1. In introducing the common rice policy, the representative of the Community noted that since the rôle of the Community in international trade in rice was not very large the rice regulation was of less interest to exporters to the Community than was the case for other regulations. He pointed out that the rice regulation took its inspiration from the cereals regulation. However, several considerations, in particular the fact that rice production within the Community was limited to two countries (Italy and France), necessitated divergencies from the cereals regulation. Other considerations, for example, were that, contrary to the case of cereals, the greater part of the rice imported was made up of husked rice and rarely of paddy, and that shipment of rice to the Community was made in bags instead of in bulk; consequently prices were based on husked rice in bags.

2. The representative of the Community went on to explain that while the Community was not a major rice producer, it did produce annually about 750,000 tons of paddy rice and was one of the world's most efficient producers. Italy in particular had relatively important exports to third countries as well as to other EEC countries.

3. The representative of the Community concluded by briefly explaining the system. The fact that only two countries of the Community produced rice necessitated a price system different from that of cereals. Target prices could initially be determined for only the two producing countries. Therefore, it was not possible to have a common threshold price for the six member States during the transitional period. Rather, it was necessary to have a threshold price for each of the producer member States and a common threshold price for non-producer member States. The levy is fixed so as to be equal to the difference between, on the one hand, the threshold price and, on the other hand, the world market price. A refund system made it possible for all member States to export on the basis of prices in the world market.
4. A member of the Committee felt that it would have been preferable if the Community had used deficiency payments rather than a variable levy system. Since the Community was not a major rice producer, a deficiency payments system for rice would not have been too costly, and it could have avoided a number of difficulties which arose for third countries from the levy system. He was concerned about the possible effect the new rice regulation might have on world markets. He also expressed his concern that the levy system for rice might become a mechanism for trade diversion rather than trade development. An observer expressed the fear that the interests of rice-exporting less-developed countries would not sufficiently be taken into account by the Community.

5. A member of the Committee stated that the new rice regulation was not a measure of trade liberalization but rather a measure of trade protection and he also remarked that in major rice importing States of the Community where no rice was produced prior to the common agricultural policy system, there were no quotas and no or very low charges on rice. Since the system became operative rice exporters to the Community had been confronted with a levy in some cases even exceeding 70 per cent. In answer to these observations, the representative of the Community pointed out that until 31 August 1964 it was not only in producing countries that import customs duties existed. He pointed out, moreover, that higher charges imposed on rice imports in the non-producing countries were the natural consequence of the gradual establishment of a common market for rice encompassing producing member States as well as non-producing member States.

Products

6. In reply to a question concerning the treatment applicable to wild rice, the representative of the Community stated that when classified under heading 10.06 of the Brussels Tariff Nomenclature that type of rice was subject to the levy system, in which case the Commission fixed the co-efficient of equivalence for that type of rice in relation to the quality standard.

Threshold price

7. A member of the Committee noted that the determination of the threshold price for non-producer member States had been based on world market prices of a round-grain type of rice over a certain base period. He pointed out that during the short period selected, prices of the type of rice concerned had been the highest on record and if a more representative period had been chosen the threshold price would have been set at a lower level. The representative of the Community replied that it was necessary to select a base period which was recent and relatively brief, namely the period October 1963-February 1964, since the purpose of the exercise was to determine a representative price for the period beginning on 1 July 1964. The average price of the type of rice selected, California Pearl Brown, over that period was 13.27 units of account to which an adjustment had been made in relation to the quality standard (i.e. 0.25 units of account) plus an increase by 5 per cent so that the threshold price thus fixed could be used already in establishing internal stability in the Community.
8. Some members of the Committee noted an appreciable difference between the threshold prices in the producer member States and the common threshold price in the non-producer member States. They also recalled that in the process of aligning the prices, eventually the common threshold price would be directly linked to the common target price for husked rice applicable for the whole Community, which would be influenced by the desired level of the producer price. They expressed concern that this would mean an appreciable increase in the threshold price for the non-producer countries, and possibly even in that for Italy which produced some 85 per cent of the Community rice. Such higher prices would induce an increase in production which in turn would create considerable difficulties for third-country suppliers. The representative of the Community replied that one could not say with assurance what the Council would decide when aligning prices, but that its recent decisions in regard to cereals might be taken as an indication that the Community had a careful price policy.

C.i.f. price

9. In reply to a question regarding the calculation of the c.i.f. price, the representative of the Community said that the base period used for determining the scale of co-efficients of equivalence used to take account of quality differences was the period from 1 January 1962 to 30 April 1964. A member of the Committee observed that in this case a base period had been selected that was longer and less recent than the period used for determining the common threshold price, to which he had referred earlier. He pointed out that the result of selecting different base periods was that on the one hand the threshold price was based on non-representative, recent, period of high prices for round-grain rice; the quality premium for long grain rice on the other hand had been set high by using an earlier longer base period. He felt that in this way the system discriminated against long-grain rice. He expressed himself in favour of using a longer base period in order to eliminate the influence of short-term price fluctuations but he stressed that this principle should have been observed also in determining the price for round rice. The representative of the Community explained that for the purpose of determining the quality differentials between the various types of rice, a sufficiently long base period was needed so that there would be no risk of the results of the exercise being affected by elements of too conjunctural a nature. Referring to another remark by a member of the Committee who had said that too great a difference was made, as a result of the co-efficients of equivalence, between standard rice and certain types of long rice, the representative of the Community observed that the difference resulting from differences in quality between California Pearl Brown rice and Blue Bonnet rice seemed to him to be justified. The levy system, however, did not discriminate between rice of different qualities.
10. In reply to another question concerning the c.i.f. price, the representative of the Community said that the rice regulation provided that in cases where the free quotations on the world market used in establishing the c.i.f. price were not the determining factor in the offer price, the c.i.f. price could be replaced, solely for the imports in question, by a price determined in relation with the offer price if the price thus determined was lower than that established in the usual way. This provision was intended precisely to take account of the interests of traditional supplying third countries. It avoided that in case of offers at exceptionally low prices, all supplying countries would have to pay a high levy. This provision provided that all traditional suppliers would pay the normal levy based on normal world market prices and only the exporter selling at an abnormally low price would pay a higher levy.

Montant forfaitaire

11. A member of the Committee observed that in the industrial field intra-Community preference was being afforded by gradually reducing the customs duties. In the agricultural sector a similar advantage was bestowed upon producing member States by allowing them to sell their products in another member State at higher than world market prices and with a lower levy than third countries or without a levy. In addition a second preference within the transitional period was created by adding to the threshold price a standard amount. This had adverse effects on third country suppliers and constituted an amount of additional protection. The representative of the Community said that the montant forfaitaire, which was fixed in such a way as to permit the gradual and steady development of trade between member States, would disappear at the end of the transitional period. The level of the montant forfaitaire was fixed for each year and took into account trends in intra-Community trade during the preceding season.

Import and export certificates

12. A member of the Committee expressed satisfaction that under the rice regulation the validity of import certificates was prolonged in the case of imports from distant suppliers; this was not the case in other regulations. He asked whether the Community would be prepared to reconsider the other regulations in this regard and bring them into conformity with the rice regulation. The representative of the Community pointed out that the transport time was much longer for rice than for other cereals, for example, and he added that the remarks made by the previous speaker would be taken into consideration when the question was examined again in connexion with other regulations.

13. In reply to a question concerning import certificates, the representative of the Community said that they were issued on simple request and prolonged by whatever period the member State considered necessary because of the circumstances invoked as force majeure. In reply to a member of the Committee who wished to know whether a certificate, once issued, remained valid even if the safeguard
clause was subsequently invoked, the representative of the Community stated that the clause provided for suspension of the issue of import certificates and 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.

14. A member of the Committee noted that the period of validity of import certificates for rice was shorter than for export certificates. The representative of the Community explained that in order for the Community to be able to export milled rice after processing as was the case for derived cereal products, an extended period of validity of export certificates was required. Commenting on this reply, a member of the Committee said that it was understandable that the Community wanted to export milled rice. Other countries however also preferred to export rice in milled form. The difference in the period of validity of import and export certificates thus being a disadvantage in the exportation of milled rice to the Community.

15. In reply to a question the representative of the Community confirmed that import certificates were endorsable in some member States. This question had not yet been finally settled, but the Community seemed to be tending towards non-transferability of certificates.

Refunds on production

16. In reply to a question as to the extent of support to the starch industry, the representative of the Community said that a system of production refunds had been introduced for broken rice used by the starch industry and by the industry producing "Quellmehl", whether such broken rice was imported or from rice produced in the Community.

Refunds

17. Several members of the Committee commented on the refund system. They noted that as a general rule the maximum amount of the refund was limited to the amount of the import levy but there were exceptions to the general rule, namely the prior determination of the refund amount in cases of future delivery, the refund in the form of authorization to import free from levies provided an identical quantity was exported of the same product or group of products, the tender system, and the possibility of increasing the refund by an additional amount where, on the one hand, the tender procedure proved inapplicable and, on the other, the amount of the refund was insufficient to permit exports to third countries on the basis of world market prices. They observed that thus the amount of the levy was not an effective limitation to the refund. They expressed concern that the regulation would provide Community exporters an opportunity effectively to compete on third countries' markets at low prices. They enquired whether the Community was prepared in the application of the refund system to abide by the provisions of Article XVI of the General Agreement.
18. The representative of the Community replied that the refund, in principle, intended to compensate for the difference between internal prices and prices on the world market. The representative of the Community confirmed that, in the application of the common agricultural policy regulations, concerning rice, the Community would strictly abide by the provisions of the General Agreement. The Community did not consider the refund as being identical with an export subsidy. For the Community it was a measure *sui generis*, regarded as the converse of a levy, inherent in the common agricultural policy and designed, in particular, to contribute towards stabilizing farm incomes. Furthermore, it had not been demonstrated that the refunds enabled the EEC to secure a more than equitable share of world trade. In certain conditions the maximum amount of the refund would not suffice to bridge the gap between internal prices and fluctuating world prices, so that special provisions were necessary to enable Community exporters to export. Moreover, world prices were greatly affected by subsidization measures of other countries.

19. Various delegates expressed their disagreement with the Community concept of refunds. The system allowed high cost producers in the Community to compete with efficient low-cost producers in financially weaker countries. In their view the refund system did not differ from any other system of export subsidization.

20. The Committee considered that it was not required to resolve the legal question as to whether the provisions of Article XVI were applicable to the refunds as applied by the Community.

21. The representative of the Community, in reply to a question, confirmed that non-producer member States were entitled to grant a refund on rice milled from rice originating from a producer member State. The provisions, however, under which in certain conditions the refund could be increased by an additional amount, related only to products from rice harvested in the exporting member State; consequently, these provisions were only applicable in the case of producer member States. He also confirmed that refunds could be granted on exports of rice starch, even though a production refund had already been paid on the broken rice used for its processing.

**Refunds in intra-Community trade**

22. A member of the Committee noted that it was specifically provided that if a refund was being granted to exports of milled rice or of husked rice, a refund must equally be granted to the basic products (husked rice and/or paddy), but that this provision did not apply to exports towards third countries. Thus, milled rice was in a favoured position in regard to exports to third countries. The representative of the Community confirmed that as regards milled rice, the obligation to grant a refund on the basic products did not
apply in trade with third countries as it did in intra-Community trade. He pointed out, however, that while the obligation in one case was designed to place Community industries in a competitive position with regard to the raw materials, that obligation was not necessary in the context of world markets which concentrated mainly on milled rice.

Trade barriers

23. An observer of a State-trading country, noted that the trade régime applied to imports from State-trading countries was different from that applied to other contracting parties. He regretted that such a régime had been introduced. The representative of the Community replied that the present trade régime with State-trading countries was not final. The present provisions were not intended to restrain imports from State-trading countries in a discriminatory manner. A special régime had only been elaborated because of the existence of bilateral trade relations between certain State-trading countries and some member States and because of the special economic structure and conditions of price formation in State-trading countries. The Community, however, considered the present régime to be a positive contribution in the development of trade with these countries. With respect to the suspension of imports by a member State, if imports from a State-trading country had reached the estimated amount, the representative of the Community recalled that the member State concerned was under the obligation to forthwith notify the measure to the other member States and the Commission. The representative of the Community explained that member States had the possibility of setting the estimated amount at a level higher than that resulting from the 1960/1961 average and that in such case, the member State or States concerned must consult with the other member States and the Commission. He pointed out that the special trade régime applied to State-trading countries and not to monopolies operating in non-State-trading countries.

24. A representative enquired whether in the application of the safeguard clause the Community would abide by Article XIX of the General Agreement, and whether in that case the safeguard measures taken would be notified to the CONTRACTING PARTIES, in order to afford contracting parties having a substantial interest an opportunity to consult. The representative of the Community confirmed that the safeguard clause would always be invoked in conformity with the relevant provisions of the General Agreement and he observed that, at the internal level, any decision concerning that clause implied the setting in motion of a Community procedure for examining the most appropriate measures. While confirming that this clause would be applied in conformity with Article XIX of the General Agreement, he did not feel that all such internal measures needed to be notified to the CONTRACTING PARTIES.
25. An observer expressed concern about the preferential treatment granted to associated States and overseas countries and territories, which could have adverse effects on traditional exports from his country. The representative of the Community replied that this preference was based on the Treaty of Rome, the Convention of Association and a special Council decision in respect of overseas countries and territories. In addition, a special régime had been established for imports from Madagascar into France and from Surinam into the non-producer member States; this was of a transitory nature and the eventual preference would not, in his view, have adverse effects on imports of other countries.

26. Reference was made 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 specific characteristics of agriculture.

27. An observer stated that rice production was of considerable economic and social importance to his country since a large number of families were dependent upon the rice economy for their incomes and since, because of the nature of the land under rice cultivation, rice could not be replaced by other crops. The Community was his country's principal market in Europe. Thus, the rice regulation could greatly affect his country's rice exports if the unified threshold price was determined at or near the high producer country level. Increased levels of support would possibly result in increased rice production in the Community on land that could be put to other uses. Thus, surpluses might result which would have to be disposed of through the use of export refunds. He expressed the hope that the Community would apply the regulation so as not to damage third countries' conditions of access or traditional export patterns.

28. 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 the 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 agree 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 had been completed. For the future the Community would conform itself with the appropriate provisions of the terms of reference of Committee II.
29. Some members of the Committee expressed the hope that the Community would not develop its agricultural policy in such a way as to insulate the Community from other countries. They expressed concern about various aspects of the mechanisms of the agricultural regulations which promoted agricultural production in the Community at high costs. This would inevitably have adverse effects on third country markets and on international trade in the products concerned. They expressed the hope that the Community in fixing a common target price for rice, would make a contribution towards reducing the differences with world prices. They recognized that the regulations referred to the objectives of both the common agricultural policy and the common commercial policy. In their view to raise the income of the farm population was not incompatible with a natural growth of international trade, and they expressed the hope that the common agricultural policy in its future application would permit reciprocal trade to develop.

30. A member of the Committee pointed out that in his view the levy system could in practice not be considered a neutral instrument. It put third countries in the position of residual suppliers and protected high cost Community producers effectively against price competition from outside producers which were efficient in costs. The refund system likewise offered Community producers an opportunity to compete effectively on third country markets with such efficient producers.

31. The representative of the Community, in a closing statement, observed that the fears expressed by some members of the Committee regarding the evolution of production and of trade flows seemed to him sometimes to take insufficient account of the situation and prospects of the Community market. He emphasized that if exports from producer member States to non-producer member States were to increase—which would merely serve to restore the traditional trade flows existing, for example, between Italy and the Federal Republic of Germany—exports from the Community to third country markets would fall correspondingly. Furthermore, the Community would always provide a market for imports of quality rice, in particular of long grain varieties. He observed that the concern of third countries was all the more groundless because there was reason to hope that in future production would be stable and the acreage under rice was decreasing. As regards the levy system, the representative of the EEC pointed out that the price policy of the Community aimed at stable internal prices and did not in his view constitute an incentive to develop production, but that the other determinant factor of the levy, the world price, could not be influenced by the Community. The levy was variable, to the extent that world market prices varied, so as to prevent fluctuations in world market prices from affecting the Community market. The levy could not be said to insulate the Community from the world market, for it was precisely designed to establish a flexible and constant relationship between
the internal market and the world market. If prices within the Community and on the world market moved closer together, the levy would decrease. Emphasizing, furthermore, that the rice regulation was based on a permanent compromise between producing and non-producing member States, a compromise which guaranteed that in drawing up the regulations on rice, the interests of third countries had always been taken into consideration, the representative of the EEC observed that the new regulations would be applied in conformity with Articles 39 and 110 of the Rome Treaty so as to take account of the interests of Community producers and of producers in third countries, in particular producers in developing countries.