplementary taxes on imports which, in the case of skimmed-milk powder, amounted to approximately 75 per cent ad valorem. The representative of Switzerland said that the general level of protection for milk-powders was in fact between 20 and 25 per cent ad valorem, which the Government regarded as a moderate protection only; skimmed-milk powder which carried a high protection fell into the category of feedstuffs.
Meat

25. In reply to questions about import licensing arrangements for meat, the representative of Switzerland said that, so long as the level of internal prices in Switzerland indicated that the needs of the country could be covered from Swiss production, there was little or no importation of meat and cattle for slaughter. When prices showed that domestic needs were not being covered, imports of a fixed amount of meat were allowed on a global quota basis. This global quota was allocated to traditional importers on the basis of imports in a reference period.

26. One member of the Committee stated that, although no figures of production and consumption of mutton and lamb were available, it seemed that production and consumption of these commodities was at a low level in Switzerland. He expressed his view that increased provision for imports of mutton and lamb would not greatly affect home producers of these items or producers of beef and veal but would be of benefit to the consumer in Switzerland. The representative of Switzerland stated that mutton was not popular in Switzerland, but provision was made for import of both mutton and lamb within a global quota which could be used for import from all sources. Imports of mutton and lamb were restricted as there was a national production of these items.

27. Members of the Committee stressed their view that the high internal prices of beef, veal and pork had kept consumption of these items at a much lower level than would have been the case if imports had been permitted from world markets in increased volume; one member of the Committee produced statistics which showed that the per capita consumption of beef, veal, pork and bacon was considerably higher in Denmark than in Switzerland.

28. Members of the Committee noted that importers of meat were required, under certain conditions, to participate to a reasonable extent in the disposal of any surplus, and asked about the extent and the conditions of this requirement. The representative of Switzerland explained that importers would not be called upon to participate in surplus disposal schemes if they had participated immediately before, i.e. if no imports had taken place since the time of their last participation. The surplus disposal took the form of storage of meat to a reasonable extent.

29. One member of the Committee stated that exporters of meat products from the Netherlands who wished to enter the Swiss market had been told that no quota existed for products from that country. Some established importers in Switzerland apparently had some small possibility of import for meat products but only irregularly and since the items concerned were branded products and the importers needed continuity of supplies there was little scope for the exporter to establish his products on the Swiss market. The representative of Switzerland said that quotas for meat products varied according to needs since there was a national production of these products. He agreed that it was difficult to get a foothold in the Swiss market for these products but this factor was inherent in the whole system since Switzerland was largely self-sufficient in meat and meat products.
30. In response to questions, the representative of Switzerland outlined the import arrangements for the items in this group. On wheat, Switzerland was a member of the International Wheat Agreement and her minimum quota for purchase under this Agreement was 80 per cent of her import requirements, averaging about 280,000 tons per annum. At the present time imports of wheat were solely in the hands of a State-trading monopoly, but from 1 January 1960, the import trade in wheat would be in private hands. Traditional importers would be granted quotas limited only by the needs of the country and would be free to buy from whatever source they wished. For coarse grains, imports were controlled by the State-trading monopoly but actual importing was carried out by traditional importers who received shares of the global quota established by the Government and were as a rule free to import from any source.

31. One member pointed to the existence of a requirement that amounted in effect to a mixing regulation; it prescribed a minimum proportion of domestic wheat to be used in the milling industry and a certain percentage from a specified geographical area, while only 7 per cent was allocated to imports from all other areas. The representative of Switzerland stated that under the system that would operate from 1 January 1960 there would be no such regulations; the Government would fix the level of wheat to be imported and the miller would have complete freedom to decide what type of imported wheat he wanted to use. In reply to a question, the representative of Switzerland confirmed that the change in the system from 1 January 1960 referred to the transfer of import functions from the State monopoly to private traders and would not affect the deficiency payments scheme which would be continued for domestically-produced wheat. He also confirmed that the Governmental Cereals Administration would retain the right to import wheat and might avail itself of this possibility for imports of, for example, seeds, but direct imports by the Cereals Administration would be limited. One member of the Committee stated that the policy of providing heavy funds for highly uneconomic production of wheat in Switzerland bore heavily on those agricultural exporting countries who produced the same type of wheat (i.e., soft) as Switzerland and stressed the need for increased import opportunities for soft wheat in the Swiss market. He asked whether the system to be introduced in January 1960 would involve frequent changes in the level of the quota. The representative of Switzerland stressed that it was important to bear in mind that for climatic reasons Switzerland was only able to produce soft wheat. The import quotas for feed grains, the level of which would be determined by the Government on the basis of advice from importers, would be fixed every three months on a global quota basis.

32. Members of the Committee noted that because of the support measures maintained in Switzerland, domestic production of wheat had advanced in the period 1953-57 by 25 per cent over the average pre-war production and that imports had decreased by 12 per cent. Consumption of wheat had remained steady, but 41 per cent of domestic consumption was met by domestic production in 1953-57 compared with the pre-war average of 33 per cent. The representative of the Swiss Government stated that the aim of the Government was the maintenance of a reasonable balance between cereals and livestock production. At the present time there was over-emphasis on livestock production and the Government was seeking to remedy this by such measures as the withholding of part of the guaranteed price for liquid milk and the application of price supplements to imported fodder with a view to adapting the number of livestock
to the fodder production of the enterprise and of the country, but meanwhile it could not discourage the domestic production of cereals. However, the acreage under cereals cultivation in Switzerland had not greatly increased; increases in production were mainly due to increased efficiency. The Government had no intention of tolerating a production of wheat at a level such as would compromise relations with overseas trading partners, and intended to maintain a gap in requirements to be met by imports.

SUGAR

33. In reply to questions, the representative of Switzerland said that the price of sugar in Switzerland was based on the open market price of imports which were quite large in volume.

OIL SEEDS AND VEGETABLE OILS

34. The representative of Switzerland expressed his agreement with one member of the Committee who pointed out that the cost of the losses incurred (over $100 per acre) in the relatively small amount of production of colza was high but said that the production had to be maintained.

FISH

35. In reply to a question from one member of the Committee, the representative of Switzerland stated that no special protection or support for the Swiss fishing industry was planned.

OTHER COMMODITIES

36. In conclusion, the Committee considered the requests that had been made for the inclusion of additional commodities in the consultations with Switzerland.

37. In reply to questions raised by members of the Committee, the representative of Switzerland confirmed that a system similar to the one in operation for imports of milk-powder existed in relation to imports of eggs. Importers were at present required to take up to 35 per cent of their requirements from domestic sources but, having met this requirement, were free to choose their sources of supply. In reply to questions about apples, the Swiss representative said that in exceptional circumstances this system applied also to imports of fruit and vegetables, but in the main imports of these items were subject to the 'three-phase' system under which there was:

(i) free import while there was no home produce in the market;
(ii) limited import when home produce was in the market but in insufficient quantities; and
(iii) suspension of imports as soon as the market was adequately supplied with home produce.

Importers had complete freedom as to sources. Members of the Committee stressed their view that the 'three-phase' system represented an extremely effective method of protection of the domestic industry with adverse effects on the trade of overseas supplies. One member of the Committee outlined the
difficulties his country had experienced in the Swiss market due, among other things, to the fact that little or no notice was given of the shifts from one phase to another; in the past five seasons apples had been admitted into the Swiss market from his country only once and there had been no imports of pears.

38. Another member of the Committee drew attention to the restrictions on imports of seed potatoes and the large increase in production of potatoes from 0.8 million tons in 1955 to 1.2 million tons in 1957 and in the volume of exports from 3,000 tons in 1955 to 30,000 tons that had come about as a result of the high guaranteed prices in Switzerland. They also drew attention to the heavy losses on exports of potatoes and asked whether any discouragement to production was being considered by the Swiss Government. The representative of Switzerland said that the restrictions on the import of seed potatoes were in the main based on technical factors such as the need for certain qualities in the organization of national production. The Government of Switzerland was trying to remedy, within the limits of its powers, the excessive production of potatoes, and remedial measures so far taken included the diversion of part of the crop to processing.