GENERAL AGREEMENT ON
TARIFFS AND TRADE

EXPANSION OF TRADE - AGRICULTURAL POLICY

Report of Committee II on the Consultation
with the United Kingdom

1. In accordance with the Decision adopted by the CONTRACTING PARTIES at their fourteenth session that consultations should be held with the individual contracting parties regarding their agricultural policies, the Committee carried out the consultation with the United Kingdom. The Committee had before it (i) a synopsis, furnished by the Government of the United Kingdom, of non-tariff measures for the protection of agriculture or in support of incomes of agricultural producers and (ii) a series of documents giving detailed information on the commodities entering importantly into world trade on which the CONTRACTING PARTIES had agreed the consultations should in the main be concentrated. In conducting the consultation, which was completed on 16 September, the Committee followed the plan contained in Annex A to document COM.II/5 and adopted by the CONTRACTING PARTIES at the fourteenth session. The present report summarizes the main points discussed during the consultation.

A. General Agricultural Policy

2. In his opening statement, the representative of the United Kingdom drew the Committee's attention to the comprehensive statement on the agricultural policy of the United Kingdom and the measures taken to implement it which had been furnished by his Government to the Committee and then outlined the general considerations which the United Kingdom Government had had in mind, how these had affected its choice of methods of supporting agriculture and the main problems which it saw ahead.

3. The main objective was the promotion and maintenance of a stable and efficient agricultural industry which was an important contributor to the country's external balance of payments. In furthering this main objective, the Government had had particularly in mind the need to encourage improvements in agricultural productivity, the need to provide consumers with sufficient supplies of food at reasonable prices and thus help to maintain a high level of consumption and the need to maintain free markets with a minimum of controls over imports and home production. The aim for agriculture in the United Kingdom was not self-sufficiency. A little over half the country's total food requirements were imported, and there was evidence that during the last five years imports had accounted for a somewhat increasing proportion of the country's food and feed consumption.

4. The fact that living standards in the United Kingdom were already high had two important consequences for agriculture; firstly, the scope for further consumption was limited and secondly, the level of support required to maintain a reasonably
A prosperous agricultural industry might need to be rather higher than in some less-developed countries if farmers and farm workers were to enjoy a suitable standard of living in relation to that of other sectors of the economy.

5. The deficiency payments system, the principal method of support used in the United Kingdom and the system in which the Haberler Report had seen a number of advantages, had been adopted because it enabled the Government to ensure a reasonable level of return to producers and at the same time left the ordinary channels of trade to operate freely; as operated in the United Kingdom it also ensured that the producer felt some of the impact of the market. Furthermore, as most members of the Expert Panel of FAO which met in Rome in April 1959 had agreed, the net effect on import requirements seemed likely to be smaller under a deficiency payments system than if the same level of prices to producers were maintained by (for example) regulating the flow of supplies to the market.

6. The production grants and subsidies with which the price guarantees in the United Kingdom were supplemented were designed to encourage good husbandry and improvements in productivity. United Kingdom agriculture had made itself technically very efficient — this efficiency was increasing year by year at a rate which the Government estimated at something like 2 per cent per annum of the value of gross output. Improvements in productivity must be expected to continue and these would almost certainly mean higher output though at lower cost, e.g., as yields per cow or per acre improved still further. However, a deliberate expansion in output through more stock or more acres was only being sought by the United Kingdom Government in those directions where market requirements were not yet met, e.g., beef, or where a contribution to economic efficiency could be made, e.g., by substitution of lower cost home-produced feed for imported feed.

7. There had been a substantial reduction in the cost of agricultural support between 1957/58 and 1958/59. Under the deficiency payments system the cost depended in part on factors beyond the Government's control, but a major factor which the Government did control was the level of the price guarantees and in the last five years, these guaranteed levels had on the whole not been rising; in fact, for wheat, rye, eggs, pigs, milk and wool the present guaranteed prices were actually lower than the corresponding prices in 1954/55. In view of the inflationary pressures operating during the earlier part of this five-year period, the avoidance of a general increase in support levels should be regarded as a considerable achievement which was possible only because of the continuing improvement in the efficiency of the agricultural industry.

8. The representative of the United Kingdom concluded his statement by referring to the main problems which appeared to his Government to lie ahead. Firstly, there was the limit to the absorptive capacity of the United Kingdom market. Such expansion of consumption as was possible in the United Kingdom might depend on lower prices to the consumer, and consequently to producers in the exporting countries, as well as on improved presentation, marketing and servicing. The second main problem concerned the level of domestic production in the United Kingdom; it was necessary to maintain something like the present level if the country was to have a reasonably prosperous agricultural industry but there was inevitably a tendency for some increase in output as productivity increased and as the industry became economically more competitive. The third problem was the vulnerability of the United Kingdom to dumping.
9. In the view of the United Kingdom Government, these circumstances gave rise to the need for encouragement of increased consumption and the expansion of markets generally in the world, with the object of raising living standards and of ensuring a greater degree of stability to producers at prices reasonable to consumers. This might require lower cost production in many countries and appeared to the United Kingdom Government a major problem of agricultural policy both at home and abroad.

10. The Committee expressed appreciation for the clear statement of the representative of the United Kingdom and for the comprehensive and detailed documentation which had been furnished by the Government of the United Kingdom. In discussion on the statement made by the representative of the United Kingdom several members of the Committee stressed their view that, although the authors of the Haberler Report had seen much advantage in the deficiency payments scheme as a method of support and although this view was shared by the United Kingdom which had adopted such a system as its principal method of support, it was nevertheless vital that there should be recognition of the disadvantages of this method. Some of the advantages of the deficiency payments scheme were undoubtedly lost in a higher income country like the United Kingdom where the elasticity of total demand for foodstuffs was relatively low. A deficiency payment scheme in itself provided no safeguards against the development of surpluses and therefore such a scheme shared this disadvantage with other support systems; high prices were of considerable influence on the volume of production in a country whether these high prices were induced by deficiency payments schemes or other schemes and it was just as possible, as had been demonstrated in the case of egg production in the United Kingdom, for an importing country to become an exporter under the former. They recognized that the system of deficiency payments adopted by the United Kingdom did not depend on the use of quantitative restrictions on agricultural products and that the few remaining restrictions were being removed progressively in response to improvements in the United Kingdom balance of payments. However, this did not of itself assure a profitable market for traditional exporters who were being forced out of the United Kingdom market by the fact that the effect of the level of prices associated with the deficiency payments schemes had led to a substantial increase of production. Furthermore, the prices to be obtained in the United Kingdom market were considerably less than they would otherwise be in the absence of agricultural support. At the same time they recognized the importance for agricultural exporting countries of the fact that the United Kingdom provided the widest open market for foodstuffs and pointed to the need for other countries to open their markets.

11. In response to a request for more information about the guiding principles and the factors taken into account in determining the level of the guaranteed prices, the representative of the United Kingdom, after drawing the attention of the Committee to the White Papers published by the United Kingdom Government after each Annual Review, which explained in detail the considerations which had been taken into account, stressed that the Annual Review system was flexible and could take all factors into account. The United Kingdom Government was not tied to any index or calculation of changes in cost; increasing efficiency and changes of factor costs in the aggregate were only some of the factors taken into account and, since the reviews were annual, there was adequate provision for remedying errors and making changes. Members of the Committee expressed the view that the long-term assurances given to the industry in the 1957 Act might, in fact, unduly restrict the powers of the United Kingdom Government to make
all those changes which might be necessary at any review. The representative of the United Kingdom stated that, in the view of his Government, the percentages laid down in the Act were adequate; 2½ per cent of the total value of the guarantees could in fact mean that an increase or reduction of the order of £30 million could be made. For example, after the review of 1958 there had been a net reduction of £19 million after allowing for an increase in factor costs of £11 million. On individual commodities, the percentages were also considered to be adequate; for example, after the same review the guaranteed price for pigs had been reduced by 2/-d. per score with immediate effects on the pig-breeding herd.

12. Some members of the Committee doubted whether there was in fact any true incentive for the producer in the United Kingdom to obtain the most that he could from the market and thought that too much assured protection was implicit in the United Kingdom system regardless of whether any gains had been made in efficiency; one member of the Committee, having noted that the main objective of United Kingdom Government policy was the promotion and maintenance of an efficient industry, asked by what criterion efficiency was measured and whether efficiency or the maintenance of a suitable standard of living for the agricultural population was considered the more important by the Government. In discussion on the total cost of the programme to the Exchequer, members pointed out that this had represented about 75-80 per cent of farmers' net income in the last three years, and thought that the provisions for decreases in the total costs of the guarantees would be offset by increasing costs in the future. In reply, the representative of the United Kingdom stressed that there was in fact an incentive to the United Kingdom producer to get the most he could from the market since the amount of money that each producer got was made up of his return from the market plus the flat rate of guarantee which was the average of all sales in the market. It was not the intention of the Government to protect the inefficient farmer; the Government assumed that the industry was increasing in efficiency and in fact put a money value of £25 million per annum on this factor which was taken into account at Annual Reviews. In the view of the United Kingdom Government, it was unlikely that changes in costs would be so marked as to eliminate the large margin of £30 million to which he had referred; it was not the expectation of the United Kingdom that support levels would have to be increased.

13. Members of the Committee noted that the policies of the United Kingdom appeared to be leading to self-sufficiency for a number of products. They asked by what criteria the United Kingdom Government judged that expansion of output in various sectors was necessary and whether a desirable consumer price and prospective increases in supplies from efficient overseas producers were included in these criteria. In reply, the representative of the United Kingdom stressed that the United Kingdom Government had for the last two years told producers that no increase in gross output was needed; deliberate expansion in output was only sought in those sectors where this was not yet sufficient. The Government was not able to enforce restrictive measures but it did all that it could to discourage unwanted production.

14. One member of the Committee asked whether the United Kingdom authorities envisaged the continuation of what appeared to be a more or less static overall agricultural industry or whether they contemplated that structural adjustments such as had been considered necessary in other industries, e.g., textiles, would be considered necessary in the agricultural field to meet future conditions. In reply, the representative of the United Kingdom said that it
was impossible to make any forecasts about the actions of future Governments though, in his personal view, for what it was worth, action on the lines undertaken for the cotton industry did not appear to be contemplated for agriculture.

15. One member of the Committee noted that quantitative restrictions remained on imports of a number of agricultural products and enquired whether any hard-core problem would arise when these quantitative restrictions were no longer needed for balance-of-payments reasons. He noted also that many of the remaining import restrictions on agricultural products were applied by the United Kingdom in a discriminatory fashion for which, in view of the fact that there was now external convertibility of sterling, there was no logic or justification nor any need for more protection than was already provided by the support measures in force in the United Kingdom. The representative of the United Kingdom referred to recent discussions in the Balance-of-Payments Committee in which the United Kingdom representative had said that, in view of external convertibility, there was no longer any payments advantage in buying from one source rather than another. As was then pointed out, the United Kingdom was endeavouring to remove the remaining dollar discrimination and the quantitative restrictions maintained for balance-of-payments reasons, but considered it was undesirable to forecast in advance of abandoning the restrictions maintained under Article XII what items if any might form the hard-core problem.

16. Members of the Committee stressed their view that the Government of the United Kingdom should have constantly in mind the extent that their agricultural support measures would have on the trade of traditional exporters to the United Kingdom and, in settling the levels of guaranteed prices, should take into account the interests of such exporters.

B. Commodities

17. The Committee conducted a detailed examination of the information submitted by the United Kingdom on those commodities on which it had been agreed the consultations should be concentrated. This section of the present report summarizes the main points discussed during the examination.

Milk Products

18. Members of the Committee pointed out that there had been a considerable increase in total milk production from the pre-war average and stressed their view that the support prices, which were considerably higher than the prices paid to producers in other countries, had been a powerful incentive to this increased production. The increased production had resulted in a considerable reduction in imports of cheese and evaporated and condensed milk, for which items tariff concessions had been negotiated with the United Kingdom, and a considerable increase in exports of condensed and evaporated milk from the United Kingdom; the whole pattern of trade in these products had in fact been changed.

19. The Committee noted the assurance given by the United Kingdom representative that the policy of the Government of the United Kingdom was not to encourage milk production beyond the level needed for the liquid milk market after allowing for the necessary reserve. Nevertheless, they suggested that the long-term assurances which had been given to the milk producers and the possibilities of increase in the guaranteed quantity of milk, might run counter
to these policy objectives. They also expressed their view that the practice of payment by the Milk Marketing Board of an average of two prices to producers created a greater overall incentive to production than if the producers were paid directly according to the two-price system; the system also implied a direct subsidy to the industries processing milk and thereby an indirect subsidy to the export of processed milk. They asked whether it would not be possible for the United Kingdom to evolve a more flexible system which would have a stronger deterrent effect on the production of milk for manufacturing. The attention of the Committee was drawn to the discriminatory application of the import restrictions which remained on most products in this group, but not now on butter.

20. The representative of the United Kingdom again emphasized that the policy of the Government was the production of less milk than was in prospect and this policy had found confirmation after the 1959 Review of Farm Prices in the reduction of the guaranteed price by 1d. a gallon and the issuing of strong warnings about the undesirability of further production. It was also the Government's policy that increased consumption of liquid milk should be encouraged. The Government would seek to implement its policy by the means available to it and was satisfied that the provisions of the 1957 Agriculture Act did not unduly restrict its power to influence production. The present arrangements for milk contained a built-in deterrent to an expansion of production by the relating of the guaranteed price to a standard quantity. The representative of the United Kingdom said that the United Kingdom remained the most important market in the world for milk products, and this should be noted against the general background policy of not encouraging increased gross or net output of milk.

Eggs

21. Members of the Committee pointed out that in the last few years the United Kingdom had changed from being the world's largest importer of eggs to a country that was completely self-supporting in that commodity. The encouragement given to domestic production in the United Kingdom by systems of support which contained no built-in safeguards against unlimited production had had extremely damaging effects on traditional exporters to the United Kingdom and other markets and had caused an unfortunate reaction in one importing country where the government of that country had been compelled to grant a subsidy to its producers to enable them to retain some share of their home market. Members of the Committee considered that, in view of the highly efficient nature of the egg industry in the United Kingdom and the fact that it could obtain its feeding materials at world market prices, there was no need for support measures, particularly at the high level at which the subsidies were still applied, and noted that the 4 per cent maximum reduction in the guaranteed price had not been made at the last review of farm prices. Members of the Committee expressed the feeling that this example seemed to prove that the system of minimum guarantees was not sufficiently flexible in all cases. They welcomed the assurance that the policy of the United Kingdom Government was that less eggs should be produced and asked whether this policy was to continue until traditional exporters could attain a reasonable share of the United Kingdom market.

22. The representative of the United Kingdom said that the points raised in discussion were kept well in mind by the United Kingdom Government. The policy of the Government continued to be that less eggs should be produced and for the last three years it had done what it could to discourage production; the
maximum possible reduction of 4 per cent in the guaranteed price had been made in 1957 and reductions had been made in each year since then. It was not possible to predict whether the United Kingdom production would be reduced to the point where substantial imports could be made into the United Kingdom. The United Kingdom Government would, however, continue to recognize the difficulties which existed and would keep in mind the international repercussions when the problem was examined at the next annual review of farm prices. The representative of the United Kingdom reminded the Committee of the prompt action which had been taken by the Government of the United Kingdom when exports of eggs had taken place; the position on eggs was exceptional and it would be wrong to allow the situation which had developed on this commodity to loom too large in any appraisal of the United Kingdom position on agriculture generally.

Cereals

23. Members of the Committee pointed out that there had been an increase of 62 per cent in production of wheat in the United Kingdom over the pre-war average production of this crop. The increase in production of wheat had been accompanied by a decrease in United Kingdom imports particularly of the type of wheat produced in the United Kingdom because there had been no proportionate increase in consumption. Members of the Committee noted that the guaranteed price for this commodity had been reduced in 1959 but thought that there was ample scope for further reductions. They expressed their alarm at the high continued support price for a commodity which did not appear to be required in the United Kingdom in the quantities which the incentive of the guaranteed prices produced. In their view, the United Kingdom had not paid sufficient attention to the effects that their policies had had on their trading partners or on the price and volume of wheat entering into international trade. As to barley, members of the Committee noted that there had been an increase of 286 per cent over the pre-war average production in the United Kingdom. Although there had been no decrease in imports from pre-war levels, nevertheless the encouragement given to production of home-grown feedingstuffs had meant that traditional exporters had not been able to share fully in the expanded United Kingdom consumption of barley.

24. The representative of the United Kingdom said that it was necessary to view the feedingstuffs situation as a whole. The United Kingdom took about one-third of the total world imports of maize; United Kingdom imports of feedingstuffs had increased from a level of 4.8 million tons in 1955/56, to 5.4 million tons in 1957/58 and to a forecast estimate of 6.1 million tons in 1958/1959. The United Kingdom Government was concerned about undue dependence on imports of feedingstuffs and did not consider that there had been harmful effects on the international trade in this commodity.

25. In reply to questions put by a member of the Committee, the representative of the United Kingdom confirmed that there was an informal (non-governmental) agreement between the National Farmers' Union and United Kingdom flour millers under which the latter agreed to use their best endeavours to purchase a certain minimum quantity of domestic wheat each year. He also confirmed that there was a similar arrangement under which the United Kingdom milling industry undertook to endeavour to import a certain annual quantity of Australian wheat for home consumption.
Sugar

26. In reply to questions about the refining margin which represented one of the elements in the establishment of the price at which refined sugar produced from home-grown sugar beet was sold, the representative of the United Kingdom said that the undertaking given by the United Kingdom refiners to the Government related only to a maximum margin. The refining price, based on competitive factors, varied from day to day and there was no question of price fixing, either of internal or export prices.

27. One member of the Committee considered that there might have been a disguised increase in the margins of preference provided for in the United Kingdom tariff by the use of pre-war freight rates in the pricing arrangements of the Commonwealth Sugar Agreement. The representative of the United Kingdom said that the use of pre-war freight rates in the method of pricing in the Commonwealth Sugar Agreement, which was designed as a stabilization measure for a group of countries, was only one detail in the price fixing system incorporated in the Commonwealth Sugar Agreement which should be seen as a whole. He confirmed that this Agreement incorporated contractual arrangements for the purchase of sugar at fixed prices from the major sugar exporting countries of the Commonwealth. In reply to the statement made by the representative of the United Kingdom, one member of the Committee said that both the existence of discrimination and the widening of the consolidated margin of preference by the pricing arrangements was a matter of great concern for some countries.

Meat

28. Members of the Committee noted that all imports of carcase meat and preparations containing meat were still subject to quantitative restrictions from the dollar area.

29. Members of the Committee pointed out that the guaranteed prices for pigs had resulted in a considerable increase in production of pork and bacon in the United Kingdom from the levels of pre-war years while there had been a decline of 70 per cent in total imports of pork and a 7 per cent decline in total imports of bacon. Traditional exporters had struggled to maintain their position in the United Kingdom market for pork but as a result of the high support prices could only command extremely low prices in the United Kingdom and were being forced to seek markets elsewhere. The shortage of beef and veal and its consequent effect on prices of these commodities, had led to an increase in United Kingdom demand for bacon but traditional exporters had been denied this increased market for bacon which was being filled by the increased domestic production and had in fact been forced to limit output. Members of the Committee considered that the limit in the reductions in the guaranteed price for pigs imposed by the 1957 Act might constitute an obstacle to the Government policy objective of production of less pig meat.

30. Members of the Committee stated that, while they recognized that the United Kingdom market for beef was not at present adequately supplied, this might be due to factors of a temporary nature. The United Kingdom Government had nevertheless considered it necessary to pay subsidies of L34 million in 1957/58 and L30 million in 1958/59. This appeared to be an extremely high burden for the Exchequer in what was in fact a period of very high market prices for beef.
Members of the Committee asked whether the production of more high quality beef in the United Kingdom would be accompanied by a reduction or even elimination of the guarantees for all cattle below top quality and whether it was contemplated that beef production as a whole would continue to rise and, if so, the degree of self-sufficiency at which the United Kingdom Government would aim.

31. Members of the Committee noted that over the past three years the guaranteed price for lamb had been 3/3d. per lb. and that the wholesale prices for the same period had usually been considerably below this support price. They noted that the policy objective of the United Kingdom Government was to reduce costs and asked whether the efforts to reduce lamb costs would be accompanied by progressive reductions in the guaranteed prices and whether it was felt that a reduction of lamb production might accompany any reduction of costs. Members of the Committee stressed their view that if the high level of guaranteed prices were maintained, the further production which would inevitably result would have adverse effects on overseas suppliers.

32. The representative of the United Kingdom considered that the whole question of meat production in the United Kingdom should be viewed against the fact that the United Kingdom was importing two-thirds of the world's imports of carcase meat, including a substantial element of the bacon supply. As to the view which had been expressed that the 1957 Act might render ineffective the Government's policy of less pig meat production, United Kingdom experience had been that the price reduction made after the 1958 review had produced an immediate and substantial reduction in the size of the breeding herd. Encouragement was being given to overseas suppliers to expand their trade in chilled beef with the United Kingdom. On the other points which had been raised by members of the Committee, while it was not possible to anticipate the results of future reviews of prices, as he had already explained, the impacts of the agricultural guarantees upon the United Kingdom's trading partners were always an important factor in reaching the determinations made by the Government after each annual review.

33. In reply to a question put by a member of the Committee, the representative of the United Kingdom confirmed that a long-term agreement involving deficiency payments on meat from Australia was still in operation; this agreement had been entered into at a time when the United Kingdom State-traded in meat and when the position was one of shortage which appeared at that time likely to continue. Similar arrangements were offered at the same time to other suppliers. In reply to the statement by the representative of the United Kingdom, one member of the Committee pointed out that the price guarantee feature of the agreement aggravated the discrimination already involved in the margin of preference permitted under the General Agreement.

Fish

34. The representative of the United Kingdom gave a detailed account of the background policy objectives, the operation of the United Kingdom subsidy arrangements on fish and the status and activities of the White Fish Authority and the Herring Industry Board. This statement now forms an addendum to the information already submitted in writing to the Committee.

35. The Committee held a lengthy discussion on the statement of the United Kingdom representative. One member of the Committee considered that in view of the fact that 90 per cent of United Kingdom consumption was landed by
United Kingdom fishermen, the degree of support to the fishing industry, particularly in regard to the herring section, was very high and had had injurious effects on exporters to the United Kingdom market. The United Kingdom had to export a large part of its herring catch as salted herrings and since a decline in export possibilities to Eastern Europe was to be expected, they anticipated that the United Kingdom would be forced to increase its production of oil and meal and increase its subsidies in order to compete with other producers of these materials. Considering the high level of self-supply of 90 per cent and the high degree of support needed to maintain this level, he suggested that the United Kingdom should consider the contraction of that part of the industry getting special support.

36. The representative of the United Kingdom considered that the fishing industry should be judged as a whole and that support of £3 million annually was not large in relation to a total catch of £50 million. He could not agree that damage had been caused to exporters; imports into the United Kingdom had increased since the 1953 level of 2.1 million cwt's, in 1953 to 3.4 million cwt's. in 1957 and would increase further while the volume of home production had tended to dwindle. As to the suggestion that the United Kingdom herring fleet should be contracted, there had been a continuing reduction in the sizes of the herring catch since 1953 and 1954; the United Kingdom was not embarrassed by quantities of herring that could not be sold and could have sold more to the USSR last year if supplies had been available. The Government was not committed to a policy of assistance to the industry beyond 1963. The present policy was designed to cover the needs of the industry in a period of transition, and the legislation under which the arrangements had been made expires in 1963 by which time it was hoped that the modernization of the fleet would have been completed. In the meantime, the Government had appointed a Committee of Inquiry to advise on the long-term policy to be adopted for the fishing industry.

37. Some members of the Committee drew attention to the continued exclusion of frozen and chilled fish from the dollar area; in their view, liberalization of imports from this area could only have a negligible effect on the United Kingdom import bill. The representative of the United Kingdom said that the restrictions were maintained for balance-of-payments reasons.

Other Commodities

38. In conclusion, the Committee considered the requests that had been made for the inclusion of additional commodities in the consultations with the United Kingdom.

39. One member of the Committee drew attention to the complete prohibition maintained by the United Kingdom on imports of seed potatoes and dead poultry and to the fact that imports of new potatoes and other potatoes were only permitted when supplies were low and prices high in the United Kingdom. The member of the Committee asked whether the United Kingdom representative could give any indication of further liberalization measures which might affect these products as well as fresh and canned apples for which a global quota was in operation.

40. One member of the Committee drew the attention of the Committee to the restrictions imposed by the United Kingdom on tobacco and grapefruit. He appreciated that the restrictions imposed on the importation of these products
had not been imposed for the protection of agriculture within the limits of
the United Kingdom itself but nevertheless in his view they did influence
international trade and did have the effect of giving agricultural protection
to certain trading partners of the United Kingdom. A number of exporting
countries had been precluded from sharing in the growth of the United Kingdom
and British Commonwealth tobacco market in recent years. The main barriers
had been purchase agreements with Southern Rhodesia, other bilateral trading
arrangements, what amounted to a type of mixing regulation in that no
individual manufacturer could purchase more than 61 per cent of his tobacco
from the dollar area, preferential tariffs and restrictions imposed on balance-
of-payments grounds. With respect to fresh grapefruit, which had been under
severe import restrictions from the dollar area ever since the war, it was
noted that within the overall dollar quota there existed a special restriction
confining imports of dollar grapefruit to the summer months. It was noted that
there could be no balance-of-payments justification for this seasonal feature,
and its trade diverting effect was being felt all the more keenly as increasing
non-dollar supplies of grapefruit were entering the United Kingdom market,
both from British and non-British sources, all the year round.

41. The representative of the United Kingdom recognized the problems raised by
the members of the Committee but referred to the answer reported in paragraph 15.
It was a measure of the degree of liberalization of agricultural products
reached by the United Kingdom that the few remaining quantitative restrictions
should appear of such importance. The representative of the United Kingdom
recognized that on citrus fruits and tobacco there were discriminatory
quantitative restrictions which operated against the dollar area. The mixing
regulation for tobacco to which reference had been made was a detail of those
discriminatory restrictions. There was no absolute quantitative limit on the
amount of dollar tobacco that could be imported; tobacco was licensed up to
the estimates of needs submitted by manufacturers. Nor was there any government-
to-government purchasing arrangement between the United Kingdom and any part of
the Federation of Rhodesia and Nyasaland; there were arrangements between
London buyers and the Rhodesian producers but these involved no commitment to
buy on any but commercial terms.