Introduction

1. Under the Decision of the CONTRACTING PARTIES of 7 December 1961, contracting parties were invited to notify any substantial changes in their agricultural policies and Committee II was authorized to carry out consultations with particular contracting parties. In accordance with this Decision the European Economic Community notified the substantial changes in the agricultural policies of the six member States, which were a consequence of the progressive establishment of the common agricultural policy. The most recent substantial changes concerned the organization of the markets of dairy products, of beef and veal, and of rice.

2. The consultation was held from 25 January to 5 February 1965. The Committee had before it document L/2245, containing the texts of three regulations adopted by the Council of the European Economic Community on 5 February 1964, and providing for the progressive establishment of a common organization of markets in respect of:

   - Dairy Products - Regulation No. 13/64/CEE
   - Meat of Bovine Animals - Regulation No. 14/64/CEE
   - Rice - Regulation No. 16/64/CEE.

In addition, the secretariat had prepared a paper - document COM.II/137 - giving a general description of the new system in respect of these three groups of products. This paper had taken into account the great number of regulations which had been adopted in the course of 1964 in implementation of the three basic regulations.

3. In a general introduction - document COM.II/W.10 - the representative of the European Economic Community emphasized the important position of the Community in world trade in agricultural products. The Community was, however, convinced that it had measured up to its responsibilities as the largest importer in the world market. Imports of agricultural products from third countries had risen for several years past and until 1963, despite the fact that the Community was one of the major agricultural producers in the world. One must beware of the temptation constantly to blame the policy of the importing countries for difficulties
encountered in the market for a given agricultural product. While being alive to the interests of third countries, the common agricultural policy was simultaneously based on Articles 39 and 110 of the Treaty of Rome. The Community considered that the orderly conduct and rational development of international trade in agricultural products was not incompatible with what was needed in order to raise the standard of living of the agricultural population and to bring about a better economic and social equilibrium within its territory. The Community had endorsed the provisions of the original terms of reference of Committee II and also those in the subsequent Decision of the CONTRACTING PARTIES of 7 December 1961 which set forth, though in rather loose terms, the guidelines for the consultations. The Community would not, however, wish to see more obligations imposed on it than the other contracting parties were prepared to undertake. The common agricultural policy was being drawn up practically in public and it had been the subject of notifications to GATT and of very detailed consultations in Committee II. That did not seem to satisfy all the contracting parties yet, and some of them seemed to want a procedure of "quasi-permanent consultation" on the common agricultural policy, which was unacceptable to the Community. In general, the Community was greatly interested in the procedure of consultation on agricultural policies, for in the economic world of the 1960's isolation was no longer possible. That was why the Community had proposed to its partners a negotiating plan for the agricultural side of the Kennedy Round, based on the confrontation of production policies and trade policies on agricultural products. The EEC believed that its common agricultural policy could progressively be a very positive element in the development of international economic relations. It went without saying that this implied that the Community's partners must not only recognize its legitimate interests, but also, where obligations and undertakings were concerned, that they must accept to meet the requirements of reciprocity.

4. A member of the Committee, commenting on this introductory statement pointed out that certain aspects of it relating to the trade negotiations were not for discussion in the Committee. He welcomed the reference by the representative of the Community to Article 110 of the Rome Treaty which had been inserted in all basic regulations, but in spite of this he felt that the substitution for the various protective measures at the frontier, in particular quantitative restriction of a system of variable import levies might well have the same or even a more restrictive effect. He recognized the position of the Community as the most important agricultural importer. The fact that the Community was an important agricultural importer, in his view, followed naturally from the fact that the total area under cultivation in the Community was appreciably smaller in relation to its population than that in certain other countries. This placed the Community in the position of a natural agricultural importer. Referring to the statement
made by the representative of the Community regarding further consultations. He pointed out that, in view of the limited experience so far, it had not been possible to retrace sufficiently the trade effects of the three common agricultural policy regulations; nor had this been possible in respect of the 1962 regulations at the time when the consultations began about these regulations. He then urged that all contracting parties should be willing to consult, in accordance with the plan for agricultural consultations, on the effects of their agricultural policy measures, once sufficient trade data were available, so as to allow an appraisal of these effects on the basis of these data; his country was ready to consult. These views were generally supported by some other members. In reply to the assertion by the Community that third countries must realize, however, that the development of agricultural imports into the Community could be to the overall advantage of exporting countries, even though it might be less satisfactory for one or other product or country in particular, some members of the Community expressed fears that they might find themselves in an unfavourable situation because of the fact that their exports were mainly concentrated on a few of those products.
5. Outlining the common policy for the beef and veal sector, the representative of the Community explained first that in the context of achieving the EEC common policy on agricultural products, it was naturally impossible to leave aside that particular sector because of the great importance of bovine meat production in agricultural activity in the EEC, and also the close links between that sector and the no less important one of dairy products. He further recalled that the Community had an overall shortfall in regard to supplies of beef and veal.

6. The representative of the Community observed that the regulations instituting a system which, though seemingly elaborate, was very simple in its mechanisms had been in operation for only about three months. The beef and veal regulation established a new régime in place of the various policies followed hitherto by the member States; it was designed to meet precise objectives - an adequate return on production, stable prices, and a balance between supply and demand for beef and veal within the Community, taking account of imports and exports.

7. The representative of the Community then outlined the main features of the regulation and reviewed the treatment applicable to third countries, the system of intra-Community exchanges, and the provisions applicable to third countries and member States alike. In conclusion, he stated that in the implementation of the beef regulation, account would be taken of the objectives set forth in Articles 39 and 110 of the Rome Treaty.
Guide price

8. Some members of the Committee asked for details as to the relative importance of the two elements determining the guide prices, namely the aim of ensuring an equitable return to Community producers, and the direction to be given to meat production taking into account, among other things, the situation on the dairy market. The representative of the Community stressed the role of the concept of the guide price which, while not making the system too rigid, gave producers an idea of probable prices which enabled them to orientate their production. Nevertheless, the close relationship between the meat and dairy sectors required the maintenance of a proper balance to prevent either sector from developing at the expense of the other. A member of the Committee commented that he agreed with the representative of the Community as to the need to maintain a balance between these two sectors. He added that increasing the support price for beef was not the only way to achieve such balance; this could be done also by reducing the support price for dairy products as actually had been the case in his country. The representative of the Community recognized that the policy followed by that country was indeed different from the EEC policy. The Community, for its part, did not have the same experience which would enable it better to assess the relationship between the two sectors and the repercussions which a change occurring in one sector had on the other. The Community policy was still in the making and the Community must still find its way; changes in the future were not to be excluded.

9. A member of the Committee asked why the weighting coefficients applied in computing the price average used to determine the upper and lower limits of guide prices depended solely on internal factors. In reply to that question, the representative of the Community stated that the guide prices were based on the average market prices prevailing in the member States. In order to take account of the relative importance of the quantities of different qualities of cattle which normally were marketed in the member States weighting coefficients were applied. The average market price had been adjusted so as to take account of exceptional economic circumstances. When determining price limits for large bovine animals for the season beginning on 1 April 1964, the Council had adjusted the weighted average by about 10.5 per cent, taking into account a minimum increase in the producer price for milk which had been recorded in the member States from 1961 to 1963.
10. The question was asked whether the elements used for determining the upper and lower limits for the 1965/66 marketing season would be the same as for the 1964/65 season, and more specifically whether the element aimed at encouraging production was based on the return for an average or a marginal production. The representative of the Community replied that the EEC had as yet taken no decision on the matter; he could state, however, that in determining those limits, the Council took account of the production and consumption situation in the Community as well as of market trends, while endeavouring to promote improved production conditions and a better agricultural structure in the common market countries. One member of the Committee pointed out that in determining the guide price account was not specifically taken of the element of efficiency in production. The representative of the EEC observed that, according to Article 39 of the Rome Treaty, the objective of the common agricultural policy was to increase agricultural productivity by developing technical progress and by ensuring the rational development of agricultural production and the optimum utilization of the factors of production.

11. Some members of the Committee emphasized the vital rôle in Community markets of guide price levels which conditioned access for producers in third countries. It was pointed out that while the system could be applied liberally, it was also possible that unduly high guide prices might insulate Community producers and develop production in such a way as to leave third countries in the situation of residual suppliers, which might have serious consequences for world market equilibrium. Members of the Committee also stressed the duration of the meat cycle: the incentive given to Community production through higher guide prices would only yield its results over a number of years; the effect of such prices on levies and thus on imports could be felt immediately. In view of the length of the meat cycle a quite moderate rise in the guide price could orient production in the direction desired by the Community while preserving access for third countries. The representative of the EEC emphasized that the amount of the levies envisaged in the regulation was established in relation not only to prices on the internal market, but also to the level of prices ruling on the world market at a given moment. He emphasized that it was still too soon to study the effects on international trade of the set of regulations; he nevertheless wished to assure the members of the Committee that the Community institutions had taken due account of the interests of international trade when drawing up such regulations, and they would continue to bear in mind the effects which implementing measures could have on the structure of international trade.
12. With respect to the determination of the guide price limits for the marketing season 1965/66, some members of the Committee expressed the fear that the high level of prices recorded on the Community markets in 1964 might lead the Community to set higher limits. Even without changes in market prices, this would most likely result in the immediate full application of the levy in some or all member States. In this connexion it was pointed out that a raise by for instance 15 per cent in the minimum guide price might, because of certain provisions in the regulation, result in adding to the import duty now being charged a levy of more than twice the amount of this duty. While recognizing the autonomy of the Community in this respect, they expressed their concern that in this way third countries, which had traditional trade interests with member States, would have to carry the burden of adjustments in internal policy objectives of the EEC. After recalling that the EEC had not yet taken a decision in the matter, the representative of the Community pointed out that an increase in the limits would not necessarily cause a corresponding rise in the guide prices of the member States, and that the hypothetical situation just referred to seemed highly unlikely having regard to the economic situation. He added that certain projections for the meat market indicated that future availabilities might be unfavourable, so that even in the event that guide prices were increased there was no reason to assume that a levy would in fact be applied or that, generally speaking, the Community's policy should give rise to any concern. He added that so far, the prices recorded in the Community markets had been higher than the guide prices. A member of the Committee observed that projections concerning future availabilities might not prove as accurate as expected and that the possibility should not be excluded of a rapid improvement in supplies from certain third countries which would probably cause a drop in world prices.

13. Asked whether the member States of the Community would be able to raise their guide prices in the event that the upper and lower limits for the second marketing season were identical to those for the first, the representative of the Community explained that the limits could not remain unchanged because the difference between them must necessarily be reduced. In determining their guide prices within the limits member States were required to observe certain specific criteria. The Council could make recommendations if such prices seemed unwarranted. One member of the Committee asked whether the guide prices could be adjusted in the course of a marketing season if there was a drop in world prices. Another member asked whether in the course of determining future guide prices account would be taken of world market prices. The representative of the Community explained in answer to both the questions that the Council could not disregard the world market situation, for otherwise surpluses would accumulate.
In reply to another question he explained that the seasonal differentiation permitted in prices, applied in practice to one member State only, and implied that prices must be reduced for a period equal to the period of increase, but that the period of reduction need not necessarily follow immediately. In any case, the above-mentioned authority was provisional and would lapse at the end of the first quarter of 1966.

14. In reply to a question on the possibility of speeding up the process envisaged for achieving the single market, the representative of the Community stated that it was not impossible that common guide prices might be established sooner than had originally been foreseen.

15. Commenting upon the balance between consumer and producer interests, which the Treaty of Rome required to be maintained, members of the Committee enquired as to what methods were being contemplated for achieving that objective. The representative of the Community explained that the EEC endeavoured to determine the consequences of the price policy but that it was difficult, however, to do so with certainty. In reply to other remarks concerning the need for exporting countries to know, with some degree of certainty or predictability, when drawing up their production plans, what obstacles they would encounter, he expressed the view that the Community's policy was sufficiently clear to permit those plans to be made.

**Intervention measures**

16. A member of the Committee asked for clarifications on some provisions concerning intervention measures. The representative of the Community explained that a member State which records a movement in prices and intends to take intervention measures, must inform the Commission and the other member States at least one month beforehand, of the measures which it may take; furthermore, intervention measures could be taken only if the average weighted price of the internal market was below or equal to the intervention price during a period of at least seven days.

17. In reply to a question on the co-ordination of national intervention measures - the conditions for which are to be established by 1 August 1965 - and also concerning the definition of the conditions for applying Community intervention measures in the final stage, the representative of the Community recalled that, on the one hand, the criteria regarding the application of national measures had already been established and that, in those circumstances, the Council intended to examine the results of any application of such measures with a view to harmonizing the situations thus created; on the other hand, with regard to the stage of the single market, the Council was to determine the conditions for applying Community measures to be taken in case of need.
18. A member of the Committee enquired about arrangements for the purchase and stocking by intervention agencies. The representative of the Community confirmed that measures could be taken separately in respect of live animals and of frozen meat. As regards the actual storage, it would be in special centres equipped for the purpose; the question whether cattle should be stocked alive or should be slaughtered and frozen was a matter for decision by the member States.

19. In reply to a question concerning the disposal of beef stocks held by the intervention agencies, the representative of the Community explained that these stocks could not be sold in the market of a member State unless the internal market price in the importing member States was at least equal to 98 per cent of the guide price. This restriction, however, was suspended as long as a supplementary tariff quota for imports of frozen beef was opened up; when 95 per cent of the tariff quota had been fulfilled the sales restriction applied again. It was furthermore provided that sales from intervention agencies had to take place at a price at least equal to the world market price; this price was determined by the Commission in accordance with the procedure of the Management Committee, on the basis of actual price quotations on the world market. The representative of the Community further confirmed that the intervention measures did not involve the suspension of the issue of import certificates, neither would sales from an intervention agency have any priority over sales of imported beef.

20. A member of the Committee also wished to know whether, if meat from stocks was sold on commercial terms in the world market, the offering price would be affected by the storage costs. The representative of the Community stated that no provision had been adopted in that regard. He recalled that at present no refunds were granted on exports of frozen meat, since the regulation contained no clause fixing the maximum refund. Taking into account the market supply situation he put forward the idea that the quantities taken up in interventions would be limited. So far no intervention measures had been taken.

21. The representative of the Community declared further, in reply to a question, that while it was not prohibited to export on concessional terms, nevertheless the member States would observe their international obligations in the matter, including the FAO principles on surplus disposal.

22. A member of the Committee noted that a special régime had been laid down in order to enable the German Government to fulfil its commitments under a bilateral trade agreement with Denmark. He enquired whether this agreement was not contrary to the non-discriminatory character of the agricultural regulations, as the representatives of the Community had always asserted, and
if it would be extended. The representative of the Community explained that there could be no incompatibility with respect to agreements concluded before the common agricultural policy became effective, but that all bilateral agreements concluded between a member State and a third country contained a clause - known as the Community clause - reserving the possibility of modifications or waivers if the agreement proved incompatible with the common agricultural policy. The duration of the German-Danish agreement was limited to the end of 1965.

**Customs duties**

23. Some members of the Committee wished to know why the provisions relating to frozen meat differed from those adopted for the rest of the sector; the representative of the Community explained that the common external tariff duty on frozen meat would be applied as from 1 April 1965 for practical reasons, namely because the duties levied by the member States were sufficiently homogeneous to permit a more rapid application of the common external tariff.

24. With regard to the administration of tariff quotas, the representative of the Community explained that the quotas were opened at the time which the Community institutions considered most appropriate, taking into account the internal market situation, and were then allocated pro rata to previous imports by each member State on a global basis; if part was not taken up, it could be used by the other member States. Concerning the suspension of customs duties and the opening of additional quotas, he pointed out that as a general rule, the periods covered by those measures were of sufficient duration so that distant suppliers need not consider themselves as being at a particular disadvantage. Concerning the two tariff quotas which had been announced for the periods February to March 1965 and April to June 1965, a member of the Committee pointed out the problem for distant suppliers in participating without sufficient prior notification. In this instance very distant suppliers would have no opportunity to participate in the first tariff quota mentioned above, as investigations have shown that it generally takes upwards of 100 days to fulfil meat contracts with European importers.

25. A member of the Committee was concerned over difficulties connected with the administration and annual renewal of the quota of 20,000 head for certain breeds of heifers and cows. The representative of the Community emphasized that the EEC had always respected its undertakings in the matter and he pointed out that from now on since the quota was open to all member States, it could be used more easily and therefore that procedure was to the advantage of interested third countries.
26. The question was raised whether there were any commitments between member States and third countries which could affect the allocation of supplementary quotas. Reference was made to the recent trade agreement concluded between Italy and Yugoslavia. The representative of the EEC noted that there were no commitments between one or more member States and third countries which could influence the use of the quotas.

Levy system

27. Some members of the Committee expressed the view that customs duties were not the principal measure of protection at the frontier because the levy system could be superimposed on customs duties. The representative of the Community emphasized that the tariff was the normal measure of protection in the sense that the established customs duties were generally applied independently of the market situation and that in a seller's market, such as existed at present for meat, the tariff was the only element of protection.

28. In reply to questions concerning the calculation of the price at importation for meat, the representative of the Community explained that in determining those prices, account had been taken of the quotations on certain European markets having characteristics similar to those of the Community markets. In order to take account of the relative importance for trade with the Community of the markets concerned, a weighting coefficient was applied. If the present trading pattern were to change, the weighting coefficient might have to be revised.

29. A member of the Committee noted that frozen meat was sold on the world market at lower prices than fresh and chilled meat, but that the coefficients selected by the Community for calculating the levies were generally the same for the three categories of meat. The representative of the Community when explaining why no provisions had been made for separate guide prices for derived products referred to the complexity of the cattle and beef markets within the Community. He further explained that the coefficients were based on the relationship between prices for live animals and for meat. A technical compromise was made because the relationships existing between prices for live animals and prices for meat were not exactly the same in all member States.

30. Some members of the Committee remarked that the table of coefficients for calculating the levies, although containing some definitions, apparently ignored the hindquarter joint with three ribs as sold by some suppliers and thereby transformed it into cuts to which a coefficient was applied that gave rise to a higher levy than that established for the hind part with four ribs. The representative of the Community stated that this was a new element and that the question would be examined by the competent services of the Community.
31. In reply to a question, the representative of the Community stated that the basis used for calculating the customs duties was the customs valuation, the price at importation determined by the Commission being used only for computing the amount of any levy.

32. A member of the Committee stressed that the regulations seemed relatively liberal, if compared, for example, with the grains, poultry and pork regulations. This was due to the fact that the price at importation was based on prices in representative third markets and not on the most favourable purchasing possibility. Some members of the Committee pointed out the variety of conditions which had to be considered in applying the regulations and referred in particular to the fact that duties were bound on some beef items, for some other beef items tariff quotas were granted, while on the remainder - representing the major part of EEC imports - there was no binding. They also noted that the possibility of opening additional tariff quotas for frozen meat was temporary and that some other tariff quotas corresponded to exports by a limited number of countries; in their view it would be desirable for those quotas to follow the pattern of normal trade flows. The representative of the Community replied that the difference noted was the result, in particular a proof, of international obligations entered into by member States and was at the same time proof of the liberalism.

33. Some members of the Committee expressed the view that the levy system introduced a most unfortunate element of uncertainty into international trade in beef and veal. The possibility of changes in the levy while meat was in the course of shipment to the Community was of particular concern to distant suppliers. There was some evidence to suggest that this was already proving a disincentive to imports from such suppliers. The representative of the EEC pointed out that it should be possible to ease to some extent the fears expressed. The Community's aim was to simplify the import system by substituting a simpler one for the various instruments previously existing. In addition, he observed that protection through customs duties should be regarded as the normal form of charge since, in most cases, internal prices were higher than the guide prices and there would be no occasion to have recourse to levies.

34. A member of the Committee noted that in intra-Community trade, the levy would only be imposed if the internal market price fell below the intervention price, and that in that case the amount of the levy generally would be determined on the basis of 95 per cent of the guide price. He expressed the view that since the third country levy was based on the full guide price, the 5 per cent difference constituted a kind of preference, and additional protection for member States. The representative of the Community confirmed that intra-Community trade levies could only be imposed either if prices had fallen below the intervention price and if intervention measures were being taken by the member State concerned, or if prices had fallen below a level of 90 per cent of the guide price for member States which did not take intervention measures. The system established a kind of preference which was natural and necessary during the institution and operation of a single market.
35. In reply to questions concerning the possibility of applying duties and levies at a reduced rate, and more precisely the conditions in which such measures could be adopted, the representative of the Community explained that the provision was designed to give the whole mechanism sufficient flexibility to enable member States which so desired for reasons connected with economic or social policy, to stabilize internal prices when faced with price movements on the internal market, the world market or both. Although at first sight, for the reasons indicated, the reduction could apply only to customs duties, it was in fact possible to reduce both duties and levies. In applying such measures, the equilibrium of intra-Community trade would require the amounts of the import charges with respect to the member States concerned to be adjusted so as to take account of the trend in its market. The representative of the Community also stated that although the regulation mentioned only a reduction of those charges, the Council nevertheless had the necessary authority to grant a total suspension if so requested. Asked whether the Council had the power to make that provision effective in the absence of any request by a member State, he explained that under the Rome Treaty the Council could make such decisions acting on a proposal by the Commission. Lastly, he added that this provision, which was valid for the member States, was applicable only during the transitional period.

36. A member of the Committee referred to the problem as to whether the levy was compatible with the provisions of the General Agreement. The Committee felt that it was not its task to go into the legal question but, nevertheless, recognized that a problem existed which had not been settled by the CONTRACTING PARTIES. Furthermore, the representative of the EEC added that perhaps the text of the Agreement should be adapted or supplemented in the future so as to take better account of the particular characteristics of agriculture.

Refunds

37. In reply to various questions raised in connexion with the system of refunds, the representative of the Community pointed out that the refund system was a feature in most of the EEC's common agricultural policy regulations. He recalled that provisions enabling governments to subsidize their exports appeared in the legislations of many other countries. He explained that the common agricultural policy aimed in particular at stable prices on the Community markets; under present circumstances, these prices were generally higher than world market prices, which moreover were subject to fluctuations. The refund system therefore was a necessity for Community exporters who otherwise would not be able to continue participating in world trade. Under the various regulations, however, member States were no longer free, like most other governments, to grant refunds without any limitation. In the case of the beef regulation, such limitation was to be found in the provision that, in general terms, the refund which member States were allowed to grant, could not be more than the difference between internal market prices, and prices prevailing in third countries.
38. The representative of the Community further pointed out that under other common agricultural policy regulations, the regulation on cereals, for example, the amount of the refund was directly linked to the amount of the import levy. In the beef regulation, such a symmetry was not possible, because of the institution of a customs duty and its possible combination with a levy in the import system. The ultimate effect of the refund in both cases, however, was the same, namely the compensation of the difference between internal market prices, and prices prevailing in third countries.

39. A member of the Committee pointed out that according to the provisions, member States were to determine the amount of the refunds once every month in advance. This, in his view, necessarily involved a certain margin of error as regards the actual price situation at the time of exportation, and could enable Community exporters to sell at prices below the price prevailing on a particular third country market. The representative of the Community explained that the determination of the amount of the refund once a month in advance was chosen for administrative purposes. It would enable exporters to determine their sales conditions. He recognized that in this way a margin of error was unavoidable but this could also work in the opposite direction. The maximum amount of the refund was not arbitrarily determined, but was based on two objective figures: the average internal market price and the average price prevailing in third countries, noted in the first two weeks of the preceding month. These were figures determined by the Commission on the basis of actual data. Member States, in determining their refunds, were normally not allowed to go beyond this maximum; they were, however, free to determine the amount at a lower level. The most unstable factor in the determination of the maximum amount of the refund was the world market price; the bases for such determination, however, were publicly known well in advance, and third countries could therefore assess beforehand any possible effect of the refunds on the world market.

40. Other members of the Committee expressed the view that the beef regulation, mainly through the price policy to be followed, would tend to increase production within the Community. The incentives given to Community production would frustrate the access to the Community market of efficient outside producers. Not only would efficient exporters be displaced from the Community market, but experience under other common agricultural policy regulations had shown that these exporters would meet keener "competition" in the shrunk world market from subsidized Community export; such competition was also rendered inequitable because economic efficiency was replaced by the strength of financial resources. In practice, Community exporters, through means of the subsidies, reduced their prices not just to a normal level, but to the lowest price prevailing in third country markets. These members expressed particular concern about the provision that if the refund would prove to be insufficient, member States could be authorized to grant a higher refund. In this way, the Community would not only determine the price within its own market, but also on the world market; this would have a price-depressing effect with a consequent demoralizing influence on the market. They enquired whether the Community would be prepared to give assurances that Community exporters would not under-cut normal world market prices.
41. The representative of the EEC did not share the views expressed by some members of the Committee as to the consequences on trade flows and world prices of the internal measures contemplated for beef production. He repeated that the maximum amount of the refund was equal to the difference between internal market prices and world market prices. Normally, Community exporters therefore would not be able to sell below world market prices. Since, however, world market prices could fluctuate, a normal application of the regulation could prevent Community exporters from participating in world trade, and from maintaining their traditional exports. In such a case, following the procedure of the Management Committee, a particular member State could be authorized to grant a higher refund. This procedure in itself, and the conditions under which such authorization would be given, constituted again a limitation. It was clear from the wording of the provision that the objective of the refund system was not to conquer the market, but only to maintain export possibilities in order to participate in a normal manner in international trade. The Community, in the framework of its proposals for the Kennedy Round, had proposed that for given products international reference prices should be established which would have to be respected by exporting countries and would constitute an important stabilizing factor for prices and for terms of trade on the world market. Several members of the Committee took note of the views advanced by the representative of the EEC but felt that their consideration could more appropriately be pursued within the context of the Kennedy Round negotiations.

42. A member of the Committee noted that the maximum amounts for the refunds in respect of frozen meat and certain other types of meat, were to be determined in accordance with the procedure of the Management Committee. He enquired whether these amounts had already been determined. The representative of the Community replied that no such decisions had yet been taken.

43. Other members of the Committee said that the refunds might properly be described as export subsidies. They expressed concern over the fact that the refund system had become an element common to nearly all the regulations of the common agricultural policy. A possible increase in the guide prices, which at present was being considered by the European Commission, would necessarily influence the amount of the refunds. Since these refunds could have an effect on outside markets, third countries were directly concerned with the amounts of the subsidies, and with the extent of the application of the system. They regarded the use of export subsidies as an unhealthy practice, and recalled that this view was shared by the representative of the Community during the consultation held in 1962. They enquired whether the Community again could confirm that it would abide by the provisions of Article XVI of the General Agreement and whether the Community would be prepared to notify the CONTRACTING PARTIES of the extent and the nature of the refunds. In this connexion, they pointed out that member States were required to provide the European Commission each month with information on quantities exported, and the amount of refunds granted, and they enquired whether such information would be published. Some members added that where export subsidies were used they should be limited to commodities for which the circumstances were exceptionally difficult. If there appeared to be a continuous need for export subsidies the incentives to surplus production should be abated if not removed.
44. The representative of the Community considered that for nearly all important agricultural products export subsidies were used in international trade by many countries, and that all countries were forced to intervene by one means or another. Any increase in the guide prices would not necessarily mean an increase in the refunds, since the amount of the refund depended on the price trend in the domestic market and in third markets. As regards the extent of the refund system it should be considered that the financial burden which it implied for the Community would act as a brake that should not be underestimated; such financial questions were at present being thoroughly examined by the European Commission and the member States. The representative of the Community confirmed that in the application of the common agricultural policy regulations, the Community would strictly abide by the provisions of the General Agreement. The Community did not, however, consider the refund as being concomitant with an export subsidy. For the Community, it was a measure sui generis, inherent to the common agricultural policy and designed in particular to contribute towards stabilizing agricultural income. The obligation for contracting parties to notify subsidies under Article XVI should be examined in that perspective. The representative of the Community further stated that the information provided monthly by member States was primarily for internal use by the EEC. The representative of the Community confirmed what had already been stated at the 1962 consultation, namely that "the refund system would be applied in conformity with Article XVI of the General Agreement and if special difficulties from the refund system arise in respect of third countries, the normal procedure under this Article or under any other relevant Article of the General Agreement would be followed." 

45. The Committee felt that it was not its task to go into the legal question as to whether the provisions of Article XVI were applicable to the refunds as applied by the Community. Several members of the Committee, however, recalled that Article XVI dealt with "any subsidy, including any form of income or price support, which operates directly or indirectly to increase exports...". In their view the wording was such that the provisions of Article XVI clearly applied to the Community refunds.

Import certificates

46. In reply to questions, the representative of the Community stated that there was a mandatory provision under which for imports of frozen meat (ex 02.01 AII) from member States and from third countries, an import certificate was required. Such certificates were issued automatically on request subject only to the condition of the deposit of a guarantee. The requirement of import certificates therefore was not a measure of a restrictive character; it was only necessary for administrative and statistical purposes.

1Document L/1910, paragraph 41.
47. A member of the Committee enquired how the safeguard clause, under which safeguard measures could be taken concerning imports, related to the issue of import certificates. Could the issue of import certificates be suspended, and could imports be prohibited for which an import certificate had already been issued? The representative of the Community replied that the regulation did not provide for the possibility of suspending the issue of import certificates before invoking the safeguard clause. The wording of the safeguard clause was quite general, and member States who invoked this clause were entitled to prohibit imports of products, even if an import certificate had already been issued; there was no difference in treatment for products for which no certificate was required. The assurance was given that in applying the measures, the Community would take account of the effects resulting from the granting of certificates, those already issued being honoured to the fullest extent possible.

48. Some members of the Committee, representing distant suppliers, drew attention to the fact that in several cases exports from their countries required more than 100 days between the time of conclusion of the contract and the arrival of the shipment in the Community. Sometimes these shipments met with extra delays which were not covered by the emergency clauses in the regulations. The time of validity of the import certificates is two months after the month of issue which therefore gave rise to a real problem in certain circumstances. The representative of the Community noted that in his opinion the period of validity of import certificates should enable all imports to be made but that nevertheless the problem could be studied by the Community.

Trade barriers

49. The Committee noted that as from the entry into effect of the regulation only the customs duties and levies specifically provided were applied and that all other charges having an equivalent effect had been abolished. Some members of the Committee expressed concern that certain provisions of the regulation might lead to the use of quantitative restrictions. Some members pointed out, that certain member States still maintained charges arising from the health regulations in the country concerned. Furthermore, in some countries imports of certain cuts of meat were still prohibited. They were anxious to know whether these charges and import prohibitions would also be removed. The representative of the Community replied that the member States were still in the process of aligning their health regulations. Until common health regulations were effective, member States continued to apply their national regulations, including the charges which they used to impose for sanitary control, and including specific sanitary rules for certain types of meat.
50. In reply to a question the representative of the Community stated that a special trade régime had been established with State-trading countries; this régime was based either on a so-called "estimated amount", which was in principle the average of the imports effected in the years 1960 and 1961. However, member States had the possibility of fixing the estimated amount at a level higher than that resulting from the average for 1960 and 1961, but in such case the member State or States concerned would have to consult with the other member States and the Commission. If imports of a particular product from a State-trading country exceeded by more than 20 per cent, the average of imports in 1960 and 1961, and if the market in one or more member States should suffer, or become liable to suffer, serious disruption, the Commission could decide whether the importing member State had to suspend, or was allowed to maintain, these imports. The system with respect to State-trading countries was the only case where the Council had taken a decision derogating from the general abolition of quantitative import restrictions.

51. A question was raised regarding the provision under which it was stated that the restriction of the grant of import certificates to a specified category of beneficiaries was considered to be a measure having equivalent effect to a quantitative restriction. The representative of the Community explained that this provision was included in all regulations in order to avoid differences in interpretation and to make certain that import certificates would indeed be issued to anyone who made a request and provided the deposit required.

52. Some members of the Committee expressed concern about the wide range and the general wording of the safeguard clause. They enquired whether there was a relation between this clause and Article XIX of the General Agreement. They also enquired whether the clause could apply to a single product only, and whether in that case, it would apply to all countries without discrimination. They further enquired whether the clause applied only to the transitional period. They also expressed concern about the use of the derogation clause as an additional safeguard measure which could be applied both in the transitional and the final period. They were also concerned over the application of Article 12, paragraph 2, of the basic regulation. The representative of the Community confirmed that the safeguard clause would be used in strict compliance with the General Agreement. In principle, the safeguard clause was to meet a situation as provided in Article XIX of the Agreement. That clause was applicable during the transitional period. The wording of the provision was quite general and did not exclude the possibility of invoking the clause in respect of one product only. It would then apply to all countries. It was however, difficult to see how a safeguard measure could be limited to one product only since it could then easily be frustrated by imports of substitutable products. Consequently, the products to which safeguard measures were applicable would be determined case by case. The representative of the Community observed furthermore that
An invocation of the clause by a member State would automatically set in motion a Community procedure under which the Commission and the Management Committee would examine the measures taken by that member State with the possibility of modifying them. As regards the general derogation clause in Article 18 of the beef regulation, the representative of the Community emphasized that the provision met the need to be able to invoke a provision under which any necessary adjustments and additions could be made to a set of regulations which could only be elaborated progressively. Lastly, the representative of the Community, with a view to allaying the concern of members of the Committee regarding Article 12, paragraph 2, sub-paragraph 2, stated that the clause was designed to enable special provisions to be taken with respect to imports from State-trading countries.

Concluding comments

53. Several members of the Committee expressed the view that, as the regulation had entered into operation only recently, they had not yet had sufficient experience with the new rules and the way in which they were applied. They stressed the importance of arriving at an assessment of the effects on international trade in the light of practical experience. They also gave advance notice that they would wish therefore to review this regulation at a later date. They considered the current consultation uncompleted as they did not feel that this consultation had permitted an examination of the effects of the regulation on international trade. The representative of the Community could admit that it was difficult for third countries to appreciate, from their point of view, all the implications of a set of regulations which had only recently entered into operation. For his part, he noted that the present consultation was completed. For the future the Community would conform itself with the appropriate provisions of the terms of reference of Committee II.

54. Some members of the Committee were concerned at the uncertainty which could be created for exporting countries through the operation of certain elements in the regulation, both in respect to the short-term commercial considerations and the longer-term developmental aspects. Some members of the Committee considered that the level of the guide price was of particular importance to Community producers, but also to third country suppliers, because a high level of the guide price could induce uneconomic production. A member of the Committee recognized that since the import levy would not be in full operation if the internal market price was higher than the guide price, there was some opportunity for a freer play of competition. An increase in the guide price, however, could easily change this situation. He further pointed out that since the levy on imports from other member States would be imposed only if the internal market price had fallen below the intervention price, producers within the Community had an additional preference on outside suppliers. He repeated his concern regarding the refund system, and expressed the hope that the system would be applied in a careful manner so as not to disrupt third country markets. He expressed his
concern on the discretionary power which was built into the safeguard clause, about its discriminatory effect on those third countries which might not be responsible for the circumstances necessitating its application. In the light of experience already gained under another regulation, they also had cause to be seriously concerned about the provisions for derogation from the regulation. He expressed the hope that the liberal elements which were included in the beef regulation, were not due to the present market situation only.

55. The representative of the Community, for his part, drew the attention of the Committee to the rapid increase of beef consumption in the Community. The average consumption per head had risen from 14.8 kilograms in 1955/56 to 22.6 kilograms in 1963, corresponding to an increase of 70 per cent, and that consumption would increase still further in the future. The consumption of beef in the Community had become a fundamental requirement on the individual level as well as a test of general economic prosperity. In his opinion, it was possible to foresee an evolution on the Community market determined by the combination of three elements; increase of consumption and production; more advantageous prices for Community producers, and necessity for the European Economic Community to have recourse to imports from third countries. Moreover, the representative of the EEC pointed out that the fears expressed by some members of the Committee on the evolution of the trade flows, as well as on the implementation of the regulations, appeared, in his view, not always to take sufficiently into consideration the conditions and prospects for consumption and production of beef on the Community market, as well as on the international level.