

Swiss position with respect to world trade policy (comments on U.S. policy statements by President Nixon, Henry Kissinger, etc. and Trade Reform Bill)

1. Agreement with U.S. on broad objectives

- Open world trade system to avoid closed regional systems. New European market structure (enlargement of European Communities, continuation of EFTA, Free Trade Agreements between the two) should constitute incentive to achieve parallel progress for trade liberalization on a world-wide basis.
- Trade reform justified by fundamental changes which occurred since the creation of GATT and Bretton Woods.
- Recognition of inter-relationships between trade-, investment-, monetary-, energy- and development-matters.
- Necessity of political commitment to get negotiations on trade liberalization and trade reform started in constructive sense and to avoid them from bogging down in mutual recrimination and petty quibbles.

2. Right perspective for multinational trade negotiations

- No short cut to restore balance of payment equilibrium which depends on multiple factors and internal economic policy.
- Neither can restoration of balance of trade equilibrium of the U.S. be ensured by multilateral trade negotiations, since it depends also on other factors such as rate of domestic inflation, relative importance attached by U.S. industry to export markets (which are usually marginal in comparison with domestic markets), priority accorded by U.S. banking system to export financing, investment policy etc.
- The distinction between fair and unfair trading practices can never be clear-cut and should not give rise to meaningless controversy.



- 2 -

The realistic motivation of multilateral trade negotiation should be:

- Means to avoid set-back into protectionism.
- Promotion of reciprocal trade liberalization as a desirable end in itself with economic benefits to all partners, since overall equilibrium is easier to achieve through growth and since the improvement of the International Division of Labour leads to an increase of productivity.

3. Comments on Trade Reform Bill against this background

- Switzerland strongly supports American leadership to promote trade liberalization on a world-wide basis and welcomes the determination apparent in President Nixon's message and in the speeches of high officials such as Kissinger, Peterson, Eberle etc.
- Switzerland shares the American view that solutions should be found through negotiation rather than confrontation of autonomous measures. To this end, Switzerland shares the American view that the multilateral framework needs to be strengthened.
- Switzerland understands the internal political reasons as well as the tactical consideration which underlie the safeguard provisions of the trade reform, but is concerned about:
 - a) the contradiction between some of these provisions and the concept of a negotiated reform of the international trade rules;
 - b) the loose criteria concerning "market disruption" with respect to fair competition; "unreasonableness" with respect to unfair competition and the motivation for retaliation; the indiscriminate link established with balance of payments disequilibrium and the subordination of trade policy to monetary policy;

- 3 -

c) the absence of limitations on the discretionary national authority such as the need for prior consultation and periodic subsequent reviews, international surveillance with respect to the appropriateness of the safeguard measures in relation to the damage and the consideration to be given to the interest of third parties, the requirement of domestic adjustment measures of a public or private character, the distinction between safeguard measures related to further liberalization and safeguard measures related to the status quo and the possibility of ultimate recourse to arbitration.

4. Specific objectives for the forthcoming multilateral trade negotiations

The general objective should be to achieve additional trade liberalization on a broad front, including industrial tariffs, non-tariff barriers, agriculture and development policy. Efforts to move forward are the best means to avoid back-sliding. Future trade liberalization, however, presupposes the restoration of stable monetary conditions without which trade rules are inoperative. All negotiations must be conducted on the basis of reciprocity and mutual advantage.

a) Industrial Tariffs:

- True to her concept that regional trade liberalization should be matched by world-wide liberalization, Switzerland has supported the United States target of total tariff dismantling. If this approach is being unrealistic, then Switzerland would support the most liberal target that can be deemed realistic.
- The tariff dismantling target should be sufficiently bold to strike public consciousness and to represent a significant new step.

- 4 -

- Switzerland could support the idea of tariff harmonization, provided it implied the lowering of tariff peaks and not the raising of low tariffs. The disparity still existing in the level of tariff protection should be reduced.
- The tariff dismantling scheme must be simple and linear.
- Generalized preferences for developing countries should not constitute an impediment for further tariff reductions on a m.f.n. basis.
- The price for tariff reduction should not be increased safeguards, otherwise the trading community would, on balance, lose rather than gain.
- Any tariff dismantling scheme must be linked with the abolition of non-tariff barriers which could otherwise constitute alternative means of market protection.

b) Non-Tariff Barriers:

- Priorities need to be established and a large enough "basket" needs to be conceived in order to enable trade-offs.
- Start with NTB's which have the most direct bearing on trade, namely, customs procedures, customs valuation, marking requirements, anti-dumping procedures, etc.
- Negotiations on Government purchasing would also be useful.
- Industrial norms and standards should be harmonized on a world-wide basis, if possible; otherwise regional codes will be inevitable.

c) Agriculture:

- Switzerland recognizes the necessity to improve the conditions for agricultural trade but holds that the methods for liberalization must be different from the industrial sector.

- 5 -

- Priority should be given to orderly marketing conditions and to reduction of export subsidies.
- Switzerland supports the proposal of the OECD secretariat for international surveillance of agricultural markets and for appropriate stock-piling.

d) Developing Countries:

- Developing countries should be encouraged to dismantle their own NTB's, as well as excessive tariffs.
- Developing countries could receive assistance for export promotion and possibly export financing.
- Special attention should be devoted to the financial strengthening of the private sector through the supply of equity capital.

J.