

17 November 1960

BELGIAN IMPORT RESTRICTIONS ON AGRICULTURAL PRODUCTSDraft Report of the Working Party

1. In accordance with its terms of reference, the Working Party has examined the fifth annual report submitted by the Government of Belgium (L/1340) under the Decision of 3 December 1955 and pursuant to the terms of the Decision of 5 March 1955 establishing the "hard-core" waiver. On the basis of the information submitted for this review and with the assistance of the Belgian delegation, the Working Party has reviewed the progress made in the elimination or relaxation of quantitative import restrictions covered by the waiver, and the reasons for the maintenance of remaining restrictions.

I. Progress made in the elimination or relaxation of restrictions

2. The Working Party welcomed the recent progress which had been made by Belgium in removing quantitative import restrictions from a number of agricultural products covered by the waiver. A substantial range of agricultural products had been freed from quantitative import restrictions as from 1 July 1960; a further list of products would be freed from quantitative import restrictions with effect from 1 January 1961. However, members of the Working Party felt that the progress made by Belgium in removing import restrictions had not been as rapid and extensive as had been hoped for, and that the number of items remaining subject to quantitative import restrictions under the waiver was still large.

3. Members of the Working Party noted with concern that the substantial range of products removed from import restrictions in July 1960 had remained subject to variable import levies which had been imposed by the Government of Belgium in April 1960. While they acknowledged that it was not possible at this stage to foresee whether these levies would be such as to have an effect similar to quantitative import restrictions, they expressed the view that the substitution of variable import levies for import restrictions could have the effect of nullifying the benefits normally expected to be obtained by agricultural exporting countries with the removal of restrictions maintained under the waiver. They expressed the hope that import levies would not be applied on products which were

scheduled to be liberalized as of 1 January 1961. The Belgian representative stated that while he was unable to commit his Government in any way, it was at present envisaged that the variable tax would not be applied on these products. He felt, however, that the import levies imposed by the Government of Belgium should not be singled out for discussion, particularly since the results of the examination of such non-tariff measures by Committee II were not yet completed.

4. The Working Party recalled that, during the discussions preceeding the granting of the waiver to Belgium in 1955, certain contracting parties had expressed their reluctance to include fishery products under the waiver. They had agreed to their inclusion in the expectation that the restrictions on these items would be removed at an early date. While welcoming the liberalization measures which had recently been announced for certain fish items, members of the Working Party pointed out that other important fish items remained subject to quantitative restrictions. They expressed the hope that progress in the removal of remaining restrictions on fishery products would soon be made. It was pointed out in this regard that a recent study by the OEEC indicated that there seemed to be scope for action by the Government of Belgium to lessen the remaining import restrictions on imports of fishery products. The representative of Belgium pointed out that imports of the fishery products remaining subject to restriction were permitted under a quota system. This system was designed to assist domestic industry in overcoming some of the particular difficulties encountered in recent years and to avoid a disruption of the domestic market. It was thought, however, that the maintenance of these restrictions had not resulted in any undue contraction of imports. He pointed out in this connexion that the import quotas which had been established for fishery products had, in recent years, not been fully utilized. He also pointed out that the recent relaxation measures with regard to fish for industrial purposes included fish for the deep freezing industry. Thus the area of import liberalization for fishery products was rather more extensive than might at first appear. In addition to the recent liberalization measures, the Government of Belgium was also considering the establishment of increased import opportunities under bilateral quota arrangements.

5. The Working Party welcomed the progress that had been made by the Government of Belgium in extending, in a number of cases, the period during which the importation of products, included in the list of seasonally restricted products, could take place. Members of the Working Party felt, however, that this easing of restrictions had, in most cases, been largely the result of shortages of supply on the Belgian market. Moreover, it was felt that, unless sufficient notice was given, the element of uncertainty as to the exact period during which the seasonally liberalized imports could take place had particularly detrimental effects on the export possibilities of countries

situated at considerable distances from the Belgian market. Noting that the maximum period during which certain imports were subjected to seasonal restrictions had not been altered since the granting of the waiver, members of the Working Party urged the Government of Belgium to extend the open periods in order to take into account the export interests of all contracting parties.

6. In discussion of the need to maintain quantitative restrictions on imports of dairy and livestock products, members of the Working Party noted that little progress had been made since the granting of the waiver in permitting foreign suppliers to share the Belgian market for these products. Members of the Working Party enquired what measures Belgium had taken to facilitate the transition to unrestricted imports by the end of the waiver period. They pointed out in this context that the O.E.C. Deputy Ministers of Agriculture, in a recent meeting, had also recommended that member countries should endeavour to stimulate consumption and to take appropriate measures, such as the elimination of production and export subsidies, quantitative import restrictions and other non-tariff barriers. They enquired what specific steps had been taken by the Government of Belgium in this regard for dairy products. The representative of Belgium stated that considerable efforts were being made by Belgium to increase productivity and to stimulate consumption. It was felt that a considerable measure of success had been achieved. However, the extent to which the consumption of dairy products, and particularly butter, could be further increased was limited by the fact that Belgium was among the countries with the highest per capita consumption of butter. Moreover, it was felt that the price paid to producers in Belgium was not above that paid in other producing countries and thus there appeared to be no undue stimulus to the expansion of domestic production. The necessity to maintain dairy products under quantitative controls was largely the result of the surplus supply conditions characterizing the international market for these products. In reply to a question concerning the sharp increase in butter exports in 1958, the representative of Belgium explained that, as a result of the very large increase in butter production in most countries in that year, the difference between butter prices on the domestic market and abroad had led to large uncontrolled imports of that commodity. These imports had upset the programme of production and imports and had, in turn, made it necessary for Belgium to expand exports of butter.

7. Members of the Working Party noted that Belgium still considered it necessary to restrict imports of foal and foal meat in order to protect producers and consumers against the effects which might arise from unfair competition between these two meats. These members stated that restrictions should not be maintained to prevent the free play of the competition. They urged Belgium, therefore, to consider the liberalization of foal meat at an early time. The representative of Belgium stated that the market for veal, the imports of which had been liberalized, was affected by the measures taken

in the dairy and livestock sectors. Furthermore, veal was one of the commodities for which a licensing tax had been imposed. Thus, in order to maintain a fair balance between these two meats, which in Belgium were considered close substitutes, it had been necessary to maintain imports of foal under control.

8. Members of the Working Party noted that although Belgium was a net exporter of potatoes, this product was subject to seasonal import restrictions. Since Belgium appeared to be an efficient producer of potatoes, there appeared to be no reason for the maintenance of such restrictions. The representative of Belgium explained that Belgium maintained seasonal restrictions on both imports and exports of potatoes in order to stabilize the price of this basic foodstuff in the domestic market. In clarification of a number of other points raised during the discussion, the representative of Belgium informed the Working Party that rye had by mistake been included in the Annual Report as being subject to import restrictions under the waiver. Imports of rye were not covered by the waiver Decision and, to his knowledge, there were no such restrictions on the importation of this product. He also pointed out that peaches, which had been listed as falling into the category of goods subject to seasonal restrictions, should be deleted from that list since imports of this item had, in effect, not been prohibited during the previous season.

## II. Special Measures aiming at the Eventual Elimination of Quantitative Restrictions

9. Members of the Working Party noted with disappointment that although the waiver was scheduled to expire at the end of 1962, Belgium had so far not found it possible to submit a detailed programme of import liberalization for the products remaining subject to restriction. The Working Party recalled that during previous reviews of action taken by Belgium under the waiver, Belgium had been invited to establish and communicate to the CONTRACTING PARTIES a detailed programme for the removal of remaining quantitative restrictions. The establishment of such a programme would not only be of great assistance to exporting countries, but was also desirable in order to assist agricultural producers in Belgium to adapt their production to import competition. The members of the Working Party expressed the hope that the Government of Belgium would undertake the drawing up of such a programme.

10. The representative of Belgium explained that although his Government had not been in a position to submit a definite programme of import liberalization, the Government had adopted a number of coordinated measures designed to assist agricultural producers to adapt themselves to increasing competition from imports. Efforts were, for example, being made, and a measure of success had been achieved in stimulating consumption and encouraging more efficient methods of production. The main reason why the Belgian Government had refrained from establishing a detailed liberalization programme was that developments on the international market for many of the products concerned had made it impossible to establish and implement a realistic programme which could be applied over a period of several years. Nevertheless, the Government had endeavoured to move ahead with import liberalization as rapidly as circumstances permitted. Restrictions on a large number of commodities covered by the waiver had already been eliminated or relaxed and a number of important relaxations had been announced to take place in January 1961; the Government was hoping to move still further ahead with import liberalization during the course of next year.

## III. Reasons for the further Maintenance of Restrictions

11. In discussing the reasons for the continued need to maintain quantitative restrictions, members of the Working Party noted that one of the reasons given by the Government of Belgium was the unfavourable developments in the relationship between increasing costs of production and decreasing returns on sales of agricultural products. It was pointed out that these difficulties had also been experienced by most other countries and it was disappointing to see that a solution to the problem of stabilizing and improving farm incomes in Belgium was still being sought through the maintenance of a widespread and complicated system of import controls. They felt that measures to stabilize farm incomes should not be such as to have an adverse impact on the export



opportunities of other contracting parties. Commenting on the decrease in the ratio between the cost of production and sales returns, members of the Working Party noted that farm rents in Belgium had shown a considerable increase since 1955. It was felt that this increase in farm rents, representing an increase in the capitalized value of the land, might well be a reflection of the policy of the Belgian Government to stabilize farm incomes at a high level. It appeared that it was not unlikely that the rise in land values would make it more difficult to adapt Belgian agriculture to increased import competition. The representative of Belgium stated that the Government was aware of the undesirable effects of an increase in farm rents, especially as these often operated against the interests of the type of small farms predominating in Belgium. He pointed out that the increase in farm rents was not the result of increases in the profitability of agricultural production. Sales returns from agricultural products had increased only insignificantly since 1956. Increases in land prices had rather been the result of increased demand for land for building purposes. Similarly, the increase in outlays for farm wages was not a reflection of increased profitability of agricultural pursuits, but was rather the result of wage developments in other sectors of the economy. The combined effect of increases in the cost of production and the general stagnation of prices for agricultural products had on the whole led to a deterioration of the level of farm income.

12. Members of the Working Party noted with concern that the object of the Belgian agricultural policy was apparently to maintain production at a level sufficiently high to meet domestic requirements. The representative of Belgium stated that the objective of his Government was not to achieve national self-sufficiency. The restrictions which were being maintained were designed to assure agricultural producers an equitable income. Moreover, the Government was attempting to avoid an unwarranted expansion of production and the creation of export surpluses. On the other hand, it was the view of his Government that the maintenance of import restrictions on agricultural products by many contracting parties, together with the widespread use of support measures which stimulated agricultural production, were largely responsible for the inability of Belgium to make more rapid progress in the elimination of restrictions. Members of the Working Party agreed with the representative of Belgium that the closing of many important markets to agricultural exporters had the effect of concentrating imports on unrestricted markets with possible adverse repercussions on domestic agriculture in the importing countries. Nevertheless, the maintenance of restrictions by other contracting parties should not prevent Belgium from making further progress in the removal of import restrictions in accordance with its obligations under the General Agreement.

13. Members of the Working Party enquired whether the statement in the Fifth Annual Report submitted by the Government of Belgium, to the effect that all quantitative restrictions were applied in a non-discriminatory manner meant that these imports were permitted under global quotas open to all contracting parties. The representative of Belgium explained that his Government was making every effort to ensure that the remaining import restrictions were

applied in a non-discriminatory manner. At the time when the waiver had been granted most of these items had been subject to bilateral quota arrangements. Since that time the number of bilateral arrangements had been considerably reduced and most imports were now permitted under global quotas. In the few cases where imports were still subject to bilateral quotas the Government endeavoured to ensure that these quotas were administered in such a way as to give all contracting parties an equitable share of the market.

#### IV. Conclusions

14. The Working Party welcomed the recent progress which had been made by Belgium in the elimination of quantitative import restrictions on a number of agricultural products included in the waiver. Members of the Working Party, while expressing appreciation for the efforts which had been made by Belgium in moving ahead with import liberalization, expressed disappointment, however, that it had not been possible for Belgium to make still more rapid and more extensive progress in the elimination of such restrictions during the five years which had elapsed since the granting of the waiver. They expressed concern that Belgium was still not in a position to indicate to the CONTRACTING PARTIES concrete and definitive measures for the elimination of quantitative restrictions by the end of 1962 at the end of the waiver period.

15. Members of the Working Party also expressed concern about the imposition of licensing taxes, taking the form of variable import levies on the range of products freed from quantitative restrictions earlier in 1960. They felt that the introduction of such levies on items freed from quantitative restrictions was likely to nullify the benefits which contracting parties were entitled to expect from liberalization measures undertaken by the Government of Belgium in accordance with its obligations under the waiver and it was the view of some members of the Working Party that the replacement of quantitative restrictions by import levies was therefore not in accordance with the waiver decision. They stated in this connexion that in view of the limited experience concerning the effects of such levies on trade they did not wish to evaluate at this stage the impact of these levies on trade. They expressed the hope, however, that the CONTRACTING PARTIES would provide an early opportunity to examine the problem arising from the replacement of quantitative restrictions by import levies.

16. The representative of Belgium stated that in the opinion of his Government the imposition of licensing taxes did not conflict with the obligations of his Government under the waiver. He stressed that these licensing taxes imposed by Belgium should not be singled out for discussion by the CONTRACTING PARTIES, especially since there were contracting parties maintaining similar measures, and also since the examination in Committee II of the effects on trade of the various non-tariff measures had not yet been completed. However, the Government of Belgium was aware of the necessity to implement all measures which were required for the stabilization and support of agricultural incomes in a manner which would minimize the possible harmful effects of such measures on the trade of other contracting parties. He stated that Belgium would continue to move ahead with import liberalization in accordance with its obligations under the General Agreement.