Members of the Committee will recall that during its meetings in October the Committee undertook discussions on the global effects of individual agricultural policies and systems on international trade in certain of the groups of commodities examined during the country consultations. In view of the importance of these discussions to the preparation of the Third Progress Report which the Committee will undertake at the next meeting which is scheduled to take place in March 1961, members of the Committee considered that a summary of the October discussions might be of assistance to the Committee. The Committee will appreciate that the following summaries are an unofficial record of the main points covered by the Committee and are not intended to constitute an official record of the discussions.
SUMMARY RECORD OF THE DISCUSSION ON CEREALS
DURING THE OCTOBER MEETING OF COMMITTEE II

Wheat

The representative of Canada noted that only 1½ per cent of the import trade in wheat covered by the secretariat's estimate (COM. II/86/Add. 7, page 9) moved into countries which did not implement non-tariff measures. Similarly only 9 per cent of exports came from countries without non-tariff measures, while only 5 per cent of wheat production originated in countries without non-tariff measures. In a purely statistical sense it was possible to say that quantitative restrictions were widely used, although other non-tariff devices were also extremely important; roughly one quarter of the imports shown entered a country with deficiency payments and a further 28 per cent entered countries applying import levies. In the case of exports nearly one half were subject to direct export aid.

He pointed out that world production of wheat had increased greatly and during the last decade had increased more rapidly than effective demand, so that substantial stocks of wheat had accumulated. The need to carry these stocks had fallen primarily on the major exporters, whose inventories were about 52.9 million metric tons in 1959 as compared with 29.6 million metric tons in 1953. Stocks were even higher in 1960.

It was noted that there was no clear trend in the proportion of production of wheat entering international trade; this apparent lack of trend was partly related to the high proportion of wheat exports which were subject to special export aids; the figures since 1954 were particularly affected by sales on concessional terms. There also appeared to be no substantial changes in the direction of exports and imports of wheat in the past decade.

Referring to prices, the representative of Canada stated that a significant feature was that in nearly all importing countries and in some important exporting countries, producer prices were above the c.i.f. price at which imports were available from commercial export sources. It appeared that most importing countries and some exporting countries consistently set their internal support prices well above the prices at which imports were available. He stressed that if tariff measures controlled trade one would expect a close relationship between internal prices and the c.i.f. prices at which imports were available.

He stated that non-tariff measures played a substantial role in the stimulation of production at uneconomic levels. It seemed clear that the
underlying principle in nearly all countries employing such measures was the support of home producers' incomes. Such support generally was based on the price per unit of production. He stressed that it was highly unfortunate that price support policies had led to the use of measures which interfered with the normal development of world trade. In the case of the method of deficiency payments, the home producer was encouraged to expand production and to place his product on the market at a price which did not necessarily reflect the best commercial bargain. Hence there was a volume effect which was adverse from the viewpoint of exporters which placed exporting countries in the position of being marginal suppliers. In the case of other non-tariff measures such as quantitative restrictions and import levies, there was also a stimulus to uneconomic production; such measures generally afforded priority to the absorption of home production. Finally, in important cases, support measures increased or created exportable supplies which tended to move into international trade as assisted exports.

He observed that the ability of countries to finance exports varied greatly. There was also the cost to the consumer or the national treasury of supporting incomes of producers. He referred also to the tendency to move high-priced surpluses by means of bilateral agreements which could have an effect on trade not only of contracting parties which normally exported wheat but also on exporters of other products exchanged or bartered for wheat. The result of such indirect effects was generally a less economic use of resources than might otherwise be achieved.

He referred to the fact that there were a number of tariff concessions bound to important wheat-exporting countries by major importing countries. The exchange of tariff concessions had taken place when importers were in balance-of-payments difficulties and the wheat exporters naturally expected that, in due course, the tariff concessions involved would become meaningful and beneficial. It seemed accurate to say, however, that wheat imports were currently regulated mainly by non-tariff measures rather than by tariffs.

He stressed the importance of governing surplus disposal in such a way as to ensure real increases in consumption. He believed that the development of effective demand in different parts of the world should play an important rôle in arriving at a solution to the problems related to the wheat trade. He stressed that this was not the only answer and pointed out that the existing situation had not developed suddenly but had grown within a trade pattern that had existed for some time.

He explained that the reason his delegation was so keenly aware of the impact of non-tariff measures was that despite trade liberalization following the easing of the balance-of-payments position of many countries, and the existence of large stocks of wheat, there had been no significant effort by most importers and some exporters to modify effectively domestic support
policies although the existing situation called for such modification. He stressed that there was a certain circularity in protection of this kind. Countries which originally had few, if any, significant non-tariff measures in force found themselves affected by the measures adopted by others and were often placed in the position where it was necessary for them to adopt similar non-tariff measures. This point was pertinent not only to wheat but also to other important agricultural products. For these reasons it seemed very important to reverse the already widespread tendency towards uneconomic production and trade and restrictive trade measures.

The representative of Australia supported the Canadian statement and pointed out that wheat was subject to some form of support or assistance in almost all countries. Eighteen of the twenty-four countries examined by the Committee maintained quantitative restrictions on wheat, in many cases for other than balance-of-payments reasons; mixing regulations were in force giving preference to domestic production; there were also deficiency payment schemes and aids to exports. The real stimulus to a high level of wheat production was, however, not the particular technique employed but the actual level of support itself. The individual country consultations carried out had shown that domestic incomes were highly supported. The result of one international comparison of price supports showed levels varying from $.99 to $4.34 per bushel. Most importing countries maintained minimum prices in excess of $2 per bushel whereas major wheat exporters were able to deliver wheat anywhere for less than $2 per bushel.

He stated that while deficiency payment systems for many commodities were less damaging than most other measures, this did not hold true for wheat where the pattern of consumption indicated that the consumption level was for the most part determined by factors other than prices.

Statistics showed that there was a sharp trend of increased production in the traditional importing countries. Certain of these countries, which maintained high levels of protection, had emerged as exporters, a development which had particularly affected traditional soft wheat exporting countries such as Australia and Argentina.

He acknowledged that non-tariff devices were, to some extent, responsible for production increases. Nevertheless, the relationship between support levels and trends in production was such that it must be concluded that support policies had, and would continue to have, a significant impact on production and thus affect stocks and prices.

While in the longer term world demand for wheat was certainly expected to increase, in the short term there was the problem of surpluses due to loss of export opportunities for the traditional exporters accompanied by the emergence of new high cost producers. It was disturbing that an increasing
proportion of world production had taken place in countries where production costs were very high and such trends should be reversed.

The representative of Australia also supported the Canadian representative with respect to the impairment of concessions which had been granted to traditional wheat exporters. He stated that the question should not be examined solely within the rules of the General Agreement, but should be reviewed in relation to its impact upon international trade generally.

The representative of the United States declared that his Government recognized that in the disposal of surplus wheat it was essential to ensure that the requirements being fulfilled by the export of such surpluses would not otherwise have been met by commercial suppliers. Some of the safeguards introduced by his Government had been specifically designed to protect commercial export interests.

He expressed general agreement with the Canadian and Australian statements and expressed concern that such little effort had been made to modify the many policies leading to uneconomic production so that an increasing share of total output was shifting to high cost producers.

The representative of the United Kingdom referred to document L/1318, containing a note submitted by the International Chamber of Commerce, in which it was stated that trading in Liverpool wheat futures was in abeyance owing to the control of almost all wheat exported by governments and a continuation of the policy of selling Australian and Canadian wheat on a "to be fixed" basis. He reminded the Committee that whereas this was at one time the technique used for covering short-term fluctuations, at present there was considerable government intervention on both the importing and exporting side.

The underlying problem confronting trade in wheat appeared to be that technical development had caused production to out-pace demand. He pointed out that in many countries where the standard of living rose above certain levels and diets became more varied, wheat consumption ceased to increase.

He felt that surplus disposal programmes could create difficulties for other exporting countries which were not in a technical or financial position to undertake such programmes.

The representative of the Federal Republic of Germany reminded the Committee that his country was the most important importer of wheat. He felt that wheat was among the most important products in any agricultural system and its production was of great importance in most traditional importing countries not only for economic but also for political reasons. He referred to world stocks of wheat as representing one-third of annual world production.
and pointed out that even substantially greater imports could not solve the problem of over-production, particularly in view of the trend in highly developed countries towards a steady decline in the consumption of wheat.

The representative of Australia referred to the relationship between support prices and production controls: he pointed out that in the United States the system of support prices was coupled with rigorous productive controls which often created difficult problems. Nevertheless, the United States had attempted to find a solution whereas quite a number of major importing countries pursued policies which did not make any provision for limiting output. He stressed that large quantities of wheat were available on world markets at favourable prices. As the International Wheat Agreement assured supplies to importers at equitable prices this should remove much of the need for maintaining high-cost production.

Coarse Grains

The representative of South Africa stated that although the problems confronting production and trade in maize were not as widespread as for wheat, they were nevertheless equally serious for the countries concerned. As in the case of wheat these problems were of a political, social and economic nature. Whereas certain importing countries protected maize directly, others granted indirect protection. Surplus wheat also created difficulties in that it was often used in place of feed grains. He realized that exporting countries could switch to the production of eggs, bacon, etc. but export possibilities for these products were also limited. He stressed that although there had been a slight increase in the volume of maize traded in recent years, this had been negligible compared to total production and stocks.

Maize production occupied from 75/80 per cent of the total land in certain areas in the Union of South Africa. Alternative crops such as oilseeds could not be expanded satisfactorily since these products were approaching a surplus position. He stressed that, in any event, it would be uneconomic to switch from maize production since these areas had a comparative advantage in maize. It was not possible to expand normal production until the standard of living increased considerably in these areas.

The representative of the United States stated that in the case of maize or coarse grains, in general his Government was faced with a difficult situation. In the major exporting countries there was little difference between prices paid for coarse grains traded internally or entering international trade. He pointed out, however, that with respect to restrictions, the situation for coarse grains was not as unfavourable as that for wheat; less trade came under non-tariff measures.
The representative of the United States felt that the Committee should not confine itself to reviewing past records but should contemplate the future situation. With respect to demand, there appeared to be some promising prospects for coarse grains since this was not a commodity which was confronted with the impediment of inelasticity of demand; there was considerable elasticity derived from the demand for livestock products in developed as well as under-developed countries.

He stressed that in order to facilitate exports of coarse grains a more liberal attitude was needed in relation to policies to be followed in future. The general impression given by potential future demand projections appeared to be for increased demand for livestock products and, consequently, for coarse grains as well. There should also be increased demand for imports unless prevented deliberately by policies.

The representative of Australia shared the view of the United States representative that the protective policies pursued by many importing countries raised consumption prices with serious effects on the prices and consumption of livestock products. He drew the attention of the Committee to the fact that although the share of rice production entering international trade was relatively small, 86 per cent of imports were made by countries applying quantitative restrictions on rice. He stressed that although trade in this commodity was not of great importance for his country, it was nevertheless important to the economies of a number of less-developed countries.

The representative of Canada pointed out that the demand for feed grains differed from the demand for bread wheat, as the demand for the former was more elastic than the demand for the latter. Thus there was an opportunity to promote increased consumption of feed grains related to livestock production by ensuring that the cost of feeds was such that there was an incentive for increased use, without raising obstacles to the expansion of consumption of the final product. In keeping feed grain costs low, the price at which imports were available should be the main determinant. He stated that this was the same conclusion that applied in the case of wheat, and it could appropriately be applied to a wide range of products, particularly taking into consideration the effects on trade of agricultural programmes which departed from this concept.
Dairy Products

The representative of New Zealand referred to the serious situation confronting traditional exporters of dairy products. Four or five large traditional exporters were able to produce milk and dairy products very economically; for such countries the production of milk was an essential part of the economy. New Zealand, for example, was able to meet fair competition in most world markets despite the substantial freight costs involved in marketing New Zealand products abroad.

Compared to the four or five traditional exporters there were many countries producing large quantities of dairy products. Some countries were self-sufficient within the limits of the import system they adopted; these varied from countries like the United Kingdom as the freest market for butter and cheese, and to a lesser extent milk powder, to countries where imports were very marginal.

The documents before the Committee demonstrated that although total butter production was 3.5 million tons, only 600,000 tons were exported. Of this quantity, the larger part, 400,000 tons went to the United Kingdom market. The remainder was absorbed by a wide variety of markets. The great difficulty with butter was that too great a proportion was concentrated on the United Kingdom market. He felt that this was attributable mainly to the existence of import restrictions and support programmes. Traditional exporters would obviously prefer the complete removal of support measures; in their absence, however, it was essential that support did not operate at a level which would stimulate the production of large quantities of dairy products so that imports had to be excluded or permitted at such a level as to create export surpluses; these had to be sold at a loss to the country concerned and thus created additional damage to the trade of traditional producers who generally did not benefit from support measures.

The New Zealand representative stressed that it was not the tariff, but the use of non-tariff measures that affected trade in dairy products. Of the twenty-four countries examined by the Committee, twenty employed quantitative restrictions, to a great extent not for balance-of-payments reasons. Seventeen countries employed some form of price support financed by the government. Four countries maintained minimum prices or import levies on dairy products. Thirteen countries gave government financial assistance to exports and four or five countries used State trading affecting imports. These measures showed that there was a widespread use of restrictions, the existence of which definitely affected the import trade of the traditional exporters of dairy products.

He pointed out that for the different types of dairy products non-tariff measures were widely applied. For example, seventeen countries maintained quantitative restrictions on imports of butter and milk powder, whereas fourteen countries maintained quantitative restrictions against imports of cheese.
It appeared that the principal non-tariff measures used were quantitative restrictions; one major country employed a deficiency payments system. In the view of his Government quantitative restrictions caused the greatest damage, although other devices employed also adversely affected international trade.

In thirteen of the principal dairy trading nations, production had increased from a pre-war figure of 112 $\frac{1}{2}$ million tons to 136 million tons by 1954/58. In 1958 the figure was 141 million tons which represented a 25 per cent increase over the pre-war figure. Butter production and cheese production showed a 20 per cent increase from 1948/52 to 1954/58. It was his Government's view that the level of production in many countries depended on the level of support.

There was a wide variation in consumption per head in countries with comparable living standards. Whereas some of the reasons for this development were historical, geographical or social, it was felt that in many cases consumption was low by reason of high consumer prices; where per capita consumption had increased considerably domestic production had increased even more, leading to increased supplies on world markets. He pointed to the comparatively low retail prices in the United Kingdom in 1958 as an obvious example of the responsiveness of butter consumption to price changes. He mentioned that for the period 1957/59 the retail price movement of butter in the free market in the United Kingdom, was from 72 cents per kilo to $1.55 per kilo, whereas for one European continental country prices fluctuated from $1.60 to $1.74. During the same period price fluctuations in the United States varied from $1.61 to $1.71. He reminded the Committee that world butter production totalled 31 $\frac{1}{2}$ million tons and only 600,000 tons moved into international trade. Of these 600,000 tons, 400,000 tons was absorbed by the United Kingdom market; the remaining 200,000 tons was approximately half of the butter production of the Federal Republic of Germany. Since this amount was spread over many consuming countries it was felt that the impact of even a substantial increase in the proportion entering world trade would be very little.

He explained his Government's view that international trade had been kept at a much lower level than would have been the case in the absence of price supports and import restrictions. This held particularly true for the value of trade which had decreased considerably even where the volume remained unchanged.

Referring to stocks, he felt that if countries were prepared to hold stocks during periods of low prices the market would undoubtedly benefit; but he pointed out that many countries had tended to stockpile at times of high prices which had exerted upward pressures on prices everywhere. This had tended to discourage consumption, particularly in the case of butter where competition from margarine had to be considered.
Various measures introduced by governments required the regulation of the flow of supplies to and from the market. Except where deficiency payment systems were involved, this regulation meant that consumer prices had high and relatively stable levels which considerably retarded consumption. In a report prepared by the EEC it was stated that the most effective of all measures in alleviating the over production of butter was a reduction of butter prices.

New Zealand had negotiated tariff bindings on dairy products with the United States and with certain European countries. The United States system, however, only permitted the import of 350 tons of butter per annum into the United States. New Zealand also had bindings with France on butter and cheese, milk and cream, and with Italy on butter. Bindings also existed with the Federal Republic of Germany on cheese. He emphasized that although New Zealand did export certain quantities of dairy products to these markets, the tariff concessions which had been granted to New Zealand had been greatly impaired. It could be stated therefore that of the twenty-four countries examined by the Committee fifteen had bindings on dairy products; these in many instances were of little value to the exporting countries in view of the continued maintenance of restrictions. He appealed to contracting parties which operated non-tariff devices which affected trading opportunities of countries with which tariff concessions had been negotiated to give some guarantee of access to their respective markets.

He realized that although non-tariff measures pursued by many countries did have the effect of hampering consumption, this was not the intention of the governments concerned. Nevertheless, living costs in countries employing such measures were raised, which in turn had an adverse effect on the export trade of the countries concerned. He pointed to his own country which was not in the position to satisfy full domestic demand because of balance-of-payments difficulties arising from barriers to New Zealand's exports. He felt that there was a tendency for countries employing quantitative restrictions to act together; there was the fear that if one modified its system it would be required to take more than its fair share. He feared, however, that if one should wait for all countries to act simultaneously, little would be accomplished. It was essential that each country should examine its own problems to see where measures could be modified. He felt that to this purpose the country consultations carried out by the Committee had been most valuable.

The representative of Denmark stated that protection of 50 to 100 per cent above the world price of butter was not uncommon and that only a small percentage of production was actually carried on under competitive terms. The continuation and consolidation of support systems gave the impression that the countries concerned had given up economic production and the possibilities of employing resources in a more economic way.
Whereas tariffs might be an obstacle to the expansion of trade in dairy products it was non-tariff measures which played the important rôle. Most systems employed involved general support which guaranteed price levels to producers by closing the domestic market to producers in third countries or by a system of deficiency payments or a combination of the two. The former had an adverse effect on consumption, whereas the deficiency payments system had a stimulating effect on production. He subscribed completely to the New Zealand view that increased production was the result of high protection, while at the same time the economically efficient producing countries were faced with decreasing production.

Referring to consumption, he stressed the unfavourable competitive position of high priced butter in relation to margarine. Prices set at too high a level had too high a stimulative effect on production.

Protectionist measures, particularly non-tariff measures, made the dairy situation unstable throughout the world, whereas an automatic self-regulating market for dairy products made the dairy sector flexible. Deficiency payment systems which had no adverse effect on consumption did not have any regulatory effect on production. He stressed that extensive protectionist measures would continue to maintain uneconomic production and could retain population in agriculture where movement out of agriculture was desirable. Extensive protection by means of non-tariff measures often resulted in increased incomes for the larger producers with very little improvement in the income of the small farmer.

The representative of the Netherlands referred to the statistics before the Committee which showed a 2 per cent increase in world milk production from 222 million tons before the war to 226 million tons during the years 1948/52. He felt that important changes in production during the time between these two periods were due mainly to increases in production in the United States and the United Kingdom. Comparing the period 1948/52 with the 1950's, he pointed out that increases in production were much higher; production moved from an average of 226 million tons to 261 million tons during this period which represented an increase of about 15 per cent in ten years. Expressed as percentages these increases were high in Brazil (60 per cent), France (35 per cent), Germany (33 per cent), Italy (29 per cent), Finland (25 per cent), Austria (24 per cent), Belgium (20 per cent), Switzerland (15 per cent). The Netherlands, New Zealand, Canada and South Africa showed a lesser increase of 11 per cent, 11 per cent, 10 per cent and 10 per cent respectively, while Australia, the United States, Denmark and the United Kingdom showed increases of 9 per cent, 7 per cent and 6 and 6 per cent respectively. Sweden showed a decrease in production over these years. He felt that the conclusion which might be drawn from these comparisons was that increased production was highest in traditional importing countries, the main exception being the United Kingdom. On the other hand this increase was relatively small in traditional exporting countries.
He drew attention to the FAO report on national dairy policies which showed that increased production was caused partly by significant increases in cow populations in France, Italy, Austria and New Zealand. It was clear that increases had taken place in milk production per cow in all countries mentioned except Sweden. The increased yield per cow was such that countries like Norway, Denmark, the United States, the Netherlands and Western Germany showed a decrease in the total number of cows, but an increase in total milk production.

He felt that increased production could not be attributed wholly to support price measures or agricultural policies. It was extremely difficult, if not impossible, to assess which part of an increase was due to non-tariff measures and which part was due to increases in productivity. Taking into consideration that one country (the Netherlands) had a yield of milk per cow of over 4,000 kilos and that only five countries (Belgium, Denmark, Switzerland, Western Germany and the United Kingdom) had a yield per cow of between 3,000 and 4,000 kilos, there was the possibility of still further increases of milk production by technical improvements.

In analysing the effects which increased production might have on international trade, he stated that the traditional importing countries, namely France, Germany, Italy, Finland, Austria and Belgium, showed an increase in production of between 20/35 per cent. The second group of countries, the traditional exporters, namely Australia, New Zealand, Denmark, the United States, Canada and the Netherlands, although showing a very different trend individually, together showed increases of 11 per cent or less.

For the group of countries with a high increase in milk production, comparing the period 1958/59 to the period 1954/58, imports of butter considerably decreased (from 70,000 to 55,000 tons). A decrease in imports was also shown for condensed milk (from 37,000 to 35,000 tons). Imports of cheese and milk powder, however, nearly doubled (from 85,000 to 153,000 tons for cheese and from 16,000 to 31,000 tons for milk powder).

While it was difficult to draw a general conclusion from these changes in imports, by computing the milk equivalent of these products based on the Netherlands situation it could be demonstrated that the overall increase in imports of dairy products was 16 per cent of volume despite the decrease in butter and condensed milk imports.

Referring to the exports of the first group of countries, calculations showed that exports increased for all products and that, on the whole, the milk equivalent of butter, cheese and condensed and dried milk exports increased by 160 per cent of volume. For the second group of countries, that is the traditional exporting countries, imports were negligible and exports increased by 7 per cent from 1948/52 to 1954/58. It could then be concluded that the increase in exports from the first group of countries in quantity caused by the increases in production did not differ much from the increase
in exports from the traditional exporting countries but that the relative increase of exports in percentage was far higher in the first group (160 per cent) than in the second group (7 per cent).

Despite increasing production and increasing exports, the first group of countries still showed a considerable increase in imports (16 per cent). This made it difficult to explain the effect of non-tariff devices on international trade as a whole.

In summarizing, the representative of the Netherlands expressed the opinion that the increase in the production of milk and milk products could only be attributed in part to non-tariff and support price policies and that the increase in imports into the first group of countries did not indicate in which respect and to what degree support policies affected international trade.

The representative of Denmark stated that in assessing the development of production and trade it was necessary to keep in mind when choosing the years 1948 to 1952 as a base period that during these years, many European countries had not completely recovered from the war. Also, production had been influenced by bad harvests in 1947 and at certain times during the 1948/52 period. Moreover, at that time dairy products in many countries were still subject to rationing. While the period 1934 to 1938 as a base period was also characterized by certain anomalies on the whole this period appeared to be a better starting point for the type of examination carried out by the Committee.

The representative of Australia stated that in Australia, of a total butter production in recent years of an average of 200,000 tons, exports had amounted to 90,000 tons. In the case of cheese, out of a total of 40,000 tons produced, 15,000 tons had been exported; and with respect to other dairy products about one half of production had gone into exports. He shared the concern voiced by the representative of New Zealand concerning the widespread use of non-tariff devices by most contracting parties which severely limited the export opportunities of agricultural producing countries. The maintenance of measures restricting trade in agricultural products was a matter of serious concern and the discussion of the problems affecting these particular commodities was yet another illustration of the imbalance in the application of the General Agreement as between agricultural and industrial products.

Agricultural support systems could roughly be separated into two broad categories concerning their effects upon the level of prices, production and trade. Under one system which largely operated through the use of quantitative import restrictions, consumer prices were maintained at a high level with the effect of curtailing demand while at the same time encouraging production.
Under the deficiency payments system prices were determined by market forces. This system, while not necessarily avoiding over-production, had the virtue of not artificially raising consumer prices and thereby lowering demand. The maintenance of producer incomes through high support prices did not only have the effect of stimulating production while at the same time discouraging consumption, but such support policies also led to surplus production being directed to other markets generally with an adverse impact on traditional exporting countries. The wide fluctuations in butter prices in the United Kingdom had largely been the result of support measures employed by a number of countries in Europe which had led to increased production and consequently to pressure on exports. He stressed that while the total export volumes of each of the four principal butter suppliers to the world market (New Zealand, Australia, Denmark and the Netherlands) had varied only moderately in the last few years, the trade position of continental Western Europe (excluding Denmark and the Netherlands) had changed from one of net imports of about 50,000 tons in 1955 to net exports of about 35,000 tons in 1959.

The maintenance of non-tariff devices by contracting parties on dairy products for which tariff concessions had been negotiated had to a large extent nullified or impaired the value of tariff bindings. For example, for exports of butter to the United States, Australia was now sharing a quota of 163,000 lbs. with six other countries, with the Australian share amounting to a mere 9 tons per year. Butter shipments to France, had taken place only in bad seasons, thus virtually nullifying the benefit of the tariff binding negotiated with France on this item.

In concluding, he stated that the effects of the maintenance of non-tariff devices for the support of dairy production had been: (i) to stimulate production; (ii) to restrain consumption; (iii) to restrict imports to residual quantities; (iv) to lead to excess production being directed to other markets; (v) to increase the cost of living in protected markets; (vi) to impair the import capacity of agricultural exporting countries; (vii) to lead to the holding in agriculture of a larger proportion of the population than was economically justified and desirable, and to prevent mechanization of agriculture; (viii) to provide an artificial stimulus for efficient agricultural producing countries to sponsor industrial development. An assessment of the direct and indirect effects of the maintenance of non-tariff devices made it clear that not only had trade suffered, but that the social objectives of these support measures could hardly have been attained if one compared the alleged benefits of these measures with their cost to the national economies employing them.

The representative of Finland stated that he agreed with much that had been said and particularly that support measures should not be operated in a way which induced and amplified fluctuations in farm incomes in importing and in exporting countries. He felt, however, that it was important to further analyse the qualitative aspects of non-tariff devices affecting trade in dairy products before proceeding to draw far-reaching conclusions.
For example, increases in dairy production might result to a lesser degree from the use of non-tariff devices than from increased efficiency in production. Turning to the development of consumption of dairy products in different countries, he suggested an examination of consumption trends in a number of countries applying different types of measures so as to analyse their impact on consumption. From the data before the Committee and from FAO documents, it appeared that the use of agricultural support measures, even if they did not take the form of deficiency payments, did not necessarily inhibit consumption. For example in Ireland, Belgium, Finland, France and Argentina, there had been a continuous increase in consumption of dairy products, both in the post-war and pre-war periods, and per capita consumption in these countries was very high. On the other hand, consumption levels in countries employing the deficiency payments system, appeared to be lower. It was recognized, of course, that factors other than the system of agricultural support employed did have a significant influence on the level of production and consumption. In its analysis the Committee should also keep in mind the level of consumption in other food sectors.

The representative of the Federal Republic particularly agreed with the comments made by the representative of the Netherlands and by the representative of Finland. The documentation showed that practically all of the countries examined, including exporting countries, were using some form or forms of non-tariff devices for the support of dairy producers. The maintenance of such devices, however, did not necessarily lead to an undue contraction of import demand in the countries using them as could be seen from the development of production and trade in dairy products, for example in the Federal Republic. As compared to pre-war (pre-war = 100) butter imports into the Federal Republic during the years 1954/58 had on the average amounted to 230 per cent of pre-war imports, while butter production had increased to only 121 per cent. Cheese imports had increased to about 500 per cent while production had increased to only 125 per cent. For dried milk, taking the period 1948/52 as a base period (1948/52 = 100) imports in the period 1958/59 had increased about seven-fold, while production had increased only to 363 per cent. The development of imports into the Federal Republic during the post-war period was an indication of the contribution which the Federal Republic had made to increasing trading opportunities for agricultural producers. Concerning the evaluation of the effects on trade of the different forms of non-tariff devices employed by various countries, he felt that a more useful discussion of this matter would be possible after the study group established by the Committee regarding the measurement of agricultural protection had fully examined the matter and had made known the results.

The representative of South Africa stated that it appeared that on the whole a majority of speakers considered deficiency payments less restrictive to trade than other forms of agricultural support measures. He felt that such a conclusion might not necessarily be correct despite some of the
theoretical arguments in its favour. For example, experience had shown that production in one country where producers were benefiting from a system of deficiency payments, had been expanded to such an extent that opportunities for the importation of eggs had almost completely disappeared.

The representative of New Zealand emphasized that his country neither provided governmental monetary support for dairy producers nor employed export support measures. He pointed out that New Zealand was no longer employing quantitative restrictions on balance-of-payments grounds for the production of dairy products of a type produced domestically.

He agreed that technological improvements had played an important rôle in bringing about an increase in milk production. On the other hand it could safely be assumed that price and income support systems operated for the benefit of dairy producers had encouraged a higher level of production than would have otherwise been the case. Indeed, it might be maintained that income supports may well have been instrumental in assisting farmers, through raising their incomes and the profitability of their operations and thus their investment capacity, to make these technological improvements, possibly to an extent which led to greater production than their respective governments desired. Turning to the point that some countries with high levels of support and high retail prices for dairy products had a larger per capita consumption than others with a lower level of prices for these products, he stressed that there could be no doubt that butter consumption was sensitive to price changes. He agreed that the stabilization of farm incomes was on the whole desirable, but regard should be had to the level at which stability was maintained, so that producers in traditional agricultural exporting countries might also enjoy a greater degree of income stability. If the United Kingdom were not virtually the only free market for butter, and for that reason the dumping ground for much surplus butter, prices in that market would not fluctuate so markedly and producers abroad which were largely dependent for their exports on this market would not see their export opportunities damaged to the same serious extent.

Commenting on the increase in the post-war period in imports of dairy products into Germany, he pointed out that the increase was partly due to the very low level of imports into Germany during the base period. Although there appeared to be scope for further increases in consumption and imports there was a great deal of uncertainty about actual trading opportunities under the system of import restriction in use in the Federal Republic. Imports of butter from New Zealand this year were, for example, taking place as a result of contracts made during the past year and New Zealand had been unable to obtain definite indications of future import possibilities. Undoubtedly, the increasing level of home production in the Federal Republic which resulted from the operation of the support system for this sector of agriculture was largely responsible for this development.
In concluding his remarks, the representative of New Zealand stated that the discussion and his interjections had mainly concentrated on butter since the greatest difficulties were encountered with respect to this commodity. If countries had surplus milk, the surplus was normally converted into butter. Apparently the support measures employed for the benefit of the dairy sector in most countries had the direct effect of causing too high a production of liquid milk. While perhaps not all countries could adopt as strict a policy in this matter as the United Kingdom, it was important that some move in this direction should be made. At present the predominant part of world milk production was carried on under a level of protection of 50 to 100 per cent, based on milk prices. In the majority of cases it was attempted to justify these protective measures on social grounds. Whatever the reason might be, the effect of these measures was to increase the level of prices for these products and to reduce their competitiveness, vis-à-vis substitutes such as margarine.

The representative of Norway reminded the Committee that whereas a number of countries were in a surplus position with regard to dairy products the majority of the world’s population was under-nourished. In many countries, particularly the less-developed countries, although development would undoubtedly take place first in the agricultural sector it was important to take a much longer view of the situation. In his own country there was an important migration from agriculture to industry and it was expected that Norway would more and more assume the position of net importer.

The representative of Norway agreed that technical progress did play a large part in increased production. Norway, for example, had reduced the number of cows by one-third and yet production had continued to increase.

The representative of the Federal Republic of Germany stated that in 1939 the butter situation in Europe had become difficult. It was not possible to supplement low production in Europe with overseas supplies unless at very high prices. In 1959 there was again a situation of shortage followed in 1960 by a surplus. The great volume of unregulated imports in the past caused great damage to domestic producers in the Federal Republic and since all agricultural policies in the Federal Republic aimed at securing an adequate income for the agricultural producers and removing disparity, non-tariff measures directed to such ends have involved import restrictions. The Government’s first aim was to give priority to the sale of home production and to limit imports to the point where they would be used to fill the gap between home production and actual requirements.

The representative of Australia stressed that if the rôle of international trade was merely to be that of filling the gap between domestic requirements and total demand, it would indeed be damaging to world trade; this did not only apply to trade in primary products but to all international economic activity.
The representatives of the United States and the United Kingdom fully supported this view of the representative of Australia. The United States representative felt that it would be possible to justify any type of agricultural policy on this basis.
The representative of New Zealand in introducing the discussion explained his country's interest in world trade in meat. One-third of New Zealand's exports consisted of meat and meat products. Referring to some of the comments which had been put forward in the Committee in connexion with the discussion on dairy products, he pointed out that these to a large extent also applied to trade in meat. International trade in meat was also being hampered by restrictions, other than tariffs, which appeared to be contrary to the letter and spirit of the General Agreement. As a result of the widespread use of non-tariff measures exporting countries had in many instances suffered nullification or impairment of negotiated tariff concessions. It was important therefore that an assurance of access for products on which tariff concessions had been negotiated should form part of the schedules of concessions.

In commenting on the progress made so far by the Committee in discussing the effects of agricultural protectionism on trade, the representative of New Zealand stated that he found it difficult to understand why delegates in Committee II had found so much difficulty in reaching positive conclusions when many of the governments represented in the Committee had already reached those conclusions when they had considered this matter in the OEEC. The press communiqué of the meeting of the OEEC Committee of Deputies to Ministers of Agriculture, which had met in Paris shortly before the current meeting of the Committee, had made recommendations which were much bolder than had ever been made by Committee II. The Committee has, for example, recommended that greater efforts should be made to increase domestic sales of dairy products through price reductions, that aids to exports be limited, and that import restrictions be relaxed.

Referring to the extent to which trade in meat was affected by non-tariff devices, he pointed out that of the twenty-four countries listed in document COM.II/85/Add.2, all but four countries, namely the United States, Ceylon, Indonesia and Malaya, maintained some form or forms of tariff devices affecting world trade in meat. In eighteen of the countries concerned imports of all or some types of meat were subject to quantitative restrictions. Some of these restrictions were operated in a discriminatory manner. In very few instances could they be justified on balance-of-payments grounds. It rather appeared that the restrictions were most severe and most comprehensive in countries enjoying substantial balance-of-payments surpluses. This document also showed that four of the countries listed employed import levies and that ten provided government subsidies or some other form of government support.

The representative of New Zealand stated that these restrictions constituted a direct barrier to trade for the types of meat and for the trade of the countries for which they were maintained. In most countries they were
an integral part of protection and support given to domestic meat producers. This applied particularly in Western Europe where agricultural policies were generally directed towards sustaining market prices and hence producers' incomes by regulating directly or indirectly the supplies coming into the market.

Approximately one-third of the countries examined had GATT tariff bindings on all or some categories of meat imports. With the exception of the United States all of the countries having tariff bindings maintained some form of non-tariff device which reduced the benefits of the bindings and in some cases largely nullified them. The countries concerned were also important meat consumers and a higher level of imports could be expected in the absence of the restrictive non-tariff devices employed at present especially since, in Europe at any rate, income and price elasticities of demand for meat were not low, as a recent ECE study had shown.

Turning to the scope for increasing demand of meat products, the representative of New Zealand pointed to the wide variation in per capita consumption of meat, as was shown, for example, by the background study (Table 2 in document COM.II/86/Add.2). While these variations to some extent reflected different national dietary habits and preferences and also different levels of income, it appeared that on the whole, as between countries with roughly comparable living standards, consumption tended to be lower in those countries with a high level of protection and particularly where this was afforded by quantitative restrictions. Prima facie there seemed to be scope for significant increases in consumption in many countries. He pointed out in this context that such increases would not need to be very large to be of considerable significance to world trade and of considerable benefit to exporting countries.

Addressing himself to the scope for action in this matter, the representative of New Zealand stated that the problem of expanding international trade in meat was an entirely different one from that confronting many other agricultural products. In most countries and particularly in Europe demand for beef in recent years had exceeded production. Unlike dairy products where international trade depended so much on the operation of one large free market for beef there were at least two large open markets, the United Kingdom and the United States, and also quite a number of smaller ones. He felt that if all contracting parties removed quantitative restrictions on beef imports, even if they did not at this stage remove other support measures, producers in these countries would not suffer at all and this situation was likely to prevail for some time. There seemed to be no reason therefore why the Committee should not go beyond stating general conclusions at this time and come to definite recommendations.

Referring to the speech recently made by a representative of the EEC, he recalled that in this speech it had been predicted that meat consumption in Europe would rise by some 50 per cent over the next ten years. Studies made by the ECE also tended to bear out this forecast, especially in relation
to beef. For example in the recently published ECE document "European Agriculture in 1965" speaking of the demand for beef in the Common Market it was stated that between 1956 and 1965 per capita consumption of beef might rise from 16 to 23 per cent, depending on the income assumption made. The report also stated that the Common Market region as a whole would certainly remain a net importer of beef in 1965. Since demand for meat by that time was likely to have risen in other areas of the world also, there appeared to be little risk to European producers if restrictions were to be removed. At the present time when prices for meat were relatively high, the removal of restrictions would appear to be most opportune and would assure producers of the possibility of putting production on an economic and efficient basis.

Turning to trade in mutton and lamb, the representative of New Zealand pointed out that although there were a number of markets where imports of these items were not restricted, many countries still maintained rather severe restrictions on such imports. In the country consultations in Committee II it had often been ascertained that demand for mutton and lamb in the country consulting was very small in relation to total meat consumption and that it appeared to have been a consensus in the Committee that the removal of restrictions on imports of mutton and lamb would not seriously affect domestic producers in the countries maintaining such restrictions. Trade figures of countries who actually had liberalized imports of mutton and lamb had not shown a large-scale increase in imports following import liberalization. For example, neither Belgium, Italy, nor the Netherlands, which had removed quantitative restrictions on imports of mutton and lamb, had experienced a flooding of their respective markets. In fact mutton and lamb imports into these countries were almost negligible, especially when compared to total meat consumption. His Government was aware that by and large there was at present only a very small demand for mutton and lamb and that even without restrictions on imports of these items New Zealand could not expect to sell large additional quantities of these products. New Zealand would like, however, to be given an opportunity to promote these products and to build up over time a market for products which could have considerable usefulness from a dietary point of view.

The representative of New Zealand stated that this was a situation where the Committee could show to the CONTRACTING PARTIES some early and some really positive results. He expressed the hope that in the next report of the Committee a recommendation for the early removal of quantitative restrictions on these items would be included.

The representative of the United States expressed his agreement with the comments made by the New Zealand representative. Referring to the background documents, he pointed out that the percentage of meat production which benefited from protection through quantitative restrictions was very large; 25 per cent of total world production of beef and veal and 58 per cent of all
exports of these products were accounted for by countries applying quantitative restrictions on imports of these items.

Although world production of beef and veal had gone up by 47 per cent during the period 1934 to 1958, international trade had increased by only 21 per cent over the same period. While more and more countries were producing a larger share of their own consumption requirements, in the United States the ratio of production to consumption had fallen. He pointed out in this context that the Soil Bank Programme, which had been listed in the background document as a non-tariff device employed by the United States in this sector, did not affect the level of meat production in his country. He also pointed out that the increase in imports of beef and veal into the United States in recent years had to be attributed largely to increased shipments from New Zealand and Australia, following greater availabilities of these products from these two countries upon the termination of the long-term purchasing agreements a few years ago between these countries and the United Kingdom.

Commenting on the outlook for increased trade in meat, he noted that the Common Market countries in 1958 had had a net import balance over four times larger than in 1954 and, judging from incomplete data for 1959, the requirements appeared to be growing larger still. He also pointed out that the relatively short supply of beef and veal could be eased if governments would also review their import systems for variety meats and poultry which as a result of technological changes in production had become increasingly competitive with other meat items and for which there existed some considerable opportunity for an expansion of trade, given freer access to the markets of importing countries.

The representative of the European Economic Community, commenting on the references which had been made regarding the prospects for the development of imports of beef and veal into the EEC countries, pointed out that although imports into the EEC in 1958 had been considerably higher than in 1954, the net import balance in 1958 as compared to 1959 was only about three times larger rather than four times, as mentioned in the background documents prepared by the secretariat. Per capita consumption which had amounted to 18.2 kgs. per year in 1957/58 has fallen to slightly over 18.0 kgs. in 1958/59. At present about 7 per cent of the meat requirements of the EEC countries were met through imports despite the fact that the EEC countries themselves were large producers of meat. He agreed that with the expected increase in prosperity in the Community and abroad new trade possibilities for meat were likely to arise. He pointed out however that in making a realistic evaluation of import opportunities in the EEC countries, account had to be taken of the fact that already imports of high quality meat were permitted from all European countries and that the Community, partly for the purpose of further processing, was also a large importer of frozen meats from other sources.
Commenting on the calculation prepared by the secretariat on the area of international trade covered by non-tariff measures, he enquired whether the percentage of exports listed as benefiting from deficiency payments included that part of trade in meat conducted under long-term purchasing agreements between the United Kingdom and a number of Commonwealth exporting countries: these provided for deficiency payments to be made if prices for exports covered by the agreements should fall below a certain predetermined level.

The representative of Australia expressed agreement with the comments of previous speakers. He recalled that according to the Haberler Report at present only about 5 per cent of world production of meat entered into world trade. In his view consumption in importing countries could be further increased if these countries would abolish restrictive trade measures. In view of the demand and supply conditions characterizing the international market in meat, it was indeed hard to understand why quantitative restrictions were at present still being maintained. The removal of existing restrictions would result in little harm to domestic producers in importing countries while the removal of restrictions would be of some benefit to exporting countries. He expressed appreciation for the fact that the United States Government had resisted internal pressures from certain sections of domestic agricultural producers to restrict and diminish meat imports, especially since the United States market had become of major importance to Australian producers. In concluding, he pointed out that in drawing up the report account should be taken of the inter-relationship between measures affecting production and trade in coarse grains and measures affecting production and trade in meat.

The representative of the United Kingdom asked that data on production and trade of meat (beef, mutton and lamb) for Argentina should be included in the background paper submitted by the secretariat for future reference of the Committee. Similarly, the data already before the Committee should as far as possible be supplemented by data on trade in live animals. He agreed with the previous speaker that in discussing this item one had to take into consideration measures applied by some countries affecting feed grains, especially since in some countries livestock production was indirectly supported by measures in the feedgrain sector. Moreover, account had to be taken of developments in the dairy sector. He recalled that the OECD Committee of Deputies to Ministers of Agriculture in a recent meeting had recommended the switching from the raising of dairy herds to the production of slaughter stock. He felt that the present was the most appropriate time for the removal of import restrictions on meat.

Commenting on the development of the United States market for meat, the representative of the United Kingdom noted that beef herds in the United States would show a net increase of about $2.5 per cent per annum through
1965, a rate which was likely to be faster than the estimated increase in consumption over this period. Thus, it was not altogether certain whether the United States in future years would remain as good an export market as at present. He felt that this was an additional reason why liberalization measures by contracting parties maintaining such restrictions should be undertaken now rather than later.

The representative of Denmark stated that the pig-fattening industry was of considerable importance to the economy of his country. Denmark was a traditional exporter of pork and bacon. His Government therefore was particularly concerned about the widespread use in many countries of price policies which led to artificial stimulation of production. The increase in total meat production in many instances was largely concentrated in the pigmeat sector and the increase of exports of meat products from a number of countries was again largely concentrated in this sector. As a result of support policies for the production of pigmeat a large part of world exports of pigmeat was benefiting from subsidization measures and largely responsible for the fact that exports of bacon and pork from traditional supplying countries like Denmark had stagnated. This situation was particularly disquieting insofar as for bacon there was only one really free market, namely the United Kingdom market, as compared to at least four unrestricted markets for beef. The increased exports from new supplying countries, largely brought about as a result of subsidization measures in force in these countries, had made unstable prices in the United Kingdom market. The resulting wide fluctuations in export prices of bacon had caused a definitely adverse impact on the export trade of traditional suppliers. He expressed the hope that some solution to the problem would soon be found in order to avoid further damage to legitimate trade interests and that import restrictions on pigmeat in force in many countries would soon be removed.

Commenting on the development of consumption and the anticipated development of meat imports into the EEC countries, the representative of New Zealand expressed the view that the slight fall in consumption which had been registered in 1958/59 as compared to the previous one-year period, was largely the result of lack of supply and high prices prevailing at that time.

He explained that the system for the maintenance of floor prices for meat in operation in New Zealand derived its funds strictly by contributions from farmers. Moreover, the floor prices established in New Zealand were realistic and indeed the same as prices in international markets. With respect to anticipated development of the beef market in the United States he stated that although it was hard to estimate how the market would develop his country expected to be able to maintain a good market for its exports in the United States. He pointed out that Japan had also become an important importer of New Zealand beef in recent years and that it was hoped that the market in Japan for beef and the scope for beef imports would continue to grow.
Fish

The representative of Norway stated that fish was of considerable importance only to the national economies of a few of the smaller contracting parties. The problem of restrictions on trade in fish products was thus largely of concern to those few countries which were heavily dependent on fish exports for their foreign trade earnings.

Of the twenty-four countries listed in document COM.II/85/Add.5 only three had indicated that they had no comments under the eleven specified headings concerning the type of non-tariff measures employed for the support of fisheries. The predominant devices were various forms of income and price supports, including government subsidies and quantitative restrictions on imports. Fourteen of the twenty-four countries listed operated price support systems and nine countries gave direct governmental support to the industry. In most of these countries the subsidies were given in connexion with the building and improvement of fishing fleets and equipment. Subsidies also resulted in some instances from the operation of guaranteed minimum price systems and in a few cases governments operated direct subsidy schemes. Quantitative restrictions were applied by eighteen of the twenty-four countries. Only six of these eighteen countries stated that quantitative restrictions were imposed for balance-of-payments reasons. In addition to the measures referred to, other measures ranging from general services to the fishing industry to consumer subsidies and schemes for the disposal of surpluses and other direct financial support measures were also widely used. While the restrictive effect of these measures varied from country to country they had undoubtedly encouraged an expansion of production and had contributed to the stagnation of trade to the detriment of traditional exporting countries.

Turning to the development of the fishing industry in the post-war period, the representative of Norway stated that disregarding fluctuations in the volume of fish catches due to changes in natural conditions aggregate landings had shown a long-term rising trend. For example, total Western European catches had increased from 5.5 million tons in 1938 to 7.5 million tons as an annual average for 1954/58. The corresponding figures for the United States and Canada were 3.1 and 3.8 million tons. Indications were that in other parts of the world the increase in production since the pre-war period was relatively still more important. This increased fish production had been mainly the result of expanded fishing efforts in the North Atlantic and in the coastal waters off Africa and South America. The increase in catches in the North Atlantic had largely been achieved by the introduction of larger and more efficient vessels and by the use of improved fishing techniques. In Western Europe particularly the tonnage of the fishing fleet had increased substantially. While catches per ton of fishing fleet and the number of people engaged in fishing appeared to have shown a decline as compared to pre-war, catches per man employed had risen considerably;
this was the case for most of the countries engaged in fishing in the North Atlantic.

Total human consumption of fish and fish products had, on the other hand, not increased in step with increased landings, but on a rather smaller scale, at roughly the same rate as population growth. Per capita consumption in Europe had remained at approximately the same level as before the war. The excess of the increased landings, after meeting requirements for direct human consumption, had been converted into fish meal and fish oil. The heavy increase in the production of fish meal in many countries during recent years had severely affected the fishing industry in traditional producing countries and despite a slump in world market prices for fish meal surpluses of this product had risen. From the comparison of per capita consumption levels of fish products in different countries of Europe it appeared that there was considerable scope for an increase in the consumption of fish products. A recent OECD study on fishery policies in Western Europe and North America showed, for example, that the average Western European consumption of fish for human consumption amounted to an average of 15.5 to 16 kgs. (live weight basis) per capita, with consumption figures in different countries of the region ranging from 1 to 100 kgs. per year.

The representative of Norway pointed out that the aim of self-sufficiency, or at least a high degree of self-sufficiency, in this sector which was being pursued by many countries had had the effect of nullifying or impairing tariff concessions given by these countries on fishery products. This was a matter which deserved particular attention when considering the question of expanding trade under the General Agreement. In summing up, he stated that most non-tariff measures, especially quantitative restrictions, and the various forms of public financial aid, would in the long-run have adverse effects on the economies of the fishing industries, not only of the traditional exporting countries, but also of other countries. Moreover, the fishery policies pursued by many countries, while aggravating the position of exporting countries, had not solved adequately the economic problems of their respective fishing industries. He expressed the hope that governments, when drawing up their fishery policies, would give full consideration to the restrictive effects on trade of these measures, and that they would be prepared to reconsider these policies and take appropriate action in order to avoid further damage to trade. Such a step would be a major contribution to realizing the aims of the CONTRACTING PARTIES of achieving an ever-increasing free flow of trade.

The representative of Canada stated that although the contribution of the fishing industry to the national economy of Canada was not of the same order of magnitude as for Norway, the fishing industry in his country played a significant rôle in the industrial life of the Eastern and Western coastal regions. For their economic prosperity these areas depended largely on fish exports. The Canadian fishing industry had an important export interest
in a wide range of fishery products which were exported not only to markets in the temperate regions, but also to tropical and sub-tropical regions. He mentioned that in some instances Canadian export interests continued to be adversely affected by measures such as differential exchange rates. As a result of more favourable exchange rates for bilateral clearing currencies under a system of multiple exchange rates practised by a contracting party in Latin America, Canada had virtually lost its one significant share of imports of dried and salted fish in that market. He expressed regret that a number of contracting parties, although having made their currencies externally convertible had not extended convertibility to their trade and payments with all contracting parties in Latin America. This had the effect of discriminating against suppliers in countries like Canada which were conducting trade and payments on the basis of currency convertibility.

He stated that while thus far for practical reasons it had been difficult to come to a precise assessment of the area of international trade in fish products which was affected by non-tariff devices it was obvious that the operation of non-tariff measures, and particularly quantitative restrictions, had had an adverse impact on trade and consequently on export opportunities for Canadian producers. In some instances countries even after they had emerged from balance-of-payments difficulties, continued to apply restrictions on these products for the purpose of protecting domestic industry. He expressed the hope that such restrictions would be abolished in the near future. He suggested that one way of measuring the effects of subsidization schemes on trade would be to relate governmental outlays in support of the fishing industries to the value of production of these industries. In concluding he stressed the importance of removing restrictions on trade and particularly quantitative restrictions and other measures having an equivalent inhibiting effect on the expansion of trade in fish and fish products.

The representative of Denmark explained the importance of the fishing industry to the national economy of his country and the extent to which the industry was dependent upon export markets. He agreed with the previous speakers on the importance of reducing and removing the various restrictions on the trade of fish and fish products which had undoubtedly contributed to the stagnation in fish exports.

The representative of the Netherlands stated that in discussing the market situation for fish, and particularly the level of fish consumption in different countries, account would have to be taken not only of the effects of non-tariff measures, but also of such other variables as the level of incomes and the relative prices of other close food substitutes, the availability of distribution facilities, etc. From the documentation it appeared that per capita fish consumption seemed to be higher in areas where other food supplies were relatively scarce. Also there appeared to be a tendency in most industrialized countries for the per capita consumption of fish to decline.
Other important factors to be taken into account in drawing up the report included the inter-relationship in measures affecting production and trade in coarse grains and fish meal. Finally, due account would have to be given to the fact that the scope for a reduction or removal of support measures and restrictions affecting trade in this product by individual contracting parties depended to a large extent on equivalent action by other countries.

The representative of the United Kingdom, commenting on the scope for increased human consumption of fish and fish products, pointed out that it would be a mistake to consider fish in this discussion as a homogeneous commodity. The market situation for different types of fish products was significantly different and this would have to be reflected in the report of the Committee. Prospects for increased consumption were largely influenced by the availability of adequate distribution facilities. With further improvements in the distribution of frozen fish through an extension of the "cold chain" in inland markets, there appeared to be good possibilities to increase consumption in countries which had hitherto not been major consumers of sea fish.

The representative of Australia, commenting on the information contained in the background documents, stated that the quantitative restrictions which his Government had found necessary to maintain applied to canned fish only. His Government envisaged announcing in the near future a plan for the liberalization of items still subject to import control. He pointed out that Oceania's trade in fish products was not entirely intra-regional as stated in the background document. He agreed with previous speakers that the extension of distribution facilities for deep-frozen fish appeared to offer scope for an increase in consumption of this item especially in inland markets.

The representative of Norway, explained, in relation to a number of points raised during the discussion, that during the last ten years considerable changes in consumer preferences had occurred. Demand for salted and dried fish and for the cheaper qualities of fish in general had declined, whereas the demand for fresh fish, prepared deep-frozen fish, lightly cured and canned fish had on the other hand shown some increase.

The representative of Austria said that traditional dietary habits played a great role in the rate at which the level of fish consumption was likely to increase in any given country. For example, in Austria where in the past fish had not figured prominently as a food item, the increase in consumption which had been registered in recent years had only been very small despite the absence of quantitative restrictions and the absence of tariff protection on most fish items. The increase in consumption which had occurred was mainly in such products as canned fish.
The representative of Brazil said that although it was still necessary for his country to apply a system of exchange auctions which in certain instances resulted in more favourable exchange rates for imports from bilateral clearing partners, it was the intention of the Government of Brazil to move away from bilateral arrangements as soon as possible. Action towards a reduction in the spread of exchange rate differentials and the extent to which trade and payments were subject to bilateral arrangements had again been taken during the past year.

The representative of Canada stated that he welcomed the intention of the Government of Brazil to move ahead with the elimination of the discriminatory features in the mechanism of exchange rate allocations. He expressed the hope that the Government of Brazil would press ahead with the elimination of discriminatory measures at the earliest possible time. He also expressed the hope that contracting parties which continued to conduct their trade and payments with Brazil under bilateral arrangements would reconsider their policies in this respect in the very near future.

The representative of the Netherlands stated that apart from an expansion of fish consumption in inland markets, as a result of improved distribution facilities, prospects did not appear very favourable for an increase in the per capita consumption of fish products in Western Europe. On the other hand, possibilities for an expansion of consumption of these food items appeared to be good where other food products, particularly meat, were relatively scarce.