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SWISS MERCANTILE SOCIETY. An Interesting Evening

The prospect of hearing Dr. R. Faessler, Commercial Counsellor of the Swiss Legation, attracted a good attendance to our monthly meeting on 13th April, 1955.

We learnt that our trustee, Mr. G. Jenne, had left hospital and expected to be back in London some time next month.

Mr. W. Meier, our President, reported the death of our members Jean Engel and H. Epprecht, in whose memory we stood in silence a few moments.

Messrs. J. J. Boos, A. Stahelin and G. Jenne were elected as our delegates to the Delegates Meeting of the S.K.V. at St. Gall on 7th-8th May.

Our President announced that the Swiss Sports would take place at Chiswick Stadium on Saturday, 4th June, and the National Day Celebrations at Battersea Pleasure Gardens on Sunday, 31st July.

Mr. Meier then called on Dr. R. Faessler to address us on:

Switzerland and the recent Gatt Conference at Geneva

Our speaker introduced the subject by giving us a brief historical outline of economic developments from primitive times to the present day. He stated that it was left to this century to bring about the transition from the absolute *laissez-faire* of capitalism to international cooperation aiming at giving every country and people a fair share of economic activity and its fruits.

After the first world war cooperation on the international plane was limited to technical matters such as transports, communications, patents, designs, etc.

The years since the second world war have seen the creation of several international organisations, such as the International Monetary Fund, Gatt, OEEC, the European Coal and Steel Community, the European Payments Union, etc.

Already in 1942 the governments of the United States and the United Kingdom concluded the Mutual Aid Agreement, known as Lend-Lease, to do away in future with the discrimination in international trade and to lower customs tariffs.

In 1946 a United Nations Conference drew up the frame-work for discussions on trade and full employment, with proposals for reductions of tariffs, elimination of preferences, and all other difficulties in international trade. 23 States undertook in Geneva in 1947 to cut some duties substantially, and not to increase others. These countries thought they had drawn up a provisional measure, but they had actually given us Gatt as it has existed up to now.

At Havana these countries tried to create the International Trade Organisation envisaged at Geneva. Several economically powerful States, notably the U.S.A., later did not sign the Havana charter, which has remained a dead letter. The little Gatt only remained as a provisional measure.

In 1949 followed the Annecy Conference, and in 1950 the Torquay Conference. The number of Gatt countries rose to 34, and some 55,000 tariff positions were either lowered or were not increased.

To complete the picture Dr. Faessler mentioned the International Monetary Fund, of which Switzer-

land is not a member and the OEEC (Organisation for European Economic Cooperation) which is very important to Switzerland as well as the European Payments Union, restricted to Western Europe plus Turkey.

The first part of the General Agreement on Tariffs and Trade deals with the lowering of customs duties, the removal of other obstacles to international trade, and the elimination of new preferences. The second part contains, among other provisions, the most favoured nation clause, under which a tariff concession granted to one country, applies also to all other member countries. Switzerland having bilateral agreements with several Gatt countries, benefits thus from the reduction in customs duties, but is prevented from negotiating new duty cuts on a bilateral basis.—The second part of Gatt deals with the basic rules which should govern international trade. This is where the Conference came up against tremendous difficulties of establishing rules valid for all countries, with their widely varying economic systems. Underdeveloped countries pressed for protection for the new industries. At the other extreme the United States required protection for its agriculture. Thus article 11 of Gatt stipulates that quantitative restrictions on imports and exports are prohibited, but article 12 permits exceptions for balance of payment reasons. Further, there should be no discriminations under article 13; yet article 14 provides for exceptions out of balance of payments considerations. As the

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Swiss Franc has been and still is a strong currency, it would be possible for Gatt countries to discriminate against us without our being able to retaliate.

We have always held the OEEC gave us better protection. There discriminations are not allowed, and a country hit by quantitative restrictions is at liberty to take counter measures. Unlike Gatt, O.E.E.C. thus affords an element of reciprocity.

Another reason against our joining Gatt was the protection of our agriculture which goes deeper than economics. We aim at preserving our farming community which two generations ago formed 50 per cent. of our population, and today on 17 per cent. Despite this protection Switzerland still imports 3½ times as much agricultural produce as the average of 18 countries belong to Gatt.

At the last Geneva conference Switzerland declared her willingness to cooperate with other countries at multilateral level, providing our neutrality was not affected, and our sound economy not threatened.

The new Gatt or O.T.C. (Organisation for Trade Collaboration) includes few changes. Quantitative restrictions for balance of payments reasons have been retained, but have to be revoked if other Gatt countries consider them no longer justified. Export subsidies are only allowed after consultation with other member countries, and only to the extent that they do not detrimentally affect the interests of other member countries. Until the end of 1957 no new subsidies on exports of manufactured goods are allowed and from 1st January, 1958 all remaining subsidies must be abolished. Customs duties have been stabi-

lised until the end of 1957. The wish is expressed that periodical negotiations may decide on additional tariff reductions.

Among the exemptions we would note that the United Kingdom Government can take special measures to protect her Colonies, Protectorates, and Mandates, and to increase certain preferences in favour of Commonwealth countries. The United States is granted exemption from O.T.C. rules to protect its agriculture.

As far as Switzerland is concerned, the old Gatt rules have not been improved much.

Why is our Government again looking more closely at Gatt or O.T.C.? The answer is simple.

The United Kingdom asked at Geneva for much stricter rules with fewer exceptions in international trade, to pave the way for the convertibility of Sterling at world level. With the introduction of convertibility O.E.E.C.—a regional organisation—will have to go. Then all advantages and guarantees which O.E.E.C. afforded us would cease and we would have to look to another international organisation for the protection of our exports. O.T.C. alone can establish the rules governing convertibility of currencies, in which we are also interested. If we are not a member of O.T.C. we shall again be alone, and anybody may discriminate against us or introduce quantitative restrictions without having to consult us or to justify them before an international body.

Our customs tariff dates from 1902. For 30 years a new one has been in preparation — no easy task. Customs duties in Switzerland are extremely low. With the present tariff we could not enter into negotiations with other countries to lower duties, because we would have any bargaining counters. We must therefore wait for a new customs tariff, which should be ready by the end of this year, before our Government can arrive at a decision regarding O.T.C.

The informal questions and answers which followed helped to clear up many points touched upon during the lecture, and a hearty vote of thanks was accorded to our speaker.

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