DECLARATION ON SWISS MONETARY POLICY BY THE SWISS DELEGATION
FOR THE CONTRACTING PARTIES TO GATT

1. The value of the Swiss franc has been based exclusively on gold practically since 1926, i.e. since the dissolution of the Latin Union, and legally since 1931. In 1936, the only occasion on which it was devalued, the Swiss franc remained firmly based on gold on the basis of the new par value, and the Federal Monetary Act of 17 December 1952 gave official recognition to such par value. Under that Act, the value of the Swiss franc was expressed as follows:

"Article 2: the franc equals 63/310 (= 0.20322...) gramme of fine gold." One kilogramme of fine gold is worth 492040/63 francs.

Under Article 21 of the Federal Act of 23 December 1953 governing it, the Swiss National Bank is required to exchange its notes into Swiss gold currency or into gold bars at the legal rate of conversion. In times of war or of financial disruptions, however, the Federal Council may release the Swiss National Bank from its obligation to exchange its notes into gold and may decree that such notes shall be legal tender. Such is, in fact, the present situation. Nevertheless, the Swiss National Bank is still under the obligation to maintain the par value of the Swiss franc at the level provided for under the law; in buying and selling gold, the Bank is required to observe the price limits set by the Federal Council. In conformity with the regulations laid down by the Federal Council, the Swiss National Bank is required to apply prices which do not deviate by more than 1½ per cent above or below the price of gold resulting from the official par value.

In practice, the Swiss National Bank has never fully used this margin of tolerance. In its sales of gold to the Central Banks of foreign countries, it constantly applies the parity price, while the price at which it buys gold varies from the parity price by about 1 per cent.

Since the par value of the Swiss franc is established by law and not by Government decree, any modification to this parity is submitted to Parliament for approval and eventually to the people, according to constitutional requirements. Thus, Switzerland's trading partners have every guarantee that there will be no arbitrary modification of the par value of the Swiss franc.
2. In the last few years economic and monetary developments have no longer permitted most countries to maintain free transfers of payments, and that is why Switzerland decided to become a member of the European Payments Union and to enter into a number of bilateral clearing and payments agreements. Such agreements had to be concluded not as a result of any depletion of monetary reserves, but solely on account of the need to protect the Swiss economy against discriminatory measures by other countries. Full convertibility has always prevailed between Switzerland and the dollar area. Switzerland is in a position to grant reciprocity — that is to say, to restore a free transfer of payments — to any country which restores the convertibility of its currency.

3. For many years, the Swiss franc has been the only European currency based on gold that is freely convertible into dollars or any other currency. Even during the two world wars, there was no currency control in Switzerland, and this country is considered throughout the world as a refuge for foreign capital. Its currency is sought after to such an extent that, already in the past and again in recent times, the Swiss National Bank had to conclude "gentlemen's agreements" with the Swiss banks in order to check the inflow of hot money which was harmful to the domestic economy.

As part of a very liberal economic policy, the monetary policy of the Swiss National Bank and of the Federal authorities is aimed at ensuring that the Swiss franc will remain stable. This stability is backed by the monetary reserves of the Swiss National Bank and the Confederation. As an indication, it may be recalled that between 1945 and the end of October 1956, the gold and dollar reserves of the Swiss National Bank increased by 2,858 million francs. The gold cover of the fiduciary issue at present amounts to 130 per cent. It is, however, essential that the responsible monetary authorities should act in such a way that the volume of money in circulation should not be out of proportion with the country's economic potential. The Swiss National Bank has neither the wish nor the ambition to transform the Swiss franc into a world-wide currency; its monetary policy is aimed at counteracting inflationary trends and at maintaining the purchasing power of the Swiss franc. The drawing rights provided for under the Articles of Agreement of the International Monetary Fund would, however, if exercised, result in the issuance of Swiss francs, and this might prove incompatible with the need to maintain monetary equilibrium and economic stability in a small country whose currency is, as already indicated, sought after internationally.

Those are the reasons which have hitherto prevented and still prevent Switzerland from becoming a member of the International Monetary Fund or from concluding a special exchange agreement.

Swiss monetary policy has always been guided by the traditional principles of exchange stability and free transfers of payments. In this way the Swiss authorities observe the basic principles of sound monetary policy as well as the rules established by the International Monetary Fund. The contracting parties to the General Agreement on Tariffs and Trade can rest assured that in exchange matters the Swiss authorities will continue to act as in the past, that is to say, they will refrain from taking arbitrary measures which might frustrate the intent of the provisions of the General Agreement.