

29 November 1955

Working Party on the
Belgian and Luxemburg requests

DRAFT SECTION OF THE WORKING PARTY REPORT

II. Luxemburg Request

1. The request by the Government of Luxemburg for a waiver from the obligations of Article XI with respect to a number of agricultural products was submitted in May 1955 in document L/358. Additional data were submitted in Addenda 1, 2 and 3 to that document. Moreover, the Luxemburg Government submitted in October further additional information in reply to the questionnaire drafted by the Intersessional Working Party.
2. The Working Party was satisfied that Luxemburg agriculture, as regards the production of the commodities for which a waiver was requested, was facing exceptionally adverse conditions as a result of highly unfavourable natural factors. The Working Party noted the statements of the representative of Luxemburg that it was essential for his Government to maintain agricultural production and the population engaged in such production and that it was necessary for the Government of Luxemburg to take measures for the continued existence and for the improvement of the conditions of this production. It appeared that the removal at this time of the restrictions now in force in Luxemburg would result in serious injury to the producers in Luxemburg and to the national interests of that country without affording appreciable benefits to the trade of other countries.
3. The Working Party also noted that the need for Luxemburg to provide special assistance to its agriculture goes far back in Luxemburg's history and that the restrictions in question are of long standing. The Luxemburg representative indicated that special arrangements for the protection of Luxemburg agriculture have been provided in all the customs and economic unions to which Luxemburg has successively been a party since 1842, including the customs union with Germany from 1842 to 1919, the economic union with Belgium since 1921, and the customs union with Belgium and the Netherlands since 1944.
4. The Working Party felt it was clear, therefore, that the considerations which led the Luxemburg Government to maintain quantitative restrictions on the import of the products concerned are not those which were contemplated when the Decision of 5 March 1955 relating to problems raised for contracting parties in eliminating import restrictions maintained during a period of balance-of-payments difficulties was approved by the CONTRACTING PARTIES.
5. The Working Party felt that the Luxemburg case was also exceptional because of the narrowness of the Luxemburg market and because of the traditional sources of supply for the products for which the waiver is being requested.

Belgium and the Netherlands are, of course, in a special position by virtue of their customs union with Luxemburg. The Luxemburg market, however, has never represented a significant outlet for the exports of the products concerned from other countries and is likely to remain of only marginal interest to contracting parties. Under the present arrangements Luxemburg appears to be largely self-sufficient for the products concerned but even if these arrangements were terminated and Luxemburg's agriculture did not exist, the amounts involved for the trade of other countries would be very small, since the population of the Grand Duchy is only 300,000.

6. In view of the foregoing considerations, the Working Party concluded that the conditions prevailing in Luxemburg constituted exceptional circumstances which justified resort to the provisions of paragraph 5(a) of Article XXV. [The Danish representative however, could not associate himself with this conclusion.] The Working Party further concluded that the Luxemburg case was a unique one; that the conditions prevailing in Luxemburg on the basis of which a waiver under Article XXV:5(a) appears warranted, do not exist in any other country now a party, or likely to become a party, to the General Agreement; and that accordingly granting a waiver in this instance to Luxemburg under Article XXV:5(a) would in no way serve as a precedent for other countries.

7. The Working Party noted that the Government of Luxemburg is determined to adopt all measures necessary to make its agriculture more competitive and thus enable it to relax the restrictions now in force in so far as practicable. The Working Party felt that this policy of the Government of Luxemburg constitutes an important consideration in granting Luxemburg a waiver.

8. The Working Party agreed that in the light of the persistent and deep-rooted character of the Luxemburg problem, no definite time-limit should be set for the operation of the waiver. It considers, however, that the matter should be reviewed in 1960. The object of such a review would be to consider the progress made and the results achieved in the policy of the Luxemburg Government, referred to above, to take measures to improve the competitiveness of its agriculture and to enable it to relax its restrictions. Such a review would examine the underlying circumstances on the basis of which the waiver was granted. Should these circumstances remain substantially unchanged despite the best efforts of the Government of Luxemburg to cope with them, the waiver would presumably be continued.

9. Some doubts were expressed by certain members of the Working Party regarding the appropriateness of granting a waiver covering products such as beef, pork and butter of which Luxemburg had exported some quantities (to Belgium and the Netherlands). The Working Party noted the statements of the Luxemburg representative however, that the exports of beef were not the result of a regular flow of trade but represented only an occasional type of export which resulted from the governmental policy of reducing the number of cattle. The exports of pork were spasmodic only. The Luxemburg representative explained further that this kind of trade was not encouraged by his Government and that Luxemburg was a regular importer of veal and an occasional importer of pork. As regards butter, he explained that the exports go exclusively towards Belgium and are in the nature of a frontier traffic. He stated that the policy of his Government was

to increase the consumption of milk and butter in the Grand Duchy and not to encourage exports, and that exports of butter as well as of other agricultural products do not enjoy the subsidies which are granted by the Government for the internal consumption of some of these products. The Working Party agreed that, in the light of these circumstances and the extremely limited productive capacity of Luxemburg, the exports which may occur in the future would not significantly affect the interests of other exporting countries. The delegate of Denmark, however, considered that the machinery of quantitative import restrictions combined with internal price support measures contains an incentive to an increase of the domestic production in the country concerned. In this way for some products even an export surplus might be created. He would be opposed to the granting of a waiver which would contribute to a worsening of the surplus problem. The statistics presented by Luxemburg showed that this country had an export surplus of beef, pork and butter in 1953 and 1954. Although the surpluses which Luxemburg might produce are not likely to cause great harm to the world market in the products concerned, the Danish Government would, for reason of principle, not find it advisable that the waiver should apply to products of which there have been these export surpluses.

10. Finally, the Working Party calls attention to the fact that under the proposed waiver the Luxemburg Government would be required to submit at least once a year to the contracting parties a communication regarding the operation of the waiver. The Working Party considered that in the light of the conditions prevailing in Luxemburg agriculture, it would not be necessary for such communications automatically to be placed on the agenda of the CONTRACTING PARTIES each year; and that it would be sufficient to circulate them to the governments, any individual contracting party being free, of course, to place the matter on the agenda of the CONTRACTING PARTIES if upon examination of the communication it felt it desirable to do so.

11. The Working Party submits to the CONTRACTING PARTIES the following Decision for consideration and approval.

ANNEX

DRAFT RESOLUTION ON LUXEMBURG WAIVER

HAVING RECEIVED the request of the Government of Luxemburg for a waiver of the provisions of Article XI of the General Agreement to enable it to maintain quantitative restrictions on the importation of the agricultural products listed in the Annex to this Decision,

HAVING ALSO RECEIVED the statement by the Government of Luxemburg that it has undertaken to pursue actively harmonization of its agricultural policy with the policies of its two Benelux partners, to adopt all measures necessary to make its agriculture more competitive, and therefore to relax the restrictions now in force in so far as this would be practicable,

CONSIDERING that, in view of natural factors, agriculture in Luxemburg faces exceptionally adverse conditions and that it is essential for the Government of Luxemburg to maintain agricultural production and to accord the necessary support to improve the conditions of such production,

CONSIDERING that the removal at the present juncture of the restrictions which are now in force would result in serious injury, not only to the producers themselves but also to the national interests of Luxemburg, without affording appreciable benefits to the trade of other contracting parties,

CONSIDERING FURTHER that the partners of Luxemburg in the Benelux Customs Union that are primarily interested have expressly accepted the maintenance of these restrictions in so far as they are concerned,

CONSIDERING FINALLY that in view of the narrowness of the Luxemburg market and the traditional channels of trade in the products in question, the effects of the restrictions on contracting parties other than Belgium and the Kingdom of the Netherlands are very small,

THE CONTRACTING PARTIES

DECIDE that

(1) pursuant to paragraph 5(a) of Article XXIV of the General Agreement, the provisions of Article XI of the General Agreement shall be waived to the extent necessary to permit the Government of Luxemburg to maintain the restrictions at present imposed on the importation into Luxemburg of products listed in the Annex to this Decision;

(2) that the Government of Luxemburg shall communicate without delay to the Executive Secretary, for circulation to the contracting parties all information relating to the administration of the restrictions imposed on the importation of the products listed in the

Annex to this Decision, any significant changes introduced or proposed in that system as well as the measures taken to carry out the policy outlined in the Preamble to this Decision and, generally, any information that may be relevant to the trade in the products listed in the Annex to this Decision; such communication shall take place at least once a year before 1 July of each year;

(3) the matter shall be reviewed in 1960 in the light of the progress made in, and the results achieved by the implementation by the Government of Luxemburg of the policy outlined in the Preamble to this Decision.

PRODUCTS TO WHICH THE DECISION IS APPLICABLE

<u>Tariff item</u>	<u>Description of Product</u>	<u>Period of application of the restriction</u>
3	Bovine Cattle	
6	Swine	
13 (a)	Beef and Veal	
13 (c)		
and 17	Pork, including bacon	
18	Meat, salted, dried, smoked or otherwise simply prepared	
22	Fresh milk, whole or skimmed; buttermilk, curdled milk, fermented milk	
23	Milk cream	
24 (a)	Preserved milk and cream, in blocks, in powder or condensed (syrupy), without addition of sugar	
25	Butter, fresh or salt, also if melted	
27 (a) 1		1 February/
and (b) 1	Eggs of poultry	1 September
49 (b)	Seed potatoes and potatoes not specially	1 August/
and (c)	mentioned (except fresh potatoes imported from 1 January to 25 May)	30 March
59 (a)	Apples	1 September/ 31 December
68	Wheat, spelt and meslin	
69	Rye	
75 (a)	Wheat, spelt and meslin flour	
and (b)	Rye flour	
Ex 76 (a)	Wheat groats and semolina	

<u>Tariff item</u>	<u>Description of product</u>	<u>Period of application of the restriction</u>
Ex 78	Bran and sharps from milling of wheat and rye	
116	Sausages and the like	
117 (c)	Other prepared or preserved meats not included under Item 18 or 117 (a) or (b) (meats having undergone a preparation otherwise than that mentioned under Items 17 and 18, other meats prepared or preserved in crusts terrines, jars, tins or hermetically sealed recipients)	
134	Macaroni, spaghetti and like products	
135	Bread, ships' biscuit and other ordinary bakers' wares (without addition of sugar, honey, eggs, fats or similar substances)	