LUXEMBURG IMPORT RESTRICTIONS ON AGRICULTURAL PRODUCTS

Report of the Working Party

1. In accordance with the provisions of paragraph (c) of the Waiver granted to Luxemburg under the Decision of 3 December 1955, in connexion with import restrictions on certain agricultural products, the Working Party examined the progress made by the Government of Luxemburg in adopting measures necessary to make its agriculture more competitive and necessary to achieve a relaxation of import restrictions maintained under the Waiver.

2. The representative of Luxemburg, in introducing the Fifth Communication by his Government pursuant to the Decision of 3 December 1955, stressed that although there had been improvements in the agricultural sector in Luxemburg, the present situation did not remove the need for the Waiver granted by the CONTRACTING PARTIES in 1955. He explained that, for example, although there had been some improvement of productivity in agriculture, such progress had been nullified to a large extent by increased costs. He stressed that, because of natural factors, agriculture in Luxemburg still faced the exceptionally adverse conditions recognized by the CONTRACTING PARTIES when the Waiver was granted; it was essential for the Government of Luxemburg to maintain agricultural production and to accord the necessary support in order to improve the conditions of such production.

3. The representative of Luxemburg stated that by far the most important exporters to Luxemburg were Belgium and the Netherlands; the effect of the restrictions maintained under the Waiver was, therefore, very small on contracting parties other than these two countries. He stressed that the future common agricultural policy of the European Economic Community would certainly affect the agricultural situation in Luxemburg; the elimination of restrictions covered by the Waiver on imports from all contracting parties would depend, to a large extent, on the progress made towards the establishment and the implementation of the common agricultural policy. Since the Government of Luxemburg could not foresee the date when the need to maintain quantitative restrictions would disappear, it was essential that Luxemburg should be permitted to maintain the Waiver. However, as an indication of its determination to eventually move away from the need to retain such import restrictions, the Government of Luxemburg, pending the implementation of the common agricultural policy of the European Economic Community, was prepared to withdraw...
immediately, eggs (not in the shell), and macaroni, spaghetti and the like, from the list annexed to the Waiver, and to consider withdrawing from the list, in the course of the next few years, some other products such as eggs and fruits.

4. The Working Party recognized the serious agricultural problems confronting Luxemburg; the CONTRACTING PARTIES had recognized these problems in granting a Waiver under which the Government of Luxemburg had been authorized to maintain import restrictions for an indefinite period on certain agricultural products. The Working Party was aware that since the granting of the Waiver, much had been done by the Government of Luxemburg to rationalize agriculture and to improve agricultural techniques. It was also recognized that the price support policy in Luxemburg was not operated in such a way as to place the whole burden on consumers, and that efforts were actually being made by the Government to limit the effects of these policies on domestic consumption of agricultural products. It was pointed out, however, that although producer prices of agricultural products in Luxemburg were no higher than in many other European countries, they were considerably higher than international prices.

5. In response to questions on the agricultural policies pursued by the Government of Luxemburg, the representative of Luxemburg stated that in the last five years his Government had introduced various measures of a legislative and technical nature with a view to improving the structure in agriculture. He stated that in the absence of a somewhat diversified medium sized industrial sector, the Luxemburg economy was based fundamentally on the steel industry and agriculture; it was necessary to maintain a satisfactory balance between these two sectors. For this reason the agricultural policy of the Government of Luxemburg was aimed at maintaining small and medium sized agricultural holdings. Thus, the actual decrease in the number of agricultural holdings had taken place not as a consequence of but in spite of Governmental activity to this end. Without going so far as to regret this development, the Government of Luxemburg was of the opinion that fundamental changes in the structure of agriculture could only be envisaged within the framework of a regional development programme providing inter alia for the establishment in Luxemburg of new industry which could absorb surplus agricultural manpower.

6. Members of the Working Party expressed the view that insofar as the future common agricultural policy of the European Economic Community would affect Luxemburg, it would be welcome where it assisted Luxemburg to adjust its agricultural structure in such a way as to facilitate the introduction of more economic production. A common agricultural policy would be a disappointment, however, if it deferred rather than encouraged such an adjustment. One of the advantages of the common agricultural policy should be that it would help expedite the liberalization of imports of agricultural products from all contracting parties.

7. In response to a question, the representative of Luxemburg explained that cattle for breeding purposes imported in 1958/59 corresponded to the normal requirements of Luxemburg. The higher figures for 1954/57 were attributable to increased imports which had been undertaken in order to reconstitute stocks after considerable numbers of livestock had been slaughtered as a result of a campaign against tuberculosis.
8. A member of the Working Party noted a statement by the Government of Luxemburg that "the evolution of imports of agricultural products and foodstuffs covered by the Waiver showed that the import control policy had been applied with flexibility so as not to disturb existing trade channels, notwithstanding the fact that home production had increased substantially". He pointed out that it was impossible to judge from the material submitted by the Government of Luxemburg whether existing trade channels had actually been taken into account and whether import licences had been freely issued. At the request of the Working Party, the representative of Luxemburg undertook to have such information provided in future reports submitted by his Government.

9. Members of the Working Party stressed that although there was no time limit on the validity of the Waiver which had been granted to Luxemburg, it was nevertheless generally expected that the Government of Luxemburg would remove import restrictions as promptly as possible. In view of the improvements experienced in the agricultural situation in Luxembourg it could reasonably be expected that the Government of Luxemburg would be in a position to remove certain import restrictions in the near future. Several members of the Working Party reminded the representative of Luxemburg that their governments had been rather reluctant to agree to such a Waiver for an indefinite period and expressed the hope that the Government of Luxemburg would make particular efforts to progressively remove import restrictions maintained under the Waiver. In this connexion they noted that during the past five years, except for the liberalization measures recently announced for eggs (not in the shell), macaroni and spaghetti, and the like, no relaxations of the import restrictions authorized under the Waiver had been made. The representative of Luxemburg pointed out that the recent liberalization measure proposed by his Government actually represented more than at first would appear. Until recently domestic manufacturers of macaroni and spaghetti, and the like, had been required to mix certain quantities of domestic cereals with imported cereals; this mixing regulation no longer was applied.

10. The Working Party expressed interest in the relationship between the Waiver granted to Luxemburg and the Waiver granted to Belgium. The representative of Luxemburg stated that the nature of the two Waivers were entirely different. Under its Waiver, Luxemburg was authorized to apply quantitative restrictions on imports of certain agricultural products from all contracting parties including Belgium. Conversely, the Belgian Waiver covered Luxemburg imports only for the products which were not listed in the Luxemburg Waiver. Thus, if Belgium liberalized a product covered by its own Waiver, this liberalization would extend to Luxemburg only for the products which were not covered by the Luxemburg Waiver. Liberalization by Belgium of a product covered by both the Luxemburg and Belgian Waivers applied only to Belgium and not to Luxemburg.
11. Members of the Working Party questioned the maintenance of restrictions on beef since it appeared that Luxemburg was exporting this product and subsidizing production. The representative of Luxemburg stated that his country was an importer of veal and an exporter of beef. He stated further that in view of the importance of beef in the formation of agricultural income, his Government could not give an immediate assurance on liberalizing this product. He recalled that the policy of price support for agricultural products was applicable to beef but that this price support was extended only to that part of production which went to domestic consumption. He pointed out that it was the agricultural producer himself who was responsible for sales of surplus production and in his view it could not be claimed that Luxemburg exports of beef were subsidized.

12. The Working Party noted that whereas the Government of Luxemburg was prepared to withdraw immediately quantitative restrictions on certain products as mentioned above, the Government was also prepared to consider withdrawing, in the course of the next few years, other products from the list annexed to the Waiver, such as eggs and fruits. The Working Party expressed the hope that the Government of Luxemburg would announce, without delay, the liberalization of eggs and fruits and consider the possibility of announcing the liberalization of imports of still other agricultural products, such as beef, listed in the Annex to the Waiver. It was stressed that the pace of import liberalization had so far been slow, and greater efforts were needed if agriculture in Luxemburg was to become more economic and competitive. The representative of Luxemburg stated that the list of products which his Government considered withdrawing from the Annex to the Waiver in the course of the next few years, should not be considered as being exhaustive; reference had been made to fruits and eggs because, in the view of the Luxemburg Government, it was for these two products that liberalization would present a minimum of problems. Efforts would also be made to liberalize all other products covered by the Waiver.

13. The Working Party, in discussing the scheduling of the next review, noted that the Belgian Waiver was scheduled to expire at the end of 1962. In view of the close economic links between Belgium and Luxemburg, the Working Party felt that the CONTRACTING PARTIES might wish to review at that time the progress achieved by Luxemburg in adopting measures necessary to make its agriculture more competitive. The Working Party also noted the uncertainties about the exact timetable for the implementation of the common agricultural policy of the European Economic Community and felt that the CONTRACTING PARTIES, in reaching a decision on the date of the next review, might also wish to take into consideration any future developments of the common agricultural policy. The Working Party agreed, therefore, to recommend that the next review should take place not later than by the end of 1965, or earlier if a contracting party so requested.