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Committee on Subsidies and Countervailing Measures

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SUBSIDIES

Notifications Pursuant to Article XVI:1 of the GATT 1994
and Article 25 of the Agreement on Subsidies and
Countervailing Measures

SWITZERLAND

The following communication, dated 25 September 1995, has been received from the Permanent Mission of Switzerland.

In view of the decision taken by the CONTRACTING PARTIES of the GATT 1947 on Avoidance of Procedural and Institutional Duplication (L/7582, dated 13 December 1994) this notification is deemed to be also a notification under Article XVI:1 of the GATT 1947.

I have pleasure in enclosing herewith the Swiss Notification pursuant to Article XVI:1 of the GATT 1994 and Article 25 of the WTO Agreement on Subsidies and Countervailing Measures.

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Notifications Pursuant to Article XVI:1 of the GATT 1994 and Article 25 of the Agreement on Subsidies and Countervailing Measures

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In view of the decision taken by the CONTRACTING PARTIES of the GATT 1947 on Avoidance of Procedural and Institutional Duplication (L/7582, dated 13 December 1994), this notification is deemed to be also a notification under Article XVI:1 of the GATT 1947.

Period Covered: 1992 to 1994

The Swiss Government notifies below the subsidies granted in the industrial sector during the financial years 1992, 1993 and 1994. In view of their limited financial impact, these subsidies have had very small economic repercussions. The first two are part of a structural adjustment policy strategy. The Swiss Office for Development of Trade (OSEC) is a permanent institution.

A common characteristic of the subsidies is their general purpose. They are not designed to promote a specific product or category of products. It is therefore impossible to break down the total amount of a subsidy by units of production. Hence, in what follows no attempt has been made to calculate amounts per unit.

I. FINANCIAL ASSISTANCE TO AREAS WHOSE ECONOMY IS THREATENED

1. Nature and extent of the subsidy

(i) Background and authority

In order to reduce the uniformity of certain regional economic structures, so as to avoid, if possible, dependence of the employment market on a single industry (for example, watch and clock-making), the Confederation gives additional financial assistance to encourage the carrying out of economic projects in the private sector designed to create and maintain diversification of employment in areas whose economy is threatened.

(ii) Incidence

This Federal assistance is intended to benefit the areas whose economy is threatened. Such areas are considered to be:

- (a) those whose economy is centred on a single industry; and
- (b) those in which there has been, or is expected to be, a great reduction in the number of jobs, or which have severe unemployment, or which are threatened with imminent unemployment.

Federal assistance may be granted to all artisanal or industrial undertakings, Swiss or foreign, for projects which, in areas having a threatened economy, make it possible:

- (a) to continue to develop their products or to adopt new manufacturing processes and new distribution programmes in order to adapt to the trend of the market and the possibilities it offers;
- (b) to start up the manufacture and marketing of new products.

Financial assistance is allocated in the form of:

- (a) sureties to guarantee investment loans;
- (b) contributions to the servicing of loans granted by banks;
- (c) tax reductions.

For the Confederation to be able to guarantee up to one third (one half in exceptional circumstances) of the total cost of a project, the following conditions must be satisfied:

- the capital invested by the undertaking itself must cover a reasonable proportion of the total cost of the project;
- a bank must advance, on the usual terms offered on the market, the credits needed to finance the project, and give an interest rate reduction of at least one quarter of the usual commercial rate on the guaranteed part of the loan.

Surety obligations may be contracted for 10 years at the most.

The participation of the Confederation in servicing the guaranteed part of loans, and the tax reductions provided for in the above-mentioned Federal Order, are dependent upon equivalent measures by the cantons.

(iii) Amount of subsidy

Under the Order, surety obligations contracted by the Confederation may not exceed Sw F 300 million. In addition, to finance the contribution to loan service a programme credit of Sw F 50 million has been opened.

Assistance by the Confederation has been as follows:

(Sw F million)

	1992	1993	1994
Total amount of credits guaranteed	14.7	17.4	38.7
Effective provision to cover losses	3.5	3.7	2.9
Contribution to loan service	4.3	4.3	3.1
Subsidies to information services	0.5	0.4	0.7
Number of cases	18.0	17.0	35.0

(iv) Estimated amount per unit

See introduction.

2. Effects of the subsidy

Owing to their nature, these measures will produce their full effects only in the medium and long term. It may already be noted, however, that they have helped to maintain several hundred jobs and to create about 4,000 jobs in areas whose economy is threatened.

3. Guarantees and loan service contributions in mountain regions (Federal Law encouraging credit guarantees in mountain regions of 25 June 1976)

The purposes of this measure are to facilitate access to capital for small- and medium-sized enterprises and to promote regional development. The Federal Government contributes to the losses of the Swiss Guarantee Co-operative (90 per cent) and its extraordinary expenses. In addition, the Federal Government makes a contribution to loan service of up to 40 per cent of the interest payable. The amount of the principal to be guaranteed must not exceed Sw F 500,000.

The amounts of these contributions are as follows:

Guarantees

	Number of cases	Amount of guarantee	Losses on guarantee
1992	55	Sw F 19.6 million	4.0
1993	64	Sw F 23.5 million	5.0
1994	52	Sw F 17.3 million	1.9

Loan Service Contributions

	Number of cases	Guarantee amount
1992	40	Sw F 1.3 million
1993	20	Sw F 1.3 million
1994	27	Sw F 0.8 million

II. PROMOTION PROGRAMMES AND ENCOURAGEMENT OF APPLIED RESEARCH1. Nature and extent of the subsidy(i) Background and authority

These programmes fall in the category of supply-side measures. They consist essentially of advanced vocational training programmes of limited length and support for research aimed at practical goals.

1. Federal Order of 23 June 1989 on measures to improve training and the extension and dissemination of know-how in the areas of building renovation, rational utilization of electricity and renewable energy resources. Federal Order of 23 June 1989 on the financing of the Construction and Energy Action Programme. Federal Council Order of 27 February 1991 on the strengthening of the PACER and RAVEL promotion programmes (commitment appropriations totalling Sw F 55.1 million for the period 1990-1995).
 - Advanced training in building renovation;
 - Advanced training in rational utilization of electricity (RAVEL);
 - Advanced training in renewable energy resources (PACER).
2. Federal Order of 5 December 1985 and of 16 September 1991 on the funding of applied research and development during the periods 1986-1991 (commitment appropriation of 149.1 million francs) and 1992-1995 (commitment appropriation of 150 million francs).
3. Federal Order of 16 December 1987 on the funding of technological cooperation in Europe for the period 1988-1991 (commitment appropriation of 80 million francs). Federal Order of 16 September 1991 on the funding of technological cooperation under the EUREKA programme during the period 1992-1995 (commitment appropriation of 50 million francs).
4. Federal Order of 20 March 1990 on the financing of special measures for the promotion of new computer-integrated manufacturing methods (CIM action programme, commitment appropriation of 102 million francs) (for the years 1990-1995).
5. Federal Order of 30 September 1991 on the financing of special measures for the promotion of new micro-electronics technology (commitment appropriation of 150 million francs) (for the years 1992-1997).

(ii) Incidence

A central characteristic of the advanced training programmes is that they are jointly prepared by business, higher educational establishments and the Government. They are often carried out by associations. They aim at the rapid dissemination of technological know-how.

Research aimed at practical goals is promoted on the basis of financial support for projects drawn up jointly by the business and scientific communities. The Confederation makes its financial contribution, usually representing half the cost of a project, to the higher educational establishments.

Undertakings profit only indirectly from the subsidies through a supply of better-skilled labour and research results. Subsidies are not paid to undertakings.

(iii) Amount of subsidy

The amount of the subsidies granted is (in millions of francs):

<u>1992</u>	<u>1993</u>	<u>1994</u>
94.9	100.1	117.5

(iv) Estimated amount per unit

See introduction.

2. Effects of the subsidy

Evaluation of the quantitative effects of the subsidy on trade

The measures are aimed above all at improving general conditions, and it is therefore impossible to quantify their effects. In view of their small financial impact, their effects on trade can only be very slight.

III. CONTRIBUTION TO THE SWISS OFFICE FOR DEVELOPMENT OF TRADE (OSEC)

1. Nature and extent of the subsidy

(i) Background and authority

The Swiss Office for Development of Trade (OSEC) is a private-law institution in which trade, industry and the Federal authorities have joined together to develop and expand the economic relations between Switzerland and foreign countries, and to promote the export of Swiss products and services, with a view to maintaining full employment and, in general, promoting awareness of Switzerland abroad.

The legal bases are laid down in the Federal Law of 6 October 1989 allocating a contribution to the Swiss Office for Development of Trade.

(ii) Incidence

The activities of OSEC are as follows:

The aim of OSEC is to promote Swiss foreign trade, in particular through activities in the following areas:

1. information on the Swiss export economy;
2. information and advice on foreign markets;
3. putting together trading partners and business opportunities;
4. organization abroad of export promotion events.

OSEC can perform other tasks and provide other services to assist the Swiss export economy.

OSEC is financed by:

1. the receipts from services and products sold;
2. members' contributions;
3. contributions from the Confederation and other public-law bodies;
4. any other receipts.

OSEC's financial commitments are only guaranteed by its company assets; members are not subject to additional securities and they have no claim over the associations' assets.

(iii) Amount of subsidy

The total contribution (in Swiss francs) allocated by the Confederation to the Swiss Office for Development of Trade was as follows:

<u>1992</u>	<u>1993</u>	<u>1994</u>
10	8	8

(iv) Estimated amount per unit

See introduction.

2. Effect of subsidy

As the activities of the Swiss Office for Development of Trade (OSEC) are designed to encourage Swiss exports in general, it is impossible to quantify their effects.

IV. AGRICULTURAL SUBSIDIES

The information relating to agricultural subsidies maintained by Switzerland will be notified to the Committee on Agriculture under the relevant provisions of the WTO Agreement on Agriculture.