I. Document L/3039 states that it was noted that the established interpretation of the rules as they stood at present was that no adjustments could be made at the frontier in respect of direct taxes. In that same document it was suggested that this was among the questions which should be re-examined by the Working Party.

While Switzerland is not opposed to a study of this problem and is even fully prepared to take part in it, my country nevertheless wishes to record, from the outset, its scepticism as to the possibility of reconsidering the General Agreement on such an important point. It doubts that reimbursement at the frontier of those direct taxes that had been shown to affect prices could be carried out notwithstanding the practical difficulties involved in such an operation. Furthermore, Switzerland for its part would in such a case come up against very serious internal difficulties. For example, one of the problems that would arise from the reimbursement of certain direct taxes at the frontier derives from the fact that, with one exception, the collection of such taxes is within the responsibility of the cantons, not the Confederation; so that any revision of the General Agreement in this sense would imply for Switzerland a far-reaching reform of its internal fiscal structures. Another difficulty, this time of an economic and financial character, would result for Switzerland from any adjustment of direct taxes, because from the moment when direct taxes were refunded to the major export industries in respect of the products exported by them, Switzerland's revenue from direct taxation would be substantially reduced because my country exports a very high proportion of its production - as much as 90 per cent or more for certain important sectors of its economy, for example, chemical and pharmaceutical products, clocks and watches, and certain types of machinery.

II. It was suggested in document Spec(69)75 of 11 June 1969 (page 15) that the Working Party should consider the effects of the varying border adjustments made for "taxe occulte" and the possibility of reaching a generally acceptable definition of "taxe occulte".

Switzerland can support the idea of considering, in this Working Party, how to eliminate certain ambiguities on this point from the text of the General Agreement, in particular by clarifying the meaning of certain terms, so as to establish between Article III and Article XVI the link that seems logically necessary.
III. In view of the problems (which have been identified but are not yet fully known) apparently arising from the introduction of the TVA system in several West European countries, Switzerland believes – despite its concern over such developments – that the time has not yet come for drawing any final conclusions regarding the effects that this new form of taxation has or does not have on international trade. In its view, it is appropriate for a certain time yet to continue to collect the largest possible amount of verified and quantified information so as to circumscribe more closely the determining factors of this evolution and highlight their true effects, until such time as unanimity can be reached regarding their possible repercussions on international trade. Switzerland believes that the main result of the deliberations of this Working Party, as indeed of other examinations of the same question undertaken within other international organizations, has been to show that such unanimity is not yet achieved and that more pragmatic studies of specific cases, based on an examination of economic facts, are still necessary.

IV. Proposal

If more detailed verifications were to bear out the fears that certain contracting parties have expressed in this Working Party on many occasions, the Government of my country wonders if it would not be possible to devise a complaint procedure based, by analogy, on the spirit of the Article XXIII of the General Agreement. Such a procedure would make it possible for contracting parties that believed they could show that they were being adversely affected by border adjustment of consumption taxes at high rates by another member State, to enter into consultations with that State with a view to reaching a satisfactory and balanced settlement. In the event that such a settlement was not achieved within a reasonable time, the question could be referred to the CONTRACTING PARTIES, which could then investigate it and make recommendations to the contracting parties concerned, as stipulated in Article XXIII:2. The advantage of such a procedure would be that it would permit, if the need arose, a more pragmatic – or in any case less theoretical – approach to the concrete problems that arise, and would increase proportionately the likelihood of arriving at solutions that would then meet each particular case with all desirable flexibility and with the concurrence of the members of GATT.