1. The Committee's terms of reference are:

(a) To assemble, in consultation with other competent international organizations, and in particular with the Food and Agriculture Organization, data regarding the use by contracting parties of non-tariff measures for the protection of agriculture or in support of incomes of agricultural producers, and the agricultural policies from which these measures derive. On the basis of such data and in consultation with the contracting parties concerned, to examine the effects of these measures adopted by individual contracting parties on international trade as a whole, and in particular on the trade in products entering importantly into international trade.

(b) To consider, in the light of such data, the extent to which the existing rules of GATT and their application have proved inadequate to promote the expansion of international trade on a reciprocal and mutually advantageous basis as contemplated in Article I, and to report on the steps that might appropriately be taken in the circumstances.

(c) To suggest procedures for further consultations between all contracting parties on agricultural policies as they affect international trade.

The Committee held its first meeting in Geneva between 2 and 10 March.

2. The Committee discussed first the order of its work at this meeting. Some contracting parties considered that the first session of the Committee should be devoted to the assembly of data and the study of non-tariff measures applied by individual countries including any measures that might be under consideration for reducing the need for protection, and stressed that until this assembly of

---

1 This refers to the Article I (revised).
material had been completed and a detailed examination and critical analysis had been made, it would not be appropriate or possible for the Committee to proceed to the other obligations under its terms of reference. Other members of the Committee were of the view that there was no shortage of material. They stated that the problems raised for international trade by measures of agricultural protectionism throughout the world were well known to all and had already formed the subject of important recommendations in the Haberler Report and of numerous and detailed studies by other organizations in which the contracting parties were fully represented. They recognized that further information would be required on certain aspects of the problem, but stressed that the collection and analysis of this material should not preclude some consideration by the Committee at its first session of the rest of its terms of reference.

3. The United Kingdom and other delegations proposed the inauguration of regular consultations with all contracting parties about their agricultural policies on the lines suggested during the Ministerial phase of the Thirteenth Session. While different views were expressed in the course of discussion of certain aspects of this proposition the Committee finally concluded that consultations should be held with all the contracting parties to GATT. In the view of the Committee, consultations of the type described in the following paragraphs will not only provide an appropriate and valuable means of filling gaps that exist in the available material, but will also serve as one of the bases for further work of the Committee under its second and third terms of reference.

4. The Committee agreed that these consultations should be focussed on the effects of agricultural policies on international trade with a view to promoting the fullest understanding of mutual problems and the maximum expansion of trade in accordance with the objectives of the General Agreement. With these considerations in mind the Committee, in accordance with their terms of reference, have considered procedures for consultations between all contracting parties. They suggest that the following procedures would be appropriate.

5. Each contracting party should consult in its turn. As each country presented itself for consultations there would first be an examination of its general agricultural policy followed by more detailed questioning and discussion of its policies in relation to specific commodities. Whilst the consultations would be directed to the whole range of the agricultural policy of countries being consulted it would be desirable, without excluding any particular product which is of major importance to other contracting parties, to concentrate on those products which enter importantly into international trade. In order to assist the country being consulted in its preparation it should be indicated to the secretariat in advance by other consulting countries those products on which the consultations would be particularly concentrated. The Committee would expect that consultations carried out on these lines would provide a reasoned picture of the types, extent and effects of the protective measures employed in respect of the important agricultural commodities entering into international trade and at the same time of the agricultural policies of the individual countries as they affect production or trade.
6. The consultations would also provide an opportunity for the frank exchange of views about the problems which the country being consulted sought to solve through its agricultural policies, the reasons for its choice of the particular types of measures used, the effects of these measures on the trade of other contracting parties and upon its own economy, and the scope for and prospects of modifying those policies where they constituted a barrier to international trade. In the course of the consultations special attention would be given to non-tariff measures which tend to nullify or impair the effectiveness of tariff concessions. The material collected in the consultations would serve as part of the basis for the further work of the Committee under that part of its terms of reference which relates to consideration of the extent to which the existing rules of GATT and their application have proved inadequate to promote the expansion of international trade on a reciprocal and mutually advantageous basis as contemplated in Article I (revised) and the obligation to report on the steps that might appropriately be taken in the circumstances.

7. The consultations would be initiated after the most thorough preparations and would be conducted on the basis of:

(a) background papers, based on the country papers prepared for the Committee and on the additional information requested in Annex B, supplied by the country to be consulted;

(b) additional factual material and analysis now in prospect;

(c) a Plan for Consultations which would be in the hands of all contracting parties including the country being consulted.

Discussion would not, of course, be restricted to the topics included in the Plan; but it would serve as a guide for the conduct of the consultations. A suggested Plan is annexed to this Report.

8. It is suggested that the CONTRACTING PARTIES should appoint a committee to conduct the consultations and appoint a Vice-Chairman to assist the Chairman of the Committee; any contracting parties which were not members of such committee, but which were interested in one or more of the consultations would be entitled to be represented and participate fully in the discussions. The Committee would report to the CONTRACTING PARTIES at the end of this round or might report progress earlier if this seemed desirable. In the light of the experience so acquired, Committee II may suggest to the CONTRACTING PARTIES procedures for further rounds of consultations.

1 (a) The additional material referred to in GATT document COM.II/W.1 of 2 March 1959 (Statistical Studies and Measurement of Agricultural Protection - Note by the Executive Secretary);

(b) Material from the April 1959 meeting of the FAO Panel on Agricultural Price and Support Policies;

(c) Any pertinent studies or analyses that might be undertaken by individual contracting parties or international organizations.
9. Whilst the objective should be to complete the consultations with all contracting parties over the next twelve months the Committee suggest that a start should be made by consulting with major industrial countries as soon as possible after the Fourteenth Session assuming that adequate preparations had been completed. It will doubtless be necessary to conduct the consultations in more than one group spread over the rest of the coming twelve months but the final time-table should be decided by the CONTRACTING PARTIES in the light of the rest of their work programme.

10. The Committee had preliminary discussion on the second of its terms of reference which require the Committee to consider the extent to which the existing rules of GATT and their application have proved inadequate to promote the expansion of international trade on a reciprocal and mutually advantageous basis as contemplated under Article I of the General Agreement. Representatives of agricultural exporting countries recalled that the General Agreement, as originally drawn up, was intended to produce a balance of rights and obligations of all contracting parties. This was so whether the General Agreement was regarded as a code of rules of commercial policy or whether it was regarded primarily as an instrument recording the exchange of mutually advantageous tariff concessions with appropriate clauses designed to safeguard and ensure the effectiveness of these tariff concessions. In the view of these members the balance aimed at originally in the General Agreement had been frustrated through the widespread resort to agricultural protectionism. Such measures of protection were not necessarily in conflict with the provisions of the General Agreement, and the question of compatibility of such measures with the Agreement was not in any case the primary concern of the Committee; in the view of these members there had, however, been a tendency to use the latitude given by the rules to apply the weight of permitted restrictions more on imports of agricultural products than on industrial products. So far as tariff concessions were concerned, many of those affecting agricultural trade had been nullified or impaired by measures of agricultural protection adopted by importing countries, and the problems thereby raised for exporting countries did not often lend themselves to solution through recourse to Article XXIII of the Agreement. In their view, the Agreement had in fact operated in such a way that the obligations imposed under it outweighed the benefits derived from it by agricultural exporting countries. Whilst the amendments to the provisions of the General Agreement which were made at the Review Session had to some extent restored a measure of balance between obligations and rights, it was evident that a number of agricultural exporting countries had found that the operation of the provisions of the GATT was still unbalanced. They considered that the correction of this imbalance was essential for the continued effective co-operation between the agricultural exporting countries and the countries importing agricultural products within the framework of the General Agreement for the expansion of international trade. Most of the members holding this view considered that the approach to the correction of this imbalance should lie not so much in seeking further amendments of the rules but rather in concentrating on their effective operation and application.
11. In this context some agricultural exporting countries drew the Committee's attention to the question of their participation in the next round of multilateral tariff negotiations. They stated that tariff concessions bought by them in earlier rounds of negotiations had been substantially impaired by non-tariff measures for the protection of agriculture applied in the importing countries. These countries could not see a basis for useful participation in the next round of tariff negotiations unless there were adequate safeguards against the impairment or frustration through non-tariff measures of tariff concessions they might negotiate. Furthermore, agricultural exporting countries would expect recognition from importing countries that they had already paid heavily for concessions which had proved of little or no value, and that the agricultural exporting countries would not expect to pay twice for concessions bought in earlier rounds; they would expect to negotiate only for those concessions and benefits to which they were not already entitled under the General Agreement.

12. Members of the Committee generally recorded sympathetic understanding of the views expressed by the representatives of the primary exporting countries about the operation of the Agreement in the agricultural field. Some countries welcomed the assurance that these contracting parties did not propose amendment of the existing provisions. They considered that the existing rules were appropriate to the trade in agricultural products; the problem was to secure their effective application and enforcement.

13. Representatives of some countries considered, however, that until full data had been assembled and analysed under the first of the Committee's terms of reference, it was premature to engage in anything but general and exploratory discussion on matters arising from the second of the Committee's terms of reference; certainly they could not concur at this stage in any suggestion or recommendations implying that it would or would not be advisable to amend the rules of the General Agreement.

14. Some countries stressed that the sudden removal of protectionist measures in the agricultural field was impossible; removal of restrictions would take many years and was only possible if this took place parallel with improvements in the structure of agricultural markets in industrial countries. They also considered that it would be necessary for the Committee to study the problems raised in the internal agricultural markets of industrial importing countries by subsidized agricultural exports; in this connexion also they suggested that the position and problems of agricultural production in the industrialized countries resembled closely the position and problems of industrial production in the under-developed countries. In their view, one of the main tasks of the Committee was to aim at an adaptation of the provisions of the General Agreement so as to bring them into closer conformity with the economic needs of all contracting parties and to make these provisions more realistic so that they would take equally into account both the interests of agricultural exporters and importers.
15. The Committee's attention was also drawn to the problems raised for underdeveloped countries exporting tropical goods to industrial countries through limitations placed on their exports which in turn limited their ability to purchase industrial goods.

16. In order that fruitful results could be expected by all countries from tariff negotiations, the Committee suggested that the problem of participation of some agricultural exporting countries in future tariff negotiations should be considered by the CONTRACTING PARTIES at their Fourteenth Session and that the CONTRACTING PARTIES determine whether it should be for Committee I or II to examine the problem further.
ANNEX A

PLAN FOR CONSULTATION

The consultation with each contracting party should be conducted broadly on the basis of the following plan and of the background information described in Annex B. Discussion will not be restricted to the topics included in the plan, nor need the plan itself be followed slavishly.

A. General Agricultural Policy

(i) General characteristics and objectives of the country's agricultural policy.

(ii) If a particular technique of protection or support is generally applied, the reasons for its choice.

(iii) Effects:
  (a) on the economy of the country being consulted;
  (b) on trade of other contracting parties.

(iv) Any major changes of policy recently made or in contemplation.

(v) Extent to which the country's system now provides for measures which would reduce the need for protection in agriculture:
  (a) Measures now in effect.
  (b) Prospects for reduction of general level of protection.
  (c) Prospects for adoption of alternative measures.

B. Commodities

(i) Purpose of present measures.

(ii) Effects of present measures:
  (a) on home production;
  (b) on home consumption;
  (c) on level and pattern of imports;
  (d) on level and pattern of exports.

(iii) Reasons for choice of particular type of measure chosen.

(iv) Intentions in regard to the maintenance or modification of the existing measures.

(v) Prospects of:
  (a) reduction of level of protection;
  (b) the adoption of alternative measures having less harmful effects on international trade.
ANNEX B

BACKGROUND INFORMATION TO BE SUPPLIED BY
COUNTRIES BEING CONSULTED

Much of the background material that will be required as a basis for the consultations is already included in the country papers prepared by the secretariat for the Committee. Further information is also available in the background documents supplied in connexion with consultations under Articles XII and XIV and in the annual reports supplied under Articles XVI and XVII of the GATT and under various waivers. Relevant statistical material is also available in the secretariat document COM.II/W.2. In so far as it has not already been supplied in one of these documents, information of the kinds indicated in COM.II/1 (appended) and as indicated below should as far as practicable be supplied for incorporation into the country papers. In so far as the information has been so supplied there is no need to repeat it but reference to the relevant report will suffice. The additional information should be supplied to the secretariat in time for circulation not less than one month before the date fixed for consultation with the country concerned.

The following additional general information should be provided:

(a) Total cost of government support programmes for each of the last three years for which statistics are available.

(b) Farm net income for the same years as in (a) above (if not available report total value of farm production).

Note: The cost of support programmes should include direct and indirect production and export subsidies and losses on price support operations but would exclude the costs of research, education and normal service operations by government on behalf of agriculture.

The following information should be provided for each of the commodities on which consultations are requested (see paragraph 5 of the Committee Report).

1. Definition of product - Tariff Item No.

2. Tariff measures:
(a) provisions of tariff;
(b) whether subject to a concession under the GATT.

3. Non-tariff measures:
(a) brief description of agricultural policy and objective in respect of product;
(b) description of any methods of protection or support employed other than those described in items 6 - 8 below;
(c) extent of Government participation in (b).

4. Quantitative Restrictions (information as requested in COM.II/1) (appended).
5. Exchange practices:

Details of any exchange practices which have the effect of restricting imports or stimulating exports of specific agricultural products.

6. State trading (information as requested in COM.II/1) (appended)

In addition, information requested on:

Whether supplies are freely made available to meet the full domestic demand at import parity plus mark-up.

7. Subsidies on domestic production:

(a) amount of direct subsidy per unit;
(b) net government expenditure for each of the last three years for which statistics are available;
(c) price per unit of production;
   (i) when sold on the home market in wholesale quantities;
   (ii) when exported.

8. Export subsidies:

(a) amount of direct subsidy per unit;
(b) net government expenditure for each of the last three years for which statistics are available.

9. Level of protection:

(a) guaranteed price or return (if any) to farmers;
(b) price per unit of product;
   (i) when sold on home market in wholesale quantities;
   (ii) of the like imported product before duty is charged;
   (iii) any further information that might indicate the degree of protection afforded.

10. Statistical information (where not elsewhere covered) - imports and exports (quantity and value), level of home production (actual and as percentage of total home consumption) for:

(i) two representative pre-war periods (1925-1929 and 1934-1938);
(ii) a representative post-war period (each of the last five years for which statistics are available).
Outline of Papers for Committee II

Papers to be prepared for the first meeting of the Committee should cover those agricultural products (including processed products, such as flour, tinned food and wine) for which supply or demand on the domestic market is affected, directly or indirectly, by non-tariff measures of protection or support.

I. Subsidies, including all Forms of Income and Price Support

Details of the measures applied:

A. Production Subsidies -

Whether for the whole or part of production (for example, for domestic sales only or also for exports).

B. Other Forms of Income Support -

"Deficiency" payments and other measures.

C. Export Subsidies -

Direct bonuses or subsidies, whether for the whole or part of exports.

D. Financing of Losses on Exports -

Aid granted by the State involving the total or partial reimbursement of export losses or of the difference between the domestic price and the export price.

E. Indirect Aids to Exports -

Preferential or reduced transport rates; subsidies or price reductions for agricultural products used in producing goods for export.

F. Aids to Exports involving the use of Resources obtained from "Compensation" or "Price Equalization" operations

Aids financed by the use of resources obtained from:

(i) profits on earlier exports;
(ii) profits on products exported simultaneously at higher prices;
(iii) extra amounts obtained from sales on the home market or re-exports of imported products;
(iv) guarantee, support or incentive funds or schemes instituted by the State or operated under State control or authority.

G. Other Forms of Aid -

Currency retention schemes or other exchange measures; remission of direct taxes or social welfare charges; remission of indirect taxes; supply of raw materials at preferential prices for the manufacture of processed products for export.

1 In each case, the cost of the subsidy, the source of the funds used and, if possible, the amount of subsidy per unit should be specified.
II. Mixing Regulations

The proportions fixed for domestic and imported products and how these are determined.

III. Import Restrictions

Details of the restrictions applied to particular products or groups of products for which support measures are in force, as described in I and II above:

(i) the nature of the restriction, i.e. whether a complete or seasonal prohibition, a restriction based on volume or value, or a restriction based on a minimum price or on a requirement to purchase domestic products;

(ii) if quotas are established, the basis of the system, i.e. whether global quotas (if so, the size of the quotas) or quotas allocated among countries (if so, whether by agreement with exporting countries);

(iii) in the case of a licensing arrangement, the basis of which licences are issued and the administrative arrangements;

(iv) if the restriction is based on a minimum import price, how this price is determined;

(v) if based on purchase of domestic products, the ratios and how they are determined.

IV. State-Trading Operations

Description of the operations of State-trading enterprises (including private enterprises enjoying special privileges):

Whether the enterprise deals with exports or with imports; or both.

Whether private traders are allowed to import or export and, if so, on what conditions. Whether there is free competition between private traders and the State-trading enterprise.

The criteria used for determining the quantities to be exported and imported.

How export prices are determined. How the mark-up on imported products is determined. How export prices and the resale prices of imports compare with domestic prices.

Whether long-term contracts are negotiated by the State-trading enterprise. Whether State-trading methods are used to fulfil contractual obligations entered into by the Government.
V. Description of National Agricultural Policies

A. A general statement of policies, relating to agriculture in general or to particular products or groups of products, from which the measures described in I - IV are derived.

B. A general statement of measures which tend to reduce or remove the need for non-tariff measures of protection or support, for example:

(i) to improve quality or productivity;
(ii) to increase internal consumption;
(iii) to provide alternative employment for agricultural labour.