The Committee on Trade in Agriculture held its third meeting from 4 to 13 October 1983, and its fourth meeting from 28 to 30 November 1983.

The agenda adopted for the meetings was as follows:

Exercise A: Examination of trade measures affecting market access and supplies, including those maintained under exceptions or derogations.

Exercise B: Examination of the operation of the General Agreement as regards subsidies, especially export subsidies, including other forms of export assistance.

Progress report on the work of the Committee to the Council and the CONTRACTING PARTIES (Session 1983).

Further work.
Exercise A - Examination of trade measures affecting market access and supplies, including those maintained under exceptions or derogations

Introduction

1. The Committee undertook a country-by-country examination of measures listed in the respective AG/FOR/- documents. This examination took place in alphabetical order according to country names in French.

2. The documentation on which the Committee based its examination was then the AG/FOR/- series including brief introductory notes prepared by the secretariat and various documentation providing more details than the AG/FOR/- series; notably the AG/DOC/- series and various L/-series, listed in a checklist of documents prepared by the secretariat (AG/W/3/Rev.1 and Corr.1)

3. The Chairman recalled that at its meeting in March 1983, the Committee had agreed that Exercise A might take the form of a question and reply procedure allowing a recording of particular views expressed by participants, and not excluding the possibility of an examination of particular measures. It had furthermore been agreed at that time that the views expressed by various contracting parties should be properly recorded.

4. He then suggested to proceed in the following way for each country or group of countries: the delegation of the country being examined should be given an opportunity to give a brief introductory statement; then the Committee should hear the opinion of its members as to whether the submission was complete, notably with respect to product coverage and to whether all measures affecting trade were properly listed and described; and then the Committee should go through the respective AG/FOR/- document, for each country or group of countries, hearing comments, questions and replies related to products or product sectors and the measures applied, placing the main emphasis on column 16, i.e.: (a) GATT relevance, and (b) classification of the measures according to the categories listed in AG/1 paragraph 7. This was agreed by the Committee.
5. The Committee had earlier agreed that the examination should take place in alphabetical order according to country names in French. For that reason the minutes of the country examinations are in this paper arranged in the following order:

- South Africa
- Argentina
- Australia
- Austria
- Bangladesh
- Brazil
- Canada
- Chile
- Colombia
- European Communities and Member States
- Republic of Korea
- Ivory Coast
- Egypt
- Spain
- United States
- Finland
- Hungary
- India
- Indonesia
- Israel
- Jamaica
- Japan
- Kenya
- Malaysia
- Nigeria
- Norway
- New Zealand
- Pakistan
- Peru
- Philippines
- Portugal
- Romania
- Sweden
- Switzerland
- Uruguay
- Yugoslavia
1. The representative of South Africa, when introducing the notification for his country, recalled that South Africa was not richly endowed with agricultural resources, with only 10 million hectares or 8 per cent of the total area used as arable land. Rainfall was generally low, with regional variations, water resources were limited and vast semi-arid regions were only suitable for stock farming. Fluctuations in weather conditions with consequent fluctuations in agricultural production made South Africa a regular participant in agricultural trade, both as an exporter and an importer. South Africa, nevertheless, managed to have an adequate degree of self-sufficiency, and would in normal years have food available for export. South African agriculture was at present in a precarious state due to a devastating drought which had coincided with the world-wide recession and a concomitant fall in effective demand.

2. Efforts aimed at promoting orderly marketing and price stability were based on the Marketing Act of 1937 as amended in 1968. The marketing arrangements and the stability they afforded was appreciated by the farming community and generally accepted by trade and industry. Some regulatory measures for marketing and trade in agricultural products were necessitated by numerous problems in the agricultural sector. Nevertheless, the general objective remained a system of free enterprise with minimum public interference, and adhering to the objectives and principles of the GATT.

3. With respect to the notification, the representative of South Africa pointed out that a number of items noted were considered to be industrial products by his administration, for the following reasons: the items had undergone industrial processing to a point where there was no longer any obvious resemblance to the original primary product; the items were viewed as incidental agricultural by-products for which there was an application only in an industrial process; and certain items were inappropriately classified as agricultural products. On the other side, a number of products falling outside CCCN chapters 1 to 24, had been included in the notification for the reason that, from an institutional and administrative point of view, they were treated as agricultural products. These products were listed on page 2 of the document. Although fish and fisheries products were included in the notification, it was considered more appropriate, in view of the 1982 GATT Ministerial decision, to deal with these products in the context of problems of trade in certain natural resource products. Finally, he recalled that the classification of the various measures affecting trade was done merely for the purpose of organizing the work of the Committee and was without any prejudice with respect to legal aspects of the measures notified and examined.

4. The Community representative said that the examination of the South African notification would attract particular attention as it was the very first one to be undertaken and he expressed some doubts as to the relevance of a mere counting of tariff bindings as had been done in the secretariat note, as this might lead to false conclusions. He noted the
particular product coverage of the notification, which included a certain number of raw materials but not sugar. This could easily make the whole exercise aleatory, and he stressed that an examination of the entire agroalimentary sector was essential to the Community, which would insist on an examination of all measures applied to all products in that sector. He therefore considered the South African notification to be incomplete and not permitting a comprehensive examination of the measures applied to agricultural trade.

5. The New Zealand representative could understand that countries would classify certain products as industrial, but he supported the Community view that the exercise should cover all products from the agro-food industries, and felt that the appropriate thing to do would be to cover the entire range of products in CCCN chapters 1 to 24. Also the representative of Chile was struck by the exclusion of significant products in the South African notification and agreed with those who had requested South Africa to complete the documentation on this point. The representative of Pakistan felt that a limitation of the exercise to products covered by CCCN chapters 1 to 24 could cause problems, for instance, to Pakistan, for which cotton was an important export item.

6. The Chairman briefly recalled what was traditional practice in the GATT with respect to the definition of agricultural products, as it had been indicated in the Committee's programme of work.

7. The representative of Switzerland, referring to the introductory statement made by South Africa, asked what were the main objectives of the agricultural policy of South Africa and the legal basis for the measures applied.

8. The United States representative said that South Africa applied domestic support prices to a number of commodities such as livestock, wheat, oilseeds and tobacco, and which had the effect of reducing import demand. South Africa also applied domestic support prices on a long list of agricultural commodities, and including such export products as corn, dried fruit and citrus fruit. The use of support prices should then have been noted under the columns of measures affecting exports or imports. He also understood that the South African Maize Board absorbed losses on exports of maize, but could not see that this had been indicated. Similarly, he could not see any indication of the fact that exports of dairy products were handled by Commodity Control Boards. Neither could he see any indication of a long-term supply agreement with Taiwan involving maize, and enquired about prices stipulated in the agreement.

9. He noted that, with regard to the use of discretionary licensing for imports and exports of livestock, reference had been made to legislation predating accession to the GATT, but expressed the opinion that this removed these commodities from GATT discipline. With respect to the activities of commodity control boards, he referred to document AG/DOC/5/ZAF/1 in which it was stated that funds collected by the various marketing boards were used to cushion "the effects of fluctuations in export prices" (dairy and grain) or "to supplement overseas realizations" (meat, livestock, oilseeds, vegetable oils and tobacco), and asked for a clarification of these activities, including
the extent to which government assistance was provided. Furthermore, he sought a clarification as to the manner in which agricultural export prices were established. He believed that the export price of corn was frequently lower than the domestic price and would like to know whether the Maize Board absorbed losses involved in setting lower export prices, whether the Maize Board derived its funding entirely from producer levies, or whether government funds were available as subsidies. He also enquired about the rôle of the private sector, and to what extent private export traders marketed agricultural commodities and whether they were involved in determining the price, quantity and destination of South African agricultural exports.

10. He noted that the Wheat Board, the Maize Board, the Dairy Board and the Chicory Board had sole authority to import the products they cover, and that for other commodities, private traders had to approach various boards in order to import. The requirements placed on private imports by these boards had the same effect as quantitative restrictions and enabled the Government of South Africa to maintain tight control over purchases of most commodities imported. He also wondered why it was necessary to restrain imports of milk, eggs, a number of vegetables and fruits, cereals, milled products and oilseeds through an extensive licensing and import restrictive system. With respect to producer floor prices set for a variety of products including meat, dairy products, wheat and oilseeds, he asked whether the purpose was to encourage domestic production in order to reduce the need for imports.

11. Finally, the United States representative noted that South Africa had made rather few tariff bindings on agricultural products. Marketing boards were extensively made use of, thus limiting the possibility for effective trade liberalization. The domestic market was insulated from the world market, and domestic production and exports were stimulated with no effective production or supply adjustment measures being applied. He noted that South Africa had reported comprehensively on its measures, but an assessment of the impact of the system would require data on expenditures and on the volume of production and trade affected. He further noted that South Africa's principal trade measures were not reviewed anywhere in the GATT system.

12. The New Zealand representative wanted to have a fuller explanation of the licensing systems applied by South Africa, as those were not necessarily covered by existing GATT documentation.

13. In reply, the representative of South Africa first stressed that food was a strategic product in the country for domestic and socio-economic reasons. With respect to exports of maize to Taiwan, he said that there was no long-term arrangement, but merely a contract for deliveries over a three-year period. He agreed that it might be appropriate to indicate State trading (ST) for dairy products. For particular reasons dairy was a balancing factor for many farmers, notably at times of severe droughts which might often result in
temporary surpluses of dairy products. In regard to domestic support prices, he explained that in order to stabilize prices to producers in conformity with the Marketing Act of 1937, levies were charged on various products and paid into a stabilization fund and payments were used from the fund to cover losses on exports which were then financed by the producers themselves. As to the questions raised about the justification given for the application of licensing, he recalled that licensing was applied for different reasons, as for instance, the administration of sanitary or phytosanitary measures, the application of marketing standards or the control of natural resources. Regulations of regional trade in live animals were based on legislation adopted in 1910 and applied both to exports and imports. For this reason, it was appropriate to make reference to different GATT articles for licensing or discretionary licensing.

14. The Community representative felt that although South Africa seemed to have taken the notification exercise seriously, further clarifications were desirable on a number of points. Only exceptionally was there an indication of support or subsidies, but a rather extensive use of marketing boards or State trading. He also noted a rather extensive application of licensing with reference made to Article XI, and suggested that the Committee at some stage entered into a comprehensive discussion of the operation of that Article. With respect to the licensing systems applied by South Africa, he felt it important to have a distinction between licensing used for specific agricultural purposes and residual restrictions originally introduced for balance of payments reasons.

15. In making a further comment, the United States representative said that marketing boards covered twenty-one groups of products, and many of them handled both exports and imports. A simple reference to Article XVII would not be a justification in itself, but merely classified the trade activities of the boards as a sort of State trading. Funds collected by various marketing boards were used to cushion the effects of fluctuations in export prices or to supplement overseas realizations. He wanted these activities to be explained more fully and wondered whether governmental funds were used. The basic documentation available to the Committee did not enable it to assess the impact of these measures on trade. In summing up his feelings, the United States representative said that because of limited use of tariff bindings, the extensive use of marketing boards and restrictive licensing, South African agricultural trade was effectively outside the scope of the GATT, and unfortunately, South Africa was not the only country in this position.

16. The representative of Chile shared the views expressed by the Community and the United States, in particular with regards to the limited number of bindings. He felt that the Committee were faced with a general lack of transparency and would not be able to assess the impact on trade of the measures being applied, and which were often justified by legislation predating the establishment of the General Agreement. It might be useful if South Africa could notify and explain more fully certain measures such as discretionary licensing, without prejudice to their legality. He wondered if a reference made to Article XI:2c in the case of discretionary licensing applied to CCCN 16.04 was appropriate, as it seemed to be a measure previously applied for balance of payment reasons.
17. The representative of South Africa, in reply confirmed that restrictions on production were applied to products under CCCN 16.04 and accordingly he felt a reference to Article XI:2(c) to be appropriate. With respect to the indication of sanitary, phytosanitary regulations, and marketing standards, he confirmed that such regulations applied to more products than had been indicated in columns 11 and 12, but South Africa had followed the secretariat advice given in AG/W/2 and indicated the application of such regulations only in cases for which reverse notifications had been made (i.e. AG/DOC/5- and AG/DOC/7- series). However, licensing systems applied for the administration of such regulations had been indicated in column 10, and he noted that others had followed the same procedure. With regard to state trading and transparency, he found it difficult to in every case include an extensive explanation and felt that the reference to relevant documentation in column 15 should suffice. Further, with respect to the comments made about the boards, he referred to his introductory remarks and to what the Ministerial Declaration said about the specific characteristics of agriculture, and said that the state trading enterprises falling within the jurisdiction of the Marketing Act were primarily concerned with domestic market and price stabilization for agricultural products and stressed that it was domestic and not export prices that were set and that all measures taken under the Marketing Act were taken for market stabilization purposes.

18. The Community representative raised some specific questions relating to the notification and suggested that the South African notification be looked at in light of GATT rules. With respect to quantitative restrictions whether linked or not to state trading, the justifications provided were of three kinds. For some products Article XVII was referred to. A second justification offered was Article XI for quantitative restrictions. For some of these South Africa had invoked balance of payment reasons up to 1972, but the measures had been maintained beyond that date and were now justified under Article XI. Then, for other measures reference was made to Article XX(b) for quality control of products marketed. He therefore felt that it would be interesting for the Committee to enter into a consideration of all these measures notably in light of the provisions of Article XI and the link to price support measures justified under Article XVI, in order to assess their impact on trade. In his reply, the South African representative stressed that column 16 called for references to GATT provisions to be made, and not necessarily justifications. However, any reference to Article XX(b) meant that the measure was justified to protect human, animal or plant life or health.

19. The representative of New Zealand enquired whether other forms of support such as local arrangements were in operation, but the representative of South Africa confirmed that no such type of support was available. He confirmed once more that all measures, including those taken in case of severe droughts, and necessary to safeguard agricultural production were taken on the bases of the Marketing Act and administered by the boards.
20. Making some reflections of a general nature and not necessarily limited to the South African notifications, the Community representative noted that the notifications could be completed at some later stage, also with respect to the completion of column 16. He felt that it was necessary to reflect a bit on the continuation of the work of the Committee and what types of conclusions might be drawn. The United States representative added that the Committee had been called upon to examine the measures affecting trade, and should try to establish a picture composed of the systems applied by various countries, and it would be important at some stage to assess their impact on trade.

21. The Community representative said that he would have preferred sanitary and phytosanitary regulations to have been indicated in full, as had been done by Australia, and not limited to reverse notifications as a complete picture would be indispensable in view of any future negotiations on licensing. The representative of New Zealand shared the view of the Community on this point. The representative of South Africa replied that a reference to relevant documentation on licensing was given in column 15, that his Government was actually considering a revision of the licensing system and that a review was undertaken to take account of concerns expressed. He also mentioned that at present, and in respect of a limited number of products, different governmental bodies were involved in the processing and issuance of licences and it might be difficult to change the system rapidly.

22. In concluding the examination of South Africa, the Chairman thanked the representative of South Africa for the notification and for the explanations given, and he noted the intention of South Africa to complete further the documentation.
ARGENTINA (AG/FOR/ARG/1)

1. In his opening statement, the representative of Argentina described the basic characteristics of the agricultural sector in his country. He pointed out that Argentina was a developing country and noted that it was an efficient producer and a large exporter of agricultural products. In 1982, 16 per cent of GNP originated from agriculture and 75 per cent of Argentina's total exports were accounted for by agricultural products. In recent years, the cattle sector and the cereals sector represented, on average, 22 and 27 per cent respectively, of total exports. His authorities had introduced a number of measures with a view of improving efficiency and increasing output of the agricultural sector in Argentina. In particular, he mentioned the work of the Instituto Nacional por la Industria Agropecuaria, the reduction of duty rates on imports of investment goods such as tractors, the promotional regime for least productive lands, the law on land conservation, and a plan for eradicating foot and mouth disease. His delegation was prepared to furnish bilaterally all details on existing legislation related to agriculture which other delegations might request.

2. As to the content of AG/FOR/ARG/1, he noted that some information was still missing, notably the preferential tariff treatment given to ALAI countries, which was currently being renegotiated within the framework of ALAI. He was willing, however, to transmit to the secretariat all relevant information on this matter as soon it became available.

3. The representative of the United States expressed his appreciation for the submission presented by Argentina. He asked, however, some questions about possible omissions of certain measures in document AG/FOR/ARG/1. He referred to a measure recently reported to have been taken to suspend the issuing of import licences. As import licensing requirements on agricultural products had not been indicated he asked what products were involved. With respect to automatic licences, he thought it would be helpful to have an idea about the time lapse between the request and the issuing of such licenses. Concerning bindings, he noted that duties of most CCCN at four-digit level were unbound, including those applicable to CCCN 02.03. Concerning measures affecting exports, he noted some lack of information on minimum export prices, and asked for further clarification and explanation on existing export incentive systems, notably those in force with respect to export to new markets. He said his authorities had understood that a transportation subsidy provided for grains and sheep by rail to Buenos Aires from certain outside areas had been designed to encourage wheat production in Northern Argentina. He further asked for clarification concerning domestic programs for wheat, sugar, tobacco and rice. He noted that no indication was provided of either the Wheat and the Meat Boards as well as on existing bilateral supply agreements in the meat sector. He finally noted the omission in the format of a reference to an agreement with Algeria for dried beans (CCCN 07.05).
4. The representative of Argentina stated that his authorities had understood this exercise as being an examination of measures actually affecting trade, and intended to reply to the various questions made bearing this in mind. In October 1983, his authorities had in fact suspended all imports into Argentina, but he expected that this action, taken for very conjunctural reasons, would soon be lifted. Concerning the functioning of the licensing system, he recalled that Argentina had recently submitted a notification on the subject to the Committee on Import Licensing (document L/5278 and Corrigendum 1). These documents contained all details on the licensing system applied by Argentina. The difficult economic and financial situation of the country had necessitated a differentiation in the current licensing system and imports of some items had been given priority over imports of others. He confirmed that exports of processed agricultural products to new markets could benefit from a supplementary reimbursement of 5 per cent. He also confirmed that national programs on rice, wheat and tobacco had been developed following natural calamities in the North-West regions of Argentina. He pointed out that both the Wheat and the Meat Boards did not participate any longer in actual trade. Their current function was to supervise bilateral contracts and to certify that transactions had effectively taken place. Concerning bilateral supply agreements, such agreements had been entered into by Argentina, with Algeria, Angola and China for wheat and maize; with Haiti for wheat; with Iraq for wheat and rice; and with the USSR for maize and sorghum.

5. The Community representative invited Argentina to complete the submission in light of recent developments in the Argentinian import system. He noted that Argentina had notified no subsidies in column 2 of the format, and wished to have further clarification about Argentina’s interpretation of the provisions of Article XVI. He further noted that Argentina had few bound duties on agricultural products, a situation which made export to Argentina a difficult task, as exporters were faced with various types of duties, taxes and surtaxes, and they were never sure of what rates would finally be charged on their exports. He also wished to obtain further clarification on the nature of the sanitary restrictions on tobacco. He said that the fact that existing Argentine legislation could be invoked for suspending the issuing of licensing, should be noted in column 10 of the format. Noting that the Boards no longer had a commercial role, he asked who in Argentina concluded long-term agreements on wheat and on meat. He also inquired why no reference was generally provided for in column 16 with respect to export duties. Only in a few instances Article XI:2 was mentioned, and he asked whether Argentina maintained an interpretation of this article which would substantially differ from that of the Community. He also recalled that voluntary restraint agreements existed between Argentina and the Community on sheep meat and bovine meat, but he could not find a reference to those agreements in the format.
6. The representative of Argentina reiterated the view that his country did not maintain general measures which would be covered by the provisions of Articles XVI. Argentina had a system of indicative prices for certain specific sectors of production, as was the case in most other countries, but this was not a general policy. The role of this indicative prices was to flag to producers those sectors where the government would wish to see an increasing production and a balanced utilisation of the agricultural land. He did not entirely understand the question on Article XI and wanted to have more precision on that from the Community representative. He said that it would be more appropriate if the country imposing a restraint agreement notified the existence of such an agreement. He further indicated that no taxes or other charges other than duties were maintained on imports at the frontier. He suggested that any specific problem which might arise in that respect could be discussed bilaterally. He denied that legislation existed which would permit the suspension of the issuing of licenses. Concerning the role of the Boards, he explained that in certain cases, involving for instance a guaranteed level of supply, importing countries had preferred to negotiate transactions directly with the Boards rather than with private exporters. However, their function was limited to that of an intermediary role.

7. The Community representative noted that the discussion had shown that different interpretations existed with respect to the provisions of certain GATT articles, notably Articles XVI and XI. He hoped in the light of further work of the Committee on this matter, Argentina would complete its submission. The representative of the United States also hoped that more precision could be provided by Argentina in column 16 of the format with respect to the GATT relevance of some measures. He further indicated that some specific points would require more information and confirmation by the Argentinian authorities. He mentioned, as examples, the influence on prices that the Boards could have; the effects of minimum prices, production and consumer quotas on the Argentine sugar industry, the role of the consumer tax on special tobacco; and the existence of reference prices for bread wheat.

8. The representative of Argentina replied that all GATT references in the format were perfectly justified and explained. He reiterated that the Boards did not have any actual commercial role. Bilateral agreements concluded by Argentina with third countries did not contain price commitments, prices generally being those prevailing on the market of importing countries. He recalled that a quota on sugar production was fixed each year because of the well-known situation of the world sugar market. He was, however, prepared to submit additional information on Argentina's sugar regime if the Committee so desired. He stated that the internal tax on tobacco was collected for fiscal reasons, as was the case in other countries. He finally pointed out that reference prices existed in Argentina for a number of agricultural products, but these prices should not be regarded as minimum guaranteed prices.

9. The Chairman thanked the representative of Argentina for the notification and for the explanations given, and noted the promise by Argentina to provide supplementary information.
AUSTRALIA (AG/FOR/AUS/1)

1. The representative of Australia gave a description of the system applied to agricultural trade, in pointing out that the agricultural sector accounted for 30 to 35 per cent of the country's export earnings. The notification included the main measures applied and which had already been notified to the GATT. However, general measures affecting a wide range of agricultural products were not included as he believed that these measures had only a marginal impact on any individual industry. These measures included inter alia research, financial assistance, credit arrangements, tax concessions, fertilizer subsidies, labelling requirements and export incentives. He mentioned that Australia was a major exporter of meat, wheat and sugar and an important supplier of many other products such as cattle, sheep, dairy products, cotton, fruit and vegetables. Major agricultural imports consisted of coffee, tea, cocoa, cheese and rubber.

2. Australian agriculture was working under a fairly harsh environment, and was based on low cost extensive production techniques. The agricultural industries were essentially responding to the market situation with virtually no production planning or targetting by governments, and without benefitting from general or large subsidy programmes or support buying policy. However, consumer transfers were provided through long-term commodity contracts or agreements, such as a framework type agreement in respect of wheat and more specific contracts in respect of sugar.

3. He explained that governmental assistance could be applied on a case by case basis under a system of public inquiry in court and subject to evidence provided by the industry, consumers and others. An assessment based on available evidence and other economic considerations was to be made by the Industry Assistance Commission which first prepare a draft report for public discussion and subsequently a final report containing recommendation for governmental action. He referred to a recent draft report on sugar by the Industry Assistance Commission, which in fact went as far as to question the need for maintaining the import embargo on that product, an embargo which had been applied for sixty years, and which should not be expected to be easily abolished. The Industry Assistance Commission had recently published a report on agriculture in general, covering the period 1970/71 to 1980/81. According to that report, assistance to agriculture had declined significantly over the 1970's, from a level of 28 per cent of the total value of agricultural products in 1970/71 to about 8 per cent in 1980/81. The assistance which covered concessional product research, disaster assistance adjustment and reconstruction measures, was applied to sectors and could not be broken down by CCCN headings, and had consequently not been indicated in the tables. However, he warned members of the Committee that there was no great stakes to be obtained from a liberalization of such measures. Particular sectors might benefit from substantial assistance, notably sectors that had encountered difficulties at home or abroad, such as the sectors of
dairy, eggs, citrus fruit, tobacco and canned fruit. Following the loss of the British market when the Community was enlarged, the dairy industry had to be rationalized and contracted, trying to deal separately with social and economic aspects. The efforts had been successful, although more recently the surplus situation on world markets was being felt, and for the current season it had been necessary to make a cut in farm gate returns, of between 15 and 25 per cent.

4. Australian agriculture in general had the benefit of marketing arrangements established under Commonwealth legislation, which variably established an export marketing regulatory authority or a board. These arrangements or corporations had been designed to prevent wasteful competition between traders in individual markets, to regulate export prices and extract a maximum out of any market and then operate a price pool with the objective of stabilizing returns. The corporations took their decisions on a commercial basis and were required to report annually to Parliament. The annual reports were subject to full investigation and certification and were audited by the Commonwealth Auditor General. Except for the Wheat Board, these boards had little or no legal role in respect of operation in the domestic market or import trade, although the views held by the boards could often influence policy decision making. Some boards had limited trading powers to be exercised in certain circumstances. The Dairy Corporation originally held the sole selling rights for butter and cheese to the British market, and at present this right was still exercised for sales of cheese to the Community. Furthermore the industry had asked the corporation to handle the sales of certain types of cheese to Japan. The Australian representative stressed that all the marketing and stabilization arrangements had been reported as required under the General Agreement, and these notifications also included any related subsidy aspects; such as Government underwriting of returns. In recent years, there had been a change in policies towards underwriting of returns to industries so that the objectives of promoting stability and cushioning industries against disruption by sudden, unexpected collapse in market returns could be achieved without shielding the industry from the impact of longer term trends. Usually, a three-year moving average, two previous years plus forecast of likely returns for the current year, provided the basis for establishing the underwriting level. Generally, the underwriting level was established at 90 to 95 per cent of the moving average, and consequently any governmental subsidy to the industry would be an exception rather than the rule, and any surplus production would remain with the industry as no governmental intervention purchase was provided for. This had been done for reasons of concern about limiting budgetary costs and according to the philosophy that the industry should operate on a commercial basis. The application of a moving average exposed industries to the impact of falling market prices and this would hopefully provide a disincentive to over-production.

5. Turning to sanitary and phytosanitary regulations, he said that due initially to the geographical isolation of Australia and subsequently to strict quarantine controls, Australia remained free of many serious diseases occurring in other parts of the world. Animals and products of animal origin could be imported only in accordance with the provisions
of the quarantine legislation which constituted a very important safeguard. Importation of animals and animal products were either prohibited entirely, restricted to certain exporting countries proving a disease free status, or could take place subject to certain conditions for instance with respect to disinfection. The purpose of the legislation was to prevent the entry of exotic animal diseases into Australia, which was free of the following more serious diseases: foot and mouth disease, rinderpest, Newcastle disease, fowl pest, swine fever, African swine fever, melitensis, trichinosis, tularemia, scrapie, sheep pox, goat pox, fowl typhoid, blue tongue, African horse sickness, equine encephalomyelitis, sheep scab and teschen disease, contagious bovine pleuro-pneumonia, to mention but a few of the more common diseases. A similar situation existed in relation to phytosanitary and quarantine requirements for plant matter of all types, Australia being free of innumerable diseases and pests, weeds and insects, and probably fungal diseases and virus diseases affecting important agricultural crops such as wheat, rye, barley, oats, maize, sorghum, apples, pears, citrus, grapes, potatoes, onions, soybeans, linseed and cotton. He went on to say that because of the marked differences in the levels of diseases or pests and of controls in different countries, health and sanitary regulations would not be susceptible to negotiation on a multilateral basis. Trade policy experts could not be expected to negotiate on this issue, nor would it be appropriate anyway for them to make the attempt, as it was a technical matter for technical experts. Bilateral discussions between experts in these fields appeared to him to be the only practicable method of seeking agreement between individual countries on conditions for health and sanitary controls for particular products.

6. The representative of Chile said it was striking that in general Australia applied high tariff rates and very few tariff bindings to agricultural trade. Furthermore, he noted that major products were subject to state trading in one way or the other, and felt that this could result in distortion of trade and inherent discrimination. With respect to sanitary and phyto-sanitary regulations, he could understand the argumentation of the Australian representative, but nevertheless felt such regulations to be an important problem and advanced the idea that the Committee might at some time discuss the possibility of multilateral action in this field.

7. In reply to the comment by Chile about tariff bindings, the Australian representative said that the state of Australian tariffs on agricultural products should be seen in light of the fact that Australia rather was an exporter than an importer of such products, but the state of tariffs also reflected Australia's experience from trade negotiations. Willingness had been shown to make concessions on the basis of reciprocity, as for instance an exchange of concessions on cheese with the Community in the Multilateral Trade Negotiations.

8. The Community representative made the observation that Australia was the country with the lowest degree of tariff bindings among developed countries, and only 17 per cent of agricultural trade benefitted from bound tariff rates. More particularly regarding imports of cheese into Australia, he said that the Community had not been able to benefit from a concessional tariff rate although a concession had
been made by Australia in the Tokyo Round. He could not see that in the Australian notification any indication had been made of tariff quotas for whisky, minimum prices for chewing gum, discriminatory taxation of imported products, for instance beer and cider and mixing regulations for tobacco, and invited Australia to complete its notification on these points. Referring to Australian notifications pursuant to Article XVII on the activities of the marketing boards, he felt it to be rather illogical to say that no price support policy was applied. He furthermore noted that sanitary or phytosanitary regulations affected 93 per cent of the tariff lines, and reassured the Committee that the Community applied a trade regime as liberal as that of Australia.

9. The representative of Australia said that the tariff quota on cheese was actually not applied, as the dairy industry was subject to an investigation by the Industry Assistance Commission. If a recommendation in the draft report from that institution is followed, to have no change in the protection for cheese, there would not be any tariff quota either. With respect to the Community suggestion concerning tariff quotas on whisky, mixing regulations on tobacco and discriminatory taxes on beer and cider, he would like to revert to the matter later. As to price support, he reiterated that the method used was underwriting and so far government subsidization had been avoided. Regarding consumer transfers, he confirmed that these were applied for the dairy industry, which was however subject to review. The sugar industry had over the years been providing sugar for domestic consumption at less than world market prices, resulting in a negative rate of assistance to the industry. He also pointed out that sugar agreements had been in operation since 1923, and the import embargo on sugar predated the General Agreement. The embargo was rigid, but the alternative might be tariffs and normal measures of protection against imports of subsidized sugar and there might be only little impact of removing the embargo. With respect to sanitary regulations, he said that given the increased risk following developments in transportation, the measures would at least have to be continued and no relaxation should be expected.

10. The Community representative expressed his understanding for the Australian position with regard to sanitary and phytosanitary regulations, but the question ought to be retained for further discussion and also be brought to the attention of the CONTRACTING PARTIES. In reply to a further statement by the Community about the tariff quota on cheese, the Australian representative confirmed that if the on-going investigations resulted in an increase in duty rates on cheese, account would be taken of the existing binding.

11. The United States representative stressed the importance of the exercise, and regretted that in general, the documentation before the Committee would not allow an indication of the impact on trade of the measures notified. It was important to recognize that all countries and not only a few had responsibility for trade and for working towards an improved trading system; and was disappointed that only some countries took part in the discussion.
12. Regarding the notification by Australia, he said that Australia's commitment to free trade was acknowledged as commendable, and the Australian Government had shown good faith by rationalizing its industry. However, severe protective import barriers were retained for major commodities and market intervention was comprehensive. It was commendable though, that the support measures applied by Australia were designed to stabilize prices rather than increasing production. However, an examination of import regimes for major products revealed a different picture. The Wheat Board and the Dairy Corporation clearly discouraged imports from being made, and imports of sugar, live animals, pork, poultry and eggs were prohibited and sanitary regulations had resulted in an effective control of trade in livestock and meat. Tariff protection was important in the case of citrus, orange juice and canned fruit, and imports were strongly affected by phytosanitary regulation, which he would have preferred to see more fully indicated in column 11. He noted that in addition to a long list of commodities for which there was an outright prohibition, a range of commodities could only be imported with a special permit, and then only by the boards. He wanted to have more information about the frequency with which exceptions were granted and about the criteria applied in granting them. He furthermore noted that Australia had long-term arrangements with a number of countries (e.g. USSR, China, Egypt, Indonesia, Japan and Iran) and which should have been indicated under column 7, and he would like to know what portion of exports these arrangements represented. He also noted that exports of major products were handled by the boards, and he inquired about the fixation of export prices and how these prices related to domestic prices. With respect to tobacco, he mentioned that mixing regulations required 57 per cent of all mixtures to be of Australian origin, in spite of a commitment under the GATT not to require more than 50 per cent.

13. In reply to the latter point, the representative of Australia said that tobacco manufacturers for their own reasons and on a voluntary basis currently used 57 per cent Australian leaf. What had been negotiated in the Multilateral Trade Negotiations was a concession that the statutory limitation for a by-law application should be 50 per cent. These by-law duty concessions meant in some cases significant duty reductions. In addition, a reduced concessional duty was paid by overseas suppliers who purchased corresponding quantities of Australian leaf. Concerning the other points raised by the United States the Australian representative felt that they emerged from inaccuracy in the basic information on which the United States had been working; and he reiterated that the Australian system with all its failings surely was one of the most open and market responsive ones, and he reiterated the points he had made in his introductory statement with respect to the role and competence of the corporations. These corporations had no legal basis for interfering with import policy or trade, except for the Wheat Board which was an exceptional case. These bodies were subject to sanctions, if necessary, through the administration system, ministerial controls or the courts. Insofar as export operations were concerned, the corporations had limited trading powers, but which had been only rarely used. The Dairy Corporation handled sales of certain types of cheese to Japan, but at the same time sales of other cheeses to that market were taken care of by private traders.
14. Concerning licensing of exporters, he explained that an exporter needed to have some commercial expertise to be able to handle a trade, a record which qualified him for that but if not, it was still open to him to apply for a licence to trade in the particular product. These licences were given on a 12 month basis. For each individual shipment, the licences needed to obtain clearance from the relevant regulatory body. He would need a permit in respect of each transaction to ensure that he was not needlessly undercutting a price in a market and that he was not needlessly undercutting other Australian exports. He had to observe some discipline as to the sort of export price he could offer. Provided he met those criteria, the transaction could take place. It was essentially an export regulation system, namely a formal legal requirement that companies trading in these products maximized their returns from the market, and not undercutting prices unnecessarily. The prices which Australia set in terms of the export regulated prices, did reflect the situation in the market place. In the case of wheat the US loan rate had been setting the tone of the world market for wheat, and Australian prices were influenced by that. Where the US with blended credit or some other means of assistance was able to take an advantage in a market, the Australian Wheat Board could not stand by flat-footed and let sales go by, as it had to remain competitive. If that meant that the board at times had to shave a price in order to offset some other US measure or an EEC measure, undoubtedly it would do so.

15. The United States representative repeated his view that the import system of Australia was highly protective as the protection afforded through sanitary regulations seemed to be excessive. Much was left out of the GATT as there were few tariff bindings, the marketing boards had an important role, and no supply management was in operation when the world supply was in excess. He had not commented on the inclusion of Article XXIV in column 16, but this did not mean that he accepted that Australia and New Zealand operated a preferential arrangement. He would appreciate a clarification on the types of preferences that were maintained by Australia and with whom.

16. In reply, the representative of Australia said that the procedures were very open, and he referred to three comprehensive reports by the Industry Assistance Commission concerning sugar, dairy and wheat. If the United States had a problem or view with respect to any product or measure, it would have an opportunity to be heard, for instance on a bilateral basis. He contended that the sanitary or phytosanitary measures were indispensable for maintaining exports of for instance meat to the United States. With regard to supply adjustment, he mentioned that over the last ten years, Australia was the only country which had reduced its dairy production, partly for reasons forced upon Australia, not least a lack of access to the United States market. The underwriting mechanism also contained provisions aiming at discouraging production when prices were falling, and the industry had to suffer the consequences of overproduction. There was however no system of public intervention such as the Commodity Credit Corporation in the United States. Concerning preferential trade arrangements with New Zealand, he pointed out that these had been notified under the GATT and were currently subject to discussions in other fora.
17. The representative of Romania welcomed the fact that Australia was not applying quotas or minimum import prices to imports of agricultural products. He wanted, however, the Australian representative to confirm that this was indeed the case also for imports from Romania, notably in respect of canned ham (CCCN 16.02). In response to the question about canned ham, the Australian representative said that there was no quota. The current tariff rates on canned ham were a general rate of 15 per cent a preferential rate for Forum Island, countries of the Pacific, and a preferential rate under a long standing arrangement with Canada at 10 per cent.

18. The New Zealand representative in making comment on the trade arrangements between Australia and New Zealand said that these were indeed currently subject to examination in another body. He also raised questions about any agricultural assistance that might be provided by state governments, and about export incentives. In reply the representative of Australia said that state governments did have very considerable and exclusive powers with respect to the control or production of agricultural products. There was a production control operating for sugar, and the Queensland Sugar Board purchased sugar produced in Queensland and New South Wales. Australia was subject to drought and flood, and state governments provided assistance to industries in the disaster relief areas by providing loans, finance and grants for new fences. In South Australia and in New South Wales a couple of citrus fruit canneries had fallen on very hard times and were out of export business. A certain amount of money had been provided by the state government to assist the canneries, not least in light of an employment problem in the region, and the Commonwealth might also have provided some money, and in some cases loans were converted to grants. An adjustment scheme was in operation which involved payment to farmers for removal of trees from orchards. With regard to export incentives, he said that certain subsidies schemes applied to certain primary industries and had been notified annually to the GATT, except for some production subsidies for apples which were being phased out. The subsidies notified were essentially designed to promote stability within the relevant primary industries without shielding the industries from foreign competition, but he wanted to reflect further on the question and provide a fuller reply later.

19. The representative of Switzerland made a comment as to the health and sanitary regulations applied by Australia, saying that it ought to be possible to fight diseases with measures more adapted to their primary objective, as such measures could have an adverse impact on trade. With respect to the fact that Australia had made rather few tariff concessions, he pointed out that Australia was in fact benefitting from concessions for exports of industrial products which accounted for more than half of its exports. He furthermore asked for a precision of import measures applying to chocolate containing alcohol.

20. In reply the representative of Australia said that about 40-45 per cent of Australian export income was derived from agriculture but a very large slice of the rest came from the resource industry in terms of energy products and minerals, and 80 per cent of total earnings came from those two main sectors. He referred to what he had already said.
about the lack of tariff bindings and Australia's negotiating position, and added that if there were a major realistic negotiation in the agricultural sector where Australia could get concessions from Switzerland, the United States, Japan and the EEC, there would be many more bindings in Australian tariffs. Concerning chocolate containing alcohols he said that, the general rate on chocolate was 20 per cent, and free for imports from developing countries.

21. The Chairman thanked the representative of Australia for the notification and the clarifications provided. In winding up the discussion of the Australia notification, the Chairman suggested that delegations should provide the secretariat with more information about the basis for veterinary and sanitary regulations.
AUSTRIA (AG/FOR/AUT/1)

1. The representative of Austria introduced the documentation by giving an overview of the main features of Austrian agriculture and agricultural policy objectives. According to the Austrian Law on Agriculture, the main policy aims were:

- to maintain an economically sound agrarian population;
- to assure the participation of agriculture in the country's overall economic development;
- to increase the productivity and competitiveness of agriculture, especially through structural measures;
- to promote agriculture, taking into consideration the national economy and interests of consumers, in order to overcome disadvantages compared with other economic sectors;
- to adapt the agriculture to changes of the economic situation;
- to improve the economic situation of population employed in agriculture;
- to assure the supply of food for the Austrian population.

2. He explained that agriculture in Austria was faced with some considerable difficulties, caused on the one hand by the well-known general problems of agriculture and, on the other hand, by certain specific factors prevailing in Austria. Nearly 42 per cent of the agricultural area was mountainous, 33.8 per cent of all farms were smaller than five hectares. The climate caused serious difficulties in a number of regions. The percentage of the population employed in agriculture and forestry was steadily declining. In 1960, out of the total active population, 22.5 per cent worked in agriculture and forestry; declining gradually, the figure was down to 14.5 per cent in 1970 and to 9.0 per cent in 1980. He explained that Austria, although it had a high degree of self-sufficiency, was a net importer of agricultural products; its annual trade deficit in this sector amounted to roughly 800 million US dollars.

3. He stated that all the measures listed in the format had been introduced many years ago. No new restrictions had been introduced. The maintenance of existing restrictions was necessary for the reasons invoked. The adoption of any other measures would either cause more damage to the trade interests of other contracting parties or it would not be possible to ensure and maintain agriculture in Austria. He concluded, Austria, being a net importer of agricultural products, that the measures shown in AG/FOR/AUT/1 did not unduly impede imports.

4. The representative of Argentina said that one of the conclusions that might be drawn from the Austrian submission was that many of the products continued to be subject to quantitative import restrictions and that in many cases these restrictions were accompanied by still other
non-tariff measures, providing a considerable degree of import protection. He enquired specifically about the rationale for, and the contents of, the measures inscribed in the format for fruits and vegetables and the export licensing requirement for coffee. He also enquired about the GATT justification of the instances identified as "OP" (other preferences).

5. The representative of **Austria** explained that the export licensing requirement for coffee had been instituted in accordance with the provisions of the International Coffee Agreement. The reference to marketing standards regulations for certain fruits and vegetables indicated that Austria had adopted and introduced the standards elaborated by the Economic Commission for Europe. The indication "OP" in respect of certain items related to preferential duties applicable to imports from certain sources, for instance under 07.01 to tomatoes imported from Portugal.

6. The representative of **Chile** expressed appreciation for the submission and the concise introductory statement. Commenting on the high degree of self sufficiency of Austria for agricultural products, he said that this was not surprising, given the nature and the widespread use of restrictions for protecting Austrian agriculture. As regards the point raised by Argentina on "other preferences" and the reply given by Austria, it seemed important in the context of the present exercise to have also an indication under which GATT provision such preferences were justified and how the applying country saw its classification in terms of the inscriptions envisaged for column 16 of the format. With respect to instances of discretionary licensing appearing in the format there was no specific reference to a GATT Article, yet the classification symbol used was "(b)". What was the rationale behind that classification? He also noted that quite a few products were under State trading and this fact would have to be borne in mind in any overall assessment of the Austrian trading system for agricultural products.

7. The representative of **Austria** in his reply stated that the high degree of self-sufficiency in Austria as regards foodstuffs was not anything that was new and it could even be said that Austria had always had a high degree of self-sufficiency. The references to "other preferences" related to the EFTA Agreements and the EFTA/EEC Agreements, the GATT justification was Article XXIV. On the use of classification "(b)" in column 16 for instances of discretionary licensing he referred to his introductory statement in which he had pointed out that the restrictions had been in force since a long-time, pre-dating Austria's accession to the GATT, and the justification, classified "(b)", was the so-called "grandfather clause". As far as State trading for certain products was concerned it was important to note that the enterprises concerned were free to buy from any source and the government did not, and could not, control purchasing decisions by the State trading enterprises. The main purpose of the State trading enterprises is to control the price and the quality of the goods concerned during the licensing procedures. Further, while the legal provisions for State trading exist, State trading in grains had not been exercised in practice since the Board had not engaged in either selling or buying.
8. The representative of Jamaica enquired, about the exact meaning of a footnote to the entry against position 22.09 in AG/FOR/AUT/1 which stated that "overseas rum" was not covered by State trading.

9. The representative of Austria stated that French cognac, arak and overseas rum and liqueurs were not subject to State trading.

10. The representative of Jamaica explained that, notwithstanding the exclusion from State trading, her country's exporters had over the years encountered considerable difficulties in selling to the Austrian market. Part of the reason was a reluctance by middlemen to import genuine rum, concentrating rather on marketing a mixture of potato based spirits with some rum added (so-called "Rumverschnitt"). This product had no resemblance to genuine rum and, what was worse, it was often advertised and sold as Jamaica rum. She hoped that this problem, which was not unique only in respect of the Austrian market, would be looked into with a view to resolving it.

11. The representative of the Community noted that in the Austrian format, as was the case in the documentation for certain other countries, column 2 - Subsidies - was not really complete. For instance, from what was known about Austrian agriculture, it seemed certain that there existed support prices for various agricultural commodities and, given the level of that support, it was also fairly certain that there existed export subsidies, the proof of all this being the existence of import levies. Thus, for transparency, additional information would need to be supplied by Austria. On a specific point, regarding position 08.12 (dried fruit), he noted that the tariff concession granted by Austria was partly conditional, and asked that this point be clarified.

12. The representative of Austria explained that the conditional binding under position 08.12 concerned a concession on almonds granted to the United States in the Tokyo Round, and which was linked to a US concession on cheese. As regards the link between the Austrian notification of variable import levies and those instances where price supports and perhaps export subsidies exist, he said that Austria had supplied information on a much larger number of products in its subsidy notification.

13. The representative of New Zealand, noting the existence of import levies, which presupposed the existence of a reference price, and noting also the high level of self-sufficiency, enquired how the level of the reference price was set where, say, notionally the self-sufficiency was 100 per cent. Would the reference price be set in a way to allow some imports?

14. The representative of Austria explained that the levies were determined by reference to the difference between the world market price and the domestic price, with no particular reference to the self-sufficiency ratio.
15. The representative of New Zealand commented that the explanation advanced by Austria might hold for cases where the products subject to levies were not really standard products, but heterogeneous products, such as cheeses of different quality and taste-characteristics. This might permit some trade to take place even if there existed a levy. He was interested, however, in elucidating information on the way reference prices were set for standard, homogeneous products, in which case, at a given level, a reference price, operated in conjunction with a levy, would effectively prevent imports.

16. The representative of the United States said that some of the available GATT documentation suggested that the operations of the Austrian Meat Board appeared to involve some element of State trading. One of the problem was that the information available was not very clear and more information should be provided. On the other hand, the GATT information available on the Austrian Dairy Board, did show clearly that the Austrian Ministry of Agriculture and Forestry, with a view to securing market outlets, had concluded agreements with the Austrian Dairy and Cheese Cooperative and with the Austrian Hard Cheese Export Association, both of which had responsibilities for exports of dairy products. He said the quasi-governmental functions should be identified with the symbol "ST" in the appropriate column of the format. He pointed out that both of the Boards received funds from the Government for sales promotion activities. As regards sugar, he noted that no export subsidy was noted in the format while it was known that Austrian sugar exports were subsidized with funds maintained by the sugar industry. The question which arose was whether the government contributed in any way, by way of subsidy, or in any role, in the administration of the programme. On the question of price supports: it was his understanding that Austria did operate support prices for grains and tobacco and this fact should be noted in the appropriate columns in the format. More generally, the United States found that the level of State intervention to protect agriculture is very comprehensive in Austria, covering virtually every major agricultural product. Indeed, Austria had made a significant number of the most important agricultural products - meat, dairy products, fresh fruit, vegetables, grains, sugar, wine and other alcoholic beverages and tobacco, non-negotiable under the GATT by "grandfathering" its original farm programmes. Many of the licensing measures or quotas were extremely restrictive and these measures had in effect almost totally closed the Austrian market to third countries. Austria also maintained a high variable levy on a significant number of products. These levies restricted imports and even foreclosed opportunities. Moreover, the level of the levies changed frequently, thereby adding confusion and uncertainty. No information on the levies had been provided by Austria under the AG/DOC/6 series, under which such information was required to be furnished by countries applying a system of levies. As regards tariffs, the United States found that there were relatively few bindings.

17. The representative of Austria said that he was surprised concerning the remark made on the number of tariff bindings. Austria considered that they had given a significant number of bindings and certainly more than many other countries. As regards the licensing and quantitative
restriction measures these did, in fact, predate Austria's accession to
the GATT. Detailed information on import levies had not yet been
submitted for the AG/DOC/6 series but the relevant information would be
forwarded to the secretariat. With respect to sugar, he explained that
the Austrian sugar industry was a private industry. While on the import
side quantitative restrictions and import levies were applicable, on the
export side the sugar industry did not receive even one Austrian
Schilling of subsidy. The sugar industry competed through a rather
unique association in Austrian agriculture, between farmers and the
industry. The industry had an arrangement with the farmers for
sugar-beet production on a contract basis. The contracts were so set as
to simply provide for the needs of the internal market and farmers were
generally interested in delivering to the industry quantities above
those stipulated in the contracts. The industry and the farmers
both agreed to reduce their prices. The farmers received much less, and
much later, for sugar-beets delivered in excess of quotas and the price
they finally received for their beets was dependent upon the export
receipts of the industry. The industry on its part did not include in
its cost- calculation for exports, certain costs it had calculated in
respect of production for the internal market. As a result of this
double concession, they were able to offer sugar for export at world
market prices. Of course, such a system could work only if it was of
limited scope and he thought that Austria's exports of sugar would not
rise much above the level of recent years.

18. As regards exports of dairy products, the representative of Austria
said that Austria did not engage in State trading operations, nor were
there any State trading enterprises. While it was true that the
Austrian Ministry of Agriculture relied on two firms for exports - the
purpose of that self-imposed limitation was to limit subsidization. In
fact, one of the two bodies mentioned by the US representative had
ceased commercial activities and had been transformed into a control
body only. The other body mentioned was not the only exporter of dairy
products. Other private enterprises also exported dairy products. As
these changes had taken place only recently, this new state of affairs
was not yet fully reflected in the relevant GATT documentation. But, in
any event, in his view the inscription of "ST" in the format for dairy
exports would not be correct.

19. Turning to the Meat Marketing Board, the representative of Austria
explained that the Board had the function to decide on the quantity of
meat to be imported. For a large part of imports this was done through
tendering. The Board compared the prices offered with the relevant
domestic prices and, on that basis, fixed the levy. The tenders were
published. Interested exporters would have noticed that Austria was
importing large quantities of meat when seen in relation to the small
size of the Austrian market. He added that the Meat Marketing Board was
not a government operated body. The Board was an advisory body to the
government and the government was not bound to follow the advice given
by the Board. Thus, if the government decided to import larger
quantities of meat than those recommended by the Board it could do so.
On the other hand, it was true that until now the government had always
found it wise to follow the Board's advice. The Meat Marketing Board
did not operate like a State-trading enterprise since it did not import
or export itself, nor was it responsible for meat storage. The Board
did not fix the internal price of meat.
20. Commenting on the inscription of sanitary and phytosanitary measures in the format, the representative of Austria stated that the fact of mentioning these measures in the format should not be seen as an indication that the measures were particularly restrictive. All countries had measures of this sort and only experts in that field could determine whether, and to what extent, the measures corresponded to the requirements in a given situation.

21. The Chairman agreed that some of the questions were highly technical but problems arising in answering questions in connexion therewith could be overcome by including technical experts in the delegations participating in the meetings of the Committee. In any event, full details regarding the measures applied in the different countries should be forwarded to the secretariat.

22. With respect to the question on price supports for tobacco raised by the representative of the United States, the representative of Austria stated that Austrian tobacco production covered only 3 per cent of the needs of the Austrian tobacco manufacturing industry. He said the fact that the Austrian Tobacco Monopoly bought 3 per cent of its requirements from domestic producers could hardly be considered a measure of income support.

23. The representative of Argentina stated that since the Meat Marketing Board determined the quantities and the prices of meat to be imported, and also determined the amount of the levy to be charged, it fixed indirectly also the internal price level since the only element that remained free was the retail margin. As regards positions 22.08 and 22.09, ethyl alcohol and spirits and liqueurs, he noted that these were subject to a "surcharge" and enquired whether this surcharge also applied to bound sub-positions under heading 22.09.

24. The representative of Austria stated that the term "surcharge" was not correct. What did exist was a Monopoly Tax which did, however, apply equally to the domestic and to imported products. Some misunderstanding could certainly arise from the fact that the format attempted to convey in a schematised and relatively simple way what in reality was a very complex situation. Unfortunately, Austria had permitted the expression "surcharge" to stand in a number of earlier GATT documents and this was probably a reason for the secretariat having misread the measure as being a surcharge and inscribing it thus in the format. Commenting on the point regarding the determination of the domestic meat price, he stated that the importation and sale of meat was a highly profitable business and, as a consequence, the trade was always pressing very hard for an increase in meat imports. Of course, the question as to who was making the profits was perhaps less a matter of concern to this Committee than to the Austrian tax authorities.

25. The representative of Argentina explained that it was not his intention to discuss at length the accrual of profits at different stages of import and/or retail operations, the point he had made, was that the Austrian Meat Marketing Board, by the way it operated, did, in fact, set the internal price of meat.
26. The representative of Chile shared the view expressed by the representative of the United States that, overall compared with other industrialized countries, the number of tariff bindings granted by Austria was rather limited. Also it was relevant to note that the range of duties applicable under given tariff headings could vary from zero to 20 or 30 per cent, indicating thereby that certain products covered in the different tariff headings benefitted from significant tariff protection. But, the tariff was not all, if one also took into account discretionary licensing and/or quotas, the overall assessment of possibilities of access to the Austrian market would be quite negative. He had taken note of the explanation given by Austria that the measures of discretionary licensing and other import restrictions had been in force since long and were thus claimed to fall under the "grandfather" clause. One question that arose was whether these measures were mandatory and if so whether it had really been the intention of contracting parties to see these measures being applied indefinitely. The broader question involving the movement towards greater liberalization of trade should also be addressed and should be noted by the Committee in respect of drawing up its conclusions and recommendations.

27. The representative of Switzerland stated that he too was surprised by the relatively few inscriptions in columns 2 to 4 of the format, dealing with subsidies and other forms of assistance to exports. In fact, inscriptions showing the existence of domestic and/or export subsidies were virtually limited to cattle and to certain grains. On the other hand, the discussion had already shown that exports of sugar benefited from a dual pricing mechanism and the question might also be asked, if it had not already been answered by the discussion, whether Austria was, in fact, in a position to export cheese (position 04.04) without a subsidy.

28. The representative of Austria said that his delegation would do its best to supply the additional information which the Committee might require and the Committee could perhaps come back to consider the additional information at a later stage, if it so desired.

29. The representative of the United States, referring to the explanations given by Austria to his earlier questions, said that it was his understanding that for tobacco there existed a mixing regulation in Austria. As regards the import system for meat, the explanation given was one which induced confusion. The Committee was told that the Board tells the Government how much meat it can import and that the Board also limits the quantity. One might ask who under this system, or what, is the Government, or the Board, or what is State trading?

30. The representative of Austria stated that it was new to him that there should exist in Austria a mixing regulation for tobacco. It was entirely up to the state trading enterprise to decide which tobacco it purchased and where. The pattern and level of its tobacco purchases was entirely determined by evolution of the taste-preferences of its customers. As a reflection of that element, the Tobacco Monopoly bought about 3 per cent of its needs from domestic producers. This was not to
say that it must, or is required to, buy 3 per cent of its tobacco needs from domestic producers. As regards meat, the Meat Commission was set up by the Ministry of Agriculture. The social partners interested in the production, the processing, or in the consumption of meat were represented in the Meat Commission. This was an advisory body which might tell the government that, according to its impression, such or such quantities and qualities of meat should be imported. The Government had entrusted the Commission with the opening of tenders, not, however, to import; that was the responsibility of private firms. Therefore, he could not accept that the Austrian practice be designated State trading. As regards a point made by Argentina on the setting of the internal price for meat, while the Board did not actually set the price, he agreed that it was undeniable that internal prices were influenced, or indirectly set, by the size of tenders for meat imports and the prices of such imports when they reached the market.

31. The representative of the United States said that from the explanations provided by Austria it was obvious that the Meat Board established a quota for imports and the fact that such quotas existed, or that there was State trading, should be reflected in the Austrian format.

32. The representative of Austria explained that, the way the system worked in Austria, it would not be correct to say meat imports were under quota — but it could be considered that meat imports are subject to quantitative restrictions.

33. The representative of Sweden was interested to know how levies were set generally. As a related point, what was the rationale behind the widespread recourse to discretionary licensing when import protection at the frontier was already supplied through the import levy system?

34. The representative of Austria said that the system of levies certainly had a legal basis but as levies for different products were based on various laws one could not give a single and all encompassing explanation as to how the levies were actually determined. For instance, levies in the meat sector were governed by the Meat Marketing Law. Levies in the dairy and cereals sector were also governed by the Marketing Law. Levies on eggs were determined under a separate law, dating back some time. Levies on processed agricultural products were governed by still another law which stipulated in some detail how the levies had to be computed. Wherever a GATT tariff binding existed the upper limit of a levy would be the one corresponding to the bound level. As regards the interrelationship of levies and discretionary licensing it had to be borne in mind that the Austrian market was very small and competition among importers was frequently not very pronounced, since the lower the levy was the higher was the profit for the importers. Therefore, the authorities had thought it to be useful to have at their disposal another tool, so as to be able to regulate also the quantity of imports.
35. The representative of Hungary mentioned that, in addition to the discretionary licensing controls, Hungarian exporters were confronted for many products with an Austrian regulation which prescribed that the import authorization be countersigned for purposes of price monitoring and control. The countersign scheme applied to products in the meat sector and also to fruits and vegetables imported from Hungary, but this additional procedural step did not apply to imports from all countries. The inscription of the symbol DL in column 10 of the format did not portray the existence of this extra requirement and, as regards preserved fruits and vegetables, not even discretionary licensing was shown in the format. This omission should be corrected. Hungary also had a problem in the Austrian market with respect to wine (position 22.05). There was no inscription of sanitary regulations or marketing standards against that heading, yet it was a fact that wine preserved with sorbide could not be exported to Austria. This affected most Hungarian wines and notably Hungarian Tokay wine. To his knowledge, Austria was the only country to which Hungarian Tokay wine could not be exported. On seasonal restrictions for certain vegetable and fruits, while their existence was indicated in the format, the format did not make it sufficiently clear that these measures were often seasonal prohibitions. What was also disturbing was that these restrictions or prohibitions were not applicable to imports from all sources. This discriminatory treatment should have been reflected in the format.

36. The representative of Austria explained that the countersign requirement applied only to liberalized commodities and the procedure had been instituted to avoid having recourse to such other measures as anti-dumping duties, which, presumably, exporters would find less desirable. To his knowledge there had been no case where a Hungarian exporter was refused access to the Austrian market as a result of the use of the countersign procedure. Should, in fact, difficulties have arisen, or arise, Austria was always prepared to meet with the Hungarian authorities and attempt to resolve the difficulties bilaterally. As regards the reference to the prohibition of sorbide as a wine preserving agent this was the first time they had heard of this complaint and one of the questions which did arise in this case was how had Hungary managed to export 23 thousand hectolitres of wine to Austria in 1982. On the question of seasonal restrictions, he referred to the provisions of the Austrian tariff schedule which – for instance for position 07.01 (fresh vegetables) – was structured in terms of seasons which differed widely from one tariff line to the other, depending on the product concerned. The seasonal restrictions were applied in a manner that when the market demand could be met fully from domestic production, import licences were not granted. However, even before the market was fully supplied by domestic production, and again thereafter when there was still some domestic production (and there would also be products in storage), seasonal restrictions remained in force. However, a look at Austrian import statistics for position 07.01 would show that Austria had large imports under that heading.
37. The representative of Hungary said that whatever reasons might be cited in respect of the use of the countersign procedure there could be no doubt that it was an additional administrative obstacle to trade. Taking seasonal restrictions and prohibitions, even if one were to accept their necessity, how could it be argued that the same necessity did not apply to imports from certain developed country sources, as was the case in Austria. This was not merely a question of bilateral interests and concerns between Hungary and Austria, but was a matter of general concern in the context of Article XIII of the GATT; without excluding, however, the possibility that these matters also be discussed bilaterally.

38. The representative of Austria enquired whether there had, in fact, been a case where Austria had refused imports from Hungary while permitting imports of the same items from other sources.

39. The representative of Hungary stated that his authorities were not lodging a complaint of having been refused access, but they were concerned with the very principles involved and the questions on which he invited factual answers were: 1) was the monitoring system applied to imports from all sources? and 2) did the seasonal restrictions, as used by Austria against Hungary and also certain other countries, apply also to imports from the EEC?

40. The representative of New Zealand, referring to an earlier comment by Austria, enquired whether import levies in Austria were also subject to bindings.

41. The representative of Austria stated that he had probably not been sufficiently clear in regard to his comments on a question asked by Sweden. In cases where Austria applied levies, tariff duties were not applied. If the duty that would have been applicable had been bound, the upper limit of the levy that might be applied instead of the tariff could not be higher than the bound tariff. Returning to one of the points made by Hungary, he stated that he was not aware of any instances where Austria applied seasonal restrictions against imports, from some countries while at the same time allowed imports from other countries. Certainly there was no provision for such exemption for imports from the EEC in the Austrian/EEC Free Trade Agreement.

42. The Chairman thanked the representative of Austria for the notification and for the explanations provided.
1. Introducing the document AG/FOR/BNG/1, the representative of Bangladesh said that the information provided was incomplete at that stage, but his authorities would soon be submitting a more complete notification covering all agricultural products and all commercial policy measures. The present notification had been submitted merely to meet the deadline set by the Committee on Trade in Agriculture.

2. The representative of the EEC appreciated the effort made in meeting the deadline, but pointed to the need for a more comprehensive submission for the sake of greater transparency. He, in particular, inquired about the export credit incentive provided for the fruits and vegetables sector. In reply the representative of Bangladesh mentioned that while the main source of credit were the commercial banks, the Agricultural Development Corporation Land Krishi Bank of Bangladesh provided special concessional credit and other assistance to the growers and exporters of fruits and vegetables, which was, however, not a subsidy but an incentive to promote exports.

3. The representative of the United States also appreciated the effort of Bangladesh in providing this information. He wanted to know about the nature of 3 per cent additional tax levied on the imports of vegetable oils (CCCN 15.07) if imported under wage earners' scheme. In reply, the Bangladesh representative said that his country had a large number of workers abroad who regularly remitted foreign exchange which served to contain the deficits in the balance of payments. In order to make a proper use of such remittances, the Government had introduced liberal licensing for imports of essential goods, including capital goods, paid for with such earnings abroad. More details about this scheme could be provided at a later stage when a new notification was submitted.

4. The representative of New Zealand noted that imports of butter and cheese (CCCN 04.03, 04.04) were totally banned in Bangladesh. He wished to know whether "donations" were subject to any particular kind of licensing or were similarly banned. He also wanted to know the level of tariff rate on meat (02.01). The representative of Bangladesh replied that imports of butter and cheese were banned on the grounds of balance of payments which had progressively worsened over the last four years. Imports of these products under "donations" were, however, not banned; on the contrary, they were welcomed. Imports of meat were subject to a very high tariff rate as well as a surcharge as shown in the notification in order to protect the domestic production.

5. The representative of Switzerland inquired why imports of dairy products, meat and sugar were particularly banned. The Bangladesh representative replied that the sectors of meat and dairy products were protected on grounds of the peculiar patterns of domestic production and consumption. Special measures for sugar had to be adopted to ensure its wider distribution into the remote rural areas. The purpose of import restrictions was therefore to protect the balance of payments and to ensure adequate supplies in all parts of the country.

6. The Chairman thanked the representative of Bangladesh for the notification and the explanations, and noted that Bangladesh would submit supplementary information.
BRAZIL (AG/FOR/BRA/1)

1. In introducing the Brazilian notification on measures affecting agricultural trade, the representative of Brazil stressed that the agricultural sector in Brazil contributed about 12 per cent to total value added and employed about one third of the labour force. He also stressed that the main objective of his Government in this sector was the improvement of the production in order to increase the domestic supply of food. Rural credit was the basic instrument for developing agricultural production. The Brazilian authorities encouraged production by facilitating the financing of investments, through production credits, and by assisting the commercialization of the products. There was also a quarterly minimum price to farmers. Furthermore, the Brazilian government offered technical assistance to farmers through research carried out by specialized national institutions. His delegation had made great efforts to provide a set of information as complete as possible, and he expressed his appreciation of the assistance provided by the GATT secretariat in this context.

2. The United States representative made a general statement on Article XVIII, in view of the fact that not only Brazil, but many other countries under review were developing nations confronted with balance of payments problems, and he expected that frequent reference would be made to Article XVIII as justification for various restrictive policies. He hoped that the Committee would attempt to distinguish between actions legitimately taken for BOP reasons and those taken for other reasons, for instance protection of non-competitive domestic producers. It was the responsibility of all GATT members, both developed and developing, to work towards the liberalization of trade, but he recognized the right of developing countries to impose restrictions for BOP reasons. The amount of government involvement in international trade on the part of many countries under examination was considerable and a wide array of market access restrictions and export assistance were found. He referred to a GATT study of 1983 "Prospects for international trade", which singled out the current situation in the international agricultural market as a primary example of the consequences of excessive government involvement in trade. The report stated "In agriculture, government interference in the market mechanism has a long history and is the most advanced. Considerably more than one half of world trade in agriculture is dependent on government subsidies and credits, transacted in the form of state trading or within similar politically negotiated arrangements. Indeed, it is fair to say that in agriculture, an effective international price system no longer exists." While this addressed primarily the problem of subsidies, it was obvious that restrictions on imports had also contributed to significant distortions in trade. He hoped that the Committee's examinations would bring out the severity and scope of the problem, and that this would prompt the participating countries to engage in serious discussion of how trade could be liberalized, and the role the GATT should play in that process. Nobody was without fault. The process of multilateral trade liberalization would be beneficiary to everybody.
3. He felt that for Brazil, governmental intervention in the agricultural sector was comprehensive. A system of subsidized production credits and minimum support payments acted as incentives to domestic production. For agricultural exporters, incentives were provided in the form of tax credits and prefinancing of goods, while discretionary licensing, high tariffs and foreign exchange controls, restricted the imports of agricultural products into Brazil.

4. He recognized the serious balance of payments problems currently confronting Brazil. Nonetheless, he expressed his concern with the severe and comprehensive nature of the trade policies practiced by Brazil, which included a suspension of import licenses which amounted to an import ban of indefinite duration on a large number of agricultural commodities. Brazil could obviously do much to liberalize its trade regime. He believed it to be important to distinguish between policies applied for BOP reasons and those applied for other reasons. He expressed the hope that Brazil would take seriously its commitments under the GATT, and use every available opportunity to liberalize its trade regime and open its market for imports.

5. Making some specific comments on the Brazilian notification, the United States representative suggested that the application of guaranteed prices to a number of commodities, including wheat, soybeans, corn, peanuts and coffee should be noted in the format, presumably under columns 5 and 14. Foreign exchange operations were centralized in Brazil's Central Bank, in accordance with Resolution 851, priorities for payment were set by the bank and actual payment depended on availability of foreign exchange at the bank. There was therefore no assurance that goods for which a licence had been granted would be allowed entry, or imports might be delayed more than 40 days. He believed that this restriction should be indicated by the symbol "CURR".

6. He noted that the 1982 suspension of import licenses for most agricultural commodities was mentioned in the explanatory notes, but felt that specific mention of this measure should be made in the format, and that a more complete explanation should be given of this policy, which he believed constituted a major barrier to trade. He wondered how long the suspension would remain in effect. In light of the fact that the Brazilian government frequently denied applications for import licences, he believed that the symbol "DL" for discretionary licensing, rather than "L" would be a more adequate indication in column 10. He also suggested that the application of health and sanitary regulations to imports of live animals (i.e. CCCN nos. 01.01 to 01.05 inclusive) should be indicated. He believed that the discriminatory policies of providing preferences to LAIA countries, and particularly in relation to the suspension of import licences, constituted a very severe restriction on imports from other countries not a party to the LAIA. He noted the reference in column 16 to the enabling clause as a justification for this policy. However, given the widespread participation in customs unions among the countries involved in this exercise, he believed that it might be worthwhile for the Committee to examine the overall effects of these trade unions on international trade, and to assess the legitimacy of the discriminatory policies that these unions entail vis-à-vis the enabling clause and other provisions of the GATT.
7. Inquiring what products were imported only by the state, he mentioned that wheat imports were handled only by the Government, that imports of rice, corn and other commodities were occasionally handled by Brazilian government agencies, and that all Brazilian imports had to be coordinated with the Ministry of Agriculture. He had therefore expected Brazil to indicate the use of state trading in column 10 for these products. He questioned the use of the notation for blended credit in column 3 for a number of commodities. He asked what Brazil meant by the notation blended credit, and what commodities and programmes were covered. Brazil applied subsidies and took other actions to stimulate exports which he believed were not covered by the blended credit notation and which should be included. He mentioned resolutions 624 and 643, providing for preferential export financing. He believed that these programmes were being modified, and the Committee should be provided with details on such changes. He furthermore referred to exemptions from income taxes afforded under Decree Law 1721, which extends Decree Law 1158 for exemption from taxes on profits from export sales on certain commodities and a rebate on indirect taxes, specifically the rebate on the industrial products tax (IPI) and the ICM, the merchandise circulation tax. These programmes provided not only for a rebate on indirect taxes for certain commodities, but also permitted the exporter to receive a tax credit equal to the amount of the rebate. He inquired whether Brazil planned to phase out the IPI credit, or whether it would be continued until April 1985, when the Government was committed to eliminating this credit. With respect to rural credit loans, he said that these applied to the entire agricultural sector, and covered not only operating costs, but also the cost of imports. Because of the complexity of Brazilian export policies, greater detail and precision was needed as to the commodities covered by the various programmes, and the amount of money available for each commodity.

8. Finally, he sought further clarification of the references to Article VIII as regards licensing, since this Article referred to licensing only in the context of fees and formalities.

9. In replying to the questions presented by the United States representative, the representative of Brazil explained that support policies, including the application of minimum prices, were applied to products for which Brazil had taken on commitments under international agreements, as was the case for sugar. Concerning credit available under various commodity programmes and the question raised about blended credit, he explained that this was based on a recent resolution adopted by the National Monetary Council, which had opened a particular credit line for exports. The credit thus granted was only available to producers. In relation with its recent discussions with international financial institutions, the Government had been studying possible changes to be made to the present credit scheme, but a great number of factors had to be taken into account, and no decision had been taken yet. He could agree to include an indication of the application of sanitary regulations to imports of live animals in the table. He stressed however, that these regulations were indeed necessary to protect the health of the livestock in the country, they were comparable to the measures taken for similar purposes in other countries and were in conformity with rules and principles elaborated by specialized international bodies.
10. The representative of Brazil had taken note of the various questions posed and would report them to his authorities, as he did not for the moment dispose of all the information necessary in order to reply extensively to all the questions. He would take the necessary steps to ensure that replies were provided to the Committee in due time. He felt however, the suggestion by the United States to have a consideration by the Committee of the effects on trade of preferential treatment of imports from other LAIA countries in connection with the suspension of import licenses, and to examine these measures in the light of the enabling clause, would be outside the mandate of the Committee. With regard to a Brazilian commitment under the Subsidy Code to phase out IPI credit, he expressed the opinion that this matter could more appropriately be dealt with in the Subsidy Committee.

11. As to what would be the competence of the Committee, the Chairman recalled what was said in the Ministerial Declaration namely that "the examination shall cover all measures affecting trade, ..., including subsidies and other forms of assistance". He expressed the opinion that a consideration of the application by Brazil of preferential treatment on agricultural trade and of subsidized credit would clearly be within the competence of the Committee. This view was shared by several representatives.

12. The representative of Australia in presenting some specific questions, reserved the rights of his delegation to revert to the notification of Brazil as the late submission of this notification had not left sufficient time for his authorities to examine the paper. In reply to a question as to what extent Governmental support to agriculture in Brazil had been reduced in the last couple of years as a result of advice given by the IMF to reduce the budgetary deficit and budgetary expenses, the representative of Brazil explained that interest rates on agricultural production credit had been raised, governmental credit to various agricultural institutions and production subsidies had been reduced. It was necessary to eliminate budgetary deficits and production would have to be encouraged through other measures. In reply to a question about when the supervision of agricultural imports would be lifted, he replied that this would depend on developments in the country's balance of payment situation. He added that a considerable amount of trade was taking place as the suspension was not total. Agricultural imports in 1983 had amounted to 1.1 billion US dollars, and the list of prohibited products would hopefully be shortened in 1984 as the balance of payment situation was improving. The list was fixed notably in light of the balance of payment situation, but also in light of domestic supplies and stocks of the individual products. With respect to the tariffs on barley which were relatively high compared to products of barley notably malt, he explained that this was due to internal circumstances and no reduction of the tariff was actually being considered. He confirmed that at present there was a requirement for six months of credit applied to imports, and a relaxation of this would depend on developments in the balance of payment situation. He could agree with the view expressed by the Australian representative that problems of developing countries depending on exports of agricultural products were aggravated by increased competition from subsidized exports on the world market.
13. The representative of Peru inquired about the basis for the application of surtaxes listed in column 9, and the Brazilian representative explained that the legal basis for this tax was an Executive Act of 1974 and subsequent legislation notably an extension of that made in December 1982. The purpose was to limit superfluous or less essential imports not necessary to the development of the country. The Government of Brazil considered this measure to be temporary one. The surtax was currently applied to 4248 items corresponding to 39 per cent of all tariff headings. It was not applied to items for which tariffs were bound under the GATT nor to imports from LAIA countries. Furthermore, he explained that various import restrictions listed in column 10 were also taken for balance of payments reasons, they were temporary and generally applied in a non-discriminatory manner, but trade under drawback operations and under regional arrangements were not subject to these restrictions.

14. The representative of the Commission of the European Communities supported the opinion expressed by the Chairman with respect to the field of competence of the Committee and insisted on having a clear response from Brazil as to whether certain questions related to subsidies or suspension of licensing could or could not be dealt with in the Committee, as he considered a clarification on this point to be essential for the continuation of the work in the Committee.

15. One problem he had with the Brazilian notification was that it did not indicate any support to agriculture for instance in column 2 and suggested that this should be done as the discussion so far had revealed that such support existed. With respect to unbound tariffs he suggested that Brazil should indicate a "(c)" in column 16, thus indicating only limited use of Article II. He felt that Brazil should explain more in detail the suspension of licensing and notably indicate the products for which imports were actually affected by these measures, as it was important to keep in mind that the objective of this exercise was to establish the effects of various measures, even internal measures, in order to have a complete picture of the situation. He noted that for certain indications, e.g. "P" or "XR" in columns 5 and 10, no reference to GATT provisions had been made, and suggested that this should be made. In his view the application of internal taxes (NTX) represented a major obstacle to trade with Brazil, and suggested that a direct indication of this measure should be made, and not a mere indication of exceptions as it had been done for this measure. Furthermore, he wanted to have a more clear indication of what measures were applied simultaneously to the individual products, for instance whether tariffs, taxes, surcharges, financial taxes and value added taxes were added, and the total charged on imports, and whether automatic licensing (AL) was applied in conjunction with other import restrictions, (MR). It was not clear to him what was meant by prior licensing (PL) and what distinguished this from licensing (L). He furthermore inquired whether the indication of other export measures in column 7 and other import measures in column 14 in fact meant state trading as for instance for wheat, reference had been made to Article XVII:4. He found the reference to Article VIII in some of these cases and some others as well to be unclear. He noted that some of the charges (XLV) indicated varied for various commodities and questioned whether the amounts did not
occasionally exceed the "approximate cost of services rendered" and in fact amounted to protection. He advanced that this problem could perhaps be taken up for more specific consideration at some stage. He finally mentioned some specific problems which he would like to examine further with the Brazilian delegation, e.g. imports of wine in containers of less than one litre, subsidies granted on poultry and on maize fed to poultry. Like others, he reserved his right to revert to the Brazilian notification when his authorities had had some time to study it.

16. The representative of Brazil found it hard to reply on the spot to such a range of specific and complex questions. With respect to licensing, she explained that in general this meant a fairly liberal licensing, and when the symbol MR was indicated this meant in fact that a specific permit was required. The latter applied, however, to temporary measures applied for balance of payment reasons. With respect to exemption of the payment of financial taxes on imports from LAIA - countries this could not be more clearly indicated by indicating a general application of the tax, as it was the exemptions that were important. Reference had accordingly been made to the Enabling Clause. The value added tax was charged on a non-discriminatory basis and reference was accordingly made to Article III. For the export tax, reference was made to Article VIII, as the purpose of the tax was purely administrative. With respect to the indication of other forms of export control (OFXC) in column 7 there was an error in the table and the correct reference in column 16 was Article XVII:4. The trade of the products in question (e.g. coffee, wheat and sugar) was handled by monopolies, but was not to be qualified as state trading. In general, Brazil had no interests in limiting exports, but in some cases it was necessary to safeguard supplies of raw materials to processing industries not least in order to provide employment for an increasing population and utilize the capacity of the industry to provide goods for export. For production development reasons it was in some cases necessary to prohibit exports of animals necessary to assure reproduction. Prior licensing (PL) was used to provide the necessary information to CACEX with respect to supplies and prices, for planning purposes, notably in order to secure supplies to the domestic market. It was stressed that Brazil felt it as a fundamental duty to assist its agriculture, notably in the view of the fact that a population of 125 million with an annual growth of 2.5 per cent had to be nourished, and the application of agricultural subsidies was an integral part of the policy to ensure sufficient food supplies. He noted that such subsidies were generally applied by all countries or groups of countries and he would therefore be in favour of discussing the matter in this Committee.

17. In a comment to the latter point the Community representative said that he would insist on his suggestion that Brazil indicated its support to agriculture and made reference to Article XVI but stressed that in no way did this mean that he denied Brazil the right to support its agriculture. And, he could also appreciate further details on the different levels of export taxes applied to CCCN positions 12.01, 15.07 and 23.04, and a justification for a differentiation of taxes.
18. The representative of Canada also supported the view expressed by the Chairman with respect to the mandate of the Committee. He asked for more clarification from Brazil about the allocation of licences between suppliers, and wondered whether reference to other Articles than VIII would be appropriate, and noted that in the case of poultry liver (02.03) reference had been made to Article XIII. In relation to subsidies he would appreciate more complete information on the application of minimum prices to wheat and oilseeds. The submission might also be completed with respect to export measures, and he would like to have some details about the blended credit indicated. He also reserved his right to submit further questions at a later date.

19. The representative of Brazil explained that import licenses were issued by the Foreign Trade Department of the Central Bank of Brazil, for exchange control, taxation purposes and for registration and statistical purposes. Furthermore, other purposes were to ensure that the suspension of imports for balance of payment purposes was respected, to control imports from countries which discriminated Brazilian exports, and to control prices and avoid speculation that could distort the domestic market. The system of guaranteed minimum prices at which the Government was committed to acquire products, it applied to a number of crops. Until 1981, basic prices had been fixed annually at the beginning of the season, but had since been determined and adjusted taking account of movements in the consumers' price index.

20. In reply to a question from the representative of Hungary, about blended credit applied to exports of poultry meat (02.02), the Brazilian representative reiterated what he had already explained about the credit line created under a resolution by the National Monetary Council, under which credit was only available to producers and for products destined for export. The duration of the loans was 360 days, the interest rate was 60 per cent per annum, and the size of the loans was based on export performance in the previous year and an estimate of exports in the current year. A modification of the scheme was presently being considered. In reply to another question it was said that other measures such as exemption of taxes and production subsidies were not applied to the poultry sector.

21. The representative of New Zealand in his turn endorsed the opinion expressed by the Chairman that the exercise should cover all measures affecting trade, market access and competition, and that it was useful to have this reminder. He shared the concern expressed by others that no indication was made by Brazil of agricultural support in column 2, and reserved his right to return to this notification and raise questions at a later stage. He signalled that column 8, 11 and 12 would have to be completed in light of reverse notifications which his delegation intended to submit, in order to facilitate a future consideration of the operation of Article XX. He felt that in some cases reference should have been made to Article XI with respect to licensing used for trade control purposes. Some further explanatory notes might have been helpful to clarify the distinction between "L" and "PL". He was pleased to hear that Brazil sometimes had to import food, and suggested that for this purpose attempts were made to establish relations with dependable suppliers.
22. The United States representative said that he had presented his questions to the Brazilian delegation in writing and would appreciate exhaustive replies to the questions. Also the representative of the Community signalled that he might have further comments to make at a later stage, for instance at the March meeting of the Committee. The representative of Brazil said that in the case the Brazilian notification would be subject to subsequent examination he would reserve the right of his delegation to present further questions about notifications of other countries.

23. The Chairman thanked the representative of Brazil for the notification and the explanations, and said that he did not feel that the examination of Brazil was entirely concluded.
1. The representative of Canada said that the purpose of the exercise was to arrange the information in order to be able to draw useful conclusions and to get some ideas about the direction of the work of the Committee. It would be useful to aim at some degree of comparability keeping in mind the three general areas of concern expressed in the Ministerial Declaration; namely matters of access, measures affecting exports and the balance between rights and obligations under the GATT as it had evolved over the years. He wondered whether at the end of the examination, it might perhaps be envisaged to do some further preparations, e.g. to compare value of trade entering under bound tariffs and under non-tariff measures.

2. He felt that an assessment of the extent of governmental support was missing in the documentation, for instance by comparing government expenditures in the agricultural sector and farm cash receipts. In the case of Canada, the Federal Government spent roughly 1.3 billion dollars on various kinds of subsidies to agriculture compared to an amount of 19 billion dollars of farm cash receipts originating in the sector.

3. Due to a rather large production potential and a relatively small population, Canadian agriculture had a particular dependence on international trade. Exports in 1982 amounted to 9.5 billion dollars and imports to 5 billion dollars. The United States constituted the primary source of agricultural imports, the bulk of these was accounted for by fruit and vegetables. Other sources of imports were Western Europe and developing countries. Over the years, the destination of Canadian exports had changed dramatically, as the historical dependence on Western Europe as the major outlet had diminished. At present, shipments to the United States, the Community and Japan accounted for 40 to 45 per cent of Canadian exports. The emergence of the USSR and China as major markets, now absorbing about one third of Canadian agricultural exports, represented a dramatic change in trade flows. Exports to developing countries accounted for less than one fifth of total exports.

4. Historically, Canada had protected domestic production through tariffs, of which 99 per cent had been bound through various GATT negotiations. For agricultural products, the average trade weighted ad valorem equivalent was actually about 2 per cent. However, a number of non-tariff measures were applied. Some years ago, the dairy regime was changed from a complete reliance on a price system based on deficiency payment, to a system based on supply management, which had more recently also been applied in the poultry sector. For products under supply management, each individual farm in Canada was subject to individual production quotas. A national agency embracing Provincial Marketing Boards, established a national production target which was divided into provincial shares, based on some historical average, and allocations were made to the individual farm. The industry was then primarily controlled through the supply management system, and accompanying import restrictions would be applied in conformity with GATT Article XI.
He went on to say that Canada had rationalized, notified and explained its dairy and poultry import regime as being in conformity by and large with the intent of Article XI. The only other major non-tariff import measure applied related primarily to contingency measures under the Canadian Meat Import Act comparable to the US Meat Import Law. In the context of a North American livestock economy - it became impossible to remain the only unrestricted major beef import market. Fortunately, so far it had not been necessary to impose import quotas. However, this year Canada was forced to limit its exports to the United States, under a voluntary restraint agreement primarily because the United States Meat Import Law was too restrictive. Finally, he drew the Committee's attention to the fact that Canada was a confederation with provincial governments which had the right to control the marketing of all products, both agricultural and industrial within their provincial boundaries. The Federal Government could under the trade and commerce power control the movement of goods between provinces and of goods and services between Canada and other countries.

5. The Community representative commended Canada for a very comprehensive notification, but nevertheless raised a number of points on which he suggested that the notification might be further completed and some clarifications provided with respect to the justification of the measures under the GATT.

6. With respect to the omission of a notification of licensing for imports of beef under the Meat Import Act, the representative of Canada referred to what he had said, namely that the provisions had never been applied. In order to control a possible diversion of Oceanic meat exports from the US to Canada, a system of open licensing was applied to obtain a day to day, or week to week running total of imports. Concerning the reference to Article I for certain preferences, he said it should be recognized that Canada had a three tier or even a four tier system of tariffs; a British preferential system, mostly a zero duty which essentially was applied to Australia, New Zealand and all developing countries members of the Commonwealth, a GATT rate was applied to virtually all other countries with a few exceptions, for which a general rate was applied. The reference to Article I then meant that although the m.f.n. rate was free, the preference still existed on paper. In reply to a remark by the Community representative that licensing and quotas were comparable to measures taken by the United States under waiver, the representative of Canada explained that reference was made to Article XI and that Canada made extensive use of this Article because it operated a strict supply management system in the sectors of poultry, eggs and dairy.

7. The legislation governing the poultry and egg sector clearly indicated that before other products could be made subject to this legislation, there had to be a vote. There had been some discussion about extending supply management to the hog and beef sectors but this would require a change in the legislation and also require a national referendum of the livestock producers. He felt that the people engaged
in dairy, poultry and eggs production were fairly satisfied with the system. He furthermore stressed that when Canada introduced supply management for poultry and eggs and the associated import quotas, the requirements of Article XI had been observed and the necessary negotiations with principal suppliers, primarily the US, had been held. The dairy restrictions came into place over a long period of time, one product after another, and the original rationales may have varied, but was mainly to protect a domestic price support system, essentially the same rationales as used for US Section 22 quotas. However, questions had arisen about how to deal with the application of the provisions of Article XI to a processed product like cheese which was not under supply management. To date, the justification for cheese import quotas was that the supply of the raw material (industrial milk) was under supply management. He suggested this general problem should be addressed by the Committee.

8. The wheat import permit system, applied by the Wheat Board, was covered by Canada's Protocol of Provisional Application. As concerned fish, the representative of Canada recalled that fish was also being dealt with under a separate programme and meant that this Committee had sufficient work to undertake, even if it should only deal with agriculture in a narrow sense. The Canadian delegation had nevertheless notified measures affecting imports of fish, mainly tariffs.

9. The representative of Japan shared the hesitation expressed by Canada on entering into substantial work on fish in this Committee at present. He found the range of measures applied by Canada in the dairy sector to be extensive and wanted clarification on a couple of points, including the rationale for the measures.

10. The representative of Canada said that the indication of state-trading for milk powder was an error, as butter was the only product imported by the Canadian Dairy Commission. He agreed that the system might appear to be complex, and referred to what he had already explained and that these measures had been introduced over a long period of time. Cheese was the last item that had been brought under import restriction, and the rationale used was that a supply management system was in operation, and the loss of the major export market, the United Kingdom. Cheese was subject to a global import quota, and other dairy products were subject to discretionary licensing which in practice amounted to prohibition as licences were only rarely granted. He repeated that there were interpretation or application problems with Article XI:2(c)(i), due to the fact that while the trade was in processed products, the supply management system applied only to the primary product.

11. In reply to a question from Argentina, the representative of Canada explained that there was no double licensing, in the case of cheese but an import permit under the global quota as well as a health and sanitary certificate were required. In the case of canned meat there was also a double requirement namely that the label had to be approved and certain veterinary and meat hygiene requirements had to be met. Replying to a comment made by the representative of Argentina about the reference to Article XI:2(c)(i), the Canadian representative said that Canada was not
the drafter of Article XI. The Article had been drawn up to take account of the particular agricultural policies prevailing in the United States at the time. In reply to comments about the grain import regime, he explained that only wheat, barley and oats (including by-products) were subject to import permits under the Wheat Board Act, while imports of maize, sorghum and other feed grain were simply subject to a low tariff, and he added that the tariff rates listed in the notification were final MTN rates. The Canadian grain market and prices were heavily influenced by the Chicago exchange and subject to international market forces. He said that grain was the most important product grown in the western region of Canada and was historically the major export item. Consequently, over the years a panoply of various programmes had been designed to protect and stabilize the grain industry. It had been recognized that in order to export, it was necessary to produce wheat competitively and therefore the mechanisms in place were more a safety net and not a massive inducement to expand production. The Western Grain Stabilization Act guaranteed producers in the Western provinces that their net cash income would be maintained. There were a number of different regimes such as an initial payment system whereby the government guaranteed a minimum price. The Wheat Board operated pricing pools and the government guaranteed that the average return would not be below the initial price. Initial prices had been set at relatively low levels and as a consequence there had been few payments by the Federal Government.

12. Replying to a question relating to other preferences, the Canadian representative referred to what he had already said and added that there were special preferential rates arising out of preferential trading agreements with Australia and New Zealand going back to the 1930s and concerning a handful of products, the most important one being the preference given to Australia for sugar. In many cases the preferences did not differ from the British Commonwealth rate, or the m.f.n. rate. The main exception was, duty free entry for Australian and New Zealand lamb whereas the m.f.n. rate was 3 cents per lb. A general preferential system was applied in the agricultural sector on a selective basis, but all tropical products were duty free or subject to low tariffs.

13. The representative of Australia made the remark that there seemed to be net transfer of income to Canadian farmers while in Australia the situation was the reverse, and asked a number of specific questions. In reply, the Canadian representative said that when discussing supply management and related trade measures, it was useful to distinguish between products which are both under supply management and traded, and processed products which are traded but where the primary product is under supply management. He mentioned that when Canadian poultry production had increased, the import quota had been increased, but that it had not been possible to do likewise for cheese. He mentioned that import permits were issued by the Department of External Affairs, and not by the Boards. With respect to the sharp increase in Canadian cheese exports in recent years, as mentioned by Australia, the Canadian representative explained that this increase was due to improved access
for Canadian cheddar to the Community market which had been obtained through negotiations. As to a question about whether supply management systems were subject to public enquiry and report, he replied that the Government could order an enquiry. The poultry and egg sector was subject to the National Farm Products Marketing Act. There was also a National Farm Products Marketing Council appointed by the Government to oversee the operation of boards, notably their pricing policies. Concerning beef imports, no trigger price mechanism was applied, but the Meat Import Act contained an arithmetic formula that generated a base import level but which had been inoperative over the last years. Due account would be taken of the minimum access commitment for beef, which Canada made in the GATT - Multilateral Trade Negotiations and which contained a growth element, whenever import restrictions would be imposed on meat. Making a remark on comments made by Australia and the Community about marketing practices for wines and liquors, he said that irrespective of the problems there had been a phenomenal growth in imports of wines and spirits.

14. The representative of Kenya inquired whether the application of other measures could provide an advantage for GSP suppliers, for instance in cases where tariffs for which GSP treatment had been granted had subsequently been bound at zero and the GSP advantage had thereby been eroded. The representative of Canada agreed that there had in fact been some erosion of GSP advantages as a result of subsequent reduction and binding of the MTN rates. He did not think, however, that such trade liberalization would be a disservice to developing countries and he noted the advantage stemming from bound concessions as opposed to unilaterally imposed GSP treatment.

15. The representative of New Zealand shared the concerns already expressed by Australia and the Community with respect to wine and the role of provincial administration and said that this represented a general problem which might be kept in mind when revising the documentation. The representative of Canada pointed out that state trading had been indicated for wine and spirits, but would try to provide more details if wanted. With respect to the Agricultural Stabilization Act he said that this applied to cattle and a number of other "normal" commodities, but any other product could be designated for support.

16. In reply to a comment by the representative of Switzerland, the representative of Canada said that reference prices existed only for cheese which was subsidized by the exporting country.

17. The United States representative thanked Canada for a comprehensive notification and also expressed his appreciation of Canada's participation in multilateral efforts to liberalize agricultural trade. Most tariff rates had been negotiated and were bound, and guaranteed prices had been set close to world market levels. However, extensive use was being made of market intervention, import protection, governmental assistance to exports of grains, meat, poultry, eggs and dairy products and the Government had assisted the establishment and operation of marketing boards which controlled exports of major commodities. At times of oversupplied markets, the types of production
and marketing restraints chosen, the use of export subsidies and the disposal of surpluses at low prices, had all contributed to aggravate situations of depressed prices in the world market. He felt that more information was needed to establish the necessary transparency and that the applicability of Article XX(a) might be open to challenge. He shared the views already advanced by others with regard to controls exercised by provincial boards on the imports of wine and spirits. He also listed a number of specific points on which he sought a clarification from the Canadian representative.

18. Concerning imports of fruits and vegetables the Canadian representative explained that seasonal restrictions were applied, with imports during the off-season being free, while imports during the marketing season for Canadian produce were subject to an ad valorem or specific duty. The Ministry of Finance could impose, upon a recommendation by the Ministry of Agriculture an import surtax but this was not based on mandatory legislation. The system of implementation had been changed in 1979, but the legislation itself was older. In addition to tariff protection, Canadian produce was also protected through transportation costs from distant growing areas. He expressed the view that the application of the surtax which had only been applied in a few cases, constituted an action fully in conformity with the provisions of Article XIX, and made a general remark that seasonal marketing problems were frequently occurred in both North America and Europe, with a larger country often setting the price in a neighbouring smaller country. With regard to advance payments and interest free loans on certain products, he recalled what he had already said about the total support to agriculture and that this included incentives to producers for storing products and thus delay the marketing and hopefully obtain a better price. Canada applied a range of measures to deal with a variety of problems which might be different from those applied in the United States to deal with similar problems, and everybody should be free to choose the means. Some subsidies were provided under the Advance Payment Act and the Western Grains Stabilization Act. A particular concession on transportation had initially been provided to facilitate settlement in Western Canada, namely the Crows Nest Pass rate. This was a low freight rate on grains, applied by the railroads in exchange for a grant of money and land from the Government. The railroads had later claimed that the crown rate only covered roughly 20 per cent of transportation costs. In his view, Government assistance to the transportation network was not unique to Canada. He agreed that the Canadian Wheat Board dominated wheat export sales, but pointed out the Canadian grain sector thought it was best that way, as the Board worked to the satisfaction of everybody. He confirmed that Canada had not made concessional sales since early 1970, but a statutory authority for this to be done existed. The Government provided guarantees for commercial loans to finance export credit for grains, but this had involved no expenses to the Government. At present no export subsidies were used.

19. The Chairman thanked the Canadian representative for a comprehensive notification and for the additional explanations given. He noted that the discussion had revealed a number of general points for future consideration by the Committee.
CHILE (AG/FOR/CHL/1)

1. In introducing the notification for his country, the representative for Chile made reference to the successful economic policy adopted by his Government, and which had been based on an efficient allocation of resources through a liberal trade policy with a maximum degree of transparency. No special policy was applied to the agriculture sector, but the general national economic policy programme covered all economic sectors, including agriculture. The industrialization of the country had begun in the late thirties, and had initially aimed at substituting imports. A high degree of protection had depressed trade in general, and agricultural trade in particular which up to then had been of major importance. In 1974, a completely new economic policy was adopted which meant a much more rational use of all economic resources. Trade was extensively liberalized, based on a more realistic rate of exchange, combined with a more efficient monetary policy, which opened up for external trade, and stimulated agricultural exports. All sorts of subsidies and other measures distorting trade were eliminated. Results were spectacular, imports doubled four times over the next years and exports of the more dynamic sectors as agriculture increased correspondingly. As an example it was mentioned that the relative importance of copper exports declined from 80 per cent in 1974, to less than 50 per cent in 1982, while agricultural exports had at the same time increased their share from 3 to 9 per cent, in spite of reduced employment in agriculture following rationalization and higher efficiency. The relative importance of external trade rose from 30 per cent of the GNP in 1960 to 50 per cent in 1982. All this was the result of a liberalized economy, without use of subsidies, restrictive measures or general intervention by the State.

2. With respect to the notification, he pointed out that automatic licensing was applied for purely statistical purposes. All tariff rates had been bound during the Multilateral Trade Negotiations at 35 per cent across the board. The bound tariff rates could have been much lower if other parties to those negotiations had at the time offered more generous cuts in their tariffs. At present, the applied rate was 20 per cent which was significantly below bound levels. As from the end of 1984, this applied rate would be gradually reduced and would be 10 per cent by the end of 1985, for all products. In a couple of cases, a surtax was applied to correct a market distortion due to subsidized supplies from other countries. It had become necessary to apply specific duties to dairy products, in order to neutralize adverse effects of a disastrous situation in the world market for such products. Governmental credit at prevailing market interest rates had been made available in order to stimulate production and exports of certain products. Agriculture furthermore enjoyed the benefit of university research, research policy, and transfer of technology, thus increasing the productivity of the sector.
3. The Community representative noted the absence of any indication of export measures in the table, and felt that the application of agricultural support ought to have been indicated for instance in column 2. He also felt that with respect to dairy products more complete explanations should have been provided with respect to specific duties and the minimum prices used to calculate the duties. He recognized with appreciation however that all tariffs were bound by Chile. In reply, the Chilean representative confirmed that in fact no support policy was applied to agriculture and that all exports credits were granted for period up to 250 days, and at market rates. As to the question about dairy products, he confirmed that minimum prices had been established very recently for the purpose of calculating the duties and that he hoped to have more detailed information in a few days and would then complete the notification accordingly. He pointed out that the total of the ordinary duty and the specific duty did not exceed the bound rate of 35 per cent, and that reference should be made to Article II. The minimum price was a formality and he suggested Article VIII as an appropriate reference.

4. The New Zealand representative also referred to the special measures applied to imports of dairy products, and would appreciate any additional information on this matter. He had some doubts as to the complete absence of agricultural support in Chile. He also expressed his appreciation for a generally liberal trading system, and could only regret that the first derogation from this rule applied to the dairy sector. In reply, the Chilean representative said that the particular measures taken in the dairy sector was necessitated by external factors and also by a a vulnerable domestic sector, which it was necessary to protect from disappearance.

5. The United States representative in his turn commended Chile for the information provided. The Canadian representative was also impressed by the situation in Chile, with the complete absence of agricultural subsidies. He inquired why no sanitary or phytosanitary regulations were indicated. The Chilean representative merely replied that the instructions given in AG/W/2 had been followed, of course such regulations existed, but no reverse notification had been made against Chile, and a complete explanation and description had been provided in the general note preceding the notification format.

6. The Chairman thanked the representative of Chile for his notification and the explanations provided.
1. The representative of Colombia stated that for Colombia the agricultural sector was the main earner of foreign exchange and on which 60 per cent of the population depended for its livelihood. In 1970 agriculture's share in GNP amounted to 25 per cent and in 1982 to 22 per cent. Coffee was the principal export product, producing more than half the value of total exports. It was followed in order of importance by bananas, flowers, sugar, tropical woods and some fruits.

2. The representative of Colombia explained that, during the decade of 1970's, Colombia had begun a process of gradual elimination of import restrictions, as a result of the satisfactory position regarding international reserves which prevailed during this period, thanks to high coffee prices. As from 1980, there were marked tendencies to maladjustment in the foreign exchange-and trade-balances, due partly to the fall in international coffee prices and partly to a slowing down of the rate of growth of traditional exports, accompanied by a rise in foreign interest rates. In view of these elements, and taking into account the internal recession, a policy of austerity in regard to imports was initiated at the end of 1982, applied, however, with due regard to the principles of GATT and to the obligations assumed by Colombia on signing the General Agreement in 1981. The measures taken were (i) a general increase in import duties and (ii) the requirement of prior licensing for a large number of tariff headings. All of the measures taken had been notified to GATT. The Working Party on Accession of Colombia to GATT had found that the licensing regime applied by Colombia was in conformity with the provisions of Article XVIII.

3. The representative of Colombia stated that agricultural imports rose during the period 1968 to 1981 from US$52 million to US$663 million; total merchandise imports increased during the same period from US$630 million to US$6,093 million. In other words, imports of agricultural products increased much faster than imports of manufactures. The most important agricultural imports were milk and dairy products, cereals, seeds, and fats and oils which, together, represented about 62 per cent of the value of agricultural of imports. As regards tariffs, Colombia was one of the few countries which granted only a relatively low level of protection to agriculture, the average rate of duty for the first 24 Chapters being of the order of 24 per cent, which might be considered an "optimum" rate, since it did not affect normal market conditions, but provided reasonable protection for national products.

4. As regards exports, it was not until 1967 that Colombia began to have significant exports of products other than coffee. In order to develop these other exports, the Government had provided a series of incentives such as the importation of raw materials, inputs and capital goods free of duty, provided that the final product was for export. There were also other mechanisms, such as credit and a system of refunding of indirect taxes on products which the Government wished to promote; the refund varied according to the cost of production, which
differed from one region to another. Through these policies Colombia had been able to export new products and to be more competitive in foreign markets. The export promotion measures notwithstanding, Colombia continued to encounter serious difficulties in placing its products in some of the markets, particularly when problems of limited market access were compounded by conjunctural difficulties. This had led to a decrease by 17% in Colombian export earnings in 1982, and a further fall by 21% in the first half of 1983. The representative of Colombia pointed out that only coffee was subject to an export tax and that the other references to export taxes appearing in the format should, accordingly, be deleted.

5. The Community representative stated that it appeared from the explanatory notes to AG/FOR/COL/1 that the possibility of the granting of non-commercial credits and drawbacks existed, in principle, for all products other than coffee and he felt that this should not only have been pointed out in the explanatory note itself but should have been reflected throughout the format tables.

6. The representative of Colombia explained that although, in principle, possibilities existed for the provision of non-commercial credits and of the granting of drawbacks, the availability of such facilities was by no means automatic. Interested exporters had to apply for the provision of these facilities and only if the merits of the case were sufficiently established could these facilities be granted and then normally not for all products but for products falling under a given heading or sub-heading only.

7. The representative of the United States expressed appreciation of the statement made by the delegate of Colombia. As regards the entries in the format he stated that, as far as he knew, imports into Colombia of wine and dried beans were prohibited, except for those originating in ALADI countries, so that the symbol "DL" in the format did not adequately portray the severity of these restrictions. Further, as regards recourse to discretionary licensing for imports of live bovine animals, live swine, processed poultry meat and other processed meat, recourse to discretionary licences would not be in conformity with commitments assumed by Colombia in the Tokyo Round. As regards State trading, it was the experience of US traders that IDEMA (the Colombian Institute of Agricultural Marketing) did, in fact, handle many of Colombia's agricultural exports. As regards imports, the US noted that Colombia used a comprehensive import licensing system. It was their understanding that Colombia had established a domestic use-quota for major commodities, including grains, oilseeds and cotton and that the domestic purchasing quota must be filled before consideration can be given to imports. This policy, combined, as it is, with an extensive and effective system of support prices, seriously restricted access to the Colombian market for potential exporters. Finally, commenting on the fact that Colombia invoked balance-of-payments reasons for justifying import restrictions, he requested that the appropriate GATT Article be inscribed in column 16.
8. The representative of Colombia in his reply stated that the importation of wine was not prohibited in Colombia and excellent wines from many different origins were, in fact, available on the Colombian market. As far as State-trading operations were concerned, these were normally limited to dealing with shortages. Some years ago certain grain imports had been effected through State-trading but, at present, only milk imports were under State-trading. As regards the conformity of certain non-tariff measures with commitments assumed in the Tokyo Round, his delegation would check with the competent authorities whether any problems or discrepancies existed. Finally, as regards the balance-of-payments justification invoked for the use of import control measures, he said that foreign exchange reserves had fallen to a level where the imposition of these measures had become inevitable.

9. The Chairman thanked the representative of Colombia for the notification and for the additional explanations provided.
1. In presenting the EEC notification the representative of the European Communities pointed out that almost all agricultural production in the Community was governed by common agricultural marketing policies. With the entry into force in October 1981 of the sheepmeats regime only two important sectors, potatoes and alcohol, were not yet subject to common marketing arrangements and in these cases commission proposals were currently under consideration by the Council.

2. The rules relating to the organization and management in each sector varied according to the specific characteristics of the products concerned but there were four principal types of common marketing organizations in force in the Community. More than 70 per cent of Community agricultural production benefitted from a system of guaranteed markets and prices. This applied in particular to cereals, sugar, dairy products, beef and sheepmeats. For other products market support was in practice founded on more flexible measures such as assistance for storage, market withdrawal operations by producer groups, or assistance with regard to distillation. This was the case with respect to pigmeat, certain fruits and vegetables and table wines. The second major category or type of market organization involved about 25 per cent of Community production and covered such products, for example, as some fruits and vegetables, flowers, wine other than table wine, eggs and poultry. The mechanisms concerned were based essentially on frontier protection and were aimed at sheltering Community production from fluctuations in international markets through such instruments as tariffs and levies. Thirdly, for the other sectors such as, for example, hard wheat, olive oil, certain oil seeds and tobacco which account for above 2.5 to 3 per cent of Community production, the basic regime was one of complementary aid. In general the products concerned were those in which the Community was in deficit which accordingly allowed relatively low consumer prices to be maintained whilst at the same time guaranteeing a certain level of income to producers through complementary aids. Next there was a system of contractual aid based on acreage for such products as cotton seed, wool, hemp, hops, silk worms and seeds which account for about 0.5 per cent of Community production.

3. With regard generally to the Community's agricultural trade regime the representative of the Community observed that the Common Agricultural Policy had been notified and examined in Committee II about 25 years ago and that most GATT contracting parties would be perfectly familiar with the system as it existed. Three principal systems were involved: a system of levies; a system of tariffs which, as in the meat sector, was sometimes associated with levies; and for exports a system of export restitutions. These three mechanisms which applied at the frontier in the Community's trade with third countries had not been changed in any essential way since the Common Agricultural Policy was introduced. As a result of international monetary developments, however, monetary compensatory amounts had been in existence for a number of years and the Community would be willing to discuss any questions in this regard which might be raised.
4. The Community representative noted that the European Economic Community, which some regarded as a symbol of protectionism in the agricultural field, was by far the largest importer of agricultural products. The Community absorbed more than 25 per cent of total world agricultural imports and it ran a net deficit in its agricultural trade with third countries of US$ 25 billion. Between 1973 and 1982 the Community's imports of agricultural products had risen from US$ 27 to 53 billion. Over this period Community imports from developing countries had more than doubled and from the United States, the Community's main supplier, from US$ 4.6 to 10.8 billion.

5. While the Community was the world's largest importer of agricultural products in terms of both value and volume, it was also the second largest exporter and the second most important supplier of agricultural products to the developing countries. The Community's exports currently totalled US$ 28 billion compared with US$ 8 to 9 billion in 1973. The Community's exports over the period 1973-1982 had increased by about US$ 20 billion which was somewhat less than the increase in its imports. While the United States was the Community's main client and absorbed US$ 3.6 billion of Community exports, the overall deficits in agricultural trade with the United States was of the order of US$ 7.3 billion.

6. The representative of the Community pointed out that even if the Community's tariff regime were not without reproach, he considered that the regime nevertheless reflected a just balance between the interests of the Community and those of third countries. The overall picture presented by the Community's regime, taking trade with developing countries as an example, showed that 62 per cent of its imports from developing countries entered the Community at zero tariff rates and that 60 per cent of these imports entered at bound zero rates, free of quantitative restrictions or sanitary and phytosanitary restrictions. Thirty per cent of developing countries' agricultural exports to the Community were subject to relatively low tariffs and a further 7 per cent were subject to levies. The same calculations in respect of trade with the United States yielded even more favourable results with, for example, 66 per cent of imports from that country entering the Community at zero bound rates.

7. The representative of the Community noted that he was not aware that there was any country with which the Community had declined to discuss and even endeavour to seek solutions to particular problems encountered regarding imports into the Community. The Community was currently engaged in endeavour aimed at adapting its agricultural policy to the fundamental changes which had taken place throughout the 1970's. This endeavour had been under way in the Commission and the Council since October 1981 and it was hoped that this process would gather momentum in the near future. Efforts would be required on the part of Community producers and consumers. The Commission for its part considered that it was no longer reasonable to provide unlimited price and intervention guarantees in a situation in which internal and external outlets were compromised, at least for the coming years. It was also considered that the annual pricing policy should as well take account of the situation in these markets, of the budgetary position of the Community, and of other economic factors and not just the evolution of agricultural producers' incomes as had tended to be the case in the past.
8. The representative of the Community stated that the Community's trading partners would understand that the efforts to be undertaken by the Community internally could not be undertaken unless parallel action were to be taken with respect to the Community's import policy. The representative of the Community announced that the Community was obliged in the framework of the reform it was undertaking to re-examine the regimes applicable to various products in order to adapt them to the market situation. This re-examination related not only to the regimes applicable internally but also, since this implied in the view of the Commission possible changes with respect to the commitments undertaken by the Community in the framework of the GATT, the regimes applicable to imports. The representative stated that the Community was ready to begin a dialogue with its trading partners on the reforms under way in the Community's agricultural policy.

9. With regard to the Community's notification the representative noted that while the document was not as perfect as some others, the model established by the secretariat had been carefully followed. A certain number of additional abbreviations had been introduced in order to define more precisely certain specific instruments and measures resulting from the Community's agricultural policies. The inventory covered all the agricultural products included in CCCN Chapters 1 to 24 but, for the sake of comparability with other notifications, not those agricultural products, such as wool, hemp, silk or cotton, which lay outside CCCN Chapters 1 to 24. There would be no objection to such products being discussed or, if necessary, to a complementary document being prepared. The Community notification moreover included all "Community" instruments and measures resulting from the Common External Tariff, from the Common Agricultural Policy, from the GSP, from agreements concluded with third countries, including agreements relating to concerted disciplines and voluntary restraints. Quantitative restrictions maintained by individual member States were likewise included.

10. The Community had also notified all measures it was aware of which were capable of having a direct or indirect impact on trade, including in particular all forms of income or price support or protection as required in any case under Article XVI. Finally, the Community had endeavoured to indicate in column 16 for each measure a reference to the provisions of the General Agreement and had also endeavoured to classify the measures in accordance with one or other of the six categories established by the secretariat. In general, if there were errors or omissions these had been inadvertent and the Community would be prepared to make any necessary modifications as appropriate.

11. The representative of Japan expressed his delegation's interest in the agricultural policy of the EEC and its concern about one of the measures in column 2 of the Community's notification as well as import levies in column 8. However, as these measures would no doubt be commented on by other delegations, the representative indicated that the particular measures on which clarification was requested concerned the import restrictions noted as EX in column 10. The representative asked whether these restrictions were applied by the Community itself or by member states and also how they were implemented.
12. The Community representative thanked the delegation of Japan for the interest it had expressed in this matter. The restrictions currently applied, and which were noted in column 10, were maintained by member states by virtue of a Community regulation under which member states are authorized to apply quantitative restrictions in respect of a certain number of products. There were no longer any quantitative restrictions applied by the Community itself in the context of the Common Agricultural Policy in the sense mentioned by Japan. Such quantitative restrictions as had existed were abolished with the introduction of each common policy and replaced by tariffs, levies or other instruments. The quantitative restrictions authorized under the Community regulation referred to, were applied individually by each member state. The Community regulation required also that these restrictions be published each year.

13. The representative of Japan asked whether in these circumstances the quantitative restrictions were implemented through quotas or a discretionary licensing system.

14. The Community representative explained that the administration of these residual quantitative restrictions varied from one member state to another, and there were some member states which did not, for example vis-à-vis Japan, have residual restrictions on agricultural products. There was therefore no uniform administration of these quantitative restrictions at the Community level. Each member state concerned applied its own particular procedures but was nevertheless obliged to respect the relevant GATT provisions and in particular the provisions of the Code on Import Licensing Procedures. The representative noted that any problems in this area, such as those raised by Japan, could be examined in the framework of the Code but that such an examination would not preclude examination within the Committee on Trade in Agriculture.

15. The representative of Switzerland, referring to the figures quoted by the Community representative regarding the proportion of Community production covered by the various common marketing arrangements, sought clarification as to whether the overall figure was therefore about 90 per cent and also whether this meant that the products concerned were subject at the frontier to measures other than tariffs. In this general connection, the representative of Switzerland mentioned that the precise significance of the fact that 62 per cent of Community imports entered at bound zero rates and another 30 per cent at relatively low tariffs, 92 per cent in total, was not quite clear. The representative asked whether this figure of 92 per cent also involved products subject to common marketing arrangements or whether the 92 per cent would concern products which, in fact, would hardly ever compete with Community agricultural produce? The point was of some interest if in the case of common marketing arrangements the majority of agricultural imports could only be imported under more difficult conditions. The representative noted that, as the representative of Canada had suggested at an earlier stage, it was important to know what proportion of trade in agriculture in each country was affected by measures and that this was something which might be examined further.
16. The **Community** representative replied that, if there were an interest in doing it and the exercise were to be undertaken jointly, there would be no major objection to an assessment being made of how each country was affected by the import régimes which were applied. As a general remark the representative observed that those who complained most about the Common Agricultural Policy were the least affected by its most baneful effects. In any particular case the precise effects would depend on the nature of the trade involved. In the case of Argentina, for example, as an exporter of cereals, it encountered the full effect of the levy, as an exporter of bovine meat it suffered the full effect of the Community's bovine meat régime, as an exporter of soya, Argentina was not subject to the Community régime in the form of levies. Accordingly it was not possible to have an exact photograph of the situation. It would be necessary therefore to look at the situation in terms of the individual country and the régime concerned. This exercise could be carried out for the major trading partners as well as for groups of countries, particularly for the developing countries. Whether such an exercise should be undertaken would depend on whether it was considered to be worthwhile or not.

17. With regard to the first question raised by the representative of Switzerland the representative of the Community stressed that the Common Agricultural Policy could only apply to the products listed in Annex II to the Treaty of Rome and also to a certain number of products outside this Annex, namely, certain products of the agricultural foodstuff industries. The question posed was rather complicated. As indicated, with the exception of potatoes and alcohol, the quasi totality of Community production was covered by a common organization of the market. The figures quoted (70 per cent, 25 per cent, 2.5 per cent and 0.5 per cent) related not to trade but to Community production. But as an example related to trade, the common organization concerning fats and oils in the case of olive oil involved a levy régime for imports and an export restitution or subsidy régime for exports. On the other hand, although the common organization for fats and oils also applied to soya, this product entered the Community at a zero rate of duty. This was also the case for corn gluten feed. Another example was manioc. This product was covered by common marketing arrangements. A levy régime applied to manioc imports, but this however was limited to the level of the 6 per cent bound duty rate in the context of a levy free quota.

18. The representative of Canada observed that some of the country notifications had made it possible to obtain an overall grasp of the policies applied. The representative noted that on the basis of the Community's notification it was obviously impossible to get a grasp of the Common Agricultural Policy and agriculture in Europe. By and large, however, the Community's system was very transparent and all those countries which attached importance to the EEC market had a pretty good idea of how extraordinarily complex the system was.
19. As a general comment the Canadian representative indicated that what was important was not so much the technique of support but the level of support afforded to a country's agriculture and the impact this had on production. In this context, the representative requested that, while it was not obliged to do so, the Community might provide some idea not only of the level of Community or Commission support to agriculture, in relation for example to total cash receipts, but also the support provided by individual member states.

20. With regard to the proposals under consideration for reform of the Community's agricultural policies, the representative of Canada expressed the hope that in taking account of the realities of European agriculture, the Community would do so in a way that minimised disruption to the interests of third countries, rather than assuming that, because there had to be an adjustment within European agriculture, the adjustment had to be borne, if not proportionately at least in part, by countries outside the Community. The representative noted that this was particularly relevant in the case of the proposed consumption tax on vegetable oils.

21. In order to better understand the Community notification generally, the representative of Canada raised certain points with reference to CCCN 10.01, wheat. The representative indicated that it was commendable that the Community had been scrupulously honest in noting tied aid under subsidies. Some other countries had not done so.

22. The representative drew attention to the fact that with regard to subsidies a reference was made in column 16 to Article XVI and to the notation "a" and enquired whether it was correct to assume that this meant that the Community export restitution system was considered to be in conformity with the present provisions of the GATT. In column 16 of the Community notification reference was also made to Article XXIV and to the notation "d". It was not clear what this meant since Article XXIV, like Article XXVIII, was a process. The representative suggested that perhaps what was being attempted was a rationalization of the variable import levy system, and that in terms of the secretariat classification, rather than invoking a GATT Article relating to a process, a reference to notation "e", measures not explicitly provided for in the General Agreement, would have been more appropriate.

23. The Community representative stated that the overall cost of the Common Agricultural Policy was provided in the framework of notifications under Article XVI:1. The most recent notification, dated 27 June 1983, was to be found in document L/5449. This document set out the exact amount of the subsidies provided by the Community which amounted roughly to about ECU 12 billion at present.

24. With regard to the Community notification generally, the representative noted that it would be appropriate, following the example set by the Canadian notification, that the measures contained in column 2 should also be included in column 14, since the measures in question affected imports as well as exports. With regard to Article XVI, reference had been made to this Article and to notation "a" on the basis that it was in conformity with the Community's obligations under Article XVI that these measures were applied and hence the reference to notation "a".
25. The representative noted that the point raised by Canada with regard to the Community's system of variable levies was an important one in the case of the Community. When the Community was established a major negotiation under Article XXIV(5) was undertaken, followed by Article XXIV(6) negotiations. In the course of these negotiations, the Common Agricultural Policy had been sold and paid for.

26. In the case of the Common Policy for cereals, and taking wheat as an example, a range of measures had previously been applied by member states, including quantitative restrictions, bound duty rates, mixing regulations, etc. In the framework of the Article XXIV negotiations these measures were abolished and replaced by a system of levies. The Community had paid under Article XXIV(6) for its action in deconsolidating the bound duty rates which had existed in certain member states. In the case of the United States, payment had involved the granting of concessions on soya for example. As a result the levy was introduced on the basis of Article XXIV in the framework of negotiations undertaken under that Article. Accordingly it was for these reasons that, quite normally, the measure had been justified or referred to in the notification format under notation "d". The representative indicated that reference might also perhaps be made to notation "e" but as reference had been made to the existence of levies in the column concerning levies, it appeared not to be necessary to make a further reference and in any event, specific reference had been made to the framework within which levies had been established, namely Article XXIV.

27. The representative of Chile said that his country had always been impressed by the breadth, range and variety of the measures under the Common Agricultural Policy and the different purposes which these instruments served. At the same time, however, in one way or another, these instruments had a considerable impact on trade and were therefore of interest to contracting parties. The representative noted that when talking about the global cost of the Community system, it was necessary to take account not only of budgetary costs, but also of the costs exported to third countries. Chile had often had experience of having Community problems imported into its country.

28. With regard to the Community notification, the representative of Chile observed that compensatory taxes were referred to as being justified under Article XXIV in conjunction with notation "d" in most cases, but in other cases under Article XIX in conjunction with notation "f" and sometimes without any specific reference to GATT provisions. The representative shared the views expressed by the representative of Canada regarding the Article XXIV classification of levies. Additional information was sought on the currency measures notified as "CURR", in column 14 for example, as regards their relationship with GATT provisions and their effect on trade, and on the abbreviation "IC" where it appeared for example, in relation to CCCN 21.06. Additional information was also sought on supplementary charges notified under the abbreviation "SUPA" in the case of CCCN 04.05 with regard both to their justification and classification. References occurred also to the abbreviation "c", certificates, under a number of CCCN headings together
with references to the Agreement on Import Licensing Procedures. It was considered that some further explanation was required since the Agreement in question related to procedural matters and thus did not provide a basis for the justification of certificates or licences as such. The representative noted that for CCCN 10.01 the abbreviation had been employed in both columns 8 and 9 and queried the purpose of reference to this abbreviation in column 9. Other points raised by the representative were: the justification for import charges, "MLV", under Article XXIV; and, the absence of a reference under CCCN 02.01 to sheepmeat quotas, in respect of Chile and Spain, in addition to the reference made to voluntary import restraints.

29. Finally in this connection the representative congratulated the Community for having frankly and usefully classified in at least 25 cases import restrictions under "c", thus indicating that the measures in question were either not justified under, or contrary to, the provisions of the General Agreement. The representative described this matter as being one of the more general problems the Committee would need to study in depth in the course of its work. The issues involved together with the general issue of measures resulting from particular interpretations of the General Agreement, to which many references appeared in the Community notification under the abbreviation "d", were indicative of the serious nature of the problems to which the Committee would have to revert.

30. As a general observation the Community representative pointed out that while the costs notified under Article XVI:1 did not take account of the costs borne by others as a result of the Community's exports, it would be necessary to calculate as well the costs borne by the Community as a result of imports. Given that the Community imported more than it exported, the representative expressed the belief that any such calculation would be very much in the Community's favour.

31. With regard to compensatory taxes and the reference to Article XIX, the representative stated that in the case of CCCN 08.04, dried raisins, Article XIX had been formally invoked by the Community and a régime was consequently in force, and this had been more or less negotiated with third countries, under which compensatory taxes were applicable in the event that a minimum price was not respected. The measure had also been classified under "f" because it was not quite covered under the other classifications established by the secretariat. There were also other compensatory measures relating to certain common marketing arrangements and these had been referenced as required. The representative stated that he was unable however to identify products for which no justification had been made. In the case of CCCN 08.06, for example, reference had been made to Article XXIV.

32. With regard to the products for which common marketing arrangements existed, the representative stated that for both imports and exports there was a régime of certificates. In principle, and except in certain circumstances to be mentioned, these certificates were granted on demand for imports and exports. Associated with this régime of import and export certificates, which enabled the Community to monitor its trade, was an obligation in most cases to establish a security deposit. The purpose of these deposits was to guarantee that certificates obtained
were used, since this could otherwise lead to a situation which could lead the Community to take measures it would rather not take. Thus the requirement for security deposits was to ensure that the intended transactions for both imports and exports were in fact realised and import deposits were reimbursed when transactions were carried out. In certain circumstances the regulations relating to the common organization of the market provided for the suspension of import and export certificates. The conditions governing the suspension of certificates were set out in Community regulations and notably in the case of imports, were in full conformity with the Community's obligations. The invocation of these regulations would, in principle, involve a situation where Article XIX was invoked or where there was an intention to do so. In this context the representative mentioned that a panel had considered the question of import certificates some years ago but the conclusions reached had suited everyone and threatened nobody. Accordingly the legal position vis à vis GATT was not in any event very clear.

33. With regard to voluntary restraint agreements, the position was that the Community had several such agreements, both voluntary and obligatory. In the apple sector, for example, Chile had sometimes accepted such agreements; on other occasions it had not. In the former case the agreements were voluntary, in the latter they were obligatory. The representative expressed the view that everyone had come to live quite well with voluntary restraint agreements in the agriculture sector. There had for example not been particular criticism of the Canadian voluntary restraints on bovine meat. The representative said the question of voluntary restraint agreements was one of a number of subjects for further consideration in the Committee.

34. The representative said that where necessary reference had been made in the Community notification to monetary compensation amounts, with the abbreviation "CURR" and "f" being employed for this purpose. The representative expressed the view that such measures could be fully or partly in conformity with GATT under Article XX(d) but that this was another subject that could be reverted to in due course.

35. With regard to the more general question of measures in respect of which reference was made to Article XXIV in the Community notification, the representative reiterated the point that certain regulations and instruments of the common organization of the Community market had, so to speak, been sold in exchange for concessions in negotiations under Article XXIV(6). There was thus a juridical basis for the measures concerned. The representative cautioned against the adoption of positions by others that could compromise these concessions. The representative also noted that although Australia had not yet formally recognized the Community, this had nevertheless not prevented acceptance by Australia of the concessions granted by the Community in the framework of Article XXIV(6).
36. The representative of Australia referred to the absence of any mention of sanitary and phytosanitary measures in the Community notification and referred to the existence of such measures in some Community member states and to the third country veterinary directive applicable to CCCN 02.01. Under CCCN 03.03 Italy prohibited imports of frozen oysters. There were also Italian requirements regarding certification for honey and phytosanitary regulations applied in Italy to apples and pears. This listing was by no means exhaustive. While the Community representative had explained that only Community regulations had been notified, the representative of Australia suggested that as the objective was to develop true transparency, and if there were to be a discussion of sanitary and phytosanitary measures in the Committee, it would be desirable that such measures be notified.

37. Another measure of interest to Australia that had not been notified was the Community requirement for analysis certificates issued by recognized laboratories in respect of wine (CCCN 22.05) imported in quantities in excess of 60 litres. This requirement had a considerable impact on Australia's exports of wine as the analysis cost about $110. This matter had been discussed in the context of the Tokyo Round proposals for joint disciplines on wine.

38. The representative of Australia noted that Canada and others had raised questions concerning the impact of measures and their comparative effects on trade. The representative indicated that calculations of the impact of the Community régime in a number of areas had recently been made in Australia and that copies of the paper concerned were available. The paper was fairly exhaustive and, for example, illustrated what would happen with even a small liberalization of the Community régime. With regard to ad valorem equivalents of European import barriers, the calculations indicated, and the EEC was not the worst of the European countries studied, that the ad valorem equivalents of the Community's régime on beef and veal was 98 per cent, on butter 301 per cent, on skim milk powder 376 per cent, on wheat 94 per cent, on barley 85 per cent, on maize 89 per cent, and on sugar 110 per cent. In each of these cases, the corresponding ad valorem equivalents for Australia were 1 per cent or zero.

39. Concerning variable levies and their justification, the representative of Australia noted that whereas Austria apparently saw the upper limit of a variable levy being determined by their GATT tariff bindings, the Community adopted the view that the GATT binding is not in any way related to the variable levy. If the positions described had been correctly understood the different treatment for variable levies within the Community derived from the fact that the Community has an Article XXIV arrangement, whereas Austria was an individual country without an Article XXIV arrangement. The representative expressed the view that while there might be other interpretations of the way variable levies operate, the more likely explanation was that these things occurred through historical accident and that the rationalizations came afterwards.
40. With regard to the proposals for reform of the CAP, the representative of Australia asked whether the Community had considered different measures for the reform of the CAP from the point of view of their impact on third countries. The representative of the Community had indicated that other countries should wait and see what reforms emerged, one of the implications being that there would be a régime that was more favourable to third countries than the present one. The representative said that it was recognized that the Community's eventual participation in the work of the Committee would be dependent to some extent on what reforms emerged. At the same time, however, the hope was expressed that considerations within the Committee would find their way into the Community's considerations relating to the reform of the CAP. In this context, the representative of Australia drew attention to the fact that some of the programmes in the study carried out in Australia had shown that if the real rate of income return in the Community were to grow at the same rate as in Australia and the United States, that is, a 2.5 per cent decline in real farm incomes over the next few years, the increase in world grains trade would be somewhere in the vicinity of 12 million tonnes.

41. Finally the representative of Australia asked whether the Community could provide data on the way levels of assistance to its agricultural sector had changed over the last five or ten years, as it appeared that there had been distinct changes in the way levels of assistance had been applied. This information would be helpful in assessing the Community régime at a later stage and would also help to make what was a rather opaque document a little more transparent.

42. Summing up the points made, the representative of Australia concluded that, if sanitary and phytosanitary measures, labelling and other regulations were to be examined in the Committee, it would be necessary, as others had also noted, to go beyond measures at the federal level. Secondly, there were clearly different rationalizations as between various countries regarding the same sorts of measures. This was something which the Committee would need to resolve. Thirdly, as Canada had pointed out, it would be necessary to go behind the curtain of particular notifications and look at the trade effects. This was one of the things the Committee should proceed to do at one of its future meetings.

43. The Chairman agreed that there was quite a lot of material to be discussed more fundamentally later on but that at the present stage these questions should not be gone into too deeply.

44. The representative of the EEC pointed out that there was something of a methodological error in the way in which sanitary and phytosanitary measures had been approached, since such measures were only notifiable to the extent that they were the subject of a complaint by a third country claiming to be affected. It was for this reason that there was only one instance where such measures were included in the Community notification. There existed with respect to almost all products, both at the Community and perhaps at the member state levels, measures relating to sanitary and phytosanitary questions and to packaging and
labelling requirements etc. The subject was one which the Committee should take up as such in order to see whether there was an interest in completing the documentation. The general issues involved had very properly been raised by the Australian delegation and if the Committee were to take up the whole subject, it would be appropriate in the Community's view that measures at both the Community and national levels should be included.

45. On the question of the GATT justification for sanitary and phytosanitary measures the representative of the Community suggested that it was not disputed that the relevant GATT provision was Article XX. Certain countries also made reference to the Code on Technical Barriers to Trade but it was also well known what difficulties had been encountered in this regard in the Tokyo Round. The Code was a first step but in practice, the matter had not been advanced very far. The representative agreed that the whole subject was one that could appropriately be taken up by the Committee with the main question being the impact these measures had on trade.

46. With regard to the requirement for analysis certificates, the representative of the Community indicated that he understood that the problems regarding exports of Australian wine to the Community, had been settled following recent negotiations. The particular issue raised by Australia had been noted and the Community could perhaps reply bilaterally in due course.

47. Concerning the general question of undertaking an analysis of the impact on trade of the measures notified, the representative of the Community noted that the question was not new. The impact of measures on trade continued to be as always a matter for debate generally within GATT. Particularly in the context of Community enlargements, there had always been opportunities in Article XXIV(5) negotiations to discuss the impact of measures applied by the Community or which were to be applied by new member states. The impact of certain trade measures was a question which had been posed in the GATT but which had never been resolved. The divergencies of interpretation regarding the substance of the provisions of Article XXIV(5) had also been raised in the secretariat document entitled "Agriculture in the GATT". Nevertheless the Community would not refuse to participate in a discussion on the question of the impact of trade measures if such an exercise were to be of interest for the work of the Committee. From the Community's point of view the foremost effect to be considered was the evolution of imports into the Community. Such imports have developed favourably for third countries. If the proposal was that the Community should table a document showing the development of imports and exports globally and for each product sector, this was already available and there would be no difficulties in making copies available to the secretariat.

48. With regard to ad valorem equivalents, the representative of the Community said that the matter was one that had been debated without any solution having been achieved. The divergences of view on this question were total, particularly as between Australia and the Community. If the suggested exercise were to be undertaken the Community would participate
but whether there was any value in such a problematical exercise was open to doubt. Since quantitative restrictions would have to be included as well as levies, how for example would the ad valorem equivalent of an import prohibition be calculated? In the view of the Community any such exercise should be undertaken from the point of view of the evolution of exports and imports. The representative of the Community noted in this regard that it might be necessary as well to enter into a clarification in particular of Article XXIV(5).

49. With regard to the link between the levy and bindings, the representative of the Community explained that where a levy was applicable to a product in respect of which the duty rate was bound, the maximum amount of the levy was equivalent of the bound duty rate. In the case of manioc, for example, the bound duty was 6 per cent and this constituted a maximum upper limit for the levy. In the context of the voluntary restraint agreement on sheepmeat, for example, the levy was applied at a rate lower than the bound rate. In fact, the levy was the equivalent of a duty rate of 10 per cent.

50. With regard to CAP reform proposals, the representative of the Community confirmed the suggestion made at the outset that the Committee might serve as a forum for an objective consultation on the proposals in question. Such an exercise might be useful in allaying the apprehensions of certain contracting parties regarding the reforms proposed and their impact on trade. Such an exercise might also be useful in the sense that the reactions of third countries would have some bearing on the acceptance by member states of the proposed reforms. In any event what might be possible would be for the Commission proposals to be distributed to the Committee in order to facilitate a better understanding of what was proposed through objective and calm discussion in the Committee. A discussion along these lines would also be of assistance to the Community. The experience and views of other countries, for example the experience of Canada in relation to Article XI, might perhaps provide the Community with a certain number of ideas.

51. With regard to the question of the evolution of Community spending in the agriculture sector, the representative suggested that an answer to the question posed by the Australian delegation could be found in the Community notification under Article XVI(1), copies of which could be made available to the Committee.

52. The Chairman observed that the Committee should concentrate on the reality of the situation in terms of measures currently applied rather than on what might be the position in future, since this could involve an interminable discussion.

53. The representative of the United States commented that while the EEC was the world's largest importer of agricultural products, it had at the same time, the world's most complex system of regulations to ensure that imported products were not offered on the domestic market at prices competitive with domestic products. The system extended to 91 per cent of the value of Community agricultural production and this network of regulations seriously compromised the ability of the Community to participate in further trade liberalization.
54. The representative of the United States recalled that the Community had commented on the scarcity of tariff bindings in the schedules of various participants. In the case of the Community itself, while bindings were to be found in CCCN Chapters 1 to 24 and some at very low rates, the most significant commodities remained unbound. If one wanted to ship shellac, gums, resins or vegetable materials for padding or stuffing, the EEC market was very open. But if one wanted to ship grains, meat, milk, butter, fruit and vegetables or processed products of almost any kind this could only be done with the greatest difficulty. Many of these products were covered by prohibitively high variable levies whose ad valorem equivalent was generally in excess of 100 per cent and which provided a secure protective barrier behind which EEC farmers could expand production at will. Other products were covered by a stupifying maze of variable components: additional duties, compensatory charges, reference prices, minimum import prices, special preferences and monetary compensation amounts. The EEC had introduced these measures to protect virtually every sector of the farm economy where significant Community production existed. Trade in commodities covered by such measures was therefore anything but certain and secure.

55. The representative noted that the United States had been able to maintain a favourable trade balance with the EEC but that this was obviously due to geographical advantages and the success achieved in maintaining duty binding on such products as oilseeds and non grain feed ingredients. However, EEC bindings in both these areas were threatened by recent Commission proposals. These proposals would have an immediate impact on third country exports to the EEC while the Commission proposal for internal reforms were vague and would only have an impact over time, if at all.

56. The representative noted that in general terms GATT provided for equal MFN treatment under Article I, for the negotiation of concessions under Article II and for the treatment of imported products in the domestic market no less favourable than the national products under Article III. The EEC however, had organized its agricultural market to ensure that there would always be a preference for domestic products over imported products. While the EEC was not alone in the need to liberalize its import régime, if the work of the Committee was to be successful and agricultural trade liberalized, the Community would have to consider changes that made the reduction of the barriers mentioned possible.

57. The representative of the United States noted that the EEC export policy could best be seen as an outgrowth of its domestic policy. At least in the eyes of EEC officials the extensive use of export subsidies was necessitated by the development of large surpluses in several important sectors. It was no secret that the emergence of the Community as a net exporter in such sectors had been the cause of considerable concern to the US and other traditional exporters. Moreover the Community move to self-sufficiency on the basis of import restrictions and high internal support prices reduced the EEC market opportunities for traditional third country suppliers. The move beyond self-sufficiency had resulted in the entrance of the EEC into markets as a major competitor to traditional exporters. On present trends, it was even possible, if not probable, that the EEC would soon overtake the United States as the world's largest exporter of agricultural products.
58. The representative of the United States expressed the view that this expansion of Community exports would have been impossible without the generous use of export subsidies. Whereas at the start of the 1970s the EEC had been a large net importer of grains, it was now anticipated that Community grain exports in 1983/84 would exceed its imports by 11.5 million tonnes. In poultry, the EEC had moved from being the world's largest importer to being the world's largest exporter. In beef and veal, the EEC, once a net importer, became in 1980/81 the world's second largest exporter. Moreover the EEC had also become the world's largest exporter of sugar, dairy products, wheat flour, pork and eggs. These developments affected nearly every participant in the Committee and, in the opinion of the delegation of the United States, they also underlined the urgency of the work of the Committee.

59. The representative of the United States, in referring to specific aspects of the Community notification, mentioned that the following measures were either absent from or not adequately covered: the omission of subsidized non-commercial credit extended by member state governments and agencies, such as COFACE in the case of France, under column 3; the absence of any reference to the Community minimum import price system for wine and the import charge levied on United States wine exports to the Community as a result of the legal inability of the United States to meet EEC regulatory requirements.

60. The representative of the United States offered the following suggestions for improving the clarity and transparency of the Community notification: that the abbreviation "XS" should be used rather than "ER" and denote what Community officials called export refunds; that the requirement for import certificates should be recorded, using the appropriate secretariat abbreviation, in column 10; that reference prices for fruit and vegetables should be recorded as "MP", minimum prices, since the use of euphemism, whatever advantages it might have in intra EEC political discussions, was not helpful in the context of the work of the Committee; that, as suggested by other countries, variable levies should be classified under "e"; and finally, that putting tied aid in column 4, other forms of assistance, appeared to be more appropriate, rather than in column 2 "subsidies".

61. In conclusion, the representative of the United States stated that his delegation could not agree that the items covered by the CAP had been bought and paid for. The Article XXIV(6) negotiations were, for the United States, settled in two parts. Items of interest to the United States and not included under the CAP at the time of the negotiations were part of a reciprocal agreement. Those items which were included under the CAP of interest to the United States were left to future negotiations under the so-called Standstill Agreement, and these negotiations had yet to take place. As an historical footnote the representative noted that, prior to the formation of the EEC, United States trade concessions with the original six Member States covered some US$ 643 million on a 1958 basis. After the negotiations, concessions only covered US$ 522 million on a 1958 basis, although this figure was somewhat inflated since it covered some concessions bought and paid for in the Dillon Round. The amount of trade left open for future negotiation was US$ 159 million with the items covered under the Standstill Agreement, being corn, sorghum, wheat, rice and poultry.
62. The Community representative stated that several of the products mentioned by the United States representative in the first part of his presentation were bound and that, for example in the case of dried raisins, discussions were currently under way with regard to the extension of the binding to include the tenth member state of the Community. The representative added that so far as fruit and vegetables were concerned these were in almost all cases subject to bindings.

63. With regard to individual member state measures, the Community representative stated that there would be no difficulty in eventually completing the Community document, provided that this was carried out on a reciprocal basis for countries with federal structures. In the case of non commercial credits, this general subject could be discussed in the context of Exercise B. It was not denied that such credits existed at the national level. However, it was also relevant to note that other forms of assistance of whatever form had to be discussed as well, at least in the initial stages. It could perhaps be decided to discuss only non-commercial credit but this would necessarily involve some definition of the distinction between commercial and non-commercial credits. However the Community was open minded on this general subject.

64. On the question raised with regard to wine, the Community representative stated that most of the issues involved in the wine sector as between the Community and the United States had been settled on a reciprocal basis. However, if perchance a particular subject had been overlooked, the Community would be prepared, on the basis of reciprocity, to examine the matter. The representative added that so far as he was aware there were no levies on wine, although compensatory taxes existed for certain wines where minimum prices were not respected as indicated in the notification.

65. With regard to the use of the abbreviation "XS" as opposed to "ER", the Community had a preference for its own vocabulary but if all that was required to resolve the substantive issues between the Community and the United States was a change of terminology the representative said he would certainly take the matter up with his authorities.

66. The representative of the Community said that licences as they existed in the United States did not exist in the Community. The Community had import and export certificates and in each case, as appropriate, they were mentioned in the notification. If, as elsewhere, the problem was one of presentation the Community was prepared to examine the matter but this could not be taken to imply that such certificates could be considered as licences such as they existed in other countries, or for that matter, at the member state level in certain cases. The certificates were not considered to be obstacles to trade but they had nevertheless been noted in column 14 as measures affecting imports. Reference prices had been notified in column 2 but as noted earlier should also be notified in column 14.
67. On the question of levies the representative of the Community stated that the measure was not covered by any GATT provision. From the terminology or jargon employed in the General Agreement it was apparent that the levy was not a measure foreseen by the GATT. When the Community unbound its tariffs on a number of products and replaced these measures with levies, it had paid for its freedom to unbind by paying with other concessions. The representative stressed that if certain countries were to repudiate the rights of the Community in this matter, the Community would have to go back on the concessions that it had granted, because there was a fundamental rule in GATT with regard to balance. For the Community the situation was clear. It had paid for its freedom to introduce an instrument which was regarded as best fitted to the situation of the European Economic Community. If by chance, one wanted to attempt to adopt rules for this measure, which was not foreseen in the GATT, then it would be necessary, given the need to maintain a balance, to establish rules in the case of unbound tariffs as well. The issue was therefore less straightforward than it might appear, but if an attempt was going to be made along these lines, one could also look at how one might try to formulate rules for the EEC levy. In the same vein, it would be appropriate to look also at how controls on quantitative restrictions could be regulated. Up to a point this had been done but there had been no attempt in GATT to make rules in respect of non-bound tariffs. The idea of doing so was somewhat paradoxical, since in the case of a non-bound item like wheat, for example, the Community was at liberty to act as it saw fit. It could, for example, have instead imposed a tariff at 120 per cent, or at whatever level the ad valorem equivalent of the levy might be considered to be.

68. The representative confirmed that the Community nevertheless had an open mind on all these questions and on what it might be possible to do in GATT, provided the need for balance was respected and all other relevant measures affecting imports and exports were included. The representative noted, however, that if certain calculations were to be undertaken or attempted with regard to what had been paid and the related gains and losses, it might be necessary to make other calculations as well. In the case of corn gluten for example, the Community had paid the concession at US$ 28 million at a time when this product was mainly of interest to the pharmaceutical sector. Corn gluten had since come to be used as an animal feed and Community imports from the United States were of the order of US$ 450 million. As counter payment the Community for its part had received very little in return. The representative added that an exercise along these lines would be at odds with objectives of GATT which in this context involved making concessions at a given point in time and taking the risk. There were, however, certain nuances in this regard in Article XXVIII and there was also the question of the extent to which the benefits of existing bindings could be claimed for new products.

69. With regard to the question of Community preference raised by the United States, the representative strongly urged the United States authorities to re-read paragraph 4 of Article XXIV which afforded the Community the right to maintain such a preference, it being recognized in the same paragraph that the purpose of a customs union or free trade should be not to raise barriers to the trade of other contracting parties.
70. The representative of the Community stated in conclusion that it was necessary that the Committee should embark calmly on an objective discussion of the issues and measures, to see what their impact was and their repercussions. For its part the Community was open to discussion on all the problems involved.

71. The representative of the United States noted as a point of interest that so far as national measures in the United States were concerned, the authority to regulate inter-state and foreign trade lay with the Central Government. The representative indicated that his delegation intended to cross notify on a number of national measures which it was considered should be included in the Community notification. As to the manner in which variable levies should be categorized, the representative stated that the United States did not agree with the Community that the levy had been bought and paid for. In the view of the United States, the levy should be classified under "e". The representative also noted that the exchange of letters on wine between the United States and the EEC only covered marketing, labelling and sanitary measures. The problem of minimum prices in respect of wine was not addressed and related charges continued to apply to imports of wine from the United States.

72. The representative of the Community noted that in a multilateral context such as the Committee, it would be preferable not to embark on bilateral relations with respect to levies between the United States and the EEC. The levy was not a measure foreseen by the General Agreement and accordingly, as had been said in relation to a question raised by Canada, the Community would have no difficulty if a reference to notation "e" were also to be made in the case of variable levies.

73. The Chairman noted that Article XXIV and related issues were amongst the major issues for future discussion by the Committee.

74. The representative of New Zealand said that the Community's notification was a useful contribution to the work of the Committee and that it would be helpful to have subsidies included in the appropriate columns relating to imports as well as exports. However, the representative expressed some reservations concerning the omission of references to sanitary and phytosanitary measures. As a rule, if sanitary or phytosanitary measures were in fact applicable to particular products they should in each case be mentioned. Such an approach was no different from that applied to tariffs or other measures. As a general point the representative noted that the entry into force of the third country veterinary directive had faced New Zealand with very large additional expenditures and that some of the requirements were more justifiable than others. These expenditures constituted in effect a charge on imports and as such should be notified.

75. The representative said that measures at the national level should be notified. In noting that the Community had indicated its willingness to do so on a reciprocal basis, the representative expressed the view that other countries should do so anyway for the sake of completeness of the Committee's documentation. In this regard the representative of New Zealand observed that understandably there were more vestiges of
individual national requirements in the case of the Community than might be found in the case of sovereign states. The main point in all this was that it would be helpful for the Committee's work if these measures could be notified. In this regard the representative pointed out that document AG/DOC/2/EEC/1 contained several references to such measures.

76. The representative of New Zealand noted that one of the measures to which little reference had been made in the case of the Community was state trading, a subject which was rather more neutral than some others. Some examples of state trading in Community member states were potatoes and vegetables in the United Kingdom, certain alcohols in France and Germany, manufactured tobacco in France and Italy, and apparently dairy products in some member states.

77. The representative of New Zealand suggested that the Community notification might be modified to take account of the following points: the voluntary restraint agreement on sheepmeat should also be indicated under CCCN 01.04, as live sheep for slaughter were included in calculating the voluntary restraint level; under CCCN 08.06, apples, there should be at least a footnote indicating that, even though not consistently in operation, voluntary restraints were applicable; import requirements for prepared meats and offals applied by France in respect of New Caledonia which had been cross notified some time ago, might also be included; in the case of France, the Netherlands, Belgium and Luxembourg there was a prohibition on imports of meat cuts of less than 3 kg., which was implemented some years ago in relation to beef cuts but which made it virtually impossible to import smaller sized standard cuts of lamb.

78. The Community representative said that the practice adopted by some notifying countries in referring to sanitary and phytosanitary measures under virtually every heading was, on reflection, not necessarily appropriate. Unless and until third countries complained of a particular measure, it was to be assumed that in itself the existence of a sanitary or phytosanitary measure did not have an adverse effect on trade. Hence the rule that such measures should be included in the documentation on the basis of counter-notifications. The representative suggested that in these circumstances the Committee should look at updating the inventory of sanitary and phyto-sanitary measures.

79. With regard to state trading the representative recognized that such practices existed within the Community at the member state level and that, as with the problems in the area of Articles XI, XXIV and levies, this was another matter that the Committee might take up. The representative agreed that the Community notification could be completed with respect to the point made about voluntary arrangements for sheepmeats.

80. In the case of temporary voluntary restraints on apples, the representative said that the suggestion for a footnote involved a problem of methodology, because every country could resort to temporary measures by making use of Article XIX. In the case of temporary measures on apples concerted with the supplying countries, the action taken was based on Article XI, although it would have been less
expensive for the Community had it used Article XIX. The basic question was whether temporary measures whether based on Article XI or Article XIX, should be included in the catalogue. Countries could include temporary measures if they wished to do so but if the documentation were at some future stage to be used in a definitive manner, such measures should perhaps be omitted. The Community, however, had an open mind on the issue.

81. The representative of New Zealand suggested that the measures in question had been resorted to sufficiently frequently to amount to virtually a standard requirement of the trade in apples with the Community and might accordingly be footnoted.

82. The representative of Canada said that at the present stage of the work of the Committee it was helpful to highlight important issues for future consideration. The representative said that he could agree with a great deal of what had been said by the Community representative about the variable levy and theoretical alternative, in the case of an unbound item, of imposing a very high tariff. It was an important point whether given the peculiarities of agriculture, the contracting parties could afford to have large areas of trade, whether subject to levies or high unbound tariffs, not covered by international disciplines. The question raised by the Community representative in this regard was a very fundamental question that the Committee was going to have to address.

83. The representative expressed his concurrence with regard to what the New Zealand and Community delegations had said about the notification of national measures, whether they were applied at national or some other level. The representative cited an example including measures on meat cuts which had had the effect, inadvertently, of making it impossible to import certain cuts of lamb. The measures though desirable from a veterinary viewpoint, had not as a practical matter been essential and this illustrated more generally that sanitary and phyto-sanitary measures can and do have unnecessary or unjustifiable trade effects.

84. The Community representative said that one task for consideration in the Committee was to see whether the procedures for notification and consultation under the Code on Technical Barriers to Trade were working or not and perhaps to see whether in the sphere of agriculture it might not be possible to improve existing procedures, as well as those of the Code.

85. The Community representative agreed that as the levy was to a certain extent equivalent to an unbound tariff, what would be involved in any discussion of possible rules in this area would, in effect, be the binding of what is unbound. But as already noted any such exercise could not be limited to levies. Unbound tariffs and unbound quotas, such as those covered by the United States agricultural waiver, would also need to be taken up. The representative noted that these were all matters on which there would need to be broader reflection in the Committee.
86. The representative of Australia observed that he was sure his authorities would be prepared to bind all their tariffs at zero if the Community were prepared to bind its levies at zero.

87. The representative of Hungary noted that for CCCN 07.02, 18.06, 21.07 and 24.02 in column 10, no mention was made of certain restriction affecting Hungary although reference was to be found to those measures in AG/DOC/2/EEC/1 and L/5200/Add.3. The representative referred to paragraph 4(a) of Hungary's Protocol of Accession and asked that appropriate reference be made in column 15. The representative indicated that there were about 18 tariff lines where reference to the earlier documentation should be made.

88. The representative of Hungary mentioned that an EEC requirement dating from 1979, which excluded wine with an alcohol content in excess of 15 degrees from the definition of natural wine, had the effect with respect to certain high quality Hungarian tokai wines, of making it impossible to export to the Community. The representative requested that appropriate reference to this measure be included in column 12. Problems were also created by a more recent Community measure under Regulation 997/81, which prevented reference being made on a wine label to the effect that the wine was late-harvested. The representative sought an explanation as to why in respect of dried banana imports from a group of countries including Hungary, and in the case of Italy, imports of dried bananas from Hungary and only from Hungary, were not permitted.

89. The Community representative said that the various restrictions on imports mentioned at the outset of the representative of Hungary's comments would be checked and corrections made as appropriate in due course. The representative of the Community noted on the question of packaging and labelling requirements for wine, that columns 11 and 12 had been completed on the basis of reverse notification by third countries, and that so far no notification concerning the measures in question had apparently been made by Hungary. The representative noted that the general question of reverse notifications needed to be looked at in the context of the basic inventory of such measures. This inventory was open on a permanent basis and Hungary could notify and the Community respond. The same comments were relevant also to the other measure affecting wine that was raised. The question concerning dried bananas would be looked into.

90. The representative of Japan recalled that his delegation had sought clarification about the restrictions denoted as "MR" in column 10 applied by some member states and expressed the hope that it would be possible for more detailed information to be submitted by the Community. The representative also requested a response on the question of discriminatory import restrictions maintained against Japan.

91. The Community representative noted that full details of such restrictions as existed were contained in document AG/DOC/2/EEC/1, including the comments of the countries affected by and applying the restrictions. The representative suggested, however, that if there were a particular question which Japan wished to raise, bilaterally, the Community would be disposed to looked at any such point.
92. The representative of Pakistan mentioned that in columns 8 and 9 the notation "OPEX" was used in relation to rice and asked whether a reference could be made in column 15 to the documents where additional information on these preferences could be found. In relation to subsidies the representative noted that the range of measures applied by the Community, export refunds, tied aid and intervention systems was rather striking. The representative said that although variable levies were mentioned in columns 8 and 9 there was no corresponding reference in column 10. It was considered that such a reference would be appropriate given that variable levies had the net effect of a minimum price.

93. The Community representative replied that preferences with respect to levies on rice were accorded under the Lome Convention and under trade co-operation agreements as in the case of Egypt. These agreements had been notified in GATT and had been the subject of working parties. The representative indicated that information concerning the Lome Convention and the agreements of the type entered into with Egypt could be provided.

94. As to the range of subsidy practices notified, the representative said that, as others had also done, the Community had endeavoured to include all measures embraced by the broad terms of Article XVI(1) rather than the narrower concept of a subsidy which prevailed in discussions on export subsidy practices.

95. Regarding the suggestion that a variable levy could have effects similar to that of a minimum price, the representative of the Community agreed that levies could be viewed in this light, since in reality the levy was based on a threshold price below which imports could not enter the Community market. The representative observed that, whether the levy was viewed as a minimum price, or a quantitative restriction, or a tariff etc, what was important was the effect the measure had had on trade. The representative noted that in relation to certain types of rice there was a long standing problem concerning the operation and calculation of the levy. The issues had been discussed bilaterally and it would be necessary at some stage, when other conditions made this possible, to examine how the problem might be settled.

96. In response to a question by the representative of Pakistan concerning rice exports and credits, the Community representative said that the Community exported rice commercially, in which case export restrictions were applicable, and as food aid. The Community obligations with respect to food aid exports were based on the International Wheat Agreement and the Food Aid Convention under which members were able to provide aid in the form of wheat or secondary cereals or rice. The Community thus exported rice as food aid to those recipient countries whose dietary preferences were for rice. This aid, about 1.7 million tonnes, was provided in grant form.

97. The representative of Pakistan sought confirmation that rice exported by the Community as food aid was produced within the Community itself rather than being re-exported.
98. The Community representative said that this question was rather complicated, since when the Food Aid Convention was originally negotiated, there had been an expectation that the traditional importing member countries would meet their obligations through purchases from the traditional exporters. Although certain countries followed this practice, Community produced products were exported as Community food aid. In the case of rice the Community was both an importer and an exporter, with Italy being the main producer. In general where rice was exported as food aid this was sourced within the Community. Nevertheless there were occasions where the urgency of the situation in the recipient country required that the rice provided as food aid should be sourced from another country, usually a neighbouring country such as Thailand in the case of a recent transaction for Vietnam. It was also possible that processed products exported by the Community as food aid might contain rice imported by certain member states from third countries.

99. The Chairman thanked the representative of the Community for his presentation and replies to questions and noted that it was again apparent that among the many issues for future discussion in the Committee, would be those related to Article XXIV and that the Committee would also have to revert to the problems associated with variable levies and other measures.
REPUBLIC OF KOREA (AG/FOR/KOR/1)

1. While introducing the documentation concerning his country, the representative of the Republic of Korea briefly explained the special characteristics and problems of agriculture in his country such as the geographical and climatic conditions, rapid structural transformation as a result of the economic development plans and efforts of the Government to sustain agriculture as a source of basic foodgrains. Even though the role of agriculture as a source of incomes and employment had progressively declined, the Government had endeavoured to improve farming structure and to achieve self-sufficiency which had come down to 53 per cent in 1982 against 81 per cent in 1970. To cope with the entire food requirements of an expanding population, therefore, the Government had to increase imports of agricultural products considerably over the years. In 1982 these imports amounted to as much as $1,976 million, which ostensibly put enormous strains on country's balance of payments position. In order to alleviate the adverse balance of payments situation and to protect domestic agriculture the Government took upon itself a more active role, especially in arranging essential food imports. As a result, roughly 40 per cent of the agricultural imports were now subject to the recommendation of the competent ministries of the Korean Government. The Government also operated a price stabilization fund to smooth out supply and demand fluctuations and increased farm product prices to increase rural incomes.

2. Specifically commenting on the notification of his country he indicated that his Government did not grant or maintain subsidies or any other export assistance measures for agricultural products. As mentioned before, the domestic price support measures and the Stabilization Programme were entirely geared to eliminating fluctuations in domestic price levels and to ensure adequate supplies, without influencing international trade. The Government was, in particular, concerned to ensure stability in the prices of certain basic agricultural products such as red pepper, garlic, onions, rice, barley, wheat, bone-in beef, pork and chicken. Measures affecting imports included discretionary licensing, global and tariff quotas, sanitary and phytosanitary regulations, State trading and other import control measures. He was confident that trade in agricultural products would be further liberalized.

3. The representative of the United States expressed his appreciation for Korea's policies of import liberalization commensurate with the development of its economy. He observed that Korea's national tariff levels were generally lower than those of other semi-industrialized countries. In addition, Korea had eliminated its import deposit requirement in 1982 and had liberalized import licensing requirements for specific commodities. Despite all that, the access to the Korean market was still restricted because of the operation of an extensive licensing system which required a case-by-case review for imports of many agricultural commodities. He specifically observed that Korea had invoked Article XVIII:B as justification for its discretionary licensing. However, the same article also called for the progressive
relaxation of policies instituted for balance of payments reasons. He further noted that a flexible tariff quota system for wheat, corn, soyabean, tallow and palm oil was operated, under which tariffs were adjusted from time to time in the light of domestic supply and demand conditions as well as foreign exchange constraints. The use of flexible tariff system, in his view, should be indicated under column 8. In this connection he also enquired whether any of the above-mentioned commodities were likely to be removed from the operation of that system. Lastly, he referred to the phytosanitary restrictions which Korea maintained on a number of agricultural products. This included a prohibition on potatoes, tomatoes and other vegetables imported from North America, bananas from Hawai and unhusked rice imported from countries other than Japan and Taiwan. In the same context he asked whether Korea had revised and enacted its chemical laws. Since the United States was interested in the market potential for fresh fruits and vegetables as licensing requirements were liberalized, he wished to know what type of health and sanitary regulations were in force for such imports from North America. He also wanted to know whether Korea had any coddling moth restrictions on stone fruit. He specifically enquired whether Korea could accept imports of apples from the US if necessary certificates to that effect were provided for exports from certain districts of the United States free of coddling moth. He also wanted to know the current health and sanitary import regulations concerning rice and cotton seed.

4. The Korean delegate replied that his country had indeed moved towards progressive liberalization of agricultural trade as was required under the discipline of Article XVIII:B. Further relaxation in discretionary licensing and other import control measures could very well be anticipated in the coming years. He would, nevertheless, refer the matter to his authorities for further clarification and details. Concerning the second question on tariff quotas, he admitted that the system was operated for several commodities for which tariffs were reviewed twice a year in the light of domestic supply and demand conditions. He was not, however, in a position to provide more detail, except to observe that the system operated to the advantage of exporters. In the case of tapioca chips, for example, the tariff rate was 40 per cent, but under the tariff quota system the rate applied was 20 per cent for an import ceiling of 150,000 tons during the six month period from July to December 1983. Similarly, a reduced tariff rate of 3.5 per cent, instead of 5 per cent, was applied for an import ceiling of 1.1 million tons of wheat. He was therefore convinced that if the system of tariff quotas for agricultural imports were to be scrapped the exporters would stand to lose. As to the comment that flexible tariff rate should be noted in column 8 of the format, he had no definite views and was prepared to refer the matter to his authorities for reflection. In regard to the last question on sanitary and phytosanitary regulations and chemicals laws enacted in 1981 he was not in a position to give the necessary details, but would refer the matter to his authorities for an answer.
5. The representative of New Zealand noted with satisfaction the commitment of Korea regarding the gradual liberalization of agricultural trade which obviously had not kept pace with trade liberalization in other sectors. He then made some specific comments on the Korean notification. At the outset, he took issue with the contention that the various export financing schemes and the domestic price support measures, as spelled out in GATT document L/5102/Add.17 and elsewhere, had no effect on international trade. As an exporter of pork and beef, his country would be interested in seeking further clarification of the operation of these measures. The difficulties were further compounded when imports of other products of export interest to New Zealand such as mutton, lamb, butter, whole milk powder and cheese were completely prohibited in Korea. Imports of dairy products were banned with the exception of lactose used in animal feed, while a number of tariff items which were liberal licensed before had been put under discretionary licensing. In addition, Korea had a host of other taxes on imports. He illustrated his point by the example of ice cream, which was an unrestricted item, but still had a tariff rate of 85 per cent, 2.5 per cent sales tax and a 10 per cent value added tax and 10 per cent consumption tax, which were all compounded on the CIF landed cost. He further observed that in document L/5436 (paragraph 6) Korea had claimed that there was no quota system which, however, did not appear to be true. Imports of a number of products like beef tallow and pork had a tariff quota under which exporters no doubt enjoyed a reduced tariff rate up to a given level of exports but which effectively restricted their total exports. More information was therefore required on this system. Furthermore, although honey was a prohibited item, its sales for the hotel business were permitted which indicated that imports up to a certain level were allowed. This required some explanation. Similarly more information was needed on the special quota for fish. Finally, he shared the view expressed by the United States that Korea should not make its agriculture efficient by restricting imports under the shelter of Article XVIII:B, it should rather concentrate on other sectors where it had an undoubted comparative advantage.

6. The representative of Korea admitted that there was an export financing system, but his country had unified the bank lending rate at 10 per cent with effect from June 1982. This meant that exporters as well as domestic borrowers now paid the same interest and no preferential treatment was accorded to exporters. In regard to the imports of cheese, mutton, butter etc. he admitted that certain import control measures were applied, but this was more due to the reason that, unlike Europeans, Koreans were not keen consumers of these items and the liberalization of imports was not likely to influence the over-all intake. He also confirmed that certain items which were previously under "LL" system had now moved under "DL" system for administrative reasons. He sympathised with the view expressed that ice cream was subject to a very high duty rate. This was, however, a temporary measure for only six months and he was prepared to suggest to his Government to reconsider tariff rates not only on ice cream but also on some other products subject to high duty rates. He agreed that quotas
and tariff quotas were used for certain agricultural products, the
details of which could only be provided at a later stage. In regard to
honey he remarked that imports were not prohibited, but were subject to
discretionary licensing and as such New Zealand could also share in the
imports. He had no detailed information on the special fish quotas, but
would be in a position to provide it to the Committee later. Lastly, he
observed that if the principle of comparative advantage was rigorously
pursued his country would have to scrap up all agricultural production,
which it could not afford in view of its geo-political and economic
conditions. His country was, nevertheless, endeavouring to further
liberalize agricultural trade.

7. The Canadian representative also noted with satisfaction Korea's
intention to further liberalize agricultural trade. As an important
potential market for agricultural products, such a move offered good
opportunities to several exporting countries, including Canada. He
shared the concern expressed by New Zealand that Korea's marketing and
price stabilization programmes did have an influence on agricultural
trade and were not entirely neutral. His delegation was particularly
interested in knowing the nature and scope of "OFMC" (other import
control measures), especially in relation to cereals. Korea also had a
wide range of tariffs on barley between 5 and 40 per cent, and he would
like to know which type of barley was subject to such a high rate of
duty. He also found Korea's health and sanitary regulations very
detailed and cumbersome, and was of the opinion that they adversely
affected exports of meat, meat products and fruits to that market.
Since all the necessary details concerning these regulations could not
be condensed into the format, it would be helpful if the Korean
authorities provided this information in some other form.

8. In reply the Korean representative re-assured that domestic support
and stabilization programmes were totally geared to eliminating
fluctuations in domestic supply and demand and could not in any way
affect international trade. He would, nevertheless, convey the concern
expressed on this account to his authorities. In respect of "OFMC" he
mentioned that, in addition to a global quota, the imports of cereals
were subject to the recommendation and control of the Ministry of
Agriculture in accordance with the annual plan for supplies of
foodgrains. Finally, a 40 per cent tariff was imposed on barley used
for the manufacture of beer.

9. The representative of Thailand asked what specific import control
measures were used for imports of maize and rice and what were the quota
levels for imports of fresh manioc and soyabean.

10. The Korean representative repeated what he had said earlier that
the Ministry of Agriculture regulated and controlled imports of
14 cereals, including those of rice, barley, wheat, wheat flour etc., in
accordance with the annual plan for supplies of foodgrains. "Other
import control measures" concerning soyabean and manioc were the
discretionary licensing and in the case of manioc a tariff quota also
under which, instead of the basic tariff rate of 40 per cent a 20 per
cent tariff was applied up to a ceiling of 150,000 tons of imports.
11. The representative of Australia in principle endorsed the comments made by New Zealand that Korea should aim at efficiency rather than self-sufficiency in the agricultural sector. He was, however, sceptical at the Korean remark that trade was being liberalized "gradually". He found that imports of most of the agricultural commodities were conditional on the recommendation of the Minister for Agriculture or of an industrial body and that such recommendations were never given except for meat, grains and sugar. He was particularly interested in knowing what revisions were being made to Korean food and agricultural policies as part of the revision of the on-going Five-Year Plan. He further asked whether Korea had signed any long-term contracts with any rice exporting countries and whether 100 per cent self-sufficiency was still the target of the Korean Government while importing only in years of severe crop failures. He also wanted to know whether Korea had the intention of diversifying its sources of supply of wheat from other than the United States and what prospects could be expected for beef exports in the face of a very restrictive import quota regime at present.

12. The Korean delegate reiterated that discretionary licensing applied only to 79 CCCN headings at the four-digit level, while 87 headings were still free from such requirements. He was, however, not in a position to indicate if the Korean agricultural policy was likely to be revised, but he undertook to refer the question to his authorities for a clarification. With regard to the question whether his country had signed any long-term contracts with the rice exporting countries he categorically denied that any such contracts had been negotiated in view of the good rice crops over the last few years. He, however, confirmed that the Korean Government was quite keen on achieving 100 per cent self-sufficiency in the production of rice for reasons of national security and adequate reserves. As far as wheat imports were concerned, the United States had been a traditional source of such imports for a long time which, however, did not mean that Korean market was closed to other suppliers. Statistics showed that Korea imported $3 million of wheat last year from Australia which, however, was only 1 per cent of total imports. In reply to the last question whether beef quota would be enlarged he said that it would depend on an increase in the demand for beef and an expansion in the general purchasing power. Korea had shown a substantial increase over the past few years as imports of beef had expanded from 24,000 tons in 1981 to 41,000 tons in 1982 and an estimated 45,000 tons in 1983.

13. The Community representative reiterated that domestic agricultural price support measures had a positive effect on international trade and therefore some notation under columns 2 and 14 should have been given. It was not comprehensible how under the Foodgrain Management Law of 1963 the Korean authorities could regulate supply and demand for foodgrains without interfering with imports. He further noted that the justification for "discretionary licensing" had been given with reference to Article XVIII:B which clearly implied balance of payments difficulties. However, this was not true in the case of Korea where restrictions were applied selectively to protect agriculture. On the export side also, restrictions were imposed with reference to Article XI:2(a), which clearly prescribed that the measure would be used
only temporarily to prevent or relieve critical shortages of foodstuffs of other products essential to the exporting country. In the case of Korea these temporary measures had already continued for a number of years and still without indication when these would be terminated. He also observed that almost 40 per cent of agricultural imports were handled by the State agencies. The Korean authorities regulated imports of some other agricultural products under "OFMC", which was clearly State trading and should have been noted as such in column 13 instead of column 14. He, finally, addressed one question to the Secretariat concerning the difference between "automatic licensing" (AL) and "liberal licensing" (LL) which appeared in several notifications with different connotations to different countries.

14. The representative of Korea re-affirmed that the domestic price support measures had no effect on international trade, for which reason columns 2 and 14 had been left blank. If at all, these measures could influence the level of imports rather than exports. The main thrust of Korean development was the expansion of the manufacturing sector and the Korean Government had no intention whatsoever to be in competition with other exporters of agricultural products. The price support measures were designed solely to stabilize domestic market. As regards discretionary licensing he emphasized once again that his country was in the early stages of development and as such justified its balance of payments problems under Article XVIII:B in the Committee on Balance of Payments. He also wanted to make it clear that State trading was confined to only a few basic products as shown in the notification and that discretionary licensing covered 40 per cent of the agricultural imports which did not necessarily suggest that State trading agencies were involved. He also did not agree with the EEC that the notation "OFMC" should be shown as "ST" in column 13, as the State trading agencies had nothing to do with these measures.

15. The Chairman thanked the representative of the Republic of Korea for the notification and for the explanation given. He noted that the discussion had revealed that it might be appropriate for the Committee to revert to a discussion of Articles XI and XVIII at some later stage.
1. In introducing the documentation for the Ivory Coast Ambassador Traore said that, as a basically agricultural country, the economy of the Ivory Coast had shown remarkable growth since it became independent in 1960. Indeed, although subject to widely fluctuating prices for its products in international markets, economic growth had been achieved through increased diversification and strong growth of the foreign trade sector, particularly marked in 1976, but, albeit somewhat less, also in 1977 and 1978. Looking at results achieved under the First Five-Year Economic Development Plan (1961-65), exports increased at an annual average of 14 per cent and imports by 12.5 per cent. Under the Second Plan (1966-70) the annual growth figures were 11.6 per cent for exports and 8.2 per cent for imports. Under the Third Plan (1971-75) the annual growth rates were 14.6 per cent for exports and 16.75 per cent for imports. While it can be said that all sectors of the economy contributed to, and participated in, rapid economic growth, the main contribution to growth was made by exports, reflecting the efforts made by the Centre Ivoirien du Commerce Extérieur to promote exports and by the efforts made by the Government or Government sponsored organizations for channelling exportable products into export markets, with production of the three principal export commodities (cocoa, coffee and timber and wood semi-manufactures and manufactures) consequently showing the major growth.

2. An abundant labour force, the availability of large land areas suitable for cultivation, and the expansion of forestry-industry-facilities were the basic elements which made the rapid growth of exports of agricultural and silvicultural products possible. The Government encouraged this export-oriented production growth inter alia by protecting producers to some extent from excessive price fluctuations for their products in international markets by means of a price stabilisation scheme and price guarantees operated through the state-owned "Caisse de Stabilisation et de Soutien des Prix des Produits Agricoles". Further, the Government had taken measures to launch new export products such as palm oil, natural rubber, pineapple and coconuts. More recently the Government had launched a large scale programme for the development of cotton and rice production and for the expansion of sugar-cane plantations and refining capacity, partly with a view to exporting sugar. As far as the transformation industry was concerned, this is one of the most dynamic sectors of the economy. In the context of the 1976-80 Five-Year Plan the primary objective of public investment outlays had been the promotion of regional balance and social justice, rather than maximum growth. The integrated agro-industrial enterprises in the North of the Ivory-Coast provided a good illustration of the pursuit of this policy objective. These enterprises, or agro-industrial programmes, benefited from almost one-half of all public expenditure for the agricultural sector and were largely responsible for the overall development of State investment expenditures. In effect, the overall deficit on the investment account grew from 43,000 million CFA (e.g. 5 per cent of GDP) in 1975 to 111,000 million CFA (e.g. 7 per cent of GDP) in 1977. To finance these
deficits, the Government relied on external borrowing, with the result that the foreign debt tripled within a four-year period. As a consequence of the increase of the Government guaranteed foreign debt (816,000 million CFA in 1977) and further reliance on foreign financing, interest payments on externally incurred obligations, both the State budget and the balance-of-payments have come under increasing pressure. The Government was very conscious of the resulting problems and is therefore exercising the necessary restraint as regards development expenditures and has tightened controls on both expenditures and foreign borrowing by public enterprises and, consequently, slowed growth in public sector investment.

3. The period 1976–80 was nevertheless one of rapid economic growth of the Ivorien Economy, thanks to high and sustained internal demand and to large-scale public investment programmes and through a high level of exports, the three traditional elements of economic growth in the Ivory Coast. As a result, the primary sector of the economy benefited from about 1/3 of all public investment, thus permitting further progress towards three major objectives (i) reduction in regional imbalances, (ii) improvement of conditions for the rural population and (iii) diversification of production. The secondary sector of the economy experienced during this period a growth of more than 12 per cent per year, thanks to the investments made in the industries transforming indigenous raw materials, oleaginous fruits and oilseeds, husking and processing of coffee, cocoa processing, canning of fish, sugar processing and refining, cotton ginning, -spinning and -weaving.

4. The present Five-Year Plan continued on the path of the earlier Five-Year Plans, in conformity with the general policy objectives decided upon by President Houphouet-Boigny and the resolutions adopted by the 7th Congress of the Parti Démocratique de Côte d'Ivoire (PDCI-RDA). The overall policy objective assigned a high priority to economic and social development in the context of a society which guarantees individual and collective progress and the pursuit of happiness for all Ivoiriens. With this in mind, three major objectives have been decided upon (i) continuation of the efforts undertaken to ensure economic growth, (ii) increasing indigenous participation in all economic activities, (iii) measures for promoting collective and individual possibilities for growth and prosperity of all Ivoiriens. Among the options for achieving these objectives, the following four options chosen are of particular importance, (c) continuation of the liberal policy adopted, (ii) continuation of the policy of integration in the international economy, (iii) continuation of efforts to achieve better balance between all regions of the Ivory Coast and (iv) increased regional cooperation with neighbouring countries.

5. Concluding his statement, the representative of the Ivory Coast said that, notwithstanding a reduction by more than one-half of the Ivory Coast's export earnings over the course of the last few years, the country was resisting this kind of adversity better than many other countries. The Ivory Coast continued to be confident, given the remarkable infrastructure it has developed, that, when world economic recovery will come, the Ivory Coast will participate in that recovery.
6. The representative of the United States expressed his appreciation of the statement made and of the additional detailed information accompanying the format. There were, however, a few points which required clarification. For instance, it was the understanding of his delegation that not only wheat flour imports were prohibited but that imports of wheat were also prohibited as of Jan. 1982. If such a prohibition existed it should be noted in the format, together with its justification - for instance Art. XVIII, if this was a balance-of-payments measure. Likewise, details of the measure should be notified to the secretariat. Further, while the accompanying notes explained that rice was under annual quota, the nature of the restrictions was not as clearly evident from the format itself. Also, as regards livestock and seeds, it appeared that imports of these items were prohibited. Finally, it would be interesting to have more information on how the different subsidy measures worked and the exact form they took.

7. The representative of the Ivory Coast explained that imports of wheat flour were, in fact, prohibited and the rationale for this was probably that of aiding the development of the domestic milling industry. As far as wheat was concerned, imports did require authorization from the Minister of Commerce. In regard to rice, while it was true that annual import volumes were determined on the basis of the difference between domestic production and domestic needs, the actual administration of the measure was through the issuance of licences granted to interested importers. She had, however, taken note of the point made and the insertion of another symbol against rice in column 10 of the format could be considered in any revision. As regards the notation of "LL" in the format, this referred to a mere administrative formality, primarily for statistical purposes. In regard to livestock and seed imports, particularly given some of the ongoing development programmes, described in the notes, she doubted very much that these items were under import prohibition. What was involved, to the best of her knowledge, was a control for sanitary and phytosanitary purposes. Regarding subsidy measures, she referred to what had been said when introducing the documentation. As he had pointed out, the Government had taken various measures to promote production and export of certain key commodities, notably cocoa, of which the Ivory Coast is the world's leading exporter, and of coffee and palm oil, in both of which the Ivory Coast is the third largest exporter, and he had also mentioned other commodities, for instance pineapple, which had benefited from Government support in export promotion. As regards actual outlays on behalf of the different products it would be difficult to quantify and allocate amongst products the cost of support measures which are largely of a general nature, such as training schemes and extension and field demonstration facilities, infrastructure developments etc. - and which were generally part of the State budget, with expenditures undertaken in accordance with overall policies. Just to mention a figure, in a recent budget, overall outlays for rural support and development had been of the order of 65,000 million CFA. In any event, these measures should not be seen in the narrow terms of Article XVI - but should also be viewed in the context of the overall objectives and facilities provided for under Art. XXXVI and Art. XVIII.
8. The representative of the United States expressed his appreciation for the explanations provided and stated that he had not implied to question the justification of various development assistance measures but to suggest greater transparency, by inscribing subsidy measures not only in the notes but in the format itself. Also he would look forward to more ample details on the import treatment for wheat.

9. The Community representative expressed his appreciation for the very complete notification by the Ivory Coast and the excellent description of the Ivory Coasts' agriculture given in the accompanying notes. Also it was appreciated that it was recognized that agricultural development assistance measures could have an influence on either exports or imports, or both. What was still lacking was a clear reflection of that recognition in the format itself, in the form of inscriptions of the appropriate symbols in columns 2 and 14. Further, from para. 41 of the explanatory notes it appeared that there were, in fact, annual foreign exchange allocations for imports, while the inscriptions in column 10 referred to measures in force as "L" and "LL". Also, there seemed to be some incompatibility between the import system described in para. 48 and the invocation of Article VIII:4 - which related to import formalities - and, since Article VIII:4 applied not only to agricultural products, the use of the classifying criterion (a) for purposes of column 16 seemed questionable.

10. The representative of the Ivory Coast explained that they had tried to meet the information requirement of the Committee by providing a very complete description of the Ivory Coasts' agriculture, covering the situation and developments for all of the major products consumed domestically and all the major agricultural exports. Moreover, wherever assistance measures were product- or product-sector-specific this had been indicated in column 4, when the measures concerned export items, or in column 14, where measures might affect imports. The inscriptions were then cross-referenced to the relevant paragraphs in the accompanying notes and a reference was also given to the relevant GATT Articles, as described in para. 44 of the document. As far as the system of import licensing was concerned all imports payable in the national currency - and it was relevant to note that the Ivory Coast was a member of the Franc zone - were liberally licensed. The licensing requirement being a mere formality they had been referenced to Article VIII:4. As regards the classification symbol for column 16, it was true that Article VIII:4 did not relate specifically to agriculture but this was, perhaps, not a major problem, since, as could be seen from the format, the Ivory Coast had inscribed against Article VIII:4 not only (a) in column 16 but also (f). Finally, it was true that, as a developing country, the Ivory Coast had to exercise some control over its foreign exchange resources and also to safeguard the development of its infant industries. In regard to imports from some of the low cost exporters, in respect of which serious imbalances in the trade account occurred, there had to be some recourse to exchange allocations.

11. The Chairman thanked the representative of the Ivory Coast for the notification and for the explanations provided. With regard to measures taken to protect agricultural development in developing countries, and the reference to Article XVIII for such measures, he felt that the Committee should seek to clarify that matter at some later stage.
EGYPT (AG/FOR/EGY/1)

1. In his opening statement, the representative of Egypt described the role of agriculture in Egyptian economy as very significant. It accounted for 20 per cent of the GNP and 40 per cent of the employment in 1981-82. Due to structural and other reasons the growth in this sector had been relatively slow in the 1970's at about 2 per cent per annum. Even though the Egyptian soil was highly fertile and the average crop yields were relatively higher than the world average, overall production could not sustain the increasing population. Migration of population from the rural to urban areas and to other countries and limited area for cultivation kept the production at low levels. Egypt's agricultural sector, having shown a trade surplus of about $300 million in 1970, recorded a deficit of $800 million in 1977 and $2.7 billion in 1981-82. Larger quantities of foodstuffs, such as wheat, wheat flour, meat, sugar, dairy products, coffee, tea and some other items had to be imported from abroad to meet the total domestic requirements.

2. Explaining the salient features of the trade regime affecting agriculture, the Egyptian delegate mentioned that while a larger proportion of agricultural imports were duty-free, a sizeable proportion entered at rather low duty rates. Higher tariff rates were imposed on certain non-essential and luxury goods in order to discourage demand and to save the scarce foreign exchange for more essential imports. Certain items were importable only by the public sector enterprises so as to ensure that essential foodstuffs were available to people at reasonable prices. As indicated in the notification, licensing was applied to imports in a non-discriminatory way and on a commodity rather than on a country basis. Priority was given to essential requirements of food, raw materials and other goods, keeping in view the total availability of foreign exchange. Sanitary and phyto-sanitary regulations were also applied, as in other countries, to protect human, animal and plant health. These were however, not quantitative in nature. Finally, he said that the notification was provisional pending further amendment.

3. The representative of Switzerland made a general remark regarding the notification that no information had been provided on subsidies and other export assistance measures in column 2 to 7. Even if it were assumed that Egypt was not a significant exporter, it did export certain products. His own country was not an important exporter of agricultural products, but still had notified all the measures affecting such exports.

4. The representative of Egypt replied that his country did not grant any subsidies to any of the agricultural exports. He also mentioned that column 14 of the notification was left blank because Egypt did not apply any import restrictions.
5. The representative of the United States appreciated Egypt's balance of payments difficulties as in many other developing countries, but he found the severity of the restrictive measures out of proportion with the difficulties experienced by Egypt. Egypt had also not submitted much documentation to the GATT on its economic problems which had made an assessment of the situation more difficult. Referring to some specific bilateral problems he recalled that in July 1983 the Egyptian Government had announced its intention of banning the imports of frozen chicken, live cattle, tomato paste and favabeans for 12 months and the ban was expected to continue for 5 years. He wished to know what other bans were in effect and whether these were applicable to all countries. If these bans were justified on the grounds of balance of payments difficulties, why Egypt had not notified them to the GATT and whether under the provisions of Article XVIII:B Egypt had taken necessary steps progressively to liberalize trade. Furthermore Egypt had undertaken during the Tokyo Round to bind duty rate on poultry at 8 per cent. A ban on imports of poultry meant an impairment of a concession bound under the GATT. It was also his understanding that Egypt had banned imports of all fresh fruits except those coming from the Arab League countries. If this was true, he would like to know what other preferential arrangements Egypt had with the Arab League. Such preferences should have been shown in the notification. It could also be noted from the IMF Report that foreign exchange was not allocated for imports of non-essential products or goods that could be locally produced. He would like to know what agricultural products were affected by this policy and whether these policies had been notified to the GATT. Furthermore, many agricultural products, especially the bulk commodities, were imported exclusively by State agencies. He enquired whether poultry and dairy products were also being currently imported by State agencies. If that was the case, it should be duly noted in the format. He also observed that private importers were obliged to buy foreign exchange at a premium, which tended to discourage imports by them. He asked whether the Egyptian Government had the intention of adopting a single exchange rate for the private and State sectors in the future. If this was not the case, then the dual exchange rate should have been indicated in the relevant column of the format and Egypt should justify this measure under the GATT. He also observed that private importers were subjected to prior import deposit requirements of between 25 per cent to 100 per cent, which served as a deterrent to imports in the private sector. He enquired which of the agricultural products were subject to such import deposit requirements and whether the requirement should not have been indicated with a notation "PRDEP" in column 9 of the format. Similarly, the share of agricultural imports in the annual foreign exchange allocations should be indicated with the notation "CURR" in column 14. Lastly, he wanted to find out whether the domestic produce of poultry and beef were tested for the level of "salmonella" under the sanitary regulations, just as it was done in the case of imports from other countries. If there were no such tests for domestic products, then what was the reason for the discrimination. He wanted to know the maximum acceptable level of "salmonella" for imported poultry and beef.
6. The representative of Egypt said that the notification was provisional and some corrections and amendments would be forthcoming. Certain questions, however, had to be referred back to his authorities for detailed observations. He was, nevertheless, willing to answer some of the questions. As regards the banning of some imports, he was not aware of any such restrictions which, if applied, his country, in any case, would have done indiscriminately and would have certainly notified to the GATT. The foreign exchange allocations for imports were made to different sectors of the economy in accordance with their lists of priorities, in which essential foodstuffs naturally received higher priority. As regards the question whether poultry was imported only by State agencies his reply was that these imports were made by both private and State enterprises. As to the question of dual exchange rates, he was of the view that it was more in the purview of the IMF than in the Committee on Trade in Agriculture. He was, however, prepared to provide more information if so required. He further mentioned that it was rather difficult to give a precise indication of the amount of foreign exchange that would be made available for agricultural imports next year. However, he made it clear that imports of such products were steadily increasing. Finally, he suggested that the Committee should not be bogged down with the question of the number of measures existing in each country but should rather consider the effect of such measures on the overall trade. In the case of Egypt, the trade had shown an increase over the years parallel to the overall availability of foreign exchange, thus establishing that the import regime was fairly liberal.

7. The Community representative made a general remark that in the examination of notifications by several developing countries the Committee frequently had to address itself to GATT Articles XII, XVIII, XV and XVII dealing respectively with the balance of payments and exchange control problems and State trading agencies. Looking at the introductory paragraphs in the Egyptian notification, a specific impression obtained was that the Government controlled and regulated the bulk of the foreign trade through its numerous public sector enterprises. Not only the public sector imports but the private sector imports, in principle, also appeared to involve approval of the commercial agencies/Import Rationalization Committee. He contended that Egypt's economy was largely managed by the Government and this should be reflected in column 13 of the format. He also pointed out the excessively high tariffs for certain items, i.e. 600 per cent to 3000 per cent, which singled out Egypt for prohibitive tariffs. He further observed that Egypt had not provided any information on subsidies and other export assistance measures in columns 2 to 7, and had not indicated State trading for rice (10.06) in column 13. The EEC had a specific problem with Egypt regarding exports of cheddar cheeses (04.04) for which only a tariff rate of 5 per cent had been indicated but, in practice, negotiations also had to be conducted with the Government for exports of certain types of cheeses. Finally, the dual exchange rate followed by Egypt should have also figured in column 14 as a restrictive measure.
8. The Egyptian delegate replied that State trading was used as a tool to ensure constant supplies of food at reasonable prices. Only the Government sector could afford to provide essential foodstuffs at less than their import prices. Regarding imports of cheese he mentioned that the bulk was imported by the public sector so as to make it available to the people at less than normal market prices. But a part of it was also being imported by the private sector. He further observed that there was some misconception about State trading in his country. It was a mere formality that foreign suppliers were required to be represented inside Egypt by an Egyptian agent under the system of commercial agencies. He also remarked that tariffs were extremely high on wines and liquors because of the religious considerations, and other import restrictions were justified under Article XVIII:B because unlimited access to the market could not be guaranteed without the means to pay for all imports. In reply to the last question he referred again to his earlier remarks concerning the dual exchange rate system.

9. The representative of Canada also emphasized the need for more detailed information on export measures and the scope of State trading operations in Egypt. As an exporter of seeds and seed potatoes his country was interested in obtaining more details on the phyto-sanitary regulations for these products.

10. The representative of Egypt replied that the required information on phyto-sanitary measures would soon be provided and also reassured that Egyptian notification would be amended and completed in the light of the discussions that took place in the Committee.

11. The Chairman thanked the representative of Egypt for the notification and the explanations provided. He felt that it might be appropriate for the Committee to revert to the application of balance-of-payment restrictions and the reference made to Article XVIII.
1. The representative of Spain presented a detailed analysis of his country’s trade policy in the agricultural sector. Spanish agriculture was characterized by a dualist economy: a coastal and peripheral zone, mostly producing fruits and vegetables on a highly competitive basis; and an inner and dry zone which produces with greater difficulty cereals, oils, wine, and other transformed agricultural products. This latter zone was the most extended and faced very difficult climatic conditions. Moreover, as a result of industrialization over the past 20 years, agricultural contribution to the Spanish GNP declined from 16.39 per cent in 1964 to 6.77 per cent in 1980. However, the agricultural sector still had a great importance in the overall economy of Spain because it still absorbed a large share of the working population. This situation had recently been aggravated by the economic difficulties experienced in other sectors of the economy as well as other countries, and had resulted in a return of workers to agriculture in his country.

2. He also recalled that his country had in recent years recorded an average deficit of about US$10 million in its trade balance. The agricultural component constituted an important part of this trade balance deficit. Spanish policy for agriculture could only be understood in this context. He then explained that the basic option of this policy was the maintenance of differentiated production, capable of providing reliable flows of domestic supply which could prevent Spain from being affected by eventual embargoes or too sharp price fluctuations in certain basic commodities. The Spanish Government was, therefore, compelled to provide some form of aid for supporting a minimum level of viable agricultural production. He also added that in the existing economic situation, it was extremely difficult to put into operation a positive process of adjustment, notably with respect to the most affected and traditional sector of the agricultural production. He further indicated that the current objectives of his country’s policy for agriculture were aimed at increasing productivity in agriculture, modernizing farming, facilitating agricultural activities in the most depressed zones, raising the standard of living of agricultural workers, and developing cooperative organizations.

3. Turning to the notification submitted by Spain, he noted that his delegation had found it a very complex task to complete the format as suggested, because of some difficulties in coordinating different services in the Administration. In spite of the best effort of his delegation, he was aware of the fact that document AG/FOR/ESP/1 contained a number of omissions, notably the lack of indication of unbound duty rates and preferential duty treatment applied to EEC and EFTA countries. He added that, if so requested, Spain would provide at an appropriate time a revision of its notification. He noted that Spain did not include in its notification other products from agriculture falling outside CCCN Chapter 1-24. He indicated that measures affecting trade in these products could be found in document NTM/W/6 and in the annexes of document TAR/18 and TAR/68.
4. He further recalled that State trading in agricultural products existed in Spain since the 1930's and even before. He pointed out, however, that neither the bodies in charge of administrating State trading, previously the Commission of Supply and Transport and currently the National Service for Agricultural Products, nor their conception had any protectionist function. They were rather in charge of securing a regular flow of food supply to the population by importing required products without discrimination. He pointed out that Spain did not maintain a general policy of export subsidies. He indicated that occasionally for products in oversupply Spain did grant export subsidies. That was the case in 1982 for 9 CCCN sub-positions. He also indicated that sanitary and phytosanitary regulations apply only in cases when a reason for their implantation had been determined.

5. The representative of Chile expressed appreciation for the Spanish presentation of document AG/FOR/ESP/1. He was aware of the difficulties inherent in filling in the format, but he hoped that the Spanish notification could be completed at some stage. In particular, he noted that document AG/FOR/ESP/1 did not contain information on fish and fishery products, and he expected that such information would be made available in the future given the importance attached by his country to this sector. He further noted that the detailed presentation made by the Spanish representative concerning the objectives of the Spanish agricultural policy in the agricultural sector made him believe that in fact a systematic price support system was in force in Spain, although no indication of this was provided in the appropriate columns of the format. He asked for clarification on the modalities of calculation and application of fiscal charges in Spain. Having noted that discretionary licensing applied to most products, he also wished to obtain a detailed explanation of all restrictive measures resulting from this system. He noted that in some instances references had been made to the Protocol of Accession of Spain, while in other cases mention had been made to balance-of-payment consultations. He wished to have some explanation on this point. He also noted the low level of consolidation of duty rates on Spanish tariffs.

6. The representative of Spain noted that trade in fish and fishery products was a matter of importance for his country too. He stated, however, that notwithstanding fish and fishery products falling within CCCN Chapter 1-24, his country, in accordance with past practices, was free to consider these products as being outside the Committee's examination, at least as far as Spain was concerned. He recalled that Spain had already indicated its position on this matter as his authorities considered it more appropriate to deal with fish and fishery products only after the changing situation in production and trade which currently characterized this sector had been studied in the framework of the specific work on such products which did also result from the Ministerial Declaration of 1982.

7. He further stated that the price support system existing in Spain did not constitute a form of subsidy, as was explained in document L/5102/Add.20. Regarding other taxes and charges imposed for social reasons and on luxury goods, he referred to document L/3389 which contained detailed explanation on their methods of calculation and
application. He recalled that discretionary licensing in Spain was a residual aspect of the past trade regime system. Since its accession to GATT in 1963, Spain had undergone a continuing process of liberalization of its trade regime. He explained that automatic licenses were granted on short notice, generally ranging from 24 to 48 hours, while discretionary licensing required preliminary enquiries by the administration. The basic parameters for this enquiry were the maintenance of traditional trade flows without discrimination, and the actual necessity of importing the products in question. For these reasons Spain had not yet signed the Code on Import Licensing, but he pointed out that his authorities were making all efforts to terminate shortly with this licensing regime. He also recalled that since Spain acceded to GATT, the level of binding had increased from 147 positions in 1963 to 1,400 positions after the Tokyo Round. He considered that in a not too distant future, and as a result of further negotiations, about 90 per cent of Spanish tariff positions would be consolidated.

8. The representative of Chile reiterated his view that fish and fishery products were agricultural products, and they should therefore be the subject of notification to the Committee. He also asked under what GATT article Spain would justify its discretionary licensing system. The representative of Spain replied that he was not authorized to discuss fish and fishery products at this moment and recalled that he had explained at length and on various occasions Spain's position on this matter. Turning to the GATT justification on discretionary licensing, he said that this regime was basically covered by the Protocol of Accession of Spain and its clauses.

9. The representative of the United States also expressed appreciation for Spain's submission and for the general introductory remarks illustrating Spanish agricultural policy. He noted that the well known existence of domestic consumption quotas in Spain, such as that on soya bean oil, should be reflected in column 7 of the format. He also considered that the Spanish practice of rebating internal taxes on export goods, including agricultural commodities, and financing exports of fruit and vegetables, should be notified in the appropriate column of the format, notably column 2. He further noted that in March 1982, the Spanish Government required cigarette manufacturers in Spain to have a minimum domestic leaf content, but no reference to this measure appeared in the format. He also wished to have some clarification on the social charge on meat (CCCN 02.01), and on the operation of subsidies granted on poultry exports. Having noted that most agricultural products in Spain were under state trading and must be imported into Spain either directly by the Government or by private importers with Government authorization, he wished to know to what extent the private sector determined quantities to be imported, and how much Government control was involved in importing foreign products. Finally he considered that Spanish agricultural policy offered extensive protection to domestic producers and represented an effective shield against external competition.
10. In his reply, the representative of Spain noted that the question of a domestic quota on soya bean oil had been addressed by a GATT panel and had been discussed by the Council. He agreed that this measure could have been notified in column 7 with a reference to the relevant GATT documents. He further noted that Spain had explained in detail in document L/3389 its system of rebating internal taxes, in connection with the reservation attached to Spain's participation to the Code of Subsidies and Countervailing Duties. He recalled that his authorities intended to introduce the VAT system in Spain to replace the existing system. He pointed out, however, that this system did not contain any element of subsidization. He stated that the pre-financing system was enforced only for industrial products. He was not well aware of the minimum leaf content requirements, but he noted that US export of tobacco to Spain had increased markedly from US$27 million in 1972 to US$57 million in 1982. He stated that the objective of the social charge on meat was that of financing a special regime of social security for agricultural workers. It was charged both on domestic and imported products in conformity with Article III of the General Agreement.

11. Referring to the questions on State trading, he explained that State trading in Spain operated by tenders open to all importers offering the necessary economic and financial requisites. Referring to the protection granted to the agricultural sector, he recalled that the Spanish Constitution of 1979 embodied, inter alia, the fundamental principle that international agreements entered into by Spain become an integral part of Spanish legislation. This had required a process of modification to adjust domestic legislation to international commitments. He further pointed out that the basic principle governing Spanish trading policy was that of non-discrimination.

12. The Community representative wished to have a clarification regarding the classification of import levies in the Spanish notification which he understood had been justified under Article III. He also noted that the regime on cheese currently enforced in Spain was based on bilateral quotas maintained since 1966 on a temporary basis under the provisions of Article XIX. He considered therefore, that that should be indicated in the format.

13. The representative of Spain indicated that import levies (MLV) had been notified in the Spanish format with a reference to (e), i.e. measures not explicitly provided for in the General Agreement, and not under Article III. Referring to CCCN 04.04, he said that the representative of the EEC was correct in recalling that measures on cheese were maintained under the provision of Article XIX. He indicated that Spain had invoked that Article several times, the latest being in 1978/79 (document L/4978/Add.1 and Add.2).

14. The representative of New Zealand sought a clarification as to whether there was any regulation in Spain affecting export or import of sheep meat, or otherwise what regime did apply to it. The representative of Spain indicated that in his country all types of meat, including sheep meat, were subject to State trading.
15. The representative of Switzerland took note that the Spanish notification on cheese would be amended in order to make reference to Article XIX. He questioned whether it would be appropriate to notify measures maintained on a temporary basis instead of simply ceasing to invoke the provisions of Article XIX.

16. The representative of Spain noted that duties on cheese were bound and indicated that these products were subject to automatic licensing and that import levies had been introduced following the Spanish invocation of Article XIX. Bilateral quotas had been established thereafter with the principal suppliers. He recognized, therefore, that the Spanish notification on this product could be supplemented by listing in column 15 GATT documents relating to Spain's invocation of Article XIX.

17. The Community representative wished to bring more clarification to this issue. He noted that cheese imports into Spain before 1966 were subject to a liberal regime consisting only of bound duties. In 1966, Spain had invoked Article XIX and entered into negotiations with principal suppliers. In 1970, an agreement was reached which contemplated the establishment of reference prices. Further negotiations started in 1978 and were concluded in 1979. From a legal standpoint, bound duties had remained, but the current trading regime for cheese was based on bilateral quotas which were maintained under the provisions of Article XIX.

18. The Chairman thanked the representative of Spain for the notification and the explanations given.
1. The representative of the United States said that his government believed that the work programme of the Committee offered a unique opportunity to examine and illustrate to what extent the member countries attempted to influence trade. The United States had a special interest in the end product of the Committee's work, as the United States was a major exporter and a major importer of agricultural products. He believed the task should be to develop as complete a picture as possible of the measures affecting international agricultural trade. The measures identified in the United States submission had been developed for the most part, to protect farmers and preserve domestic agricultural programs. He would not claim that the United States was lily white with regard to its agricultural trade policies. With regard to imports, the Section 22 quotas were clearly designed to protect the domestic dairy programme, but he noted that other countries used different methods to protect their domestic programs. As did many countries, the United States protected the beef industry, and the United States Meat Import Law provided for quotas under certain specified conditions. The United States applied import quotas for sugar and a few other price-supported commodities. On the export side, the submission identified government programmes influencing quantities produced and available for export.

2. Most of the existing agricultural support and related import protection measures resulted from programmes and policies developed in the 1930's. During the past few decades, however, the United States had made a strong commitment toward a more market-oriented agricultural production system. Instead of developing policies and programmes which insulated the United States agricultural sector from the effects of the world trading system, the efforts of the government had been directed towards insuring that farmers could compete fairly on the world market, and policies and programmes developed in recent years had been directed towards balancing supply with demand, encouraging trade, improving access to foreign markets, and protecting producers from predatory trade practices.

3. The United States delegation had attempted to present as complete a submission as possible, but it was willing and prepared to consider any suggestions for improvements and to provide any further explanations.

4. The representative of Canada expressed his appreciation with the high degree of security of access for a large number of products to the United States, but noted that some sectors were still subject to extensive protection due to domestic political pressures and trade-offs. With respect to the existence of the waiver granted to the United States back in the mid-fifties, he said that this affected both exports and imports. The existence of the waiver over many years had caused problems regarding observance of GATT rules by other countries, as it was often difficult to accept that some action could not be taken because of obligations under the GATT, when the United States was seen as not being obliged to observe the same obligations. The presence of the waiver therefore caused some particular indirect effects. In making some comments of a more technical nature, he asked for further
clarification as to the current application of voluntary restraints notably in the case of beef, and suggested that some indication should be made about on-going negotiations, providing for voluntary restraints or the imposition of import quotas. With regard to export measures, he noted that the United States was no longer applying direct export subsidies, but was nevertheless making extensive use of subsidized export credit. He inquired whether concessional sales, for instance under PL480, were linked to commercial sales and asked for an indication of the products affected. He furthermore noted the reference to Article XXV in the case of import quotas of sugar and asked whether these quotas were applied under the waiver.

5. In reply to the latter point, the United States representatives said that the reference to Article XXV was a mistake, as the legal basis for the application of import quotas for sugar was made according to headnote of the United States tariff schedule and was related to a tariff binding on sugar. With regard to the waiver, he pointed out that this covered only a small number of products, which were under support programmes. As to meat imports, he explained that the documentation before the Committee might be out of date. However, it was significant to note that imports had continued to increase. Regarding the question of tied sales, it was necessary to have an indication of concrete examples in order to give a meaningful answer.

6. With respect to the completeness of the documentation the representative of Australia expressed some concern, notably with the coverage of sanitary and phytosanitary regulations and wondered whether the United States notification could be further completed on this point. He also expressed his concern with the classification under (f) in case of measures for which there was no GATT justification, and felt that in the case of sugar quotas, the United States was caught in a sort of dilemma. In the case of exports of dairy products, he felt that a reference to Article XVI was missing, as some exports were made on concessional terms. He furthermore said that Australia had a voluntary export restraint arrangement with the United States, and which was currently in operation. The indication in the notification that the measures were suspended could therefore not be correct and he noted that certain restrictions on imports of kangaroo products were missing. He had noted the statement by the United States that only the Federal government could implement regulations, and he asked for an explanation of state levies collected on meat imported into California and suggested this to be indicated in the table.

7. The representative of the United States said that if sanitary or phytosanitary measures had been omitted, these could certainly be added. It was also explained that the United States delegation had made extensive notifications under the Licensing Code of all licensing systems applied, including those applied for purposes of administration of sanitary and phytosanitary regulations. He confirmed that California applied an assessment to all meat regardless of origin, foreign or domestic, for market promotion purposes. This tax was currently subject to legal investigation.
8. The representative of Argentina appreciated that the information on licensing applied for the administration of sanitary and phytosanitary regulations had been notified to the GATT, but nevertheless thought it would be useful to include a precise reference to such documentation in the tables. These regulations represented the major obstacle for access to the United States market. He appreciated a fairly complete notification of export assistance, notably the special export credit facilities which applied to a range of products such as eggs, poultry, grains, flour and meat, and noted that these measures had been classified under (f) but that no justification had been provided under the GATT. He supported the views expressed by Canada with respect to the waiver granted to the United States, an important matter which ought to be subject to further consideration by the Committee. Finally, he queried why a reference to Article XVI was not made in the case of a price support on honey.

9. With regard to sanitary regulations, the United States representative repeated that all the information was available in the secretariat, and that it was of course to avoid a cluttering up of the documentation that an indication of the application of such measures had been made only for some products. As to the waiver granted to the United States, he said that the United States could not renounce on its rights acquired in this respect as long as nearly all other countries applied protective measures for similar purposes. Furthermore, the measures taken under the waiver were subject to regular reviews in a working party. The price support for honey was not only benefitting United States producers, but also producers in other countries such as Argentina, Canada and China, and was not accompanied by any measures on imports, but a change in the legislation on this point was being considered. However, following an explanation given by the secretariat, he agreed that the measure could be notified pursuant to Article XVI:1. As to the classification under (f) of the Export Credit Guarantee Programme and concessional sales under PL480, he said this was done because it was felt that these measures fell outside the General Agreement.

10. The representative of Japan stated that he had some difficulty in understanding the rationale provided by the United States for maintaining the waiver as well as import quotas on sugar. He also expressed concerns with the effects caused by the implementation of the United States Meat Import Law. He suggested that the Committee should at some stage enter into a discussion of all types of restrictions affecting agricultural trade, and notably measures maintained by the United States under the waiver and the system of variable levies applied by the European Communities.

11. In a reply to these comments, the United States representative reiterated that the measures taken under Section 22 and in conformity with the waiver were necessary to prevent interference with governmental programmes for certain commodities and to prevent market displacement of such commodities. Major reasons why the United States could not adopt alternative measures were the widespread application by other countries of State trading, export subsidies, quantitative restrictions and levies. In reply to the comments by Japan about the Meat Law, he
recalled that this legislation had been in force since 1964, and for only a period of three months import quotas had been applied; but as long as other countries did not open up their markets for greater meat imports the Law was necessary.

12. The representative of Chile joined other speakers in appreciating the extensive use of tariff bindings made by the United States. He also supported the criticism of the maintenance of the waiver by the United States, and raised a question about the results achieved notably in the dairy sector. A continuation of the waiver meant the persistence of a serious imbalance between contracting parties with respect to rights and obligations, resulting in a far from equitable situation. The rationale for granting the waiver was no longer fully relevant, and he urged the United States to renounce on this privilege. He also supported the comments made by others about notification and justification of certain measures affecting exports. Concerning fish, he regretted that this group of products was omitted in the notification and invited the United States to provide the relevant information also for fish. In reply to this point, the United States representative explained that fish was not within the competence of the US Department of Agriculture and he did not feel it mandatory to notify for fish, but he would pass on the request by Chile to his authorities and try to provide the information also for fish. In reply to a question about imports of table grapes, he explained that under the Agricultural Marketing Agreement Act, restrictions applied to domestic produce under a marketing order, might also be applied to like imported products. Recently, grape producers had acquired this authority for table grapes, to prevent a distortion of the market by imports of low quality grapes or sour grapes. The regulations did not, however, affect imports from Chile which consisted of high quality grapes.

13. The New Zealand representative thanked the United States for the information submitted, for the explanations given and was pleased to learn about the determination to move towards greater trade liberalization. He recognized that there was a substantial degree of access for meat to the United States market and quantities involved were considerable, but noted that the Meat Import Law in effect placed a limit to the amount of meat that might enter that market in any given year although the ceiling was relatively high and he would appreciate this to be made clear in the notification. He furthermore suggested that the application of dairy price supports should also be indicated as affecting exports, as the measures were susceptible to influence international trade. He also wondered whether it would not be appropriate to indicate State trading for dairy exports, as some concessional sales had occasionally been made by a governmental institution. In regard to having a more complete notification of sanitary and phytosanitary measures, he suggested proceeding on the basis of reverse notifications. He similarly wanted some problems related to the nomenclature for fish to be indicated in the tables. He had noted the information given by the United States about imports of meat into California, but wanted to retain the possibility to examine the matter a bit further, as the response given did not seem to be exhaustive. New Zealand exporters also had some problems with United States species verification requirements. He signaled a problem related to the United
States notion of spring lamb which might be included in reverse notifications against the United States. Finally, he inquired about promotional assistance provided to agricultural exports by the United States Government, and requested that such measures be notified not least for the purpose of transparency.

14. The United States could agree to the suggestion made by New Zealand concerning notification procedure for sanitary measures, and would try to provide any further information required by the Committee. With respect to general measures that had been indicated as affecting exports or imports, it was explained that this was based on a judgement as to what was mainly affected, and it should not be too difficult to indicate some measures as affecting both exports and imports.

15. The representative of the European Communities suggested that the United States followed the example of Canada and provided the requested information on fish in an annex to the document. With respect to sanitary regulations, he could support the suggestion made by New Zealand, but he stressed that it was important that the United States notified such measures applied to meat, fruit and vegetables. He appreciated the mention in the general note that the United States had not found it necessary to take particular measures in order to fulfill its obligations under the International Dairy Arrangement, but he regretted that these obligations had not been met by the United States. With respect to the use of specific symbols used in the tables, he would appreciate an explanation. He furthermore suggested that certain support measures should be indicated for instance in columns 2 and 14, this should in particular apply to various Marketing Orders, and federal aid to investments, e.g. in the poultry sector. He also mentioned a federal programme to support alcohol production and that had a significant effect on the export price of waste from that industry, such as gluten feed and isoglucose, and which resulted in problems in these markets. With respect to transactions by the Commodity Credit Corporation he felt that these should be indicated as State trading and export credit facilities were clearly assistance to exports and should have been classified as such. He had taken note of the explanations given concerning the waiver granted to the United States, but he stressed that the examination of the waiver was one the major subject to be dealt with by the Committee and felt it to be unfortunate that this point had been incorporated in the general examination of measures affecting access and supplies, and also pointed out that in the Ministerial Declaration the examination of the waiver had been a separate major point. He also felt that the special tariff nomenclature used by the United States and the conversion of this into CCCN, could have resulted in a somewhat false picture.

16. In reply to the latter comment, the United States representative pointed out that according to United States tariff nomenclature between 93 and 94 per cent of all tariff lines were bound, compared with 60 per cent for the Community. He noted the Community suggestion regarding the inclusion of sanitary measures for meat, fruit and vegetables, but explained that his delegation had followed the instructions given by the
secretariat on this point. With respect to what the Community had said about fulfilling obligations under the International Dairy Arrangement, he felt that the United States had not contravened any of the provisions of that arrangement. Regarding subsidy or aid to the alcohol industry this was being phased out and would soon be terminated, and there was no aid to poultry exports or support to investment in that sector.

17. The representative of *Kenya* expressed a general concern with erosion in GSP concessions and referred to the tariff treatment of nutmeg in the United States for which there was a binding at zero, yet there was a GSP. He suggested that in such cases the item could be deleted from the GSP list as the GSP obviously was without any value whatsoever. The *United States* representative explained that the tariffs rates shown were those to be applied as from 1 January 1987, and GSP treatment could still mean an advantage for some time.

18. In closing the examination of the United States notification, the *Chairman* noted that the Committee had also entered into a discussion of measures maintained under exceptions or derogations which indeed was a separate point in the Ministerial Declaration. He observed that this examination would of course also cover measures maintained under derogation by other countries.
1. When introducing the documentation concerning his country, the representative of Finland recalled some special characteristics and problems of Finnish agriculture such as a comparatively large agricultural population, small farm size, a rapid structural change in recent years and a predominance of animal production (which accounted for 80 per cent of the production value), especially dairy production, due to climatic and geographical conditions.

2. The main objective of Finnish agricultural policies was to safeguard a sufficient level of self-sufficiency for basic food products, for reasons of supply security, and for regional, social and employment policy considerations. Agricultural policy formed a whole, and export and import measures had to be looked at from that perspective. The official policy of the Government was to limit production to domestic needs and not to aim at establishing a permanent capacity to export. Various measures were applied to keep the production of a number of products within fixed limits and measures had been taken to increase domestic consumption notably of milk and other dairy products. The Finnish trade deficit for agricultural products amounted to almost 600 million US dollars.

3. Target prices to producers were fixed annually, taking account, inter alia, of the market situation. These prices had to be protected through import measures, and for that purpose, customs duties, variable levies and quantitative restrictions were used.

4. Imports of most agricultural products were subject to ad valorem duties and in addition, quantitative import restrictions were applied to a number of products. Imports of the most important farm products such as meat and dairy products were subject to variable levies which in principle covered the difference between the domestic price and the world market price. Export subsidies were also used to cover the difference between the domestic price and the price in export markets, although fixed subsidies were occasionally made use of. Export prices had to be accepted by the authorities when export subsidies were granted. The agricultural sector itself covered about one third of the expenses of such subsidies, through marketing fees and taxes on feed and fertilizers. According to the Agricultural Price Act the agricultural sector must cover the cost involved in the marketing of any production in excess of certain ceilings. Anyhow, the measures applied could not disturb world markets in view of the relatively small size of the Finnish production.

5. The representative of the European Communities noted that quantitative restrictions applying to all agricultural products had been classified as (f) and that no GATT reference had been indicated for these measures. He asked what was the justification under the GATT for these measures, for instance whether reference could be made to Article XI or to a grandfather clause. He had also noted that certain products were subject to state-trading and that these products were exported with export subsidies and at export prices to be accepted by the Government.
6. The representative of Finland answered that it was not correct to say that imports of all agricultural products were subject to quantitative restrictions. These measures had been classified as (f) following advice given by the secretariat in document AG/W/2. The restrictions dated back to times when all imports had been under licence. These import restrictions were necessary to safeguard the enforcement of national agricultural policy, including restriction on production. In some cases it was for similar reasons necessary to have a combination of licensing and variable levies. However, with respect to variable levies he stressed that these were not changed very often (as a rule, once a month) and were for practical purposes considered to be closer to unbound duties than variable levies per se. Concerning state-trading, the Finnish representative said that exports and imports of products containing alcohol (more than 2.5 per cent) were controlled by the alcohol monopoly, but private firms could export or import with permission from the monopoly. For grains, the State granary was the sole importer and/or exporter. If subsidies were granted on exports, the export price had to be accepted or confirmed by the authorities, in order to prevent exports from being made at artificially low prices.

7. The Community representative inquired whether eggs and cheese were subject to state-trading. The Finnish representative explained that the trade in cheese was in private hands, but that a very big share was handled by a dairy cooperative, which had a dominant position in the domestic market. Neither was the trade in eggs subject to state-trading.

8. The representative of Chile insisted on having a justification of quantitative restrictions with exact reference to GATT provisions. The representative of Finland stressed that it would be more useful for the examination to concentrate on the measures themselves and their motivation than to engage in a purely legal discussion. Anyhow, there was a wide and longstanding political consensus in Finland in favour of the present agricultural policy, and the Finnish Government had neither the will nor the possibility to act against this consensus. In reply to a question from the representative of Chile about internal taxes, the Finnish representative explained that those taxes were applied to all products, both of domestic and foreign origin, and that the reference to GATT Article III was to be understood in that sense. He also explained that various import restrictions were applied for quality control reasons and that a reference to Article XX:b was consequently appropriate. In reply to a further question about export subsidies and export refunds, the Finnish representative confirmed that the relevant GATT reference was Article XVI also in the case of processed products, as in the latter case the refund was granted on the primary product component.

9. The representative of Chile expressed his disappointment with the replies regarding the justification for quantitative restrictions under specific GATT provisions, and reserved his right to revert to the matter in the Group on Quantitative Restrictions. The Finnish representative repeated the points he had made in his earlier statements and referred to the motivations given for the measures, which were necessary for the conduct of domestic agricultural policy. He felt that he had amply explained and justified the measures applied by his Government.
10. The representatives of Argentina and Canada shared the views expressed by Chile on justification of quantitative restrictions and wanted to see a justification of those. In a reply to a question about an internal tax on grape must the Finnish representative explained that for certain products, there was a tax, which was applied to both imported and domestic products. He rejected the contention by the representative of Argentina, that seasonal restrictions on fruit were in fact a prohibition. Imports were under licence for a certain period of the year, but licences were granted also during that period, and for the rest of the year imports were free. He also contested that the notification with respect to state-trading of alcohol was incomplete. The activity of the alcohol monopoly, which operated in a businesslike manner, had been regularly notified pursuant to the provision of Article XVII. The Argentina representative wanted an explanation why only 5 per cent of sugar imports came from developing countries. The Finnish representative replied that Finland covered roughly one half of its sugar requirements by imports, mainly through imports from developing countries, with Cuba being the major supplier. In reply to a question from the representative of Argentina, the Finnish representative said that it was wrong to say that only a small percentage of Finnish fruit imports came from developing countries, referring to the fact that Finland had progressively lowered barriers to imports of tropical products, in particular, during the Tokyo Round negotiations.

11. The United States representative inquired about the comprehensive nature of the Finnish import regulations and how this was related to adjustments in target prices. In reply to this the Finnish representative referred to the introductory notes in the notification and explained that of course a number of factors were taken into account when target prices were fixed, not least by aiming at orienting the production by changing the price ratios between products. In reply to a question about the price relationship between butter and margarine, he said that in order to encourage butter consumption, the ratio between the prices of butter and margarine was kept constant. The efforts made to promote the consumption of milk and dairy products had resulted in Finnish consumption of these products now being among the highest in the world.

12. The New Zealand representative suggested that various types of price support, deficiency payments and production subsidies should have been more fully reflected in columns 2 and 14 of the notification. The representative of Finland considered this to be a question too broad to be dealt with on this occasion, and emphasized once more that the various measures in the agricultural policy constituted one integral whole. As far as further completion of columns 2 and 14 was concerned, he pointed out that the information was also given in the introductory notes to the notification. In reply to a comment by the representative of Switzerland on the low level of cheese imports, the Finnish representative said that imports of cheese, although still small, were increasing. The level of imports was affected by such factors as consumer tastes, tradition and food habits, and developments therefore were necessarily slow.

13. The Chairman thanked the Finnish representative for the notification and the answers given. He noted that the discussion had brought out that there was a relationship between domestic policies and trade regulations.
1. The representative of Hungary expressed his appreciation of the opportunity to explain the main features of Hungary's agricultural system and policies. He was also appreciative of the fact that his task would be facilitated by the presence of experts who would introduce the documentation.

2. At the outset it was pointed out that agriculture in Hungary was both a very traditional and a relatively developed sector of the economy. Hungary benefitted from relatively favourable natural conditions and climate for plant cultivation, including cereals, fruits, grapes and vegetables. In 1983 an enormous drought had, however, caused disastrous crop losses. The share of the value of agricultural production in the Hungarian GDP was nearly 18 per cent. More than 20 per cent of the total Hungarian labour force was employed in the agricultural sector. Imports of agricultural products account for more than 9 per cent of Hungary's total imports. These included mostly high protein animal feedstuffs, beverages, like coffee, tea and cocoa, and tropical fruits. In exports, the share of agricultural products amounted to 25 per cent of the total. Hungary was a net exporter of agricultural products, including meat, cereals, fruits and vegetables. That was why Hungary had a keen interest in the work of this Committee which task was defined by the Ministers last November as: "... to make recommendations with a view to achieving greater liberalization in the trade of agricultural products with respect to tariffs and non-tariff measures".

3. The representative of Hungary stated that 72 per cent of the total land area was cultivated agricultural land. In value terms, plant cultivation accounts for 52 per cent, while animal husbandry accounts for 48 per cent of production. The most important products in overall production were: wheat with a 7.2 per cent share, maize (11.04%), cattle (14.8%), pigs (17.4%), and poultry with a 12.5% share.

4. He explained that in Hungary, agricultural production was largely socialized. At present, about 99 per cent of the total cultivated land area was in the possession of State farms or agricultural co-operatives. There were 129 State farms and more than 1,400 agricultural co-operatives in the country. Agricultural workers in State farms or in agricultural co-operatives usually receive private plots where they might produce any kind of agricultural product for their own use or for free sale. Of course, not only plant cultivation but animal husbandry could be carried out privately. Taking this into account, about 30 per cent of the total agricultural production came from private plots and from other private farms. This was a very important contribution to the country's agricultural production, mainly in the field of animal husbandry. That was why, the Government supported private agricultural production by granting different tax incentives and price rebates for the purchase of agricultural machinery, fertilizers and certain chemicals for use in agriculture.
5. Agricultural production in Hungary in recent years had experienced a very rapid and dynamic growth. Taking the 1970 production value as 100 per cent, by 1982 agricultural output stood at 155 (in which plant cultivation accounted for 60 per cent and animal husbandry for 51 per cent of the growth).

6. Per caput production of grains was now above 1,400 kg. (of which wheat 560 kg, maize 770 kg) while production of meat stood at 120 kg and that of wine at 68 litres.

7. The main objectives of the Hungarian agricultural policy were: the rational utilization of lands, the technological development of production, to assure a general level of incomes for the agricultural population, to safeguard the supply of the Hungarian population with agricultural products, to modify the structure of consumption, where necessary, and to make agricultural production more efficient.

8. Given the above-mentioned objectives, the Government applied a general support policy in the field of agriculture. The support programmes were mainly used in the field of animal husbandry by applying different domestic subsidies or price supports as indicated in the Hungarian notification. There were also some other kinds of income supports in force.

- there was a so-called regional support for those agricultural producers where the quality and value of the cultivated lands is very low; they may receive a regional support for their agricultural production to equalize their unfavourable natural endowments;

- there exists a support for ameliorating bad-quality lands with special technology; this support may be between 30 and 70 per cent of the value of the total investment;

- chemical fertilizers and other agricultural chemicals (like pesticides) may be purchased with price rebates;

- the non-commercial credit system which is indicated in the relevant tariff positions in the Hungarian notification is functioning by refunding a part of the interest rates, which means that when the investment is finished and credit is used up, 2 to 4 per cent of the interest rate is refunded to the investor. At present, while the general investment credit interest rate level is 14-15 per cent in some agricultural fields, the investment credit may be granted with a 10-11 per cent interest rate;

- finally, as indicated, specified product groups received an export subsidy; the level of the export subsidy was 8 per cent at present.
9. He said that when Hungary entered the international market with usually good quality, competitive agricultural products, they were forced by other competitors to grant export subsidies in respect of certain product groups and this is a matter of great concern to them. When one analysed recent trends in the international agricultural market and the trade flows generated one could see that enormous sums for subsidies were granted to exports by major traders in this field. While Hungary was fairly competitive in agriculture in terms of the quality of its products, Hungary could not be competitive in terms of export subsidies. He thought that most of the smaller countries could not afford in the long-run, competition in the subsidy field. It was their hope that the Committee would be able to arrive at some positive conclusions in regard to that problem.

10. Before concluding the introductory remarks, the representative of Hungary also provided some technical corrections to the documentation on Hungary that was before the Committee. As regards column 2 of the format - Subsidies - there were two instances where export subsidies were indicated but none existed, while in two other cases no subsidy was indicated but did exist. Export subsidies were granted for position 08.11 and 11.05. On the other hand the export subsidy entries should be deleted against heading 15.07 and 23.04. Finally, as a more general comment, he said that the secretariat paper AG/FOR/W/HUN/1/Add.1 stated that the Hungarian submission covered 87 CCCN four-digit headings only. This was not correct. It was the intention of the Hungarian authorities to submit a complete notification and the revised version of the format that was before the Committee represented a complete notification in respect of all the products covered by CCCN Chapters 1 through 24.

11. The Community representative stated that he was inviting replies or comments on a number of specific points: 1) Why was information supplied only on products for which imports exceeded 1 million US dollars? 2) In view of the fact that the general explanatory note stated that all exports and all imports were subject to licensing why was that fact not reflected throughout columns 5 and 10 of the format? The omission of certain entries in these two columns also implied that in column 16 there appeared no reference to the relevant GATT provisions - and it would, of course, be interesting to know the GATT justification proposed by Hungary. 3) He said that in the section of the format relating to measures affecting imports there should also be a reference to subsidies where measures of the nature covered by Article XVI exist, as these subsidies or assistance measures would affect not only production or exports but also imports. This was a point which had been recognized in the submission by the EEC and had also been raised by members of the Committee in respect of certain other submissions and 4), State trading activities should, of course, also be reflected in the respective format columns since it was undeniable that State trading did exist in Hungary.
12. The representative of Hungary explained that the revised version of Hungary's submission, AG/FOR/HUN/1/Rev.1 now covered all of the headings in Chapters 1-24. As regards points 2 and 4, it was relevant to draw the attention of the Committee to Hungary's Protocol of Accession which dated back to 1973. At that time it was clearly noted that all exports and imports were subject to licensing, that the licensing system was non-discriminatory, that possession of a licence automatically entitled an importer to the necessary foreign exchange and that an enterprise having been granted a licence had the right to use it for import. It had also been explained at that time that it was the intention of the Hungarian authorities to pursue a liberal practice, provided that balance-of-payments considerations permitted and provided that no discriminatory quantitative restrictions were applied by contracting parties against Hungary. In other words, the existence of Hungary's licensing system as well as the principle of State trading had been clearly recognized by contracting parties at the time of Hungary's accession, and the operation of the State trading system had been fully elucidated by the memorandum submitted by Hungary on its Foreign Trade Regime and also by the answers provided by Hungary in reply to the specific questions that had been put to them. The Working Party on the Accession of Hungary had at that time considered "that the Hungarian trading system had to be examined in the light of the existing system of economic management in Hungary of which the adoption, as of 1 January 1968, of a customs' tariff was an integral part". Further, as regards the question of State-trading the Hungarian delegation had noted with great interest the explanations provided by several other delegations regarding their agricultural sector and the operation of their marketing systems. In fact, one could pose oneself the question which were the countries with State monopolies and certainly it was not Hungary which had a monopoly of State trading. As he had pointed out, Hungary's system of economic management had been fully described at the time of accession, was well known to all contracting parties and also continued to be under constant scrutiny in the IMF. There would thus be little use in going over all the details again in this Committee. Finally, in relation to the fourth point made by the representative of the EEC, Hungary had not inscribed the symbol "ST" in the format because in the way the system worked, with trading enterprises being largely independent (regular State-trading activities being limited to purchases for the Administration), it could not be considered as a form of State trading in the sense ordinarily understood in the context of GATT. This having been said, Hungary was, of course, prepared to reply to specific questions concerning the way its foreign trade regime worked, while - on the other hand - it would be inappropriate to question the system as such. As regards the question of subsidies, this was an interesting subject. For example, how did research programmes, training programmes or temporary assistance granted to a cooperative in need, affect the level of production and trade? But then the same question could be asked about tax relief measures and general fiscal and tax policies and their possible incidence on the cost and level of production, none of which was very clear. Hungary would certainly be prepared to study these questions together with other interested countries.
13. The Community representative felt that all relevant measures should be inscribed in the format for the reason of transparency. For example in regard to State trading, if the symbol "ST" was thought to be inappropriate by Hungary another symbol should be devised and inscribed and this quite independently of the fact that Hungary's reading of the provisions of Article XVII might be different from that of other countries. He hoped therefore that a second revision of the format tables for Hungary would contain all the relevant indications so as to achieve the necessary transparency.

14. The representative of Hungary stated that whatever the interpretation of the provisions of Article XVII might be, the quintessence was whether the system was discriminatory or not. It could not be assumed that simply because State trading provisions existed in a given country that there would automatically be discrimination. Certainly, in Hungary trading enterprises were held not to operate in a discriminatory manner. As regards the identification of licensing in the format, Hungary could go along with the suggestion made to enter these into the tables. This licensing had generally been a mere formality and it was only since 1982 that the granting of licences also had to reflect the country's balance-of-payments difficulties. The measures had been communicated and would also be examined in GATT.

15. The Community representative agreed that the quintessence of Article XVII:1(a) was the principle of non-discriminatory treatment, what he was questioning was whether conditions for implementing this principle, as set out in Article XVII:1(b), were fully met in Hungary or whether there did not exist organizations or enterprises with special powers and privileges. To be more specific, and without wishing to enter into the legal aspects of the question, or to reach a judgement, he would be interested to know whether a foreign private enterprise or individual could, in fact, enter the Hungarian market and sell directly to Hungarian enterprises or buy from cooperatives or peasants.

16. The representative of Hungary stated that to be very clear about the operation of the Hungarian system one had to realize that foreign trade was a State monopoly and that the foreign trade enterprises had to follow certain rules, rules which were in conformity with Article XVII. While the foreign trade enterprises were held to follow the rules, there existed very many enterprises and it was always possible that one or the other enterprise might not always act in full conformity with Article XVII. It would, however, not be right to construct, on the basis of certain individual experiences, an abstract understanding of how Hungary's foreign trade system for agricultural products worked. As regards the State Monopoly itself, the rules which were published and which had been accepted by contracting parties under the Protocol of Accession, it would be noted that Hungary managed its foreign-trade system in a manner in which all enterprises had direct access to foreign markets, buying and selling in foreign markets, and that there were even foreign enterprises which had been licensed and which had installed themselves in the Hungarian market.
17. The representative of the United States stated that his authorities shared the belief that the State trading system operated by Hungary should be identified in the format tables. It was the understanding of the United States that in Hungary most, if not all, exports or imports were handled, or had to be authorized, by State agencies and this too should be noted in the format. Further, as regards the reference to licensing requirements only in the form of a short headnote to AG/FOR/HUN/1/Rev.1, it was impossible to tell from the format how the licensing system does, in fact, operate. What were the criteria for granting licences, how were they issued? As regards tariffs, he noted that so far Hungary had given bindings only on a small number of products. While this might perhaps be a reflection of Hungary having been in the GATT for a relatively short time, it was the hope of the United States that there would be more, and meaningful concessions. More specifically, he would also be interested in knowing whether there did not exist quotas, for instance, for fruits and vegetables - and, if so, this should be noted in the format. Finally, did there exist a mechanism in the Hungarian production system for making it responsive to market developments in supply and demand?

18. The representative of Hungary stated that all the general aspects of Hungary's trade and production system had been fully discussed during the six years of scrutiny preceding Hungary's accession to the GATT. There was little, if anything, that he could add to the finding of the Working Party on the Accession of Romania that "the Hungarian trading system had to be examined in the light of the existing system of economic management in Hungary..." Given the invitation extended to him by the United States, and by the Chairman to reiterate explanations already provided elsewhere, he could assure the Committee that the operation of Hungary's licensing system, and the exact way it worked, had been notified to the Committee on Import Licensing, and any quotas that existed were published; there were only few quotas affecting agricultural products and those that existed had been identified in the format. As far as tariff concessions on agricultural products were concerned, their number and level reflected what could be achieved on the basis of bargaining for reciprocally advantageous concessions. If any contracting party wished Hungary to grant tariff concessions on additional positions, Hungary was prepared to discuss this with the interested parties.

19. The representative of the United States thanked him for the explanations provided. He said that as this was a new exercise, it was important to achieve not only transparency but also to get on record the perception which other contracting parties had of the operation and effect of the different trading systems. This was very important, and the impression which the United States had was that Hungary operated a State trading system. They felt this should be noted without prejudice to legal rights or obligations. As regards the information required for column 2 of the format, the United States would be interested to know how producer prices were determined in Hungary.
20. The representative of Hungary explained that the Hungarian price system was regulated via the exchange rate. The exchange rate had been examined by the International Monetary Fund. Prices of imports were converted into the local currency at the ruling exchange rate, which itself changed from week to week, or even more frequently. As far as prices charged by State farms and by private farms were concerned these were set by the farms themselves based on their respective cost of production. At the same time it was true that for social reasons the State determined consumer prices for certain staple commodities, such as sugar and bread, and to guarantee that price provided, if necessary, consumption subsidies. The State did, however, try to limit such subsidy payments and for that purpose adjusted consumer prices to reflect developments in supply and demand. And, unfortunately, this had lately required an increase in the consumer prices for sugar and for bread. The representative of Hungary stated that they could provide relevant documentation on prices of agricultural products in Hungary if other delegations were interested.

21. The representative of the United States thanked for the additional information. He enquired whether their understanding was correct that where no entry of "XS" appeared in column 2 of the format the price received by farmers for exports would be the world market price. Given the fact, that for sugar there was an indication of XS (export subsidy) how was the internal price for sugar determined.

22. The representative of Hungary explained that the question involved two types of possible subsidies - one, a consumption subsidy - and two, export subsidies. As regards the latter, Hungary had to give a subsidy if it wanted to export at the so-called world market price which resulted from huge subsidies being granted by some major producers. This subsidization was a matter of great concern to Hungary and he wished very much that the Committee should address the question and the problems which subsidization practices raised for countries like his own. The other element was the question of consumer subsidies and here the comparison should not be in relation to the world market price, distorted by subsidies, but with true market prices, resulting from the interplay of true cost of production and true demand.

23. The representative of the United States explained that they were interested in the way producer prices were set. For instance, when the target producer price (or support price) was above the world market price was this not a case of subsidization, and if so should it not be noted in columns 2 and 14 of the format?

24. The representative of Hungary explained that in his country no institutionalized system of export subsidies existed. Instances where export subsidies were granted were, in practice, decided upon case by case. When making these decisions, the cost of production was compared with the world market price. When the cost of production in Hungary and the world market price differed significantly, two courses were possible; (1) that the world market price was too low for reasons which had little to do with the true costs of production, in which case, Hungary might grant an export subsidy based on the raw material content of the product, or (2) the cost of production in Hungary was too high in comparison with true market prices, in which case the producers would
be advised to get out of those lines of production in which they were not competitive. In other words, recourse to export subsidies was not automatic. He said that Hungary had been advised by some institutions to devalue and thereby make the eventual subsidy disappear. The representative of Hungary stated that - while following the policy of devaluation in recent periods - the exchange rate policy cannot be regarded in itself as a panacea in solving the serious problem of access to markets and that of distorted world market prices due to heavily subsidized exports by inefficient third country producers.

25. The representative of the United States thanked the Hungarian delegation for these clarifications and asked that the very interesting remarks be fully reflected in the minutes.

26. The representative of Kenya enquired about the rationale behind the application of phyto-sanitary regulations for coffee (09.01) as noted in the format. The representative of Hungary stated that they would check into this matter and report back at a later stage.

27. The representative of Canada said that he shared the views expressed on the need for full notifications, including also on Statetrading, even if the measures had been notified earlier in other contexts. The need to look up various documents dating back some time was a laborious task and he felt that countries should not hesitate to notify measures relevant for this exercise since the simple fact of notification was without prejudice to the legal status of the measures within the GATT. On a specific point, he noted that the subsidy measures against heading 04.02 had not been related to Article XVI but had only been referenced to the International Dairy Arrangement. He said this was perhaps just an omission.

28. The representative of Hungary, in his concluding remarks, said that Hungary was not averse to notifying measures concerning Hungary’s agricultural trade and they would consider - in the light also of the notifications by other countries - what other specific measures should be notified. Hungary was, however, not prepared to engage again and again, and in this Committee, in a discussion of the general nature of its trading system, a question which had since long been settled.

29. The Chairman thanked the representative of Hungary for the notification and the explanations provided.
1. In introducing the documentation for India, AG/FOR/IND/1, the representative of India expressed regret for the late submission of the data, due to technical reasons beyond the control of the delegation and expressed appreciation for the assistance by the secretariat for processing the documentation in time for consideration by the Committee.

2. He described the salient features of India's economy and explained how the different geographical, climatic, demographic, economic and institutional factors influenced and, to some extent, determined Indian agricultural policy objectives and the measures adopted in pursuit of these objectives. In particular, he pointed out that, whilst under the Indian Constitution many important functions and responsibilities are clearly vested in the Central Government, other important responsibilities, such as agricultural development issues, and various socio-economic development measures, are largely vested in the State Governments and regulatory bodies, though shared in various ways with the Central Government. It was for that reason that it had been extremely difficult to provide the highly schematized information of the type requested for in the format.

3. He stated that the primary and almost exclusive thrust of the Government of India's policy in regard to agriculture could be characterized as intended to feed a large and growing population by providing an appropriate framework of socio-economic development measures. What was important to bear in mind was that the bulk of India's agricultural production is geared to meet domestic food requirements and the raw-material needs of its industry. Until recently, most of the agricultural produce harvested in the country was largely for immediate local consumption only, with the result that there could be shortages, even famine, in one part of the country and relative surplus in another. Whilst the appropriate policy-mix had certainly yielded results in linking local production to regional markets and these, in turn, to a national distribution network, the foreign trade element in agriculture still did not pose itself, even as a question, except in a few cases.

4. He explained that the most important sectors of Indian agriculture were cereals, oilseeds, sugar, fruits, vegetables, tea, coffee, spices and tobacco, as well as certain animal products and, for the coastal areas, fishery products. Other important products were cotton and jute, which in his view might, however, be outside the scope of the Committee's consideration.

5. Highlighting some of the more detailed data contained in AG/FOR/IND/1, he stated that within the agricultural sector the foodgrain crop, consisting principally of rice and wheat, was, by far, the most important, in terms of monetary value, accounting for 60 per cent of the gross value of agricultural output, 80 per cent of the area cultivated, and the most important in terms of the total area under irrigation and significance to the economy. During the 1950s and 1960s, India had consistently been an importer of foodgrains. During the 1970s, however, the "green revolution" began to take effect, with overall foodgrain production expanding at an annual rate of 2.7 per cent. By 1978/79, the foodgrain crop amounted to about 132 million tons and
foodgrain reserves stood at 20 million tons. A severe drought in the following year reduced the harvest to 109 million tons and reserves fell to less than 12 million tons, i.e., well below the so-called "safe level", necessitating imports of about 5 million tons. Various measures taken over the last few years, and particularly the increased availability of electricity and diesel power for pumps, had resulted in much greater resilience in agricultural production in 1982, another year of drought, but imports of foodgrains had continued. For 1983, he was happy to announce that India had been able to produce a bumper crop of about 143 million tons of foodgrains.

6. To place the 1983 level of foodgrain production in perspective, he explained that although India had come a long way in raising output, it still had to go a long way to achieve the transition from marginal self-sufficiency in foodgrain production to food-security for its growing population. Whilst the progress made so far reflected deliberate government policy to encourage production through development of the infrastructure, provision of adequate fertilizer supplies and, last but not least, through production incentives to farmers, the salient feature of the Indian policy measures was the consumer subsidy for foodgrain, operated inter alia through a Government-determined procurement price. Unfortunately, the format itself did not provide for the inscription of sufficient details for describing these measures, but an understanding of the operation of Indian policy measures could be obtained from a reading of the introductory and explanatory notes to the format. Just to put India's achievements and needs once more in the proper perspective, it had to be remembered that a population of more than 700 million, as in India, needed, from a nutritional point of view, 240 million tons of foodgrains rather than 140 million tons; and yet, even the latter figure had to be seen in the context of the prevailing ability of the common man's purchasing power.

7. In concluding his introductory remarks the representative of India referred the Committee, in respect of other sectors of Indian agriculture, to the more detailed data provided in AG/FOR/IND/1. However, even these additional details could not adequately describe all of the elements of Indian agriculture, in a land stretching over more than 3.2 million square kilometres, comprising not only large desert areas, but also tropical jungles, some of the earth's greatest rivers, a large and growing area of irrigated land; but the bulk of the agricultural level now, and forever, still dependent on rainfed cultivation only - with all that it implied, disastrous flooding at times and long spells of drought at other times, in view of the impact of seasonal and cyclical, yet nevertheless, not entirely predictable, variations in the weather in the Indian sub-continent. Given the great geographic diversity of the environment in India for agriculture, and the consequent diversity of the measures necessary to cope with the different problems, and for realizing India's agricultural potential, the best way to proceed with the examination would be by a question and answer process, as had been adopted with respect to other countries, and he said he would, of course, be prepared to do his best to answer any questions that might be put to him at this session of the Committee, or - if so desired - later, bilaterally.
8. The representative of the United States thanked India for the submission made. As regards the substance of India's agricultural policy objectives and measures he noted that these had reduced agricultural imports through a combination of restrictive import policies and domestic policies which encourage production of certain commodities. These measures, sometimes combined with export subsidies, on selected agricultural products, had led to the isolation of Indian agriculture from the forces of the international market. On the import side India had imposed bans on imports of a number of commodities, including beef, tallow, milk powder, tobacco and certain other items. Imports of other items such as livestock and almonds, were severely restricted. Moreover, India maintained stringent licensing requirements on a large number of items. India also imposed high tariffs on imports of certain commodities, for instance - on an item of particular interest to the United States - almonds, for which the import duty was 150 per cent. More generally, it could be said that India made use of a comprehensive licensing system to control imports. While some agricultural imports were subject to Open General Licence, or automatic licensing, there were other items for which licences were granted only on a discretionary basis. This was not entirely evident from the symbol "R" inscribed in the format against many headings. In fact, imports of some of the items were virtually prohibited and that should be noted with the proper symbol in the format. While some of the measures used were referred to and described in the explanatory notes, it was not entirely clear on what basis licences were being issued and also what was the interrelationship of the issue of licences and State-trading for certain items. Similarly, where subsidy measures were in force - and most support prices had recently even been increased - this should be noted not only in the explanatory notes but in the format itself. Also, given the fact that for many of the restrictions Article XVIII was invoked, what action did the Indian authorities envisage to relax these restrictions as required by the provisions of Article XVIII? Finally, there remained also the question of severe restrictions on such items as livestock and seeds.

9. The representative of India said that India was, of course, mindful of its GATT obligations. Thus, in relation to the point made on obligations under Article XVIII, he was happy to recall that relevant details of the measures had been provided by India, circulated in document BOP/225, and that moreover at the last consultation with India in the Committee on Balance-of-Payments Import Restrictions, held in June 1982, India had been complimented by the representative of the United States in that Committee on the significant liberalization of India's import regime carried out over the last two or three years. As regards some of the specific points made on import bans there appeared to be some differences of perception. For example in regard to tallow the recent Import Trade Control Order (27/83) spelled out that only imports of beef-, buffalo- and pig-tallow were prohibited. This was done to make absolutely certain that these tallows could not be imported by unscrupulous people, by utilizing what had been termed as a loophole in the import procedure, and then be mixed fraudulently, with other ingredients used in making vanaspati - a widely used cooking medium in India. There was no need to belabour the reasons for this ban, but - at the same time - it was important to bear in mind that
imports of other tallow were permitted and imports of such other tallow would continue. As regards milk powder there was no ban as such, but only restrictions and the reasons for their maintenance and their operation had been indicated in the format by cross-references to paragraphs 19 and 29 of the accompanying notes. With respect to import duties on almonds he explained that, in fact, the United States had raised with India a question of valuation for duty purposes of imports. The Indian authorities had reviewed the valuation practice and criteria for this product and had then acted, a few months ago, to redress and correct the problem pointed out to them by the United States. This problem having been overcome, imports from the United States have gone up considerably. Whilst the duty remains high, this was not a protective duty, but a duty applied for revenue purposes. As regards import licensing and restrictions on almonds the measures applied were non-discriminatory, were in strict conformity not only with the GATT, but also with the Import Licensing Code. While it might be considered regrettable by some, it had to be noted that, as a poor and developing country, India had to restrict imports of certain items - and almonds were one of these, a low priority item, by any reckoning - India did import a great variety of products from the United States, mainly capital goods, and, overall, the value of Indian payments for imports from the United States was double that of its earnings from its exports to the United States. As regards subsidy notifications, India had never denied that it operated certain subsidy measures and this was, in fact, reflected in the format by reference to paragraphs 20-23 of the explanatory notes. What had to be remembered was that, basically, the name of the game was to combat poverty, not to encourage export production. While there were a few items that were exported on and off, the basic aim was to feed the population. What were these measures? - rural electrification, expenditure on irrigation systems, a subsidy on fertilizer and its transport and distribution, expenditure on dairy and animal husbandry schemes and expenditure for various anti-poverty programmes, including those for the "Small Farmers Development Agency" and the "Scheme for Marginal Farmers and Landless Labourers". As regards the point relating to State Trading, he drew attention to the explanations provided in paragraphs 32-35 of the explanatory notes, pointing out that only rice, wheat, maize, sorghum and pulse imports were a State monopoly. While certain other items were subject to a so-called "canalizing" procedure, the rationale of which had been described in the explanatory notes, the corporations or agencies concerned had no monopoly rights as regards imports and all purchases by the public sector agencies were guided by normal commercial considerations, are non-discriminatory in nature and State Trading was not used as a measure to restrict imports.

10. The representative of the United States expressed his thanks for the explanations given and also expressed the hope that in a revision of the format, the points made by him would be appropriately reflected and that the relevant additional symbols would be inscribed in the revised format.
11. The Community representative said that, in view of the fact that the AG/FOR/- document on India had only been distributed a few hours earlier, he would limit himself to some general comments and a few specific questions. From a first reading of the notes accompanying the format, it was clear that India's problems with regard to agriculture were significantly different from those confronting many of the developed countries, which had been discussed earlier. While for the latter, there often arose the question of avoiding surplus production, in the case of India, the main problem was to produce enough food for feeding its large and growing population. Differences such as these, and others arising in the context of development, should be clearly born in mind when the Committee arrives at its next stage of work when it examines problems of a more general nature. As regards specific points, he enquired about the difference in actual import treatment of products categorized by the symbol "R" in column 10 as compared with those for which the symbol "L" was inscribed in the same column, noting in this context that for both symbols Article XVIII:B had been invoked. Also, the way he read the information provided, State Trading should probably be indicated in the format in respect of various headings. In relation to tariffs he noted that no classification criteria had been provided in column 16 for unbound positions.

12. Replying first to the last point made, the representative of India said that the fact of a position being bound or unbound was very much a reflection of negotiating results and absence of bindings on items of special interest to one or other country might simply indicate that in the past, the position had not been the subject of negotiation or that no satisfactory concession could be offered to India in compensation. As regards positions for which India had given GATT tariff concessions, he drew attention to paragraphs 36 and 37 in the explanatory notes which indicated that, as a result of the changeover in 1976 from the previous Tariff Schedule (based on the League of Nations Nomenclature) to the Brussels (or now CCCN) Nomenclature and of certain tariff increases effected in connection therewith - some tariff sub-positions were still the subject of renegotiation in accordance with Article XXVIII. In relation to symbols "L" and "R" used for import licensing or restrictions, he invited attention to paragraph 27 in which it was explained that various items were importable under Open General licence, or benefit from a special replenishment procedure, or for which licensing (such as for live animals, seeds, etc.) was specifically provided for, were identified in the format by "L". Given the fact that some of the measures were applied for sanitary or phytosanitary reasons and others, also denoted with an "L", for other reasons, his delegation had taken note of the questions and they were prepared to consider in any revision of the format whether perhaps other symbols should be inscribed in one or the other column of the format.

13. The representative of Australia expressed his appreciation of the explanations given by the representative of India, touching inter alia also on some points, such as tallow imports, which he had intended to raise. He noted the points made in relation to the special situation of a large and populous country desirous to feed its population. Yet one of the elements which had so far not received sufficient attention in the Committee, and the secretariat should perhaps in future look into
this matter, was the quantification of the trade effects of various subsidy measures. On more specific points, he noted that cereal imports in India are the responsibility of the Food Corporation and asked what the exact responsibilities of the Corporation were, how the level of imports to be made was determined and how the sourcing of imports was determined.

14. The representative of India explained that in a country as large and as poor as India there was really no substitute for the Government to act as an importer of foodgrains through State agencies, not only the Food Corporation of India, and to ensure through the public-distribution system that sufficient foodgrains were available in all parts of the country. As regards the level of these import needs it depended, in the first instance, on the level of production as compared with the needs. However, as production was entirely in private hands, it often happened that even when relatively large crops were harvested, sales by farmers to the public agencies at the Government-determined procurement price were not sufficient, so that even in good harvest years, the Government had to go into the international market to procure sufficient quantities of foodgrains for the proper operation of the public distribution system — which could be considered a form of consumer-subsidy. Normally, supply missions would be sent out to purchase, and these purchases would be guided by normal commercial considerations and would be entirely non-discriminatory. This applied to imports on commercial terms. Imports on concessional terms were, of course, a different matter, but, then, India had not benefited for some time from concessional supplies of foodgrains.

15. The representative of New Zealand expressed his appreciation of the information submitted by India and also for the helpful explanations and comments provided and the willingness of India to enter into a dialogue in respect of the operation of the various measures. Given the fact that the information had become available somewhat late, his delegation might, in fact, wish to come back at a later occasion to one or the other point.

16. The Chairman thanked the representative of India for the notification and for the explanations given, and appreciated the willingness of India to provide further explanations, if so desired.
1. Introducing the documentation for his country the representative of Indonesia made a general remark that economic development in his country was based on five-year plans, which for the first time was launched in 1967. Agriculture occupied the center stage of all economic development plans since a large proportion of people were engaged in this sector. The major goals set for this sector were an increase in food production, an increase in exports of agricultural products, an increase in farmers income and a more realistic balance between the growth of agricultural and industrial sectors. Appropriate policy measures were adopted to achieve these diverse but interlinked goals. The commercial policy, in particular, was geared to obtaining the optimum use of natural resources and the provision of wider job opportunities.

2. Commenting on the notification itself he mentioned that Indonesia did not have any subsidies or other export assistance measures. In order to prevent or relieve critical shortages of foodstuffs or other essential products, however, the Government imposed a tax on the exports of some of these products. This also provided the essential revenues for the Government. On the import side, tariffs were generally low and about 12 items were bound under the GATT. Preferential duty rates had been adopted for certain products imported from ASEAN countries. Other measures affecting imports of agricultural products included an internal sales tax, sanitary and phytosanitary regulations, licensing, global quota and State trading.

3. The United States delegate pointed out that Indonesia's agricultural policies, as in many other countries, were geared towards domestic self-sufficiency. The State maintained a high degree of control over agricultural imports and had recently restricted the imports of fruits, vegetables and other commodities. He had a number of questions which required some clarification. First, in 1982 Indonesia's national procurement agency (BULOG) had assumed control of all corn and soyabean meal imports. After this action, BULOG was now responsible for the imports of all bulk commodities. The notation "ST" should therefore be indicated in column 13 for all appropriate commodities. Second, the Indonesian Government announced in December 1982 certain import restrictions in the form of either bans or quotas on a number of agricultural products including soyabean, soyabean meal, apples, grapes, oranges, bananas, coconuts, cashew nuts, pineapples, green beans, grape juice, certain canned fruits and processed meats. He suggested that for all such commodities the notation "Q" (quota) or "P" (prohibition) should be noted in column 10 of the format. Third Indonesia had made certain concessions on tariffs in the Tokyo Round, which should appropriately be reflected in column 8. Thus, bindings on citrus products (excluding oranges) and grapes should be indicated. Four, Indonesia instituted a counter trade purchase policy in January 1982, under which foreign exporters purchased an amount of specified Indonesian products equivalent in value to the exporters' sales to that country. His Government was interested to know whether this policy was applied to all foreign exporters and whether it covered any of the agricultural products. If that was the case, it should be appropriately
noted under column 7 or 14 relating to other forms of assistance.
Five, imports of a number of commodities like rice, refined sugar, wheat flour, raw dairy products and some vegetable products were allowed to a relatively small number of licensed Indonesian importers. This should be reflected in the notification as "DL" (discretionary licensing) for these items. Commodities which were not subject to discretionary licensing should be indicated with the notation "LL" (liberal licensing). Six, his Government also believed that Indonesian Government provided price supports for a number of domestically produced agricultural commodities, which should be noted under column 14 as appropriate. Finally, he enquired whether all labels of processed food and beverages still required a Department of Health registration number, and whether fees for obtaining such registration numbers were the same for domestic and imported goods.

4. The Indonesian delegate acknowledged that his country's agricultural policy was geared to achieve self-sufficiency. As regards the comment that Indonesia's national procurement agency (BULOG) was responsible for imports of all bulk commodities, he referred to the format which clearly showed that State trading existed only for CCCN headings 08.05, 10.01, 10.06, 15.07 and 17.01, and for which "ST" had been noted in the relevant column. Regarding the second question he denied that any bans were applied to agricultural imports; the Government regulated imports through licensing, which had been indicated in the notification with the symbol "L" under column 10 for the appropriate commodities. On the third question he said that Indonesia maintained restrictions on citrus products and grapes under Article XVIII. Referring to the counter-trade policy followed by his Government he made it clear that it was not discriminatory and that it covered all exportable goods, agricultural and industrial products. Both the Government and the private sector could engage in such bilateral transactions, without in any way conflicting with the existing trading systems. He however, emphasized that counter-trading was necessary to meet an abnormal economic situation. It had been evolved as an instrument to combat the prevailing recessionary conditions. Instead of reducing imports through restrictions his Government had made it an obligation for foreign suppliers to buy Indonesian goods in return for their exports. There was no State assistance involved in this, it merely showed a more pragmatic national response to a hopeless world trade situation. On the question that imports of a number of agricultural products were restricted to a small number of registered importers, he affirmed that this was the case in order to maintain an effective watch over the imports. There were, however, certain products, such as milk and milk products and honey, for which no licences were required. Regarding the question of price supports for domestic producers, he made it clear that no such price supports were provided to domestic farmers. The Government's role was limited to ensuring that adequate supplies were available at reasonable prices to the consumers. Concerning the last question he confirmed the understanding of the US delegate that the Department of Health registration number was obligatory on all labels for both domestic and imported products, and that fees were the same for this purpose.
5. The Community spokesman addressed himself to the question of the invocation of Article III for the import taxes ranging between 5 per cent and 20 per cent. He enquired whether the tax was levied in a non-discriminatory way on both domestic and imported products. He also noted that Article XVIII:B had been indicated for the import restrictions, but this contradicted the assertion in the general introduction that Indonesia had formally ceased to invoke this Article in 1979. He therefore suggested that the symbol (c) would be more appropriate since these restrictions were the result of a lack of observance or application of certain provisions of the General Agreement. Similarly, a large number of agricultural imports entered Indonesia at unbound duty rates which should be properly noted under the same symbol (c), implying a limited use of Article II.

6. The Indonesian delegate confirmed that import taxes under Article III were applied in a non-discriminatory way on domestic as well as imported goods and that the main purpose of this tax was revenues for the Government. Regarding the invocation of Article XVIII:B for import restrictions, he mentioned that the purpose was to implement their programme of economic development. In any case he had taken note of the EEC suggestion and would pursue the matter with the secretariat. With regard to the limited use of Article II for GATT bindings he repeated that only seven items were partially bound and that had been appropriately shown in the format.

7. The representative of Chile observed that an internal tax was not a levy and should therefore be indicated in column 14 as "NTX" under Article III, applicable to domestic as well as imported products. He also thought that it was not correct to invoke Article XVIII:B since Indonesia was not confronted with the balance of payments difficulties, they were restricting imports in order to promote development which somehow could be justified under the same GATT Article, but under a different section. With regard to the issue of counter-trade, he reckoned that about 20 per cent of the international trade was in this form and therefore the operations could not possibly be ignored. Indonesia should provide more detailed information in its notification on counter-trade transactions, especially because they were an important element in the Government programme and in that sense also involved some kind of Government assistance. In any case, the question merited a more exhaustive discussion, which could only be done if more details were provided.

8. The representative of Indonesia agreed that the internal tax under Article III should have been indicated as "NTX" in column 14 and also accepted the suggestion that import restrictions, which were not for balance of payments reasons but for development purposes, should be justified under Article XVIII:C instead of Article XVIII:B. Regarding the question of counter-trade, however, he took note of the general comments made without further elaborating his views. He nevertheless made the point that several Western European countries also took recourse to counter-trade practices when it was in their interest.
9. The representative of New Zealand felt that the notification was deficient in many ways and therefore required a fresh look by Indonesia. The comments made by the United States and the EEC showed the specific weaknesses and also identified the areas where more information was needed. He specifically wished to know the method used by Indonesia for determining CIF prices on the basis of which import duties were levied. Apparently, prices were determined under an indicative price check system which allowed considerable flexibility. He also pointed out that Indonesia had a licensing system for imports of meat and meat products and dairy products, but the notification failed to indicate that. He further added that imports were permitted only through a small number of registered importers who were given a special permit by the Government for this purpose and since 1968 only Indonesian nationals had been permitted to do so while foreign investors could only import raw materials which they required for their normal operations. Since November 1982 these rules had been further tightened. More information concerning the system would therefore be useful for his country. Like other delegates he also wanted to know to what degree the compulsory linkage between the imports of capital goods and exports of raw materials or food products was pursued by the Indonesian Government in its counter-trade operations. It was well known that all transactions over the value of US$ 750,000 were subject to such a linkage, but more details were required to be shown in the notification. He specifically mentioned that numerous restrictions had not been shown in the notification. The Government gave rebates on export duties on certain products which had not been indicated. Licensing had been shown to exist for imports of fruits and alcoholic beverages, but in effect, no such licences had been issued and his country, in particular, had problems in exporting jams and fresh fruits (apples) to Indonesia. He suggested that Decree 505 KP.XII of December 1982 and Decree 161 KP-I-83 relating to import and export régimes should have been more particularly notified for greater transparency.

10. In reply, the representative of Indonesia said that the level of import duties was decided strictly on the basis of the actual price paid by the importer. Commercial representatives abroad or other official sources were needed to check those prices. Regarding import licensing, he informed that while the foreign companies under the Foreign Investment Law had the freedom to import all their requirements of raw materials and primary goods but, for the importation of some agricultural products only the officially registered importers licensed by the Government to conduct this business were permitted. As regards the compulsory linkage between imports and exports in counter-trade transactions, he repeated what he had said earlier, with the additional remark that foreign suppliers were subjected to a fine if they defaulted in their written undertakings. The amount of the fine would be communicated through the Secretariat. Answering the last question, he confirmed that there was a Decree of the Minister of Trade and Co-operatives which controlled some agricultural products through licensing. This, however, did not imply that imports were subject to a quota or were otherwise restricted. This notification was being processed by his Government and would soon be submitted to the appropriate organs of GATT.

11. The Chairman thanked the representative of Indonesia for the notification and the answers to the questions made.
ISRAEL (AG/FOR/ISR/1)

1. The representative of Israel in introducing the notification for his country, recalled that the basic purpose of the Zionist Movement for the establishment of the State of Israel was the ideal to return to the soil, a right of which his people had been deprived. The creation of an agriculture in Israel was then a part of the ideology and had resulted in a special standing of agriculture, notably with respect to social aspects.

2. He also mentioned some special characteristics of Israeli agriculture, namely the shortage of water, the poor soil, the domination of cooperative organizations and the intention to promote a viable and competitive agricultural sector. The quality of the soil and the arid or semi-arid climate necessitated a system of water preservation and irrigation. Of the 382,000 hectare area cultivated, about one half was irrigated, and both the area and the water supply were limited with only small possibilities for change. Rural settlement covered one half of the population; 6 per cent of the total population was engaged in agriculture and this sector accounted for 6.3 per cent of the gross material product. A large part of the agriculture was organized in cooperatives, and efforts were made to encourage the sector to be outward-looking and apply modern methods. Crops constituted two thirds of the value, while livestock, mainly poultry and fish, constituted one third. Animal production, wheat, barley and feed were mainly produced for the domestic market, while production for export was limited to citrus, cotton, vegetables, fruit and flowers.

3. Governmental support mainly consisted of financing scientific research and extension services. Agricultural cooperatives were supported to a limited extent, for instance, in their efforts to diversify markets. In order to alleviate short-term disturbances in the domestic market and to ensure stable supplies, the Government cooperated with producers' organizations in guaranteeing minimum prices on certain products. Consumers' subsidies were paid on basic food such as bread, edible oils, eggs and poultry meat, in conjunction with quality and a price control necessary to control inflation.

4. The agricultural sector was paying an important rôle in the country's trade with both exports and imports of agricultural products, rapidly approaching 1 billion US dollars. In 1982, there was, however, an agricultural trade deficit of 67.7 million US dollars. The balance-of-payment situation of Israel had remained difficult for years, and in 1982, the trade deficit had amounted to 3 billion US dollars.

5. Finally, he wanted to complete and correct the Israeli submission. An import deposit scheme (L/5506) had not been indicated as it had been expected to be terminated. However, it had recently been further extended. A value added tax system was applied in Israel, but this did not apply to most fresh agricultural products. In the table, only two cases of production control had been indicated, but as this measure was applied to more commodities, the table would have to be completed in this point. The same would apply to domestic support. The indication of state trading for the exports of two items was an error, as state trading was only applied to imports.
6. The Community representative expressed his appreciation for the explanations provided by Israel. He suggested that the table should be completed with respect to both exports and imports, better reflecting the general application of a range of measures; and various support measures should be indicated in columns 2 and 14, making a reference to Article XVI and the classification (a), which seemed to be lacking at present, but might perhaps be justified. Discretionary licensing was a measure frequently applied by Israel, and he noted that as a justification, Article XI was sometimes referred to, although there was not always any indication of restriction of production as required by that Article, and in other cases, no reference to GATT provisions was indicated. He suggested that Israel should try to complete its notification on this point, thus allowing further considerations to be made. He had noted with satisfaction the introduction in column 7 of promotional activities, sponsored by the Government. He invited the United States to do likewise for "the Foreign Agriculture Service Contribution".

7. The Israeli representative did not object to trying to complete the notification as suggested, but noted that some of the measures applied by Israel might not necessarily fall under Article XVI, e.g., consumers' subsidies. With discretionary licensing, it was mentioned that this measure was applied for a variety of purposes and not necessarily to restrict the quantity imported. The measure was used to ensure compliance with sanitary and phytosanitary regulations and to control complementary imports. As to the requirement to restrict production, when Article XI was inserted, it was stressed that a number of institutions was actually controlling production and marketing in Israel, and mentioned the poultry sector as an example.

8. The representative of the Community did not agree with the views expressed by Israel with respect to consumers' subsidies, as such subsidies certainly affected trade. He also suggested that the Committee retain for further consideration the conditions required for justifying the application of discretionary licensing under Article XI, as he found that there often was rather abusive use made of this Article, an Article which did not seem to be suitable for the purposes of developing countries.

9. The representative of Chile enquired why the Enabling Clause had not been referred to in relation to preference granted to imports from developing countries, and the representative of Israel explained that the measures in question predated the adoption of the Enabling Clause. With respect to a comment from Chile about the application of measures for balance-of-payment reasons, the Israeli representative explained that his country had always consulted under Article XVIII, and restrictions applied for balance-of-payment reasons were applied on that basis. The representative of Chile supported the views expressed by the Community about further consideration of Article XI, and referred to the settlement of a previous dispute between his country and the Community about imports of apples into the latter.
10. The representative of the United States noted the major importance of the licensing used by Israel to control imports and shared the request made by others for completion of the notification on this point. He said that during 1982 and 1983, licences had been denied for egg albumen and prunes, and enquired whether other products had been subject to similar treatment and whether the licence approval process was conducted on a non-discriminatory basis. The Israeli representative confirmed that there had been other cases for which licences had not been awarded during the last years, but there had been no discrimination as regards the origin of the products for which licences had not been granted. He also confirmed that for a limited number of products, including raisins, preferential tariff treatment was applied to imports from the Community, in accordance with Protocol 2 of the EC/Israel Economic Cooperation Agreement.

11. The Chairman thanked the representative of Israel for the notification and for the explanations provided.
JAMAICA (AG/FOR/JAM/1)

1. In reviewing the role of agriculture in the economy of her country the representative of Jamaica mentioned that the major export crops were the sugar, bananas, citrus, coffee, cocoa and spices. Certain orchard crops, root crops and vegetables were also produced for local consumption only. Over the years the agricultural production had declined, particularly the export crops, mainly due to the ravages of floods and prolonged drought conditions. Insufficiency of domestic food production had made Jamaica a net importer of food, which in 1981 were valued at $400 million. In an attempt to boost domestic production, the Government had adopted certain measures which included subsidy assistance schemes, agricultural credit and income tax relief to farmers. These measures had recently been supplemented by a new programme, called Agro 21 to commemorate the 21st anniversary of Jamaica's independence. The programme was designed to modernize the agricultural sector in order to make it more efficient and to increase the foreign exchange earnings. Areas targeted for major expansion were the traditional export crops as well as the non-traditional crops such as winter vegetables for the U.S. and European markets, horticulture, tobacco, orchard crops and aquaculture. In conclusion, she mentioned that her Government had lately decided to reduce subsidies to agriculture and had also taken steps to liberalize import regime with regard to sources of imports and the scope of products. These measures would be notified to the GATT as soon as they were gazetted. She also informed that as member of the Caribbean Economic Community Jamaica had adopted a common external tariff with other member countries of CARICOM.

2. The representative of the United States commended the role of private sector in Jamaica's agriculture, but at the same time he expressed his concern at certain aspects of their agricultural policy which restricted access to that market. He felt that State trading was operated to regulate and restrict imports of a large number of agricultural products. With reference to the recent IMF Report (January 1983) he specifically noted that Jamaica had replaced its existing licensing system by an import permit system under which permits were issued up to a specified quota level for the imports of most agricultural products. The Jamaica Government had used the notation "Q" under column 10 for most of the affected products, but this had not been shown for animal fats (15.01-15.06) and wines (22.06). He also observed that Jamaica had guaranteed minimum prices for sugar which should have been indicated under column 4. He further noted that as a member of the CARICOM, which was a trade union of East Caribbean countries, Jamaica refused to grant licences for imports of certain commodities which originated from non-CARICOM countries as for example, imports of rice were prohibited until supplies from among the Caricom countries were exhausted. He, therefore, suggested that, in addition to the symbol "DL" used in the notification, other measures affecting imports from non-Caricom countries should also be indicated. With reference to the new agricultural programme adopted in October 1983 to revitalize agriculture, he enquired what incentives were intended to be given to expand exports of non-traditional products and what specific products were involved. He finally asked whether the phyto-sanitary certificates were still required for the imports of grains, flour and meal.
3. In replying, the Jamaican delegate clarified that State trading had not been instituted as a trade restrictive measure, but as a means of ensuring reliable supplies of essential food items at the lowest possible prices to consumers. The State trading enterprises, therefore, imported only those items which were categorized as basic or essential. It was also intended that the middle man should in as much as possible be kept out so as to keep prices low for the consumers. With regard to the quota system she said that the measure had been adopted for balance-of-payments reasons to conserve foreign exchange. These quotas were not imposed on volume of imports, but on value. In the specific case of animal fats and wine, the notation "Q" had been deliberately omitted as these commodities were subject to "discretionary licensing", marked in column 10 as "DL". She agreed with the US comment that sugar enjoyed a guaranteed minimum price and as such could be noted under column 4. She, however, pointed out that the guaranteed minimum price for sugar under the Lomé convention of the EEC was currently much below the production costs. She, nevertheless, agreed that it could be indicated in the relevant column since it was a kind of assistance. Regarding the US suggestion that, in addition to "DL" already shown, all other measures affecting imports from non-Caricom countries should also be indicated, she mentioned that no other similar measure was in operation and inasmuch as she knew no other commodity, other than rice, was specifically prohibited from non-Caricom countries. Elaborating on the new agricultural programme referred to by the United States, she mentioned that under the Agro 21 programme the Government intended to encourage joint investment with overseas investors and local private sector the development of agro-industrial projects. Almost 17 projects had so far been identified for development. These projects included winter vegetables, bananas, coffee, cocoa, root crops, tobacco, coconuts, rice, afforestation, citrus, honey, aloe vera, ornamental horticulture, orchard crops (mangoes, avocados, guavas, lychees, papayas etc.), fish shrimp brooding ponds, dairy and beef sectors. In addition, 10 more projects were expected to be added including pineapples, cassavas, ethanol, sunflower/sorghum, high-yielding sugar cane, cotton, corn, macadamia nuts, jojoba, winged beans. With regard to the last question whether phyto-sanitary certificates were required for the entry of grains, flour and meal, she confirmed that it was still the case in view of the unfortunate incidence in 1975 when 18 people died as a result of extensive poissoning by contaminated imported flour.

4. The delegate from Canada appreciated the detailed information provided by Jamaica, particularly in relation to the domestic production assistance programmes. Like the United States, his country was also concerned at the operation of the State trading enterprises which from time to time impaired access to Jamaican market for certain products. On the other hand, Canada welcomed the possibility that restrictions on a number of products were in the process of being relaxed and thus looked forward to receiving the details of the proposed measures. Finally, he was keen to know whether the barter arrangements which were negotiated from time to time by the Jamaican authorities were appropriately reflected in the notification.
5. The Jamaican delegate acknowledged that barter arrangements had remained outside the scope of the notification because these were only a recent phenomenon and in any case covered non-agricultural products. She was nevertheless prepared to consult with the Canadian mission with a view to improving their notification in other respects.

6. The Community representative appreciated the exhaustive description of Jamaica's production and other domestic support measures in the general introductory section. He was, however, not sure whether those details had also been reflected in the appropriate columns of the table. He further noted that no justification had been given in respect of the import restrictions indicated under column 10.

7. Answering the first question the representative of Jamaica said that no information had been shown under columns 2 to 5 because the Jamaican Government considered it more appropriate to describe the situation at length in the general introduction. Specific information on other export measures had been provided in columns 6 and 7, with their justification under the GATT in column 16. On the import side, restrictive measures were taken for administrative reasons as well as to conserve the scarce foreign exchange resources for more essential imports. No GATT Article had been shown, but this omission would soon be rectified in consultation with the Secretariat.

8. The Chairman thanked the representative of Jamaica for the notification and the answers given and noted the readiness of Jamaica to provide further details.
JAPAN (AG/FOR/JPN/1)

1. In introducing the documentation for his country the representative of Japan said that Japanese agriculture played a very significant role in securing stable supplies of essential foods and in maintaining employment and income in rural areas, especially in mountain villages where there were few alternative employment opportunities. Furthermore, agriculture in Japan played an important role in the conservation and utilization of land. As Japan was one of the major importing countries of agricultural products in the world, it was an essential task to develop and maintain agriculture, not least in light of the large population and the scarcity of land suitable for farming.

2. Recently, the growth in demand for some agricultural products, such as rice, fruits and dairy products had slowed down or even levelled off. This had resulted in oversupply of the market and had necessitated governmental measures to limit production and encourage diversion of resources to other sectors. In response to strong requests from countries exporting agricultural products Japan had progressively opened up its market to imports and had become one of the major importers, actually depending on imported food for about half of its requirements in terms of calories. The opening up of the market for agricultural products had largely contributed to the expansion in world trade for such products. Japan imported large quantities of agricultural products on the principle of free trade from various countries.

3. The Agricultural Basic Law of 1961 had been the basis for agricultural policy in Japan, on which such measures had been taken as to have a selective expansion of the production, to increase productivity and to reform the structure of agriculture. At present, three essential tasks were pursued; to ensure stable supplies and food security, to adapt agricultural production to changes in the supply-demand situation for food and to increase the productivity. In order to have stable supplies and food security the Government intended to maintain domestic production at its present level and at the same time ensure stable imports. To get out of the over-supply situation for rice, farmers were encouraged to switch to other crops, while for other sectors such as raw milk, pigmeat and citrus fruit, the Government intended to rearrange production. At the same time, the Government had virtually fixed its agricultural support prices for several years. In this way, the Government endeavoured not to create excessive surpluses part of which might be exported across the border. The border measures, or water front measures, at present applied, constituted only a necessary minimum for agricultural and regional policy purposes. Such minimum border measures were also applied by most countries.

4. Finally, the representative of Japan drew the attention of the Committee to the rather complete information contained in explanatory notes with regard to legislation and measures concerning marketing standards, packing and labelling and, sanitary and phytosanitary regulations. Some corrections and additional information had already been handed to the secretariat.

5. In reply to some questions raised by the representative of the United States, the representative of Japan confirmed that imports of bovine meat (CCCN ex 02.01) were subject to a global quota and mainly controlled by the Livestock Industry Promotion Corporation. Imports by the Livestock Industry Promotion Corporation could be regarded as some sort of state-trading. However, whether this would be notified as a state trading was still under consideration by the authorities.
Concerning Japanese dairy policy, he explained that in view of the importance of dairy products in the Japanese diet and dairy farming in Japanese agriculture, the Government had adopted the deficiency payment system for manufacturing milk and the price stabilizing system for dairy products as a whole through buying-selling operations of LIPC. In addition, volumes and prices of dairy products traded on the world market were not normal nor stable. Thus, in order to operate them smoothly, the main dairy products were subject to state-trading and some others were subject to global quotas. These days milk production had been controlled in a restrictive manner through low ceiling of the amount applicable to the deficiency payment and supply-control of milk as a whole. Not all of fruit juices, but some of them were subject to the global quota. Besides, production controls existed not only for citrus but also for other fruits such as grapes and apples. There was no quota or tariff quota for potatoes or sweet potatoes, but imports of starches were subject to global quotas in connection with production (sales) control and market intervention applied under legislation adopted in 1953. He confirmed that imports of maize were not subject to quantitative measures or mixing regulations. A tariff quota as notified was not to be considered to constitute a quantitative limitation on imports and was applied in a manner consistent with obligations under the GATT (ref. GATT Analytical Index, third revision, page 52).

6. The representative of Chile expressed his appreciation for a complete and clear notification including the oral and written explanations provided. He made an appeal to Japan, however, that further justification of some of the measures applied should be provided by making reference to specific GATT provisions, in order to enable the Committee to judge whether these measures were justified. The representative of Japan replied that his delegation had tried to follow the guidance provided by the secretariat, and that in a number of cases the measures had been classified as (f) "other measures" without any reference to specific GATT provisions. He stressed however, that in his view this would not imply that such measures were not consistent with obligations under the GATT. He thought he would have a chance to be more explicit on this point at some later stage. To a question about internal taxes, he confirmed that these were for fiscal purposes only and applied in a non-discriminatory manner in conformity with the provisions of Article III. Differential duties on some livestock products and variable import levies on sugar, usually corresponding to the difference between target prices for domestic produce and import prices (c.i.f.), were applied as part of policies aiming at a stabilization of prices for such products. The representative of Chile expressed some doubts as to the legality of certain phytosanitary regulations applied by Japan, and made reference to certain difficulties Chilean exporters had experienced with respect to table grapes. The Japanese representative referred to the explanatory notes in the document and said that his Government had for a year and a half been waiting for a reply from the Government of Chile concerning the phytosanitary situation for Chilean table grapes.

7. The representative of Australia said that Australia occasionally found it difficult to export to Japan because of strict sanitary regulations, which he found to be too severe in view of Australia being immune from most diseases. He inquired whether such regulations would be negotiable in a multilateral context. The Japanese delegate replied that he had no instructions on that matter, but that he had to stress that the matter was highly technical. In his view Japanese sanitary
regulations were applied in conformity with Article XX(b). The Australian representative shared the view expressed by the United States that the activities of the Livestock Industry Promotion Corporation were in fact state-trading and should have been indicated also for beef. He also supported the view expressed by Chile that it was desirable to have a more specific classification than (f) of some quantitative restrictions notably global quotas. The Japanese representative merely referred to answers he had already given to similar questions.

8. The New Zealand representative shared the concern expressed by Australia with Japanese sanitary and phytosanitary regulations, and he also felt that global quotas should have been classified under another category than (f), for instance (a) or (c), possibly with a reference to Article XI. He equally supported the idea expressed by others that the activities of the Livestock Industry Promotion Corporation in the case of beef ought to have been notified under state-trading. He had noted the explanations already provided, but would pursue some of the points in reverse notifications which his delegation intended to submit. With respect to voluntary export restraints, he told the Committee that New Zealand applied such restraints on exports of margarine and other prepared edible fats (CCCN 15.13) to Japan, an agreement due to expire at the end of the year.

9. In reply to a question from the representative of the Philippines about GSP-rates on fresh bananas, the Japanese representative confirmed that the preferential rate of duty varied over the year, with a lower rate applied from April to September. For packaging regulations of bananas, the Japanese representative referred to the explanatory note.

10. The representative of Kenya noted that phytosanitary regulations were indicated for coffee (CCCN 09.01) while no similar regulations were indicated for tea. The Japanese representative replied that such regulations were applied in the existence of harmful pests, some of which infected coffee, but not tea, and on a non-discriminatory basis.

11. The Community representative wanted to add his voice to those who had thanked Japan for a fairly complete notification, although he might have liked to see more clarity on certain points. He felt that in some cases another classification than (f) could have been used, and he agreed with other speakers that more references to GATT provisions might have been appropriate. The Japanese representative in reply to this said that he felt the classification (f) to be the appropriate or the only one for a number of measures such as tariff bindings, tariff quotas, GSP-rates and state-trading. With respect to packaging and labelling regulations he agreed that reference could be made to Articles XI:2(b) and XX(b). He also said that production controls could be classified as (a), with reference to Article XI:2(c). To a question from the Community representative about a possible discrimination in the calculation of duties and internal taxes on wine and spirits, the
representative of Japan confirmed that the taxes were calculated in a non-discriminatory manner and were charged both on domestic produce and imports. He could agree to a Community suggestion to make reference to Article XX(h) in the case of donations of rice, made according to the obligations of Japan under the Food Aid Convention. Finally, he could not at present give a reply to the Community about possible bilateral agreements with suppliers of citrus fruit and fruit juices, as bilateral negotiations were not yet concluded.

12. The representative of Hungary expressed concern about the administration of sanitary restrictions by Japan, under which Hungarian exports of frozen, chilled or fresh meat to that market were impossible. The Japanese representative confirmed that procedural possibilities existed under which Hungary could seek to be reclassified and obtain access to the Japanese market for their products.

13. At the end of the examination, the Chilean representative reiterated his serious concern with the lack of specific GATT justification for a number of measures applied by Japan, and mentioned that in the case of discretionary quotas, the amount of quotas were not published. In reply to the latter point, the Japanese representative explained that it was difficult to assess in advance the supply/demand situation for products subject to discretionary licensing, and such quotas could therefore not be calculated.

14. The Chairman thanked the representative of Japan for the notification and the explanations given, and noted that further clarifications would be provided later.
1. The representative of Kenya reviewed the conditions for agriculture in his country and the role of this sector in the national economy. Agriculture was accounting for 35 per cent of the gross national product, and 85 per cent of the population depended on agriculture for its livelihood. The industrial production was largely based on processing of agricultural products and agricultural exports accounted for more than half of the country's foreign exchange earnings, with coffee, tea, meat and meat products and canned pineapples being the most important export commodities.

2. Agricultural policies were designed to increase production and food supplies to meet the requirements for domestic consumption, processing and exports. Kenya was faced with a persistent balance of payment problem and agricultural policies aimed at helping to improve the situation. Some of the measures listed in the documentation had been taken in order to achieve self-sufficiency in food, others in order to provide assistance to developing domestic industries. He stressed, however, that the notification and classification of measures had been made merely for the purpose of organizing the work of the Committee and was without prejudice as to the legal aspects of the measures notified, (reference made to AG/1 paragraph 5).

3. The representative of Kenya explained that the symbol "DL" in the table was somewhat misleading and that a corrigendum had been issued. In reply to a question from New Zealand, he explained that the licensing system embodied imposition of quotas for allocation of foreign exchange. Furthermore, the system embodied the application of minimum prices. Discretionary licensing was applied in order to secure domestic supplies of essential food in emergency situations caused for instance by drought, and then both for restricting exports and facilitating imports.

4. In reply to a question from the Community representative, he explained that exports of flowers were not benefiting from any form of governmental support for obvious budgetary constraints, even not for transportation although this might have been appropriate.

5. The United States representative wondered whether the activities of marketing boards should have been indicated in the table, for instance as price support. The Kenyan representative explained that they were charged with the collection and storage of essential food supplies and prices were fixed by the Ministry of Agriculture. Although surpluses could be exported, the operation of the boards could not be considered to constitute a form of price support. With respect to the references variably made to Articles XII and XVIII in column 16 of the table, this was related to the justification of the respective measures. The reference to Article XI:2 for licenses on exports indicated that the measure was taken in order to safeguard domestic supplies or in order to ensure that the exported product was of a high quality.

6. The Chairman thanked the representative of Kenya for the notification and the explanations given.
1. The representative of Malaysia pointed out that of the 163 items listed in the format 70 were free of duties. A number of items were subject to licensing or quotas on grounds of public health or morals or on socio-economic consideration. Imports of meat, for example, were regulated on both sanitary and religious grounds since the official religion of Malaysia was Islam which forbade eating of meat slaughtered in a non-Islamic way. Imports of cabbage heads (07.01), on the other hand, were determined in accordance with the seasonal variations in domestic production; other imports were subject to procedures of automatic licensing. He indicated that in principal import licences or permits were required for meat (02.01), fresh milk and cream (04.01), milk and cream, preserved, concentrated (04.02), trees and plants (06.01-06.04), wheat flour (11.01), sugar (17.01) and mushrooms (20.02). He regretted that items 11.01 and 17.01 could not be notified earlier as subject to licensing, but this omission would be rectified in a subsequent revision of the document. He further explained that under automatic licensing procedures licences were issued as soon as the competent authorities (viz agriculture, health and veterinary departments) had given the necessary clearance for such imports.

2. He wished to clarify that import duties were imposed not only for revenue purposes but also to encourage local processing. Higher import duties on wines, spirits and cigarettes were not only an important source of revenue, but they also involved socio-economic and moral considerations. In contrast, the imports of essential commodities like rice, flour and sugar were free of duty although subject to licensing. His government was committed to a policy of providing essential foodstuffs at reasonable prices to the poorer sections of the population. The government had, therefore, taken upon itself the purchasing, storage and distribution of these essential products. Licensing requirements were, therefore, not quantitative in nature, but merely to ensure that certain essential items were readily available and at reasonable prices. The government furthermore maintained a close surveillance on the evolution of market prices.

3. Explaining the existing preferences he mentioned that these were the remnants of the Commonwealth preferences which were at the moment under review. Preferences under the ASEAN Preferential Trading Arrangements did not cover agricultural products except for one item under the CCCN heading 07.01.

4. In regard to the imports of sugar, the representative of Malaysia indicated that both licensing and quotas were applied. It was the policy of his government to diversify its sources of supply of raw sugar and this was achieved through through bilateral arrangements and through purchases in the free market. Currently, 60 per cent of raw sugar requirements were being met through bilateral arrangements with Australia and Fiji and the remaining 40 per cent was being obtained from the free market and local supplies. Sugar was being refined in the country and additional requirements of refined sugar in relation to overall demand were being obtained through imports.
which were subject to licensing. Refined sugar could also be exported under licence, but quotas were only given to the refineries after adequately allowing for domestic requirements. In the case of wheat flour also, local processing was encouraged. There was, therefore, no restriction or duty on imports of grain, but licences for exports were only issued if adequate supplies for the home market were available. Rice, which was the staple foodgrain in Malaysia, was available from domestic production up to 80 per cent of the total requirements. The State trading organization called the National Padi and Rice Board in collaboration with the Ministry of Agriculture, regulated the overall trading and importation of this commodity. Negotiations for residual imports from overseas suppliers were conducted by this Board in a non-discriminatory manner on commercial considerations keeping in view the Malaysian consumer preferences. Domestic distribution and trading were, however, in the hands of private traders who were licensed by this body.

5. Referring to tariff bindings, the representative of Malaysia said that at the time of the accession of his country to GATT in 1957 duty rates on only a few agricultural products, i.e., 16.02, 20.07, and 21.07 were involved. With the exception of item 20.07, tariff rates on items under the other two headings had been reduced.

6. He also drew attention to his country's export measures which included export duties, licensing and other export restrictions. Export duties were imposed on some products mainly for revenue purposes. Specific formulae were adopted for duties on exports of palm oil and pepper, the rate progressing with the increase in prices of these commodities. These measures were also aimed at ensuring ethical business practices, quality control, availability of adequate raw materials for domestic processing and in cases of essential items like sugar, wheat flour and rice, to ensure adequacy of supplies for the domestic market. Some changes in import and export duties had been announced in the recent budget which would be notified to the Committee in due course.

7. He summed up by saying that Malaysia had a comparative advantage in the production and trade of certain agricultural products like rubber, palm oil, cocoa and pepper, while all other food requirements were being imported. The paramount objective of his government was to use its comparative advantage in these agricultural products to the maximum and at the same time to ensure that through the mechanism of licensing and other import arrangements, essential food requirements were readily obtained at reasonable prices.

8. The representative of Chile enquired if the tariff on apples (08.06) shown in the notification was US$764.2 per ton. The Malaysian representative replied that it was in Malaysian Ringgit, the rate of exchange for which was 2.30 to 1US$. 
9. The representative of New Zealand observed that the system of licensing applied by Malaysia was quite liberal and therefore his country had only a few bilateral problems with it. In this connexion, however, he wished to make a specific comment on the notation and classification used by Malaysia for licensing. Under a system of liberal licensing it was generally understood that licences would be issued automatically for administrative purposes, which, however, would not have any restrictive effect on trade. Automatic licensing, on the other hand, involved the issue of licences automatically, but with a certain restrictive effect on trade. Discretionary licensing in any case involved a predetermined criteria for the issue of licences. In his opinion the Malaysian system of licensing was more of the nature of liberal licensing which should have the notation "LL". On the export side, Malaysia had covered its trade measures adequately except that item 23.02 (bran) should also have been indicated as subject to licensing.

10. The representative of Malaysia thanked his colleague from New Zealand for his advice regarding the notation to be used for his country's system of licensing. He would discuss the matter with the secretariat in order to make the necessary changes. In regard to the observation that item 23.02 (bran) was subject to licensing, he informed that as of October 1981 this requirement had been lifted.

11. The Community representative considered that the import licensing system applied by Malaysia was very discretionary and in many ways prohibitive. In some cases it amounted to State trading, which had not been as such indicated. So it was imperative that the notification be appropriately revised. Regarding export measures, Malaysia had been more explicit, unlike Brazil, in showing export levies on different commodities and processed goods. However, he was struck by the general tendency in all developing countries to have differentiated export levies for different products. In the case of Malaysia, while oilseeds (12.01) had an export tax of 0-20 per cent, vegetable oils (15.07) were subject to only 0-5 per cent taxes and oilcakes (23.04) to 0-10 per cent. He was also not sure whether the justification invoked under Article VIII would be appropriate since the amount of taxes under this Article should cover just about the administrative costs, which, however, was not the case with the aforementioned differential duty rates.

12. The Malaysian delegate expressed his surprise about such an understanding of the Malaysian licensing system which only required a clearance by the veterinary authorities or by the Ministry of Agriculture. The system was not at all restrictive. Some items like liquor, were subject to internal licensing of domestic liquor traders merely to maintain surveillance over the domestic trading and consumption of such items, but this had no restrictive effect on trade at the border. He also denied that State trading was applicable to any product except to rice. He was equally surprised at the EEC question regarding different rates of export taxes for different commodities. This was a typical question which was often repeated in all trade forums. When the developing countries reacted to tariff escalation, the patent reply given to them was that this was due to different rates of
export duties on raw materials and processed goods. The developing countries also had higher export duties on raw materials than on processed goods in order to encourage local processing consistent with their industrialization policies. The main purpose of export duties in Malaysia was not only revenues but also to encourage local processing. Article XX provided the necessary justification for this kind of policy by his country.

13. The representative of the United States concurred with the use of Article VIII as a justification for export taxes and also heard the discussion on Malaysian system of licensing with interest. He would, however, like to seek a clarification regarding the State trading which was applied to sugar as well as to rice. He would also like to know whether Malaysia had any long-term trade arrangements with certain countries and what import or export commodities were covered by these arrangements. He expressed some concern at the import duties on tobacco which in the past three years had been increased three times and the fourth one was due in 1984. He wished to know whether these increases were due to domestic support policies or some other considerations. Finally, he wished to know what type of licensing, if any, was applied to meat imports and why the poultry meat had been banned with effect from May 1983.

14. In replying, the representative of Malaysia re-emphasized that the increase in duty rates on tobacco which were not bound, as in the case of liquors, was mainly for revenue purposes. In addition, internal licensing of importers was undertaken in order to ensure that they adhered to ethical business practices. Regarding the question of State trading in sugar, he repeated that it was not a subject of State trading. Malaysia had bilateral supply agreements with Australia and Fiji, which together provided 60 per cent of the total requirements. The remaining 40 per cent came from the free market and local suppliers, which did not necessarily imply State trading since supplies could be procured by private traders also. As regards long-term bilateral trade arrangements, he informed that no such arrangement existed for supplying commodities at concessionary rates. Under the Asean preferences, which were covered by the Enabling Clause, his country made some concessions to other member countries. He also confirmed that meat was subject to licensing, details of which would be notified to the secretariat for inclusion in the revised document. Regarding the claim that poultry meat imports were banned, he informed that there was no such ban as such; Malaysia was simply not importing because it was more or less self-sufficient in this product.

15. The representative of Australia asked two specific questions and requested that the answers to these questions should be reflected in the Report of the Committee. The first question was to what extent protection in the livestock sector had increased since the mid-1970s. Second, what prospect was there for Malaysia to complete import substitution policies in the sugar sector.

16. The representative of Malaysia replied that the extent of liberalization could be determined with reference to the increase in imports of meat by his country in the preceding three years. While import of meat of bovine animals (02.01) in 1981 was $28.38 million, it increased to $40.71 million in 1982. In the first five months of 1983
the imports aggregated to $15.82 million which compared favourably with the figure of $12.82 million in the corresponding period of 1982. It was worth noting, however, that his country was more or less self-sufficient in the poultry meat and pork. The self-sufficiency ratio for beef was 60 per cent and for dairy products, 5 per cent. This showed that his country still offered good prospects for imports in these two sectors. Regarding State trading enterprises for livestock, he indicated that such a body was set up in the 1970s to develop the livestock industry and coordinate and regulate procurement of the country's meat and poultry requirements. This organization had ceased to function in 1983, with the result that imports and distribution of meat were now entirely in private hands. Licensing, for sanitary and health reasons, was applied to imports of this product.

17. Finally, the representative of Malaysia made two general observations. First, there was an obvious difference in perceptions regarding the operation of the licensing systems and the State trading enterprises under GATT Article XVII. This required an in-depth discussion in the Committee. Second, there was certainly a need to find out, as Australia did in their case, to what extent each member country had made efforts to liberalize trade in agricultural products.

18. The Chairman thanked the representative of Malaysia for the notification and noted the additional points that had been made.
NIGERIA (AG/FOR/NGA/1)

1. The representative of Nigeria explained in his introductory statement that Nigeria had primarily been an agricultural economy until the advent of oil as the major engine of growth as well as a source of foreign exchange and public revenue in the 1970's. Since then, the structure of the economy had changed drastically in favour of indirectly productive sectors such as trade and construction, at the expense of agriculture and manufacturing. The agricultural and manufacturing sectors had suffered considerably from the adverse effects of the oil developments, such as high inflation, high costs of production, diversion of private investment to trade and commerce, as well as to urban development and construction, which were particularly lucrative. Although the industrial and mining sectors, particularly petroleum, have developed in recent years, Nigeria still continued to depend on agriculture and would continue to do so for a number of years to come. At present, about 60 per cent of the people depended on agriculture for their livelihood. Production of this sector contributed about 29 per cent to Nigerian Gross Domestic Product. Exports of agricultural products were of considerable importance to the country. The main agricultural products exported included cocoa beans and butter, rubber, cotton, palm kernels and oil, kenaf and coffee. Major export commodities like cocoa, cotton and palm kernels and soya beans produced in Nigeria were covered by price support schemes. The main aim of these schemes was to assure reasonable income to farmers and to agricultural workers, to induce farmers to produce more and to reduce the increase in disparity between agricultural and urban income and to curtail the continuous migration of population from rural to urban areas. The Government also made available to farmers agricultural inputs, like fertilizers and insecticides, at subsidized rates to encourage them to improve the yields per acre. There were no measures in force to restrain production, neither were there any measures related to increasing agricultural exports.

2. The measures in force in Nigeria were domestic production assistance measures. Nigeria was at present going through a difficult balance-of-payments situation. This had made it necessary to take certain temporary measures to streamline the procedures governing imports. These measures were temporary, to be phased out as the economy improves. Justification for the measures could be found under Article XVIII of the GATT, as indicated also in Nigeria's submission. Nigeria, however, continued to be an important importer of agricultural products, in particular of rice, sugar, milk and dairy products, fish and fish products. In all the cases the products come from suppliers in any part of the world granting the best conditions in regard to price and quality, thereby maintaining the GATT most-favoured-nation principle. He stated that he would be glad to answer any questions relating to Nigeria's submission. Nigeria was due to consult shortly in the GATT Balance of Payments Committee and questions relating to the balance-of-payments measures might best be raised in that forum.
3. The representative of Japan expressed his appreciation for the submission and statement by Nigeria and enquired about the rationale for the prior deposit requirement indicated in the format in respect of imports of many products. The representative of Nigeria explained that the prior deposit requirement had been instituted to make certain that goods ordered could and would be paid for.

4. The representative of New Zealand thanked the Nigerian representative both for the submission, his succinct statement and for the additional indications provided concerning the existence of price support measures and for the statement that the Nigerian Government hoped to rescind the restrictions which had recently been introduced in line with an improvement in the balance-of-payments situation. As regards the price support measures it would be their hope that these should be reflected in the appropriate columns of the format.

5. The representative of the United States also expressed appreciation of the submission and the statement by the Nigerian representative. The United States was conscious of the balance-of-payments difficulties Nigeria is facing. Yet, it was a matter of concern to them that import duties for many products were very high and also unbound. Moreover, imports of many commodities were prohibited. Further, it appeared that the restrictions introduced late in 1982, and also certain more recent duty increases, had not been fully notified to the GATT. Not only should the measures be notified but it was also the hope of his authorities that the Nigerian Government would review the measures it had taken to restrict the imports of agricultural products. As regards the format itself, the US representative noted that no indication had been given in columns 6 and 13 of the existence of State-trading and enquired in this context to what extent Government agencies are involved in importing and exporting agricultural commodities. As regards import licences, US traders indicated that long delays were incurred in the issuing of licences, thus seriously hindering trade.

6. The representative of Nigeria explained that delays in obtaining import licences were often caused by improperly filled in licence applications. However his authorities would be prepared to look into this matter, for which purpose it would be helpful if they could be informed of specific cases where the issue of licences had been so delayed as to cause an impediment to trade. As regards the balance-of-payments measures taken by Nigeria these had, in fact, been notified and brought to the attention of contracting parties in documents L/5125 and BOP/233. As far as the other points raised by the United States and by the New Zealand were concerned, he would transmit these to his authorities for consideration.

7. The Chairman thanked the representative of Nigeria for the notification and the explanations given, and noted that further information might be provided.
1. The representative of Norway recalled that according to the Ministerial Decision, this examination should take into account the effects of national agricultural policies and also that full account should be taken of the specific characteristics and problems in the agricultural sector. In light of this, the Norwegian notification contained an outline of particular conditions facing Norwegian agriculture, agricultural policy objectives and measures. Norway was Europe's northernmost country, and certain types of production took place at the very limits of what was possible in that climate. Three per cent of the land area was used for agriculture which together with forestry, employed 6.5 per cent of the economically active population, compared to 19 per cent in 1960 and from 28 per cent in 1946.

2. The self-sufficiency rate was approximately 50 per cent on a calorie basis including fish. If fish were excluded, the rate would be approximately 43 per cent and if adjusted for imported feedstuffs, 38 per cent, probably the lowest self-sufficiency ratio amongst industrialized countries.

3. Due to natural conditions, livestock production was dominant in Norwegian agriculture, with most of the farm land devoted to production of grass and other feed. For animal products, the aim was to meet domestic requirements. Production targets were fixed accordingly and losses related to the marketing of surplus production had to be carried by the producers. Since the early 1950's various measures (such as quotas for individual producers) had been implemented to restrict the production to domestic requirements. Cheese was the only product exported on a regular basis. Consequently, Norway was a large net importer of agricultural products. In 1982 net imports of food amounted to 4.6 billion Norwegian kr. (some 650 million $), of which fruits, grains and sugar accounted for about one half. The import regime for agricultural products in Norway was an integrated element of a comprehensive agricultural policy which again had to be looked at in conjunction with regional policy and social policy.

4. Norwegian agricultural policies dated back to the 1930's, and were implemented through a complex set of policy measures covering price systems, production adjustment measures, import regulations and social welfare schemes. Policy objectives and measures had been developed throughout the last fifty years. The present import regime was based on a Parliamentary Act of 22 June 1934. In order to promote orderly marketing conditions for the marketing of farm products through cooperatives, a Marketing Act was passed by the Storting in 1930, and was still the legal basis for public support to farmers. In 1945 the "Agricultural Agreement" was concluded between the Government and the farmers' organizations, concerning prices. The Agricultural Agreement has been enlarged to comprise the whole set of policy measures in the agricultural field, including prices. Renewals and modifications have to be approved by the Storting, the Parliament.
5. The representative of Norway stressed that Norwegian agricultural policy which enjoyed a broad political consensus in the parliament, had been developed in order to compensate for natural disadvantages, sustain employment and to ensure reasonable incomes for farmers. As a result, a pattern of agricultural production had been achieved which served the needs consistently with overall government policies.

6. He apologized for a few errors in the tables, and corrections could be submitted. With respect to minimum target prices, he explained that these were trigger points for admitting imports. When internal market prices exceeded the target for two consecutive weeks quantitative import restrictions were suspended. The symbol MLV (with one asterisk) indicated the application of a compensatory amount to imports in order to cover the price difference between domestic and imported products. No indication of price or production support had been indicated in column 2, as it had been understood that only governmental export subsidies should be recorded. He stressed, however, that losses on exports were covered by the producers.

7. The representative of Chile felt the notification to be incomplete as no justification or reference to specific GATT provisions had been provided for a number of measures such as minimum prices, seasonal restrictions, global quotas, discretionary licensing and levies. He questioned whether all these restrictions were covered by legislation predating accession to the GATT, and wondered to what extent the legislation was compulsory or mandatory. The Norwegian representative confirmed that the legislation in question was mandatory, and that he considered the measures to be applied fully in conformity with obligations under the GATT. The question of the legal basis of the measures applied was a rather broad one, which might require some time for consideration. The Norwegian representative was nevertheless willing to participate in a lengthy debate of the matter if the Committee so wished. The Chairman said that a lengthy discussion of the legal basis for the regulations could wait.

8. The representative of Argentina shared the view expressed by Chile with respect to quantitative restrictions applied by Norway, and he felt that a number of these restrictions in fact amounted to import prohibition. The Norwegian representative said that the latter suggestion was definitely wrong, as Norway was the biggest importer of food, per capita.

9. The representative of Canada questioned whether the old legislation on which the restrictions were based would still be appropriate, as notably structural adjustment problems were different today from what they might have been fifty years ago. The Norwegian representative admitted that the structure of the economy had changed, but basic reasons for protecting domestic production had remained, and with a self-sufficiency ratio of 38 per cent, food security arguments were most relevant in favour of maintaining national production.
10. The United States representative expressed his appreciation for a comprehensive documentation submitted by Norway. He noted that import measures were rather comprehensive, covering virtually all imports and a few selected products were exported with subsidies. He felt that sanitary regulations in fact constituted an import ban in the case of beef, but that exceptions had occasionally been granted. He suggested that the application of price support should be more fully indicated in columns 2 and 14. The representative of Norway admitted that the notification could be further completed and improved. However, he repeated that the only product exported on a regular basis was cheese, and the United States contention that the exports of a selection of commodities were subsidized was exaggerated. Even for cheese, which was exported at prices lower than those prevailing in the domestic market, the losses incurred were entirely carried by the producers. The compensatory amounts charged on imports should not be compared to the variable levy system applied for instance by the Community; one purpose was to equalize prices of imported products and domestic products, but the system was also applied in order to avoid inconsiderate profits to importers. There were good reasons for maintaining sanitary restrictions for instance on meat, but when requirements were met notably with respect to the sanitary situation in supplying countries, imports were allowed and it was not appropriate to talk about a ban on imports. Neither should the seasonal regulations on fruit and vegetables be considered as a prohibition as imports were free most of the year. Fruit imports in recent years had amounted to 1 billion NKr. and even in the case of apples and pears imports corresponded to one and a half times the domestic production. In reply to a question from the United States representative, it was confirmed that imports of leguminous vegetables, and sugar products were not subject to state-trading. The representative of Norway would consider whether some measures classified as (f) could be classified differently, but did not find that (e) would be appropriate as had been suggested by the United States. He repeated that Norway had developed a system of assistance to production, aiming at covering domestic requirements of meat, eggs, milk and dairy products and for good reasons, such as the experiences of short supplies during two world wars.

11. The representative of New Zealand shared the view that classifications other than (f), in some cases for instance (c) could have been indicated for some measures applied by Norway, and that more references should be given to specific GATT articles. In reply to this, the representative of Norway said that it was easy to ask for reference to specific articles. However, he stressed that in this context reference to national legislation existing at the time Norway acceded to the GATT was quite relevant.

12. The Chairman thanked the Norwegian representative for the notification and the answers, and noted that further clarifications could be provided. He also expressed the hope that Norway could maintain a high level of imports of agricultural products.
1. The representative of New Zealand did not want to go in detail about the New Zealand agriculture, as he assumed that his country's dependance on this sector was generally known. He merely pointed out that the importance of agriculture in New Zealand was almost entirely economic, rather than social, and the sector generated 70 per cent of the country's export earnings. The livestock farming systems were essentially export industries, and efforts were continuously made to maintain the advantage on a cost basis. The sector had a solid autonomous foundation, but in view of its economic importance, successive Governments had deemed it appropriate to assist it by creating the conditions in which the industry could realize its natural potential. These efforts included development and application of better grassland technology, providing a safe environment for animals and plants and the establishment of producers' boards. He stressed that protection against competition from overseas suppliers had not been a major determinant when adopting agricultural policies.

2. The main producers' boards were not involved in import trade, but some other boards had pervasive roles in their respective fields such as apples and pears, wheat and potatoes. The latter two had traditionally been occupied with securing supplies and distribution to the domestic market. The arrangements were not immutable, and he mentioned structural changes in the tobacco industry and that the wheat board arrangement was under review. He suggested that the sense of GATT terms on state trading would embrace a wide range of organizations, objectives and functions, which should in the current exercise be considered objectively, taking account of actual impact on export and import opportunities for other countries. He declared himself ready to comment further on functions of the producers' boards in New Zealand, if this was desirable, and to provide further clarification on other points as well.

3. Referring to the explanatory notes in the New Zealand notification, he pointed out that producers' boards were not eligible for support under the Export Performance Taxation Incentive, the main export incentive scheme. He felt that the classification of export support in the case of some processed products as "a" was not right, and suggested to replace this by "b" and "c"; "c" because the measures was not applied in conformity with Article XVI, and "b" because it was covered by a waiver under the Subsidy Code. Price support was almost inexistent, (e.g. supplementary minimum prices on sheepmeat, and a stabilization account for beef). He felt that New Zealand had notified the application of domestic subsidies more completely than others and suggested that other members of the Committee completed their notification on this point. With respect to the mention of state trading for meat, he explained that the present system for sheepmeat for export was to be terminated in October 1984, and that recommendations concerning the future structure of the meat industry were being considered. For licensing systems and global quotas applied to exports and imports, he mentioned that the Government felt obliged to gradually eliminate some of these, for instance on imported processed food products, and had consequently classified these measures as "c".
although the import licensing system had been introduced in 1938, and could therefore be classified as "b". Veterinary and phytosanitary regulations had been notified in full by New Zealand, but this had been done without prejudice to its position at subsequent discussions. He suggested, however, that such discussions should be limited to reverse notifications.

4. The representative of the European Communities commended New Zealand for a very complete notification. He nevertheless felt that various support measures might have been more fully reflected in column 14. The New Zealand representative agreed to the logic of this reasoning, but felt that the measures would have no impact on imports, as for instance the support levels for dairy products and meat were below the actual world market prices. In reply to an EC comment on residual restrictions and justification of quantitative restrictions, he confirmed the opinion already expressed that these measures were not fully covered by the GATT, and if such coverage were claimed, a relevant reference ought to be given. With respect to veterinary regulations, he stated that New Zealand had to assume full responsibility for its health and sanitary status, and when the application of several measures had been indicated for sanitary reasons this meant that a complex of measures was applied. He confirmed that voluntary export restraints were sometimes applied in conjunction with bilateral supply agreements, under which measures were applied both by the exporter and by the importer (e.g. for sheepmeat and butter), but when the action was unilateral it had been indicated as a voluntary restraint (VRA), as in the case of apples.

5. The United States representative in his turn also expressed his satisfaction with a very complete notification, but noted that New Zealand applied a rather extensive system resulting in an insulation of its domestic market, and that only half of agricultural tariff positions were bound. The New Zealand representative explained that notably tariffs on processed products had not been bound to provide protection of food industries, but hoped that this could be changed as soon as the market situation improved. New Zealand also wanted to move away from licensing and quantitative restrictions. He repeated that although quantitative restrictions applied by New Zealand covered more products than those applied under the United States waiver, it did not claim any GATT cover for such quantitative restrictions. Efforts had been made recently to move away from quantitative restrictions and to reinstate duties for phasing out quantitative restrictions which had been temporarily suspended but unfortunately no schedule had as yet been established. He explained that there was a rather complex rational behind the regulations and support for citrus production, mainly for regional economic development reasons, (Cook Islands). The mixing regulations for tobacco had been terminated a while ago, and he was not aware of any informal arrangements applied by the industry. With regard to the operation of the Export Programme Suspensory Loan Scheme, he explained that total budget was very small and it was difficult to provide details for various products. No loans were granted to producers boards, except possibly for meat exports to non-traditional markets. He felt that the United States had misunderstood the lamb
pricing system. A low minimum price was guaranteed by the Government through the application of a stabilization account whereby returns to producers were effectively topped up and domestic prices reflected world market prices. Similar systems existed for dairy products and beef, but had not been applied during recent years. He finally confirmed that marketing boards were non-governmental entities, usually private cooperatives with no governmental funds or control directly involved, but established by statute.

6. In reply to a question from the representative of Canada, the New Zealand representative confirmed that the Export Performance Taxation Incentive only applied to processed products and payments were not made to producers boards which were not taxable. Processed fruit and vegetables other than apples and pears were eligible for payments on the processing element. No direct subsidies were paid on apples and pears as export prices were usually higher than those obtained in the domestic market. However, in order to alleviate fluctuations from one year to the next there was a stabilization account for these products.

7. The representative of Switzerland appreciated the frankness of New Zealand to admit that it applied some measures without claiming that they were covered by the GATT in its present form, and that such measures had been classified as "c". He was surprised to see in the documentation that it was the aim of the New Zealand Government to allow increased imports to act as competitive discipline on domestic industry, and this disturbed his image of New Zealand as the by far most competitive supplier. The New Zealand representative replied that this was a general idea applying to all sectors, not specially to agriculture for which New Zealand remained the lowest cost producer. Licensing applied to processed products was maintained for historical reasons. He also explained that some restrictions on imports of products of endangered species were taken to assist the protection of such species in other countries, and this was the reason for the reference to Article XX g.

8. The Chairman thanked the New Zealand representative for a very comprehensive notification.
1. In reviewing the relevant documentation of his country the representative of Pakistan mentioned that the information supplied was by no means exhaustive since it omitted some important agro-based products and cotton, and also did not fully reflect the changes in the new import policy. It was for these two reasons that his country intended to submit a more complete notification at a later stage. At the outset, however, he drew attention of the Committee to the significant role that agriculture played in Pakistan's economy. It not only accounted for 30 per cent of the Gross Domestic Product; it employed 55 per cent of the total labour force and provided, directly or indirectly, 70 per cent of the total export earnings. The Government of Pakistan took particularly keen interest in agriculture due to the vast network of irrigation system which it had historically provided and maintained since the turn of the 19th century on the barren and arid zone of the Indus valley. The system was still being expanded and modernized by the Government to cope with the increasing requirements of its economy. A National Agricultural Policy was being followed to implement a progressive adjustment of prices of key-inputs and outputs to reflect real resource costs with a view to generally phasing out the subsidies while at the same time providing appropriate incentives for increased production; a gradual transfer of certain operations from the public to private sector; and a reorientation of public recurrent and investment expenditure to optimize the use of existing facilities. He thereafter explained the various trade measures listed in the notification. Regarding licensing he mentioned that the purpose of this measure was merely a surveillance of imports in accordance with the capacity to pay in terms of foreign exchange. Since 1973, when the exchange rate of Pakistan's currency was aligned to the major world currencies, there had been no radical change in Pakistan's import policy. Imports had progressively been liberalized and licensing had only been used as a tool to monitor the imports rather than to restrict them. The statistical monitoring helped the Government to keep a close watch on the foreign exchange availabilities and, if deemed necessary, to further negotiate credits and foreign loans to meet additional import requirements. Referring to "export prohibitions" he stated that certain items were prohibited from being exported if they had the vital linkage with domestic consumer prices. On the other hand, some imports were prohibited due to the reason that production had to be increased to achieve self-sufficiency in these products. For example, butter had been imported in the past under various aid programmes, but now the Government was aiming at self-sufficiency and imports had therefore to be prohibited.

2. With regard to tariffs, he admitted that tariff levels were comparatively higher than in some other countries, but this was due to the fact that Pakistan's taxation system had not developed to the extent of yielding enough income and the Government therefore had to depend on tariffs as an important source of its revenues. Another measure which required comment was State-trading. In order to ensure fair income levels to the farmers, with small land holdings, the Government procured the main agricultural products at fixed prices and then exported them
most economically through its own State-trading enterprises. Rice and cotton were the two important products which benefited from bulk exports. Finally, he referred to the pricing policy the aim of which was to guarantee a reasonable income to farmers in relation to world prices. The Government had in the past subsidized the key-inputs like fertilizers and pesticides with the sole aim of maintaining reasonable prices and income levels in the agricultural sector. The subsidy on pesticides had now been eliminated. By and large, the prices of agricultural products had never been higher than the international prices, except in the recessionary period when price of cotton was slightly higher than the international price.

3. The representative of the European Communities thanked Pakistan for its notification and noted with interest that Pakistan had a national agricultural policy to protect producer prices and farm income levels. He observed that Pakistan had invoked Article XI:2 for many of its export restrictions. More caution was, however, needed in the use of this particular Article. Columns 2 and 14 lacked information which was vital for a precise picture of the trade regime. He was also interested to know what exactly was meant by "special products" in column 7 of the notification. Finally, he expressed the hope that more information would be provided by Pakistan when a revised notification was submitted at a later date.

4. The representative of Pakistan replied that he would welcome EEC's technical assistance in connection with the rationalization of the notification. While he was prepared to reconsider the Article XI:2 justification concerning export restrictions, it was not clear how import restrictions of a country faced with the balance of payments difficulties could be justified other than under Article XVIII. Information on price support in column 2 was missing because of the peculiar situation of each individual export market. Generally, the domestic prices of some of these products were lower than the international prices and to that extent price support was essential. In a recent World Bank report on Pakistan, it was shown that the ratio of domestic prices of rice to international prices in 1973-74 and 1982-83 was 66 per cent. A similar situation prevailed in the case of other export products except cotton where the ratio was 130 per cent. Pakistan would be unable to compete on international market if price support was not given to some of these products. Regarding the classification "special products" he indicated that poultry, potato seeds for sowing, and other products subject to gradation and quality control, were covered by this category.

5. The representative of the United States noted that "licensing" or "prohibitions" applied to imports of most products. The IMF Report on Exchange Restrictions showed that Pakistan had a "free list" and a "tied list". It was, however, not clear which list was covered in the notification. Imports on the free list were also subject to a fee of 2 per cent fee on the value of the licence. In the case of oilseeds (12.01), only the border measures had been shown, i.e. tariffs and licensing. It was desirable to find out whether the Government had specifically encouraged certain production areas by special incentives or subsidies. It was also interesting to know if Pakistan had preferential arrangements with any other countries.
6. In answering the delegate of Pakistan referred to GATT's Code on Licensing, of which Pakistan was a member. Pakistan had provided full details of its licensing system in document L/5250 dated 1 December 1981. The "free list" comprised all commercial imports for which licensing had been introduced for surveillance or statistical control purposes; and the "tied list" was linked with credits, loans, grants or PL 480 programmes. Details of the "tied list" imports were not given in the notification, but could be provided if so desired. The 2 per cent import licence fee had been introduced to prevent fraud by bogus importers. However, it had no restrictive effect - it was merely an administrative fee.

7. Answering the question regarding special measures affecting animal and vegetable oils (15.12), he mentioned that Pakistan imported some soya oil from the United States under the "tied list". More details could be provided at a later stage. There were no special preferential arrangements with any country, except that a very small number of products was being imported from Turkey on a tied basis, which, however, had only a negligible effect on imports. Pakistan was also a member of the Protocol of sixteen, and this again had a negligible quantitative effect on imports.

8. The Chairman thanked the representative of Pakistan for the notification and the explanations and noted that further details would be provided.
PERU (AG/FOR/PER/1)

1. The representative of Peru stated that agriculture was an important factor in the economy of Peru. In 1981, it had contributed 12.8 per cent of GDP, gave employment to 35 per cent of the economically active population and generated 8 per cent by value of total exports. Peru was, however, not self-sufficient as regards basic foodstuffs. In 1981, wheat, soya, rice, maize and dairy products were imported for a combined total of US$ 590 million. When imports of meat, fertilizers and prepared foodstuffs were added, this easily brought the total up to 800 million dollars, which was an amount higher than the foreign exchange earned from agricultural exports.

2. Agricultural production in Peru was conditioned by the rugged terrain of the country, which was divided into three well-defined regions by the Andes range, which traversed it longitudinally. In the coastal region, where it was possible to have the greatest concentration of continuous agricultural lands, the area cultivated annually represented on average 4.3 per cent of the total area and was dispersed among fifty-three valleys. In this region, rice, cotton and sugar-cane were grown, all traditional export products. In the mountain regions, the very uneven ground only permitted the working of small cultivated plots at various altitude levels and maize, wheat, barley and tubers, especially potatoes, were grown. These were the main food crops. Sheep and alpacas were also raised there. In the forest region, only 0.6 per cent of the area was cultivated and coffee, cocoa and tea were grown.

3. She said that recent trends in Peru's agricultural economy could be summarized in terms of three different phases. First, the decade of the 1970s, in which the Military Government initiated the Agrarian Reform, brought virtual stagnation of agriculture, and a negative growth-rate of minus 5 per cent was experienced in 1980. In the second phase, starting in 1981, there was a marked growth in agriculture. The products showing the greatest increase in production were rice, wheat and soya. Rice production increased by nearly 70 per cent after having fallen by 25 per cent in 1980. Although Peru had never been self-sufficient in respect of wheat, production increased by over 50 per cent, after decreasing in each of the four previous years. Sugar-cane was the only crop of which production decreased in 1981, by 6 per cent, owing partly to the drought and partly to the financial difficulties of the producer co-operatives.

1983 represented a third phase, characterized by disastrous changes in climate, devastating Peru's agriculture. The warm current in the Pacific Ocean "El Nino", known to everyone through reports in the daily papers, had caused an enormous amount of evaporation, producing continuous heavy rain for eight months, with the result that an area of agricultural land in the north of Peru, greater than the whole of Switzerland, was flooded, destroying practically all agricultural production destined for export.
4. Thus, Peru had found it necessary in 1983 to purchase sugar abroad, so as to fulfill its quota commitments under the International Sugar Agreement. The rice harvest was 80,000 tons below that of 1982 and it has been necessary to import rice for domestic consumption. Cotton would probably also have to be imported to cover the needs of the domestic textile industry. Peru had thus become a net importer of these three products, which, together with coffee, were its main agricultural exports. To make the situation even more critical, in the south-east of the country an extensive drought had devastated whole districts. The potato crop had been affected most, and was 75 per cent below that of 1982, which made it necessary to import about 400,000 tons potatoes. "El Niño" had also caused ravages in Peru's fishing industry. The data available at present showed that the catch shall be less than 70 percent of that in 1982, which was already smaller than in previous years.

5. She explained that the agricultural policy applied between 1968 and 1975 was part of a programme of structural reform, the main feature of which was the reform of land tenure. Nine million hectares were transferred from about eleven thousand estates to 1,500 co-operatives, associations and small holdings, affecting 15 per cent of the rural population. The basis was the nationalization of imports of food inputs and increased State participation in the marketing of some basic foodstuffs. In spite of its limitations, this was one of the most drastic reforms carried out in Latin America, but the change in land tenure was not sufficient to overcome agrarian under-development.

6. In July 1980 the new civilian Government adopted a new agriculture-and food policy of the neo-Liberal type, initiating the adaptation of legislation to the neo-Liberal model adopted in the Law on Promotion and Development of Agriculture, the main features of which are the following:

(a) Freedom of marketing of agricultural products;
(b) Abolition of price controls and regulations and provision that consumption subsidies – where they exist – shall be temporary;
(c) Complete liberalization of imports and domestic and foreign marketing of agricultural products and by-products and of inputs used in agriculture;
(d) Abolition of the former State monopoly of imports of basic foodstuffs and fertilizers;
(e) Abolition of the State monopoly of exports of agricultural products, with the sole exception of the control of coffee and sugar, required by reason of the International Conventions to which Peru is a party;
(f) Promotion of the establishment of private enterprises providing services and technical assistance;
(g) Amendment of the provisions of the Law on Indigenous Communities and Agrarian Development of the Forest Region and its Eastern Border, permitting the assignment of extensive lands to foreign enterprises (the former Law provided for obligatory State participation in development projects for agriculture, stock-breeding and and forestry);
(h) Provision for the possible restructuring or change in management organization of production co-operatives and SAIS (Agricultural Associations of Social Interest);

(i) Reduction of tariffs on the import of agricultural products and, in order to promote production, total exemption from customs duty of a certain number of agricultural inputs (as notified by the Peruvian Government in document L/5527) and a substantial reduction in the number of products subject to prior import licensing or import prohibition.

7. Research, extension and training projects were in operation for the cultivation of rice, wheat, barley and maize, with the support of international organizations such as FAO, IICA, IDB, AID, JUNAC and the governments of Germany, the Netherlands, Canada, the United States and, as regards the EC for irrigation.

8. With respect to AG/FOR/PER/1, the representative of Peru explained that the complexity of the format itself, and of filling it in, had presented great difficulties for her delegation and there had been no time to return the format to Lima for completion and corrections. The secretariat had provided assistance in the elaboration of the document. Since the document was intended to serve as a basis for the discussion, certain corrections should be made and the document should also be completed as follows:

9. On page three, against the headings 01.01 and 01.02, the signs "p" and XR should be moved from the fourth column to the fifth column. On pages 5, 6, 15, 28 and 30, against headings 03.01, 03.02, 03.03, 04.02, 10.06, 16.04, 23.01 and 24.01, the symbol "ST", for State trading, should be deleted from columns 6 and 13. As she had already explained, the new Law on the Promotion and Development of Agriculture had abolished the State Monopoly of imports and exports of basic foodstuffs and fertilizers, except for coffee and sugar. Moreover, sugar had just been released for free importation.

10. The mistaken inscriptions of "ST" in the format were due to a misinterpretation of the Peruvian Government's notification in document L/5104/Add.15, which intended to convey that the marketing enterprises, while State enterprises, are private law enterprises, and consequently do not enjoy exclusive or special privileges, but enter into free competition with private enterprises in respect of both exports and imports. According to the very principles of GATT (Article XVII) these enterprises in no way constituted an obstacle to trade in agricultural products.

11. On page 20, column 5: the export restriction "XR" shown against heading 15.04 applies only to fats and oils of marine mammals. On page 28, note 1: it should be noted that the export restriction "XR" shown against heading 23.01 applies only to flours and meals of marine mammals.
12. The representative of Peru said that, while her Government had notified all the headings included in chapters 1 to 24, as desired by the Committee, from the administrative point of view, it did not consider some of these headings to belong in the agricultural sector, but rather in the industrial manufacturing or the fisheries sector, which come, respectively, under the Ministry of Industry, Tourism and Integration and the Ministry of Fisheries.

13. The representative of Peru also explained that the import levy signified by the sign MLV in column 9, did not apply in any way to tariff headings bound under international agreements, such as those of LAIA, the Andean Group and GATT.

14. As regards the classification symbols for purposes of column 16, the symbol (a) should be added for measures covered by Articles XI:2(a) and XX:(b), (g) and (h); the symbol (f) should be added for measures covered by Articles XVIII:12, XX:(d) and XXXIII, while the symbol (a) should be added against Article XVII. Where LAIA concessions were indicated by the initials "OP" in column 8, Article XXIV and the symbol (f) should also be included in column 16. She said she trusted that the secretariat would issue a revised version of AG/FOR/PER/1 to reflect the amendments and corrections made and, consequently, also revise AG/FOR/W/PER/1.

15. The Community representative expressed appreciation of the very full and informative statement by Peru. As regards the documentation for Peru, he expressed surprise, given the fact also that technical assistance had been provided by the secretariat, that import levies - designated by the symbol "MLV" in column 9 of the format had been referenced in column 16 in terms of Article XVIII:12. Certainly it was not admissible to see import levies equated with quantitative restrictions applied for balance-of-payments reasons.

16. The representative of Peru explained that the measure referred to in column 9 was a "surtax" which was, indeed, applied for the protection of the balance-of-payments and the measure had been notified, as appropriate, to the GATT. Perhaps the question raised by the representative of the Communities could be resolved in the revision of AG/FOR/PER/1 - which she had already requested, and at which time the appropriate symbol, rather than "MLV" could be inscribed in the format.

17. The representative of the United States thanked the representative of Peru for the notification and for the concise and comprehensive comments in introducing the submission. He noted that in document AG/D0C/3/PER/1 and Add.l products listed as subject to licence included milk powder, potatoes, wheat, maize, rice, soya seeds, wheat flour, soya beans and oils, tobacco products and cotton. He further noted that some of these products had in the past been exclusively imported by ENCI (State importing and exporting agency for basic commodities). The United States appreciated that Peru had recently reduced the licensing requirements but was equally interested to know what the current role of ENCI was. In case ENCI had not been dissolved they felt that an entry of "ST" in the respective columns and against the tariff positions concerned should be shown. Further, it was the understanding of his
authorities that Peru had in the past guaranteed prices of such basic crops as wheat, maize and rice. If such price guarantees still applied they felt that the price supports should be notified as a measure affecting imports. As regards sugar, he noted the existence of export restrictions and a global quota on exports accompanied by the invocation of GATT Article XI:2a and the International Sugar Agreement, respectively, and a reference to marketing standards and regulations for imports. Given the fact that world sugar supplies were plentiful, was the export restriction really necessary? Finally, he enquired whether there existed preferential treatment for imports of agricultural products from countries members of the Andean pact.

18. The representative of Peru, referring to her introductory statement, said that certain additional information would be submitted to the secretariat for the correction and completion of AG/FOR/PER/1. As regards State-trading activities she referred back to the 1980 Law on Promotion and Development of Agriculture, the main features of which were summarized in the introductory statement. The former State monopoly of imports of basic foodstuffs and fertilizers had been abolished. State-trading in the form of foreign marketing operations were now limited to coffee and sugar and, as regards the latter product, imports were liberalized in May 1983. As regards the global quota on exports of sugar - the reference was to the quota Peru had under the International Sugar Agreement, including also the quota in the United States. As explained in the introductory statement, climatic effects had ravaged sugar production in Peru, so that in 1983 Peru had to buy sugar in the international market (from ISA members and others, with the approval of the ISA members) to be in a position to honour its quota commitments. The domestic sugar shortage also explained the export restrictions that were in force. Marketing standards regulations were imposed for guaranteeing the chemical purity of sugar in accordance with provisions under Peruvian domestic Law. However, given the current shortage, some of the standards requirements under these provisions had to be suspended. As regards the operation of ENCI - this was established as a corporation under private law, and, apart from its rights to purchase coffee and sugar directly from producers, had no special privileges and was treated like any other private firm operating in Peru. Peru had indicated this in AG/DOC/3/PERS/1/Add.1 of 28 January 1983. Another State-trading enterprise which had previously handled exports of fish meal and oil, in line with a Bill before Parliament, had for all practical purposes been dissolved. As a result of the adoption of the Law on Promotion and Development of Agriculture, price controls and regulation had been abolished and the general rule was freedom of marketing of agricultural products. As regards licensing requirements for position 01.01 (horses) this applied only to a sub-position, horses for breeding; those under position 12.03 only to cotton and soya seeds, these were maintained for guaranteeing purity in stockbreeding and plant cultivation; the same applied to position 23.04, (certain oilseeds). Finally, the prior licensing requirements for milk, cream, milk powder, potatoes and certain other basic foodstuffs were prompted entirely by the need to ensure adequate supplies for consumption i.e. these measures were being maintained for reasons of food security.

19. The Chairman thanked the representative of Peru for the notification and explanations, and noted that additional information would be submitted.
1. The representative of the Philippines mentioned that his country's presentation differed somewhat from those of other countries. In order to meet the deadline set by the Committee, the Philippines had not had the time to assemble all of the data required for the completion of the secretariat format. He therefore refrained from giving an overall description of the Philippine agriculture. As noted in the document AG/FOR/PHL/1, there remained a number of tariff headings which so far had not been the subject of a submission by the Philippines. His delegation would submit the required data as soon as possible.

2. He said that the Philippine delegation had devoted some time to reviewing the data in the format and could provide certain preliminary clarifications; but the amendments would be submitted in due course. On "Tariffs", in column 8 of the format, for bound headings or sub-headings identified, the reference in column 16 would be Article II, and the classification could be "(f)". Against the symbol "OP ex", the column 16 reference should be the Enabling Clause, and the classification again be "(f)". The reference to forthcoming tariff reductions reflected an import liberalization programme over a four-year period, which started on 1 January 1981. Under column 9, Levies and other Charges, tariff headings notified in document L/4724/Add.1 as subject to a specific tax on imports were covered by the Philippine Protocol of Accession. This would have to be noted in column 16, the measure to be classified as "(b)". For tariff headings with a reference to document L/5232/Rev.1 no specific tax was applied but only license fees or administrative charges and the respective entries in column 9 should be deleted. He felt that notwithstanding certain gaps in the documentation, discussion in the Committee could proceed on the basis of the submission in AG/FOR/PHL/1, bearing in mind that the Philippines' policies and measures were also reflected in notifications made in other contexts, notably in relation to the Philippines accession, the balance-of-payments consultations and in regard to import licensing.

3. The representative of New Zealand, after expressing appreciation for the additional clarifications provided by the Philippines, enquired about the role in imports of the Philippine Central Bank and its commodity control procedures. New Zealand would also be interested in obtaining information on the operations of an organization named "PHILBAI" which apparently had a kind of state trading role for imports of certain products, namely for live animals, meat and offals and meat and fish preparations from countries in Oceania. He felt that this should be reflected in the format in the column on State trading. Further, certain imports were prohibited, except where the goods were imported for sale to food-processors or to hotels, i.e. for the tourist trade. The products concerned were all types of meat, cut flowers and fish and shellfish. These prohibitions should also be reflected in the notification. He also noted that the format contained no reference to health and sanitary measures or to labelling – or marketing regulations and it was also not very clear what was implied by a measure categorized in the format as "other forms of import control".
4. The representative of the Philippines explained that the role of the Philippine Central Bank as regards imports had been described in their Reply to the Questionnaire on Import Licensing - document L/5232/Rev.1 - and that further details, with reference to the Philippines' Standard Commodity Classification Manual were contained, in BOP/208 and the annexes thereto. The point concerning the absence of inscriptions in the format of various standards and regulations would be raised with the competent authorities. As regards PHILBAI - or rather the Philippine Bureau of Animal Industry, he could not agree that its activities could be equated with those of a State trading enterprise. The Bureau had been established by legislation dating back to the 1920's assigning it functions relating to sanitary and health care, investigations, studies and reports on the condition of the domestic industry as regards improved methods of production, care, prevention and cure of dangerous communicable diseases, promotion and development of the livestock industry, and through demonstration and extension work, trade fairs and exhibitions, the collection and compilation of statistics, by dissemination of useful information etc. As regards import regulations for live animals, fish and aquatic products, some details were given in L/5232/Rev.1, page 6. These regulations had been notified to the GATT under the Import Licensing Agreement. As far as import regulations for cut flowers were concerned his delegation would check into this matter and report back later.

5. The representative of New Zealand stated that he was somewhat surprised by the description given of the functions of the Bureau of Animal Industry. His country's traders had been told that if they wanted to sell to the Philippines they would have to do so through the Bureau. This indicated that the Bureau had some monopoly power and that its functions had apparently been extended beyond those originally envisaged. The representative of the Philippines said that regulations of imports of live animals were prompted by health and sanitary considerations.

6. The Community representative noted that for certain positions, notably live animals, fish, crustaceans the existence of a specific tax was indicated, but no GATT justification was given. If these taxes were levied for balance-of-payments reasons why would they be applied on a few items only? Also it was not quite clear why the symbol "L" was inscribed when the measures were justified and, presumably, applied in accordance with the Licensing Code, in which case the symbol should be "LL", or was it that the measure was applied for balance-of-payments reasons, and if this was so, should that not be indicated in the format?

7. The representative of the Philippines, referring inter alia to his introductory statement, explained that most of the specific taxes shown in the format under column 9 were, in fact, simple fees or charges levied in connexion with the licence applications and he had proposed that they be deleted. There were, however, a few positions where specific taxes were in force and those were covered by the Philippine Protocol of Accession, as noted in L/4724/Add.1. As regards the inscription of the symbol "L" (for licensing, unspecified), he agreed that the format remained subject to amendment, correction and completion. From their review of the format they had concluded that some of the licensing measures and the way they operated were in accordance with Article VIII, and/or the Licensing Code, while certain measures were applied in accordance with Article XVIII:B.
8. The representative of the United States expressed appreciation for the efforts being made by the Philippines for completing the documentation. The United States authorities had noted the comprehensive nature of the protection granted to agriculture in the Philippines. It was the understanding of his authorities that the Philippines had a price support system for several important commodities. He felt that this should be noted in column 2 of the format. In the specific case of rice there was a support price that sometimes was below the level of the world market price for rice. In the circumstances could the Philippines not remove the import protection? The most striking feature of the Philippine's submission was the extremely extensive system of licensing, quotas and import prohibitions. Nearly every important commodity was covered in some way. The US realized that economic development and the balance-of-payments were cited as reasons for the licensing measures. The United States would be interested to know whether the Government of the Philippines had plans for liberalizing trade in any of these commodities in the near future - and if so - which commodities. With reference to L/5232/Rev.1, Corr.1, where it was stated that the Philippines had no set rules as regards the period of validity of licences, his authorities were concerned that this might create considerable uncertainty for traders and thus be a serious impediment to trade. Finally, the Philippines levied a higher excise tax on imported cigarettes than on domestic brands. This practice was in direct violation of GATT Article III. Also, no GATT justification for this discriminatory tax treatment was indicated in the format.

9. The representative of the Philippines stated that there was a differentiation in the level of internal taxes applicable to imported cigarettes as compared with domestic brands, and this practice was in conformity with the Philippine's Protocol of Accession. As regards the absence of a single set rule for the period of validity of licences, this was due to the fact that the authority to issue licences was vested in different agencies of the Government, depending on the different products concerned. Each agency did, however, specify the exact period of validity of the licences it granted. As regards the level of protection afforded to agriculture this was very much a matter of perception. While it was true that there was a licensing requirement, restrictions were not pervasive and, to his knowledge, there were no import prohibitions per se. Given the current international economic situation and the balance-of-payments difficulties of his country, with the terms of trade having turned against them, it would be difficult to predict what import liberalization measures would be taken in the near future. However, it should be noted that his Government had been resilient to demands for protection and had even embarked on an import liberalization programme, as had been explained at consultations with the Philippines in the Committee on Balance of Payments Restrictions. The number of items under surveillance had been reduced from 1306 to 433 and the remaining balance-of-payments measures were being reviewed. Finally, as regards the point on price supports made by the United States representative he undertook to bring it to the attention of his authorities.
10. The representative of the United States thanked the Philippines for the explanations provided and requested that the reference to the Protocol of Accession in regard to the specific tax measure on imported cigarettes be reflected in the format.

11. The representative of Australia thanked the Philippines for having made a notification, expressing at the same time regret that other ASEAN countries had not provided submissions. He hoped, however, that the required notifications would be forthcoming. As regards the Philippine submission there were a number of specific points that required clarification. According to the understanding of his authorities the import duty on live cattle (01.02) was 5 per cent with a tariff surcharge of 3 per cent. Thus, the question arose whether the rate shown in column 8 was, indeed, the rate which had been negotiated in the MTN's, but had not yet been adjusted downwards since then. On State-trading, the experience of Australian meat exporters was that PHILBAI is a monopoly importer, handling imports of live breeding-stock, beef and veal. Still on State-trading, Australia had found to its dismay that there existed a special arrangement between the Philippines and North America in relation to the sale of wheat. The Philippines' authorities specified that wheat could only be shipped to the Philippines from North American ports. This, of course, posed problems for Australia as a wheat exporter. Another question which arose was whether it was not the state trading organizations which issued the licences, or rather the discretionary licences, and, if this was so, this should be clearly indicated in the notification. It was a somewhat anomalous situation that the State-trading organization was supposedly a separate body from the Government, yet it issued discretionary licences - licences which might well be discriminatory. Lastly, there existed a problem relating to beer. The duty on barley was raised by the Philippines, then lowered to 15 per cent and then raised again - to 30 per cent. Given the fact that there existed a tariff of 20 per cent on malt, how did the Philippines manage to export its San Miguel beer to Australia, with a customs tariff on it, for the same price as Australian beer? Did this not indicate that there existed an export subsidy somewhere, especially so as all the ingredients had to be imported?

12. The representative of the Philippines stated that, according to the information available to them, the 10 per cent tariff on live cattle (01.02) was not bound and in practice a 5 per cent tariff was being applied. On PHILBAI operations they would check into this and come back to it at a later stage. As regards imports of certain commodities, including wheat, these were financed under credit arrangements. This was as much as he could explain in relation to the point raised by Australia. On the interrelationship of State-trading and the issue of licences, he assumed that the points made by Australia related to commodities in the cereals sector. As indicated in column 1 of the format AG/FOR/PHL/1 for various grains concerned, these points had not been covered in the Philippines submission; it was for this reason that all details were not available. He stated that they had taken note of the points made and that this would be duly reported.

13. The Chairman thanked the representative of the Philippines for the notification and explanations given, and he noted that the format would be further completed.
1. In his introductory remarks the representative of Portugal admitted that his country's notification was neither exhaustive nor free from certain unavoidable errors. The secretariat had already been notified of all such corrections and amendments which would be incorporated in a corrigendum to the main document. Specific examples of such corrections were that certain animal products had been erroneously indicated as subject to phyto-sanitary instead of sanitary measures. Also, the minimum price system was applicable to only two CCCN headings, i.e. 16.04 and 20.02 instead of the four items shown in the notification. Similarly, no reference had been made to State trading for cod fish (03.01), which was in the process of being liberalized.

2. Highlighting the salient features of the Portuguese agriculture, he mentioned that it was the most backward sector of the economy being subject to the vagaries of nature. Climatic conditions in the past three years had influenced agricultural production adversely, with the peak of the drought in 1981 when the production of wine, fruits and vegetables was seriously affected. The overall crop production fell by 21.5 per cent in that year. As against that, the livestock production showed an increase of 10 per cent, but this was due to increased rate of slaughtering as a result of the unprecedented heat wave which swept through the country in June of that year. There was some recovery in 1982. But it was a well-known fact that Portugal had the lowest per capita agricultural output among the West European countries. This was attributable to poor land use, technological backwardness, inadequate extension services, lack of irrigation facilities, inappropriate or insufficient use of fertilizers and other inputs and inefficient price and subsidy systems. The Portuguese Government was fully aware of the situation and was determined to break out of the vicious circle of agricultural backwardness and to reduce dependence on imports. In 1981, the share of agriculture in the Gross Domestic Product was 11.9 per cent and it employed 25.5 per cent of the total labour force. Agricultural imports represented 16 per cent of the total imports, one-third of which were the cereals. The deficit in the agricultural trade had progressively increased and Portugal was now one of the major importers of cereals, accounting for 350 kgs per person.

3. As regards the specific measures shown in the notification the representative of Portugal explained the nature and the scope of each of such measures. The quota system which covered only one item 08.01 (fruits) or about 0.8 per cent of total imports, had been introduced for balance of payments reasons and to curtail imports of less essential luxury goods. There was a surcharge on imports either at the rate of 30 per cent or 60 per cent. As regards the 30 per cent surcharge the Government of Portugal, in its undertaking to the IMF, had accepted to reduce it to the level of 10 per cent by 31 March 1984. It was now expected that this level would be enforced from 1 January 1984. The 60 per cent surcharge was expected to be replaced by a Value Added Tax to be introduced before the end of 1985. These measures had been discussed in depth in GATT's Committee on Balance of Payments where it had been indicated that Portugal had given an undertaking to the IMF to reduce its current account deficit of $3.2 billion to $2.0 billion by the end of 1983 and to $1.25 billion in 1984. That programme was backed by a
Stand-by Agreement with the IMF and also included other measures such as raising bank interest rates by 6.5 to 7.5 points, a revision of interest rate bonus system, effective devaluation of Escudo by 12 per cent, the tightening of the budgetary policy, cuts in public expenditure and wage restraints in the public sector, reduction in credit ceilings, increased self-financing by public enterprises and a more realistic pricing policy.

4. In addition to the Emergency Short-Term Programme outlined above, the Government of Portugal was also committed to two other programmes: the Financial and Economic Recovery Programme geared to improving the functioning of the economic and financial system over a period of 2–3 years, and a four-year programme for the modernization of Portuguese economy prior to the accession to the European Communities.

5. Due to budgetary constraints the export subsidy was restricted only to olive oil (15.07) and tomato paste (20.02); other national aid measures were mainly in the form of domestic production and price supports with no effects on imports or exports. Severe cuts in government subsidies had mainly been prompted by a deterioration in the public sector situation; in 1980 such subsidies represented as much as 20 per cent of the GNP.

6. Commenting on the State trading enterprises, the Portuguese representative said that these had played an important role in agricultural trade. In their dealings no discrimination was made with respect to imports or exports. The role of such enterprises would, however, diminish as a result of internal adaptations linked with the accession to the EC. In this connexion, the government had set up an "Interministerial Committee for Agricultural Products Markets" (CIMPA) to organize more orderly market for foodstuffs and to promote healthy competition. The Olive Oil and Oilseed Institute (IAPO) with its exclusive right to purchase oilseeds for procurement for the domestic market, would cease functioning with effect from 1 June 1984. As regards AGA (Sugar and Alcohol Board) the liberalization initiated in 1982, which allowed private processors of raw sugar to import directly 25% of raw sugar, would be pursued by increasing that percentage to 40% during the next year, 60% in 1985 and 80% in 1986 and completing the phasing out of exclusive right in 1987. The Public Enterprise for the Supply of Cereals (EPAC) which until recently had the exclusive right to import major cereals would give way to liberal trading in the near future. A law on competition had recently been enacted to achieve an overall framework for liberalization in accordance with the principle of the Treaty of Rome. He, finally, observed that all these various measures would pave the way for a more modern and liberal economic system in his country.

7. The representative of the United States took exception to this view and observed that the opportunity for Portugal to liberalize its trade regime over the long run might be forgone by its accession to the EC. He expressed his concern at the extensive use of State trading, licensing and global quotas for specific products, which restricted the opportunities for trade with Portugal. He had three specific comments on Portuguese notification. First, Portugal had established import quotas for fruit, sugar and certain meat products, for which balance of payments difficulties had been invoked. It was, however, not clear
whether the meat quota had also been instituted for the same balance of payments reasons; and if that was the case it should be indicated in column 10 of the format. Second, Portugal had used "guaranteed minimum prices" for a number of agricultural products, such as milk, butter, potatoes, soft wheat and livestock. In his view the use of these minimum prices should be indicated in column 2 for products that were exported and column 14 for products that were imported. Third, Portugal was believed to have bilateral agreements with the EEC involving exports of certain agricultural products. He would like to know what these products were and would also like to see the agreement duly noted in column 7.

8. In answering the first question the representative of Portugal observed that there were no quotas in respect of meat and sugar, the only quota existing was for fruits which, indeed, had been notified under the balance of payments reasons. There was State trading for sugar which was conducted in a non-discriminatory way; however, the system was going to be phased out in the near future. As regards the use of guaranteed prices for milk, butter, soft wheat, potatoes and livestock, the system was applied only in a situation of over-production which, however, occurred only rarely. Concerning the bilateral agreement with the EEC, he was prepared to provide to the United States a copy of that agreement covering products such as wines, tomato paste and certain processed agricultural products.

9. The Chilean representative noted that while Portugal had made a great many concessions to the EC and EFTA member countries, this had not been done for other GATT member countries. Moreover, Portuguese tariffs were generally high and acted as a serious barrier to this market, and very few items were bound under the GATT. He, furthermore, asked that many of the measures taken like "DL" and "Q" appeared with the symbol (c) which implied lack of observance or application of the provisions of the General Agreement. In showing this symbol, he commended the Portuguese authorities as being very forthright and honest. Finally, he wanted to know why item 01.03 had been shown to be exempt and at the same time had a 16 per cent tariff, and what was the nature of fiscal charges levied on item 21.04.

10. The Portuguese representative admitted that the concessions granted by his country to the EC and EFTA were indeed comparatively more significant than to other GATT member countries, but these mainly covered industrial products rather than agricultural products. Other GATT member countries, nevertheless, were free to obtain those concessions on a reciprocal basis if they so wished. It was also correct that tariff rates applied to agricultural products appeared to be relatively higher, but this was rather a subjective observation. There were also a few bindings under the GATT because they were linked with reciprocal concessions by other countries. Regarding the justification for discretionary licensing and quotas he mentioned that the symbol (c) had been used because these restrictions fell under the category of residual restrictions and had been notified to the GATT as such. Discretionary licensing was applied mainly for reasons of sanitary and phytosanitary purposes. As regards fiscal charges on item 21.04, he informed that the GATT Article III had been used and the tariff for item 01.03 should read 0-16 per cent.

11. The Chairman thanked the representative of Portugal for the notification and the answers provided.
ROMANIA (AG/FOR/ROM/2)

1. The representative of Romania introduced the documentation for his country, AG/FOR/ROM/2, by providing a broad-brushed picture of Romanian agriculture and, in doing so, also expressed his appreciation for technical assistance received by his delegation. He said, the Government was paying particular attention to developing a modern, intensive and high yielding agricultural sector. Agricultural land presently covered 14,964,000 hectares (63 per cent of total land surface). Area under cultivation amounted to 9,870,000 ha. All of the successive Plans of Economic and Social Development implemented since the end of the Second World War had recognized the great importance of agriculture and the need for its further development. Nevertheless, it had to be borne in mind that, starting from what had been an eminently agricultural economy, Romania had to build up a broad-based, modern economy, which meant that resources had to be transferred out of agriculture, and notably towards the industrial sector, the development of which had been particularly pronounced. In 1981, agriculture contributed 15.8 per cent of national income as compared with 27.8 per cent in 1950 and about 38 per cent in 1938. In 1950, 74 per cent of the active population was employed in agriculture, while in 1981, the share was down to 29 per cent.

2. Agricultural development in Romania proceeded in conformity with targets and under special programmes which were fully integrated into the Plan of Economic and Social Development. In accordance with the targets established, particular stress was being put on improving land fertility and yields, on better land utilization and improvement and development of irrigation facilities. Special emphasis was also being placed on establishing and maintaining a rational balance between the vegetable and the animal products sectors. Thus the development plans foresaw that the animal products sector should contribute at the end of the current five-year plan, in 1985, 45-46 per cent of the total value of agricultural production, with the further goal to raise the share of the animal products sector to 50 per cent by 1990.

3. As regards trade, Romania was both an exporter and an importer of agricultural products. For certain products, (coffee, cocoa, tea, citrus fruit, olives, bananas, spices), consumption needs were covered entirely through imports. Romania also imported animals for breeding purposes, meat, fish preserves, rice and edible oils. Romania exports cereals, cattle and sheep for slaughter, meat and meat products (both fresh, chilled and preserved), fresh and preserved vegetables, fruits, honey, wine and other beverages.

4. In terms of the overall structure of Romania's foreign trade, foodstuffs accounted in 1981 for 8.1 per cent of total exports and agricultural materials destined for the production of foodstuffs for 3.5 per cent. Imports of foodstuffs for direct consumption amounted to 3.8 per cent and imports of agricultural materials for the production of foodstuffs to 6.6 per cent of total imports. It should be noted that, compared with the 1960s, the two categories of imports cited above had
grown, while those of the corresponding export categories have declined. In 1965 for example, exports of foodstuffs amounted to 14 per cent of the total, while imports of foodstuffs amounted to 1 per cent. As regards agricultural materials for the production of foodstuffs, exports in 1965 accounted for 8 per cent of the total and imports for 0.8 per cent.

5. Romania's foreign trade was carried out on the basis of the Foreign Trade Plan and the Balance-of-Payments, both of which form an integral part of the Government's Economic Development Plan. The Foreign Trade Plan was established in conformity with the import requests made and the export potential realised by producing enterprises and other economic agents. In the process of elaborating the Plan, the respective economic units established their options as regards the procurement of the requisite supplies from either domestic or foreign suppliers, taking into account, as regards foreign suppliers, also the cost element constituted by customs duties. This planning procedure and régime applied equally, without distinction, to industrial as well as to agricultural products.

6. In concluding, he stated that - as might be expected in respect of a document which covered so much ground - there were a number of minor corrections to be made, namely, certain figures in the notes and also of certain entries in the format. The corrections would be communicated to the secretariat.

7. The Community representative thanked Romania for having made an informative notification. He appreciated that in the submission, Romania had given recognition to the fact that various measures taken for domestic policy reasons could have an impact on both exports and imports, as the case might be. One element that had not yet been sufficiently reflected in detail in the format and in the accompanying notes was the existence of various agreements concluded with other countries and the effect which such agreements, particularly those with other CMEA countries, could have on trade. More generally speaking, there remained, in practice, a problem of insufficient transparency of the market and of measures for its regulation and there was also the problem of the non-availability of sufficiently detailed and internationally comparable statistics. He welcomed therefore, as a step in the right direction, that Romania had forwarded to the secretariat a copy of the "Economic and Commercial Guide to Romania", and asked that it also be supplied directly to interested delegations.

8. The representative of Romania said that he had taken good note of the comments made by the EEC and he agreed that the non-availability of statistics that are strictly comparable was, indeed, a problem and was seen as such also by his delegation and at headquarters. Some efforts had been made, and were still being made, to improve the trade statistics, but so far this effort had not been fully successful. As regards the supply of copies of the Guide cited, he would do his best to comply. Replying to a written question submitted by the United States, in regard to import licensing, the representative of Romania explained that balance-of-payments considerations do not affect the issue of
licences as such - they do, however, affect the level of imports that can be provided for, in the sense that the enterprises concerned will have to decide whether and how much they can afford to import. As to the modalities and procedures for issuing licences, the information supplied by Romania to the Committee on Import Licensing, where this question was discussed, remained fully valid. The primary purpose of the licences was to monitor developments relating to the implementation of the Foreign Trade Plan. One of the major concerns of the Plan, as explained also in the Committee on Balance of Payments Import Restrictions, was to ensure availability of foreign exchange to pay for current imports and to pay the foreign debt incurred. He mentioned in this context that the Plan envisaged for 1984 a reduction by 25 per cent of Romania's foreign debt. He concluded by saying that the balance-of-payments difficulties currently encountered were a reflection of the overall difficult situation in which many developing countries found themselves and that, hopefully, these difficulties were only of a temporary nature.

9. The representative of the United States thanked him for the replies given to his questions.

10. The Chairman thanked the representative of Romania for the notification and the explanations given.
1. The representative of Sweden explained that a general description of Swedish agricultural policy had been included in the notification as it was important to consider measures concerning market access and supply in relation to agricultural policy objectives. The guidelines for Swedish agricultural policy were based on a parliamentary decision of 1977, which confirmed the primary goals adopted previously in 1947 and 1967. The objectives were to secure a sufficient supply of food in case of emergency, to assure people engaged in agriculture an economic and social standard equivalent to that of comparable groups and to promote efficient farming. Existing resources of arable land should be retained for agricultural production. Apart from general price support, special assistance was provided to low-income farmers and farmers in northern Sweden. These measures had not been explicitly indicated in the tables, but information on consumers' subsidies, regional support and support to low-income farmers had been notified by Sweden on a regular basis pursuant to Article XVI:1, and had also been referred to in the explanatory note.

2. To secure a sufficient supply of food in emergency situations was one objective which constituted an integral part of the Swedish economic defence policy and implied the need of maintaining a certain production capacity within the country. Another important general objective which regards all food products was to meet the wish of consumers to obtain a wide range of choice. Sweden is a great importer of agricultural products (in 1982; 12 billion Swedish Crowns and 7 per cent of total imports). Important items were for example coffee, tea, cocoa, citrus fruit, apples and pear, wine, a number of other horticultural products and feeding stuffs. The guidelines for Swedish agricultural policy were actually under review. This review would cover both the primary production and the food processing industry. The review would inter alia contain consideration of additional measures that could be taken to restore the present balance between supply and demand for animal products.

3. The United States representative believed that Sweden had done a fairly thorough job in completing its format. He felt that Sweden used a fairly extensive system of import levies along with export subsidies for a few products in supporting its agricultural sector. He noted that in explaining the use of variable levies, reference was made to (e) in column 16. It was his understanding that imports of wheat, apples, and pears, were subject to licensing requirement which in the case of apples and pears resulted in total cessation of imports in the second half of the year, but there seemed to be an omission of licensing on column 10. He would be grateful for information on the quality control tax and would like to know how and why this tax was assessed. It was his understanding that the following companies and associations play a major role in the importation of agricultural commodities: the Swedish Tobacco Company, the Swedish Egg Trade Company, the Swedish Oilseed Association, the Swedish Grain Trade Association and the Swedish Sugar Trading Association and would appreciate a general explanation of the role of these associations. He understood that Sweden had concluded bilateral supply agreements with Norway and Algeria involving exports of grain, but saw no indication of this. He noted the extensive use of
variable levies and welcomed an explanation on how variable levy rates were set. He wondered whether the levy was being used as a protectionist device for instance for processed potato products. He felt that the format lacked a description of support programmes and expressed particular interest in the Swedish dairy programme. He inquired what policies Sweden was following to discourage excess production of agricultural products, particularly in the meat and livestock area and whether any other tools than refunds were used to enhance the export competition of agricultural products.

4. The representative of Sweden confirmed that Sweden had applied variable import levies for agricultural levies since the middle of the 1950's when imports of agricultural, fishery and horticultural products were liberalized. Sweden was the first country to apply a variable import levy system, which was discussed in the GATT and also in the OEEC, and it was at that time considered to be an interesting experiment. The levy was, in principle, considered to be comparable to an ordinary duty. In the case of animal products, a system of middle prices and related upper and lower price limits were applied to meet policy objectives and import levies were fixed for a six month period in order to protect the middle prices. For cereals and sugar the import levies might change with variations in world market prices. The price compensation to be given to agriculture was based on negotiations between a farmers' delegation and a consumers' delegation under the chairmanship of the National Agricultural Market Board, the central administrative authority for matters concerning price and market regulations in the agricultural and fishery sectors. The calculation of compensation to be given to agriculture is based on the development in costs of buildings, machinery, tools, fuel, fertilizers, etc, the development in costs of commercialization and processing of agricultural products and income development in other sectors. The application of the price regulation through storage and export assistance was administered by seven agricultural regulation associations, semi-governmental bodies working under the directives of the National Agricultural Market Board. Exporters were members of these associations and participated in the discussions and fixation of export refunds. The Swedish Dairy Association, a farmers' cooperative organization and exporter of dairy products was a member of the relevant regulation association together with other exporters in that field. Regarding the support programme, he referred to his introductory statement and pointed out that full notification of the measures had been made pursuant to Article XVI:1 and further details were contained in notifications to the International Dairy Council and the International Meat Council. During recent years a number of measures had been taken to restrain production and efforts had been made to increase consumption, notably for animal products. The present surplus situation was mainly due to a setback in consumption and measures had been taken to stimulate the consumption of dairy products and meat. The special governmental committee working on new guidelines for the agricultural policy was considering further measures to be taken to achieve a balance between supply and demand. Concerning apples and pears, he confirmed the temporary application of import licensing to imports of these products and the application of a three-phase system.
similar to those used by other countries. These measures had been notified to the GATT. From 1 July to some time in August imports were subject to automatic licensing in order to have knowledge of the quantity imported and prices quoted. On the average, imports of apples were not allowed. From August to mid-January. From mid-January on imports were free and no licences applied. The two parties concerned, the producers' organization and the importers' organization together assessed the situation and proposed exact dates. The formal decision was then taken by the Agricultural Market Board and all relevant factors were taken into account.

5. The representative of Argentina noted that while the application of variable levies by Sweden had been notified and classified as (e) in column 16, no justification, with reference to specific GATT provisions, had been indicated. He also noted that other export assistance was provided for a range of processed products and asked for a clarification of this and why reference was not made to Article XVI. The representative of Sweden explained that two systems of price equalization were in operation for processed agricultural products; an internal system and an external system. Under the internal system, equalization fees were applied to both domestic produce and imports. Under the external price equalization system import levies were collected to cover the price difference for raw materials used in processed products and compensatory payments applied to exports which had been indicated as other export assistance in column 7. With respect to imports of apples and pears, the representative of Argentina mentioned that difficulties had been created to exporters because Swedish import quotas were not published in advance and also because of discriminatory application of the quality control tax. The Swedish representative reiterated the explanations of the functioning of the Swedish system applied in this field. The symbol TX used in column 9, indicated a small quality control fee in principle applicable to both exports and imports and on a non-discriminatory basis. The sole purpose of the fee was to cover costs of inspection and of control of health certificates, and Article VIII was believed to be an appropriate reference. In reply to a question about the price regulation fee on fish and fish products it was explained that this applied to both domestic produce and imports on a non-discriminatory basis and the means collected were used for financing the fish price regulation.

6. The representative of Chile in his turn also deplored the lack of reference to specific GATT provisions, notably with respect to various types of licensing, and requested that the documentation should be completed on this point. In addition he asked a number of specific questions relating to measures affecting trade in fish, fruit and wheat, and relating to the justification of certain preferences (EFTA and EEC) for which reference had been made to Article XXIV. As to the latter point, he pointed out that when the respective preferential arrangements had been examined by the CONTRACTING PARTIES no concensus had been arrived at, and the classification of such preferences would more appropriately be a (d) rather than an (f). With respect to other export assistance applied to primary product components of processed products,
he considered this to be a controversial issue, and the measure might be classified as (c) or (d) rather than (f), possibly with reference to Article XVI. The Swedish representative felt it might be difficult to reply to all the various points raised, some of which were of a general character and which might therefore perhaps better be pursued in the context of Exercise B. It was confirmed that the minimum size requirements for fish applied to both domestic catches and imports in order to protect natural resources. Licensing on imports of wheat were necessary to prevent imports of varieties not fit for baking. Concerning seasonal restrictions on imports of apples and pears he again referred to what had already been said. He felt that (f) was an appropriate classification of other preferences and doubted that a (d) would be more appropriate. As to the application of preferences to positions for which the tariff was bound at zero, he said that the reason was that such bindings had been made subsequent to the granting of the preference. With respect to other export assistance to processed products he referred to what had already been explained, but he was willing to pursue the discussion on this matter for instance in the context of Exercise B.

7. The representative of the European Communities supported the suggestion that Sweden completed its notification somewhat by indicating in columns 2 and 14, the application of consumers' subsidies and various types of price support, and the Swedish representative said that he would consider to do so. In reply to a question about long term bilateral agreements for butter and cheese, the Swedish representative said that such agreements had recently been concluded with Finland and Norway under the EFTA. An agreement concerning butter and cheese had been entered into by the Swedish Dairy Association and a Swiss organization. With respect to the regulations applying to vegetable oil and fats, referred to in the explanatory notes, it was confirmed that there was a special fee on these products, but not on butter.

8. The Hungarian representative said that Hungarian exporters of eggs and poultry liver had found the sanitary regulations in Sweden to be excessive or almost prohibitive. He also drew the attention to problems experienced by new exporters of wine who were unable to sell their products. The Swedish representative replied that these problems were of technical commercial character to which an immediate answer could not be given. It would be for the competent sanitary authority and the officials in the wine monopoly to advise Hungarian exporters as to how the problems might be dealt with.

9. The Australian representative made a general observation that the Swedish import system as well as those of Norway and Finland seemed to be highly restrictive, and the integration of policy measures was even more prominent than what was found in the Community Common Agricultural Policy. He recognized that the agricultural support policies of these countries were fully integrated in overall economic policies. The representative of Sweden, inter alia, underlined that a clearly defined production policy, aimed at balancing supply and demand, notably for animal products was an inherent element of Sweden's agricultural policy and that due regard should be taken to this fact, and he appreciated the understanding for this.
The present surplus of meat was due to a set-back in consumption and not to increased levies. Measures were taken concerning both production and consumption in order to balance supply and demand. Sweden had considered shortening the period when imports of apples and pears were restricted, but the situation was such that a further relaxation of imports would make it impossible for national production to survive. In reply to specific questions raised by Australia, the Swedish representative confirmed once more that the symbol "TX" indicated the collection of a fee to cover costs of quality control and that tariff bindings were fully observed when variable levies were applied. In reply to a question from Switzerland, the Swedish representative confirmed that only the state monopoly could import alcohol, and that imports of products susceptible to containing alcohol required a permission from the National Board of Health and Welfare.

10. The representative of New Zealand recalled that this Government had admitted that it applied certain measures to imports that were not in conformity with the GATT and also hoped for similar attitudes to be expressed by others. He supported the suggestion that various support measures should be more fully indicated in the tables for Sweden, for instance in columns 2 and 14.

11. The Chairman thanked the representative of Sweden for the notification and the answers given to questions raised. He noted that the documentation on Sweden could be further completed in light of the discussion.
SWITZERLAND (AG/FOR/CHE/1)

1. Introducing Switzerland's notification to the Committee, the representative of Switzerland recalled that his country's agricultural import regime had been recently examined by a working party pursuant to established procedures under the Protocol of Accession of Switzerland to the General Agreement. He illustrated the main objectives and aims of the agricultural policy of his country pursuant to existing national legislation. A distinctive feature of such policy was that a number of measures were taken in order to secure to the country a reliable flow of agricultural supply in times of international difficulties when imports could no longer be possible. In this regard, he stressed that his country's agricultural policy should be regarded as an integral part of a long standing policy of neutrality followed by Switzerland.

2. He recognized that the maintenance of an agricultural sector of the existing proportion required some support or intervention from the State because of unfavourable conditions of production which were coupled with the high average-incomes prevailing in his country in all other sectors of economic activity. State intervention, was, however, limited by various considerations, including the need to minimize the cost of maintaining the agricultural sector in viable conditions, to import agricultural products at favourable prices, as well as the need to adapt supply with demand. Therefore, a number of measures were being taken to limit the production of certain commodities, notably milk, meat, eggs, and certain vegetable products.

3. He stated that this policy was causing a minimum restrictive effect as illustrated by the net ratio of Switzerland's self supply which was of the order of 55 per cent only. Moreover, Switzerland was among the countries with the highest level of net imports per capita of agricultural products. He stated that it was against this well-known background that Switzerland had negotiated with other contracting parties its Protocol of Accession to the General Agreement. He recalled, however, that the relative freedom of action granted to Switzerland under paragraph 4 of its Protocol of Accession was limited by Switzerland's commitment to endeavour to comply with GATT provisions to the maximum extent possible. Switzerland had also an obligation to present every year a report on the application of measures maintained under its reservation. As he had already noted, Switzerland had a further obligation to submit the modalities of application of the provisions contained in its Protocol of Accession to a thorough review every three years. Switzerland's agricultural policy was characterized therefore, more than those of other countries, by the respect of well established disciplines and by transparency. Turning to document AG/FOR/CHE/1, he noted that with respect to sanitary and phyto-sanitary regulations, his country had indicated in the format only those measures which were subject to counter-notifications as had been the case for most other countries. Finally, he noted that Switzerland had included in the format all products falling within CCCN Chapters 1 to 24. Therefore, fish and fishery products had been included in the format although they were not covered by measures applied under the Law on Agriculture.
4. The representative of Chile referred to the last report of the working party on the Swiss Protocol of Accession. He stated that this report showed the extensive use of import restrictive measures in Switzerland and the great concern that this measure caused to those contracting parties which had an interest in exporting agricultural products to Switzerland. He therefore regretted that Switzerland continued to consider it indispensable to make recourse to its Protocol of Accession for maintaining a wide range of import restrictive measures. With respect to specific points on the notification submitted by Switzerland, he noted that numerous tariff positions were affected by taxes for which no reference to GATT Articles were provided for in column 16. He questioned the exact nature of these taxes, and why in some instances they had been related to Schedule LIX, while in other instances only the letter (e) was shown. Production controls had also been notified without any reference to GATT Articles but only to the letter (e). It was the same for variable levies and surcharges. He further noted that on CCCN 12.03 a tax was notified in column 11 connected with phytosanitary regulations. He therefore asked some explanation on the reason why a tax was applied in connection with sanitary regulations.

5. The representative of Switzerland replied that his country had to apply measures which were adapted to its specific requirements. The case of fruits was illustrative as the measures enforced granted to Switzerland a considerable degree of flexibility which in turn benefited the exporting countries of the Southern hemisphere. He explained that when the tax was collected on bound positions reference had been made to Schedule LIX, otherwise letter (e) had been shown, as for these measures no provisions existed in the General Agreement. Accordingly, production controls and variable levies had also been classified under (e). He further explained that the tax affecting CCCN 12.03 had been listed in column 11 because it was collected in order to cover the costs of phyto-sanitary control to which certain products falling under that position were subject when imported.

6. The representative of Chile asked for some further clarification regarding a possible justification in terms of the GATT Articles of production control as well as surcharges and taxes. He considered that a tax should normally be covered by Article III, and that a reference to either (c) or (f) should appear in column 16, according to the nature of the tax. He also asked about the difference between the taxes and surcharges.

7. The representative of Switzerland wondered what GATT Article would be applicable to the production controls applied by his country in an effort to limit the production of certain surplus commodities. Following the model provided by the secretariat, he could not consider that the letter (c), insufficient application of the GATT, would be entirely appropriate in the case of a tax or a variable levy affecting unbound items. He added that the majority of the members of the Committee seemed to have acted in the same way. Regarding Article III, he noted that Switzerland had notified all the measures affecting trade, and not those internal taxes which in Switzerland's view were maintained in conformity with Article III. He considered that most other members of the Committee had followed the same reasoning.
8. The representative of Canada noted that in many cases the Swiss notification made reference to the Protocol of Accession of Switzerland to the General Agreement. He pointed out that his country's expectations were that progress should be made in all respects and that all measures had to be discussed no matter what their legal basis. He recalled the Switzerland acceded to GATT in 1966 but since then most situations had changed. Switzerland itself has introduced supply/management programmes for milk, which perhaps could not have been possible in 1966 but were possible in 1983. There was, therefore, a possibility of modifying given policies and no exceptions existed to that.

9. The representative of Australia was also appreciative of the possibility offered by the Committee to discuss thoroughly the Protocol of Accession of Switzerland to the General Agreement. He noted that Switzerland maintained a broad array of measures. He considered however, that one measure was omitted, namely preferential arrangements on cheese concluded with the EEC, Austria, and Finland, exempting from the payment of supplementary charges on specialty cheese. He also questioned the use of letter (e) with respect to variable levies, noting that other members of the Committee had made reference to GATT Articles, notably Article XXIV. He wondered whether this could imply that Switzerland considered that the Committee should not address the question of variable levies. He also said that it was his understanding that with respect to some items, such as cheese and butter, import permits were required by the Swiss authorities. The only reference he had found to that in the format was that of reference prices affecting partly the tariff position.

10. The representative of Switzerland explained again why his country's system of import controls was so complex and diversified. He noted that the import regime applied to each product was adopted to the specific characteristics of the sector concerned, normally for the greater benefit of exporting countries. Concerning preferential arrangements on cheese with the EEC, Austria, and Finland, he explained that these arrangements concerned some types of cheese in direct concurrence with the Swiss cheese. They contemplated agreements with certain suppliers on price disciplines based on reference prices for these cheeses in the Swiss market. This system was not a closed one, and Switzerland was willing to discuss with any other supplies which could have an interest in participating to those agreements. With respect to variable levies, he said that certainly it would not be appropriate for Switzerland to make a reference to Article XXIV; letter (e) was in his view appropriate, but he could also consider indicating letter (f).

11. The Community representative said that price support regimes should also be notified, where appropriate, in column 2. He further said that in column 8, for every instance of bound duties, mention should be made of the Protocol of Accession when either a tax or an additional duty could be applied under the terms of the Swiss Accession to the General Agreement. He considered that the production control on milk was an excellent initiative, but questioned whether in conjunction with the implementation of this system, Switzerland had introduced a control on import of fodder, and if so, what were its modalities. He further
questioned whether an indication should not be provided in column 14 of the fact that the specific duty system generally applied by Switzerland had a considerable effect on the real level of duty applied to processed agricultural products, normally imported with some form of packing. With respect to the monopoly tax on alcohol, he considered that in a number of instances the perception of such tax had resulted in discriminating between domestically produced and imported products. The relevance of Article III should be noted in this respect.

12. The representative of Switzerland replied that price support measures in his country almost entirely affected imports as Switzerland had little exports of agricultural products. This was the reason why these measures had been listed in column 14 and not in column 2. In those cases in which Switzerland exported items subject to price support measures, an indication had been provided in both column 2 and 7. He said that when a tax was applied to bound items, reference was made in column 16, to Schedule LIX. According to the "General remarks" which were an integral part of that Schedule, Switzerland could, in addition to bound duties, collect taxes and other charges foreseen by certain laws. Concerning imports of fodder, the regime in force predated clearly the introduction of dairy quotas and aimed above all at a limitation of animal production. The regime was based on a system of global quotas for the main types of fodder, for which the level was fixed every three months, as well as on import duties which were adopted periodically. He also mentioned that the question of a specific tariff duty was being discussed internally in his country. He agreed that the Swiss notification did not always reflect the existence of the monopoly tax on alcohol. He was prepared to complete the notification in that respect, if so requested. He indicated, however, that the custom tariffs of Switzerland did contain all the information in question.

13. The representative of New Zealand asked for further clarification of the system applied to imports of sheepmeat (CCCN 02.01), according to which an importer was obliged to purchase a certain quantity of sheepmeat of domestic origin. As to veterinary and phytosanitary regulations applied by Switzerland, he said that his delegation intended to submit counter notifications with respect to certain measures affecting New Zealand exports to Switzerland.

14. The representative of Switzerland confirmed that the system referred to by the representative of New Zealand with respect to CCCN 02.01, was still in force. The system had been introduced in the mid 1960's, superseding the quota system previously applied and following discussion in particular with New Zealand. He noted that this system had allowed an expansion in the consumption of sheepmeat in Switzerland and indicated that in the late 1950's the domestic production of sheepmeat was around 2,100 tons and imports around 300 tons, while in 1981 domestic production was about 3,500 tons and imports about 5,000 tons.
15. The representative of the United States was also appreciative of the very complete submission made by Switzerland. He noted however, that this notification provided the best illustration of a problem which was of concern for most the countries participating in the Committee that the agricultural system was largely placed outside GATT's disciplines.

16. The representative of Hungary claimed that import prohibitions were currently in effect on CCCN 01.02, 01.03, 02.01, because of the relatively high level of Swiss domestic production. He could not find reference to these measures in the format. He further stated that, according to his information, no import licensing was granted to Hungarian importers with respect to canned ham and bacon (CCCN 16.02), although in the format reference was made to automatic licensing with respect to that item. He also considered that the monopoly tax on alcohol was not appropriately indicated in the format.

17. The representative of Switzerland noted that there were not only automatic licensing which applied to canned ham and bacon but also bilateral quotas. He recalled that the monopoly tax on alcohol applied only to imported products, while domestic products were subject to a different system. With respect to the question on import prohibition, he replied that no prohibition existed on the products in question.

18. The Chairman thanked the representative of Switzerland for the notification and the answers given.
1. The representative of Uruguay in introducing the notification for his country, said that his delegation would try to improve it further, and complete the indications to be given in column 16.

2. He briefly reviewed some characteristics of Uruguayan agriculture, which was a traditional source of wealth, but which recently had been confronted with serious problems and lost some of its rentability, as the application of protectionist measures and diminished demand for meat products had adversely affected the sales of Uruguayan products on the world market. The agricultural sector employed 11 per cent of the active population and accounted for twelve per cent of the gross national product. The livestock sector was the most important and meat products, wool and leather accounted for nearly forty per cent of total exports (1982: 386 million US dollars). 92.5 per cent of the agricultural land was used for grazing, mainly by cattle and sheep. Only 6.5 per cent of the land was used for arable crops; wheat, rice, maize, sorghum, sunflower, linseed, brewing barley, oats and soybeans. Other characteristics were rather low yields, which varied heavily due to irregular climatic conditions, and a comparatively low technological level. There was however ample room for improvement, and there was actually some progress made with respect to rice for which yields had increased in recent years. This development had been facilitated through a series of policy measures to promote production, such as free imports of machinery for rice cultivation.

3. Governmental policy was based on the following objectives: to improve the use of resources in the sector and ensure sustained growth; to encourage investment in the sector and benefit from comparative advantages; to improve breeding technology; to encourage the development and application of better techniques to raise productivity and competitiveness and to try to eliminate the transfer of imports to other sectors. In order to reach these objectives, measures were applied to control the transfer of resources to other sectors, which resulted in a negative protection of the sector, and adopt for conjunctural reasons, measures to maximize the rate of extraction. The State did not participate directly in the commercialization of agricultural products, except for in exceptional cases of great national interests. Long term and medium term credit was made available in order to have an efficient use of resources. A national system was being established to provide adequate technology through existing services. The rentability of the sector was also improved through active participation at all stages of commercialization in order to reduce the role of middlemen. Integrated sanitary and phytosanitary programmes were undertaken to fight or limit diseases and plagues of any kind. Measures were taken at private level to alleviate fluctuations in agricultural prices. No subsidies to exports were applied. Export levies had been reduced recently and might soon be eliminated altogether.
4. The general marketing policy for grains and oilseeds was established in 1978 (Decree no. 462/78). The trade was the responsibility of private agencies, with no active participation by the State. Prices for grains and oilseeds were determined by supply and demand, but the authorities could determine support prices for certain products, if deemed necessary and the Ministry of Agriculture could make direct purchases, but this had not been done recently.

5. Banco de la Republica del Uruguay provided the main source of agricultural credit, and a special credit line had been opened for various crops, purchase of animals, building of fences, the improvement of pastures and other. Size of loans and terms varied according to the purpose of the loan, and interest rates were about 40 to 45 per cent per annum.

6. The Government was actually confronted with a difficult economic situation caused by external and internal factors having been accompanied by a fall in prices on Uruguayan exports, both for agricultural and manufactured products. Efforts embarked upon to open up the economy became incompatible with the situation in the world and the region and both the export industry and the industry producing substitutes for imports were facing increased difficulties to remain competitive. Increased credit costs tended to aggravate the situation as well. The Government had to consider various alternatives, such as restricting imports in order to allow national production to recover, but this was feared to hamper the access to imports of goods indispensable for maintaining exports and it was therefore decided to maintain the existing policy of an open economic and carry out adjustments necessary to get through the depressed international economic situation.

7. The United States representative noted that the trend of trade liberalization had been reversed by Uruguay, with for instance the introduction of subsidies for certain agricultural products and a system of surcharges applied to most commodities. He presented the following specific questions and comments: In 1982, a system of credit certificates had been introduced, providing a credit of 18.3 per cent of the f.o.b. value for non-traditional exports of rice, fruit, vegetables, canned meat and leather. This measure should have been indicated in column 2. He also wondered when the system might be disinvoked. A system of import surcharges ranging from 10 to 70 per cent of the c.i.f. value, ought to have been indicated in column 9, but as the system was originally to have been terminated in December 1983, he sought a clarification on this point. He also suggested that a long term trade agreement with Taiwan concerning exports of wheat, sorghum, maize, tobacco and beef should have been indicated in column 7. Similarly, a barter agreement of 1982 with Poland concerning lemons and potatoes should have been indicated. Finally, he would appreciate to have the Uruguayan drawback system more fully explained, for instance in a note, given the extensive use of the system.
8. The Uruguayan representative, in reply to these questions, confirmed that no subsidies were applied. At present, no system of export credit (e.g. 18 per cent) was in operation. The system of refund of indirect taxes involved rather insignificant amounts of about 5 per cent, and the utility of the system was under study. The waiver under which the surcharge system was applied had been extended until July 1984 (L/5586). With respect to bilateral agreements referred to by the United States, these agreements had not been concluded yet, and no trade had actually taken place.

9. The representative of the European Communities reiterated a suggestion he had made concerning other notifications, namely that supports should be indicated in the columns 2 and 14. He inquired whether Uruguay did not apply export credit to certain agricultural products and whether marketing boards were not playing a role, such as the Meat Marketing Board. He would also appreciate seeing a justification of an export tax indicated in column 5, and to have an indication of the rate and whether this tax was applied at differentiated rates. Concerning imports, he was astonished to see the indication of merely automatic licensing (AL) in column 10, as Community exporters had reported to have met with great difficulties in trying to obtain access to the Uruguayan market notably for agroalimentary products such as malt, sweets, chocolate, bread and beverages. Apparently, other import restrictions were being applied, as the relatively low tariff rates should not be a reason. He furthermore sought some clarification with respect to imports of live animals and meat, for which a prohibition had been indicated in column 11.

10. In reply, the representative of Uruguay stated that he did not see what kind of support the Community representative was referring to, in the case of Uruguay. With regard to the export tax, this had been successively reduced to 10 per cent and it had been announced that it would possibly be terminated. State trading was applied only to alcohol. The prohibition applied to imports of live animals and meat, was limited to animals that were or had been suffering from certain diseases. With respect to difficulties Community exporters had encountered for processed products, he felt that these were due to the economic recession and to the reduction in purchasing power, and not to the import licensing system which had not been changed recently.

11. The Chairman thanked the representative of Uruguay for the notification and the explanations provided.
1. The representative of Yugoslavia, briefly reviewed the role of agriculture in the Yugoslavian economy, and also mentioned that Yugoslavia was both an exporter and an importer of agricultural products. In 1983, the agricultural sector accounted for 13 per cent of the national product compared to 28 per cent twenty years earlier. In 1981, 26 per cent of the active population was engaged in agriculture against 50 per cent in 1961. This reflected a strong economic development.

2. The difficult economic environment in recent years had adversely affected Yugoslavia's external trade in agricultural products, and the relative importance of this trade had diminished. However, the country had a net export surplus of food and agricultural products. Agricultural exports accounted for 12 per cent of total exports, and major products exported were meat, grains, fruit and vegetables, wine and spirits. Agricultural imports accounted for 6 per cent of total imports, and the most important items were feed, oilseeds and a variety of tropical products.

3. Yugoslavian agriculture was well diversified, with roughly three quarters of the production coming from the private sector. The production objectives were aiming at satisfying domestic demand for food, feed and primary products for the food processing industry, to allow for adequate stocks to be held. It was also an aim to maintain a regular export of agricultural products. A long term economic stabilization programme aimed at a long term solution of difficulties arising from balance-of-payments difficulties, inflation, economic stagnation and structural problems in the processing industry. An integrated agricultural programme inter alia aimed at assisting developing countries and a trilateral trade agreement with Egypt and India was in operation, under which trade took place at preferential tariffs.

4. Various types of export promotion and income and price support had been indicated in the format, as well as licensing requirements applying to both exports and imports. Sanitary, phytosanitary regulations, and rules for packing and marking were applied in a non-discriminatory manner and did not constitute an obstacle to trade. The same was the case for a tax of 6 per cent for economic development purposes charged on imports, and an administrative charge of 1 per cent. Imports of certain products from developing countries (e.g. tropical fruit, cocoa and spices) were subject to prior approval, under a system promoting direct trade with such countries.

5. The Yugoslavian agricultural sector benefited from some general indirect assistance through target prices and intervention prices fixed by the Government and favourable credits were available in order to stimulate production, marketing and storage of agricultural products for social development reasons.
6. In reply to a question raised by the United States representative about Yugoslavian foreign exchange control, the Yugoslavian representative explained that enterprises earning foreign currencies were obliged to turn over some of their earnings to the authorities (federal and regional) and thus contribute to cover public needs and imports of for instance petrol. This was made according to an established key and the enterprise was free to dispose of the remaining part of such earnings.

7. In his turn, the Community representative thanked Yugoslavia for a very complete notification. In reply to a question about licensing the Yugoslavian representative explained that for products that could be imported freely, the only requirement was that the importing enterprise disposed currency to pay for the imports. She furthermore confirmed that there was no state trading as such, but for strategic reserves of wheat, rice, pigmeat, butter and oil the Federal Directorate for Food Reserves invited tenders, and subsequent purchases were made on a regular commercial basis.

8. In a reply to questions raised by the representatives of New Zealand and of the United States, the representative of Yugoslavia confirmed that the tax for economic development purposes was applied to all products disregarding whether there was a tariff binding or not.

9. The Chairman thanked the representative of Yugoslavia for the notification and for the explanations given.
Exercise B Examination of the operation of the General Agreement as regards subsidies, especially export subsidies, and including other forms of export assistance

Introduction

1. In introducing this item, the Chairman recalled that the Committee had agreed that it would commence at this meeting "the examination of the operation of the General Agreement as regards subsidies especially export subsidies and other forms of export assistance". He quoted, in this connection, from paragraph 1(ii) on page 9 of the Ministerial Declaration adopted on 29 November 1982, which forms the basis of Exercise B of the work of the Committee. The Committee had at its disposal recent notifications made pursuant to Article XVI:1 (document series L/5102, L/5282 and L/5449), information on measures and mechanisms influencing exports notified under AG/DOC/5 document series, and information on measures affecting export submitted by participants in the Committee with relation to Exercise A (AG/FOR/document series). Participants had been free to submit written contributions to the Committee with respect to Exercise B, but none had done so at this stage. To assist the Committee in its examination the secretariat had provided in document AG/W/4 an analytical note covering the drafting history of Article XVI and the interpretations of that Article as given by panels and working parties. The Chairman asked the secretariat to introduce its note.

2. A representative of the secretariat said that AG/W/4 was divided into two main sections. The first section related how Article XVI got to be written the way it was: the evolution of the draft Charter of the International Trade Organization and the incorporation of certain provisions of that Charter in the General Agreement. The section demonstrated that the specificity of primary products was present early on in the formulation of the rules governing subsidies. The drafters had not thought to outlaw subsidies on primary products, but they had tried to ensure, to a certain extent, that world trade in primary products be conducted under competitive conditions. The second section of AG/W/4 provided selected extracts of the work of past panels and working parties as regards subsidies on agricultural products. The representative of the secretariat cited the five panels established, either under Article XXIII or the Subsidies Code, whose findings had related to Article XVI. He noted, however, that no final decision had yet been taken on the reports of the last two panels. Certain problems of interpretation and application of Article XVI had been shown in document AG/W/4. Although any selection must imply a certain amount of discrimination in the choice of the material cited, it was hoped that the Committee would agree that the secretariat note provided as full a picture as possible of the written record about agricultural subsidies and Article XVI. Finally, he noted that Chapter 3 of AG/W/4 provided a summary of the document.
3. The Chairman stated that he wished to orient the Committee's discussion on the basis of AG/W/4 to a more general, political discussion. He did not wish the Committee to get bogged down in debates about theoretical, legal technicalities, but rather to carry out its mandate as given by Ministers. The Committee's examination was with a view to making recommendations to CONTRACTING PARTIES. With this in mind, he asked participants to comment as to whether they considered the operation of the provisions of the General Agreement as regards subsidies to be effective and, if not, to state where, in their view, the provisions were not effective. A second round of discussion could follow, whereby participants could comment as to possible solutions for making the provisions more effective.

General statements

4. The representative of Canada stated that the secretariat note provided a factual and comprehensive analysis of the evolution of Article XVI. The paper, together with the country examinations under Exercise A, wherein the political imperatives influencing domestic policies had been revealed, told a depressing story. The Canadian delegation considered the existing situation to be unacceptable. Panel reports were not being adopted, and basic rules and concepts in the GATT were obscure. The credibility of the GATT was being questioned because of the lack of effective rules on subsidies affecting agricultural trade. He believed that one of the major reasons for the current difficulty was that panels were being asked to make rulings on definitions and concepts which had been deliberately left vague by earlier negotiators. Article XVI, in the view of Canada, was not about export subsidies, but rather related to subsidies affecting agricultural exports. Export subsidies were permitted on agriculture under this Article, but they should not be used to gain more than an equitable share of world export trade. However, it was virtually impossible in practice for panel members to reach a consensus on what constituted an equitable share. Not only was the criterion operationally deficient in the Canadian view, but legal recourse was only possible after serious prejudice could be demonstrated. What was required in Article XVI were guidelines for use by domestic policy-makers to design agricultural subsidy programmes, so as to mitigate their adverse impact on trade. The Canadian representative considered that it would be a major error to view the subsidy problem simply in terms of direct export subsidies. All subsidies affecting exports needed to be looked at, including domestic subsidies. He stated that it was not the technique of subsidization that was important, but rather the level of subsidization; and more precisely, the impact of agricultural support programmes on production decisions of individual producers. The level of support had been considered as largely determining the scale of the import and export measures required to protect the domestic support system. Therefore, in the Canadian view, the Committee should not focus exclusively on export subsidies, equitable share and other technical definitions which had been considered by recent panels. Rather, the attention of the Committee should be on how to develop international disciplines, which would put an effective limitation on the level of so-called domestic agricultural support programmes. The representative of Canada recognized that this was not a new concept. The binding of
the margin of support had been examined in the Kennedy Round, but had been put aside as too difficult to implement in practice. Nevertheless, the experience of the last twenty years strongly suggested that meaningful progress in bringing subsidies affecting exports, and a greater international discipline could only occur, if it were recognized that the level of support afforded to domestic agriculture was at the root of agricultural trade problems. The Canadian representative believed that when participants identified or articulated ideas in the Committee, the negotiability of these proposals would have to be borne in mind. It was imperative that all countries share in the burden of adjustment. Solutions could not be identified which would require only certain countries to make drastic changes to their agricultural policies, while others maintained their effective status quo. As regards the negotiability of recommendations the Committee could put forth on subsidies and other matters, a total trade package on agriculture could be based on a few basic principles, he suggested. These basic principles might include the following:

(a) All export measures could be bound and subject to maximum limits;

(b) All import measures could be bound. For example, all import quotas could be increased to a minimum size equivalent to a minimum percentage of domestic disappearance. All quotas could be subject to some form of growth provision. Similarly, variable import levies could be required to provide a certain volume of access under a bound tariff, with the base quantity subject to a growth provision.

(c) Individual support price levels in all countries could be bound so as not to exceed an internationally agreed reference price by a certain margin.

The representative of Canada indicated that these ideas were being put forward to stimulate discussion and did not constitute Canadian proposals, as the Committee was not a negotiating forum. He repeated that the greatest danger facing the Committee was for it to focus exclusively on the parameters of the past. For the Committee to move forward it needed to broaden its horizons so as to break out of the unacceptable status quo.

5. The representative of the European Communities stated that the secretariat document gave the Committee a historical view of Article XVI, as well as of the meaning of that Article, and highlighted the number of problems in its interpretation. The Ministers had done well to ask the Committee to examine whether the operation of the General Agreement as regards subsidies affecting agriculture was effective in promoting the objectives of that Agreement. He mentioned the link between subsidies and national policies and stressed the need to examine the GATT provisions in their whole context. He suggested that the Committee begin its debate as to the effectiveness of the GATT provisions with a discussion on the effectiveness of Article XVI, and in the first instance, its paragraph 1. This provision raised the question of subsidies in general, which encompassed income and price support, and their effect on exports and imports. Since Exercise A of the Committee
had looked into the effects of domestic income and price support on imports, the EEC considered that the examination of Article XVI:1 should concentrate on the effects of subsidies on exports. A first question to be addressed in examining Article XVI:1 was whether the obligation to notify was being fulfilled. In this connection, the Committee should consider what were the subsidies which operated directly or indirectly to increase exports within the meaning of Article XVI:1. The Community did not consider Article XVI to be effective and was not satisfied with the manner in which this provision was being interpreted. The representative drew attention to the fact that the Community had been brought before a panel a number of times.

6. The representative of the United States indicated that his Government was strongly supportive of Exercise B, as the United States considered that export subsidies and agricultural trade had harmful effects on other contracting parties and caused undue disturbance to normal commercial interests. He drew attention to the provisions of Article XVI:3 of the GATT which admonished contracting parties to "seek to avoid the use of subsidies on the export of primary products". The US believed that that objective should be fundamental in guiding the work of the Committee in its Exercise B. The Ministerial mandate to the Committee directed its work programme "with a view to achieving greater liberalization of the trade in agricultural products." Such liberalization could not be achieved, in the US view, as long as export subsidies affected that trade. The Committee, therefore, should determine the nature and extent of the problems that export subsidies created for agricultural trade, and determine whether existing GATT rules operate effectively to deal with those problems. In addition, the Committee should seek a commitment from every contracting party to do much more than had been done to date to avoid the use of export subsidies. The country-by-country examination of export assistance measures under Exercise A was important, as were the conclusions the Committee will reach on the impact of those measures on world agricultural trade. The United States considered that the most revealing commentary on the effectiveness of the GATT process was to be found in the concluding section of the secretariat paper, where it was noted that recent panels had not been able to determine whether GATT obligations had been met; even though the panels had found the existence of subsidies, had determined that market shares had been increased with subsidies, and had concluded that the nature of the subsidy or its impact on trade might prejudice the interest of other countries. In the view of the United States the reason for this situation appeared to lie in the nature of the Article XVI rules themselves. The rules attempted to discipline the effects of export subsidies rather than limit their use. There was sufficient imprecision in the description of effects prohibited by the rules, to allow export subsidizers to argue that the particular effects caused by their export subsidies were not those prohibited by the rules. In the two sugar cases, the panels had been reluctant to establish the causal link between export subsidies and the increase in the subsidizer's market share, although they had found economic damage. In the recent wheat flour case the Panel had described the adverse effects resulting from export subsidies, but had stopped short of finding that these effects were prohibited by Article XVI or the Subsidies Code. The United States did not intend to re-argue panel cases in the Committee, but stressed that the case-by-case application of the rules had been wholly
unsatisfactory, since panels had been reluctant to make clear findings. It considered the question of the causal link between export subsidies and their effects as being particularly important. When the Committee moved to a more technical discussion of the rules themselves, particularly the equitable share concept, it would be necessary to consider how special factors affecting the market should be examined. In the US view, export subsidies were the key factor, and any other factors must so outweigh the effect of the subsidies, that they would completely explain away the causal link between the subsidies and the resulting market shares. The secretariat paper acknowledged that subsidies were still a major factor determining the flow of agricultural trade today. Therefore it would be hard to conclude that the objectives of the GATT, and, in particular, the goal of liberalizing agricultural trade were being achieved. The United States had concluded that present GATT rules were not a sufficient protection from subsidies because the rules did not act until after the damage had taken place. Moreover, the rules relied upon evidence, which either did not exist, or which panels would not accept. Since the rules were ineffective, they merely encouraged the use of export subsidies and other forms of assistance by an increasing number of countries. The representative of the United States concluded that the answer to the Chairman's question as to whether the existing GATT disciplines on export subsidies on primary products were effective, was no. The rules could be strengthened by being interpreted as limiting the use of export subsidies, rather than trying to limit the damage caused by subsidies. The United States posed the following question to the Committee: was it reasonable to require the "victims" of export subsidies to demonstrate the effects of those subsidies on trade when the obligation to avoid the use of subsidies (and thereby avoid their effects) lay with the subsidizing country?

7. The representative of Argentina stated that in conducting both Exercises A and B, the Committee should not lose sight of the fact that the Ministers had established the work programme of the Committee for the purpose of making recommendations with a view to achieving greater liberalization in the trade of agricultural products. These recommendations were expected to be made to the CONTRACTING PARTIES not later than their 1984 session. The Committee could analyse the present situation, review the history of Article XVI and propose and consider new guidelines for a better respect or interpretation of the rules. The secretariat document provided a rigorous and objective background document, but it was the participants of the Committee who were responsible for making precise recommendations. The Committee must recognize whether or not export subsidies caused serious prejudice for the trading interests of contracting parties, and whether they distorted trade flows. The representative considered that there was far from a uniform interpretation of Article XVI, as each contracting party interpreted the various provisions of that Article to suit its own commercial interest. He felt that the major problem of Article XVI was not simply that of transparency and better notification procedures. Rather, the Committee should concentrate on seeking effective solutions towards new disciplines. He called attention to the fact that in carrying out the tasks enumerated in the Ministerial Declaration, the Committee must take full account of the special needs of developing countries, in the light of the GATT provisions providing for differential and more favourable treatment for such contracting parties.
8. The representative of Japan considered that heavy subsidies on agricultural exports had created serious adverse effects on trade. The GATT rules had not functioned effectively to solve this problem. He alluded to the ambiguities relating to the concepts equitable share and primary products. He hoped that the discussion in the Committee would bring about a common understanding on these provisions. He also believed that the Committee should concentrate in this exercise on subsidies on exports and should try to develop solutions.

9. The representative of Australia considered the underlying problem to be support policies, which by their nature raised the aspirations of agricultural producers, and created false price and market signals. These policies encouraged production for purposes of government buying and storage, and not for commercial purposes. Australia was a price-taker on the world market. It believed that domestic support policies had depressed world prices and distorted supplies by generating surpluses which moved directly to commercial markets via intervention agencies or other channels. Subsidies had permitted net importers to become self-sufficient and thereby reduce their own market for imports. In some cases net importers had changed to net exporters. The representative of Australia drew attention to the fact that in a recent meeting of the Dairy Committee, it had not been possible to raise the minimum export prices, which were set at unrealistic levels, because of the chronic export surpluses and subsidies that existed in that sector. Australia had lost its market shares to others, whose share had increased with the help of subsidies. The effectiveness of international commodity agreements, in some cases, had been frustrated by subsidization. Australia, which was an efficient agricultural producer, had had to contract its production of dairy and fruit as a result of subsidized competition, and its production of meat, dried fruit and grains was threatened. The domestic market of Australia was essentially open, but it had had to take unprecedented restrictive action against subsidized imports of cheese. Australia had not been able to negotiate the access opportunities it would have wished for in the major developed countries as well as the Nordic countries and Switzerland. It was coming under pressure to restrict its own market, as well as to subsidize its exports, which was something beyond its resources to do. Australia had failed to achieve redress for the problems that it had raised in the GATT from time to time. The representative of Australia admitted that this view was that of an aggrieved agricultural exporter, but that one had to understand also the problems of the subsidizing countries. Their support costs were increasing, for example, the EEC cost of supporting agricultural exports had increased from US$800 million before the Tokyo Round to US$6,000 million in 1982, and further increases were likely. EC producer subsidies on wheat, milk and sugar had increased from US$ 93/m.t. to US$ 249/m.t. over the last half of the seventies. Similarly, there had been a dramatic increase in the United States' Commodity Credit Corporation expenditures from US$11.6 billion in 1982 to around US$21 billion in 1983. Japanese subsidies on rice and milk had grown from US$ 440/m.t. to US$ 708/m.t. during the same time-frame. The Australian representative admitted that there might be a margin of error in these calculations. However, they did demonstrate the order of magnitude in the trend of subsidization. The rapid growth in the use of agricultural subsidies, together with the
prospect that that trend could continue, must be a matter of great concern to all contracting parties because subsidization was clearly a major factor contributing towards destabilizing world trade. Australia believed that subsidies of all types should be addressed, and this in a multilateral context in the GATT. The issue could not be solved in a bilateral discussion between the major trading powers. They might negotiate on the basis of reducing their own costs, but this would not help other countries, like Australia, who were affected by the problems of subsidization. Australia considered that Panels had avoided giving clear interpretations and determinations on the basis of the relevant provisions of Article XVI. To the broad question as to whether the GATT provisions on agricultural subsidies had been working effectively, Australia's answer would have to be no. Even the provisions on notification had not been working.

10. The representative of Hungary expressed great sympathy with those delegations who had proposed solutions to try to introduce elements of measurable disciplines, bindings, and multilateral understandings. He considered it curious that in a meeting of contracting parties, negotiation was considered a dirty word. The Committee should look for common denominators. It should come to some agreement on measurable disciplines, and try to re-establish the balance of rights and obligations. He referred to the need to share advantages as well as sacrifices. In this connection, the position of the recipients of subsidized imports should also be considered.

11. The representative of Chile stated that as regards the question as to whether the operation of the provisions of the General Agreement concerning subsidies had been effective in promoting the objectives of the General Agreement and in avoiding subsidization seriously prejudicial to the trade or interests of contracting parties, the answer would have to be negative. He considered that a solution for making the rules more effective would be for contracting parties to eliminate all subsidies and all other distortions to trade. The representative of Chile recognized, however, that it would take time for countries to be converted to this thesis, and therefore solutions would have to be found elsewhere. The secretariat paper had demonstrated that the GATT disciplines on subsidies were full of holes. A great number of transactions under special conditions existed, like for example, non commercial transactions and food aid. Interpretations had been given to the GATT rules to fit diverse national interests. This had led to unilateral and differing interpretations which did not contribute to international co-operation. A number of years ago, a Subsidies Code had been signed with the aim of improving the disciplines of Article XVI and of making the interpretation of that Article more precise. However, he considered that the results of the Code had been negative, given the number of complaints filed, and the lack of definite conclusions among Code signatories. It was important not to look at Article XVI alone, but also the relationship of that Article to other GATT provisions or resolutions; for example, those dealing with the disposal of surplus agricultural commodities. He agreed with the representative of Canada that one must begin the discussion by taking into account national agricultural policies. It was not appropriate in the Committee to question the objectives which governments wished to achieve in those policies. However, one must recognize that domestic policies were not neutral as regards trade and the interests of other contracting parties. As long as the GATT had existed, subsidies had been an integral part of national agricultural policies, and their influence must be so recognized. Moreover, the representative of Chile considered that there was an
imbalance in the rights and obligations under the GATT, stemming from
the fact that redress could only be sought after the effect of the
subsidy in question had been felt. The Committee's work, consequently,
should be oriented towards bringing contracting parties back into the
GATT by way of substantive obligations, which limited the prejudicial
effects of national policies which engaged in subsidies or other aids.
The problems of agricultural trade must be examined globally, and
progress must be made as well on the question of market access.

12. The representative of New Zealand agreed that the subsidy issue
must be considered in a wide framework. Given the Ministerial
Declaration, the Committee would have to look at Article XVI, but he
believed it should not merely focus on the language of that Article but
also look at what aspects of subsidies had an impact on trade.
Moreover, the Committee would have to consider other provisions of the
General Agreement. The representative of New Zealand held the view that
the drafters of Article XVI should have begun that Article with its
paragraph 2, wherein the general principle is stated that contracting
parties recognize that the granting of subsidies may cause undue
disturbance to their normal commercial interests and may hinder the
achievement of the objectives of this Agreement. He understood that it
was an accident of history, whereby the procedural provisions contained
in paragraph 1 had been placed before the general principles of
paragraph 2 as well as the first sentence of paragraph 3. The impetus
of the work of the Committee should be towards diminishing the impact of
subsidies, rather than focusing on the interpretations of what could be
characterized as devices for measuring the size of the loopholes, such
as equitable share. Moreover, the impact of subsidies on returns
received and prices attainable in the market-place would also have to be
considered. This was particularly important for those countries who did
not subsidize or subsidized to a limited extent.

13. The representative of the European Communities did not agree with
the view that Article XVI had been badly written since it began with
paragraph 1 and not paragraph 2. To the contrary, he believed the
drafters' approach had been logical, seeing that they had first tried to
define what constituted a subsidy. The representative of Chile had
called attention to the existence of non-commercial transactions.
However, when these transactions had been raised in the GATT, some
parties had stated that they should not be talked about in the GATT, but
elsewhere. Therefore, he considered it very important to first address
the question as to what the Committee was talking about and what
constituted a subsidy. He drew attention to the fact that a number of
contracting parties, including Argentina, had not fulfilled their
obligations to notify subsidies. He believed that the Committee should
agree that price and income support measures should be notified. This
being said, he did not consider exercise B to be limited only to a
discussion of Article XVI, paragraph 1, but should address the totality
of that Article, and in a logical fashion.

14. The representative of Argentina supported the Chilean view that the
Committee examine all other forms of export assistance as well as
subsidies. This indeed had been specifically mentioned in the
Ministerial Declaration regarding the agricultural work programme. The
Argentinian representative considered that anything relevant to trade
could be discussed in the GATT. Non-commercial transactions had an effect on trade and had to be examined by the Committee in depth. Whether a transaction was considered commercial or non-commercial, was a subjective matter. He drew attention to the fact that there was no specific criterion on this; for example, Argentina considered a transaction which accorded credit longer than six months to be non-commercial, while other governments considered transactions to be non-commercial only if credit was extended for longer than three years. He referred to the frequent disposal of surplus commodities in the guise of food aid, covering products other than those which met the basic needs of the beneficiaries. Other forms of subsidies, especially in the agricultural sector included special conditions for payment. He also referred to the special characteristics of agricultural products and the need to dispose of surplus products on account of their perishability, and to reduce storage costs. There were also political factors involved in agricultural trade and these and all other factors should be addressed in the GATT. He considered that the Committee should not concentrate on any particular form of subsidization, because new mechanisms could always be invented. It was important to know whether the political will existed to impose more effective discipline and to avoid distortions in agricultural trade. It was important to negotiate on a sound basis and with a firm will to dialogue. In response to the comment that Argentina had not made a notification under Article XVI:1, he pointed out that Argentina was not distorting agricultural trade. On the contrary, it was applying duties on its exports. Furthermore, Argentinian agriculture was efficient enough, so that there was no need to subsidize exports.

Article XVI:1 first sentence: notifications

15. The Chairman next directed the discussion of the Committee to specific questions regarding the different provisions of Article XVI. He asked the following questions: Are a significant number of contracting parties fulfilling their obligation to notify under Article XVI:1? Are there certain forms of export assistance which systematically are not the subject of notifications and should be?

16. The representative of Canada considered that the drafters had been correct to place paragraph 1 first in Article XVI, since this provision recognized that subsidies had an effect on domestic production as well as imports or exports. One could argue, he said, that only after its paragraph 1 did Article XVI deteriorate. Other participants had raised the problem as to what was a subsidy. It was not as simple as eliminating subsidies to resolve the present difficulties. Governments could distort trade merely through their import régime, which could encourage domestic production and result in exports without any direct government transfers. He agreed that more transparency in the notifications was needed. However, he referred to the difficulties of quantifying and reporting on certain measures involving infrastructures; for example, hydro-electric projects which could stimulate the production of fruits and vegetables. It was difficult to draw the line between subsidies which had a trade effect, and those which had little or no trade effects. However, in the area of non-commercial or concessional sales, which did have an impact on trade, he concurred with the view that there was a conspicuous lack of international surveillance.
17. The representative of Australia adopted a broad view of what constituted a subsidy, and what should be notified. He believed that not just export subsidies should be dealt with, but also various measures within importing régimes, such as state-trading mechanisms which not only affected imports but could affect other countries' exports. This was particularly relevant in markets, which would normally be expected to be large importing markets, without the effects of domestic support systems. He believed that a broad view of what constituted a subsidy was borne out in the secretariat paper as from paragraph 44 under the section entitled "Measures Notifiable". He believed notifications should be full and universal, and that measures in the so-called grey area should be notified as well. He considered that notifications should not be an end in itself, but that a regular review process was needed on an annual basis, similar to what was being conducted in the Committee at the moment. This type of surveillance could lead, if not to a definition of subsidies, at least to a better view of the areas with which participants needed to concern themselves. Moreover, he considered that the purpose of notifications was to negotiate better rules on the application of measures; i.e., rules with teeth. In this connection, he drew attention to the second sentence of Article XVI:1, which in the Australian view, was aimed at limiting the subsidization, rather than a theoretical discussion.

18. The representative of Hungary stated that Chile and Argentina had been right to draw attention to the effects of food aid, even though this aid was not treated in the GATT but elsewhere. He believed that charity should begin at home. He was not questioning those countries who chose to characterize their disposal of agricultural surpluses as food aid. He also mentioned that unsuccessful attempts had been made to define subsidies. Many things that existed in market economies could be considered as subsidies; for example, low fees to agricultural schools. However, he took the view that subsidies were whatever others did that disturbed the trade of his country. His government was not so much concerned about, for example, US aid to faraway islands where Hungary did not export. However, Hungary might object to subsidies on products and for certain markets in which it had an export interest, for example, butter, wines or pork. He thought that such a reverse notification exercise should be pragmatic, as he has never seen rules with teeth. Only big powers had teeth.

19. The representative of the United States agreed that greater transparency in notifications was needed. To that end, he stressed that notifications should not only identify programmes but also supply sufficient information on the incidence of the subsidy, the quantitative trade effects of the subsidy, and the amount of the subsidy, as required under the questionnaire.

20. The representative of the European Communities noted that the provision on notification under Article XVI:1, was a GATT obligation. The Community did not put into question this obligation. He stated, however, that contracting parties should be clear as to what they should notify. This initial difficulty over what should be notified did not appear too great, in the light of the remarks of Canada and Australia. He thought that there would be an improvement over the present reality,
if all participants were to agree with the principle that all subsidies should be notified; that is, those subsidies as mentioned in Article XVI:1, without prejudice to what followed later in the Article. This would represent progress, in his view, since many contracting parties now notified badly or not at all, because they themselves made the choice as to what was notifiable. This was due to the ambiguity of Article XVI:1, in the sense that it spoke not of all subsidies but any subsidy which operated directly or indirectly to increase exports or reduce imports. He considered that a first step towards total reciprocity and equality among contracting parties would be that all agree that all income or price support measures must be notified. He believed that all subsidies which fell under paragraph 1 of Article XVI should be indicated as subsidies on exports. One found reported in the notifications, subsidies granted at the time of exportation; for example, the EC refunds. However, the practice had been for those countries that did not subsidize their exports directly, but rather subsidized at the stage of production, that is, before the stage of exportation, to consider these not as export subsidies and therefore, not subject to other obligations; for example, Article XVI:3. He cited as an example the United States' price support on grains, which maintained prices at an artificially low level. He questioned whether the United States' system did not, in fact, result in increased exports. He doubted whether the level of grain production and exports in the United States would be the same as was the case now, in the absence of such a system. Was it appropriate, the EC representative therefore asked, for disciplines to apply only to the EC which subsidized at exportation, or whether price and income support should also be covered by the rules. To clarify the debate, therefore, participants should agree that all forms of price and income support should be notified. The representative of the EC referred to the dispute the Community had had with Canada on wine. In that case, Canada had not limited its investigation to export subsidies, but had also looked at aid for electricity given in south-western France. The GATT did not speak about all subsidies, but all subsidies which had an effect on trade. Canada might have considered that the aid on electricity had an indirect effect on trade. One difficulty, therefore, with Article XVI:1, was that it did not identify the subsidies covered. Moreover, the EC representative asked whether the Community would have the right to use the procedures of Article XVI:1 second sentence, because the United States maintained its prices artificially low domestically as well as on the world market. Since the United States was the largest agricultural exporter in the world, this resulted in diminished returns for certain producers in other countries, as well as forced certain countries to subsidize their exports. Finally, the representative of the European Communities referred to the fact that certain delegations believed that food aid was not covered by Article XVI. He did not share this view.

21. The representative of Chile stated that it was clear that the obligation to notify was not being fully complied with. Secondly, the countries which did notify, did not fulfill their obligations well. He cited three countries which, in his view, had fulfilled their obligations to notify well. Switzerland had made a comprehensive notification. Chile and Hong Kong had notified that they did not
maintain subsidies. The representative considered that transparency was not an end in itself but the purpose of the notifications was closely linked to other provisions. Moreover, many notifications contained information which was either not useful or not necessary. Many were in fact incomplete. It was not the first time that contracting parties had considered the definition of subsidies; for example, the Panel established in 1958, had done so, as noted in the secretariat paper. At that time, the present questionnaire had been worked out. He was not sure whether that questionnaire met the needs and objectives of the present time. It might be a good idea to update and modify it. He recalled that the Committee on Subsidies and Countervailing Measures had also examined the questionnaire and found it to contain certain shortcomings. The EEC had made a number of comments at that time which could be found in SCM/W/34. The representative of Chile considered that this document might serve as interesting background for the work of the Committee on Trade in Agriculture. He characterized the Australian suggestion for periodic reviews by the CONTRACTING PARTIES of notifications as an interesting one. Such a review had taken place in the Committee on Subsidies and Countervailing Measures among its signatories and had produced good results. The quality of the questionnaire as well as the notifications had been examined. The examination appeared to have served as an incentive to those countries who had never notified, to do so. He considered that the suggestion to have a review therefore should be examined in more depth. It might not be necessary for such a review to take place every year. However, given that full notifications under the questionnaire were required every three years, it might be useful then to have a review of the notifications every three years.

22. The representative of Argentina was of the view the it was up to the contracting parties themselves to decide what had to be notified, on the basis of the scope of Article XVI:1. He also drew attention to paragraphs 47 to 50 of the secretariat paper. It was noted therein that certain member states of the Community had notified that they did not maintain subsidies under Article XVI, paragraph 1. The agricultural work programme, as defined by the Ministerial Declaration, had specified that an improved and unified system of notifications should be introduced so as to ensure full transparency. He believed that the question of notification should not be limited to Article XVI:1 alone. In the secretariat paper, it was stated that it was apparent that not all contracting parties were fulfilling their obligations to notify under Article XVI:1. Moreover, among those countries, not all had provided complete information on the subsidies they granted, particularly as to their effect on trade. He questioned what was to be drawn from the notifications by those countries which had stated that they did not maintain any measures within the meaning of Article XVI:1. That provision contained elements which might be of a subjective character. It was apparent that certain contracting parties did maintain export subsidies which they did not notify, because they did not consider these measures to have the effects as described and covered by Article XVI:1. It would be difficult to judge the clarity of the scope of this provision. An interpretive note might have to be decided upon. However, he considered the Hungarian suggestion for reverse notifications provided a much more pragmatic approach. Such a method
could be used in the Committee to analyse the measures and to see whether they constituted a subsidy within the meaning of Article XVI:1. The Ministerial Declaration had spoken of the need for an improved and unified system of notifications, and this not only on subsidies but on the totality of measures which affected agricultural trade. He suggested that the Committee identify the various categories of measures or subsidies, with the assistance of the secretariat. A list of measures applied on exports could be drawn up on the basis of notifications and reverse notifications. Given that contracting parties should seek to avoid the use of subsidies on the export of primary products, according to Article XVI, he wondered whether in cases where subsidies were found to exist, not only should their effect on trade be evaluated, but also whether the subsidy in question was necessary. He stated that the Committee was not in a negotiation nor pre-negotiation phase, but it should analyse all problems in a frank manner and make recommendations.

23. The Chairman recalled that the Subsidies Code contained an illustrative list of export subsidies in its Annex. This list might not be considered exhaustive nor cover all of the measures referred to by participants in the Committee as affecting agricultural trade.

24. The representative of Finland, speaking on behalf of the Nordic countries, stated that those countries supported increased transparency and efforts to improve the rules on agricultural trade. They stood ready to take part in efforts to narrow the gap in the various interpretations of the rules, which had led in the past to serious conflicts in agricultural trade. He recalled, however, that the Subsidies Code represented a step forward towards a more unified interpretation of the rules on subsidies, and therefore should not be overlooked nor dismissed. The agricultural policies of the Nordic countries aimed at assuring a certain production capacity for security reasons. They considered that there was an overall limit to their support measures inherent in their policies, since production ceilings were set, and producers themselves carried the cost of marketing and production beyond those ceilings. The representative agreed with the other participants who had emphasized the necessity of complying with the obligations to notify under Article XVI. Certainly performance in this area had left a lot to be desired. To the extent that the failure to notify resulted from technical difficulties, the Nordic countries were ready to listen to suggestions to facilitate this task. However, there was no getting away from fulfilling the obligation to notify. As the Community representative had stated, it was important for the Committee to have as full a picture as possible of subsidies affecting agricultural products, be they direct or indirect. However, notification should not prejudge the status of the measures under Article XVI. Practice had revealed that it was often quite impossible to assess the effects of various support measures. He considered that this question should be addressed when the Committee studied the notification procedures. He also recalled that Article XVI:1 was of course not limited to notifications of agricultural products. Finally, he believed that the Committee should not only consider paragraph (ii) of the Ministerial Declaration referred to, but should also keep in mind all the other elements contained in that Declaration.
25. The representative of Switzerland pointed out that the subject of subsidies had been focused on from the point of view of exports during the discussion, as it had been in the Ministerial Declaration. He agreed with the Community's position that price and income support measures should be notified under Article XVI:1, but did not consider that these should be notified systematically as measures affecting exports on the format. For its part, Switzerland notified its domestic support measures as measures affecting imports on the format. The representative considered that the interest of importing countries were not univocal and not so simple to define. In a certain sense importing countries benefited from subsidies. To be able to buy cheaply, benefited both the economy in general and the state of public financing. However, and this was the case in Switzerland, in some cases, subsidies did affect adversely the domestic situation by putting downward pressure on prices. This posed domestic and political problems, since consumers often wanted to take advantage of low prices. Moreover, Switzerland did export modestly and also suffered from competition from subsidized low prices on foreign markets. He agreed with previous speakers that notifications should be as complete as possible and encompass not only subsidies accorded at the stage of exportation but at preceding stages as well. Moreover, those countries from whom notifications were missing should fulfill their obligations under Article XVI:1. If not all notifications were submitted, he asked how the contracting parties could determine whether the other provisions of Article XVI were being respected. It was necessary to know what was the reality. He saw a certain danger in institutionalizing a system of reverse-notifications. Certain countries might consider that this would dispense them from notifying. The representative considered that other aspects of price support, as well as border measures, could have the same effect on trade as subsidies. In parallel then to the notifications on subsidies, he believed that the information on these other aspects, for example, quantitative restrictions, variable levies and others, should also be updated. The Committee might consider therefore whether the notification obligations of Article XVI:1 should be complemented by obligations to notify these other measures as well.

26. The representative of New Zealand considered that quite clearly the notifications had fallen far short of what was desirable. However, to say why this was so, was perhaps a more complex question to answer. Experience had shown that contracting parties generally notified their export subsidies well, with of course varying degrees of completeness in the notifications. Some also notified, as they should, their price and income support. The difficulty came, in his view, from estimating the effect of the subsidy. This was extremely difficult to quantify, not only as regards the effect on exports of the subsidy, but also the effect of domestic price or income support on increasing domestic prices, reducing demand, and therefore limiting the opportunities to import in that country. He considered the country-by-country examination under Exercise A that the Committee had been undertaking, to have been especially informative. It had shown that countries who adopted an integrated series of measures, by setting aside their domestic market from international trade, applied, in effect, what amounted to be a price support system, which even without government-financed export subsidies did have an impact on trade possibilities. The notification exercise had brought to light a whole
range of measures which could form the basis of an illustrative list of subsidies and price or income support measures. This list could guide contracting parties as to what types of measures should be notified under Article XVI. However, contracting parties would be the final judge of whether these measures had any effect in increasing exports or reducing imports. He considered that the determining factor for notifying domestic measures was whether, in effect, they had an impact on trade. This consideration, then, would eliminate certain measures that had been referred to; for example, fees to agricultural education. Another important distinction he felt should be made, was between those measures which had a direct effect on exports, and those whose effect was indirect, or which affected importing opportunities. Both of these types of measures, of course, were covered by Article XVI:1. According to the competing unsubsidized trader the difference was very important. A price support system, however it was organized, if it kept prices above international levels, involved a subsidy element affecting its domestic market and affecting import possibilities. It might have an indirect impact on external third country markets as well; for instance, by contributing to an overhang of stocks or price effects. But from the point of view of the competing trader, a much more serious dimension was added when the country with the support system went on to provide a subsidy or export refund, which then had a direct impact on the international market. He thought it was important that this distinction be visible in the notifications. The representative also saw some benefits from having a system of reverse notifications, which could bring about a greater meeting of the minds as regards identifying the trade impact of the particular subsidy, and this short of recourse to the dispute settlement procedures of Article XXIII.

27. The representative of the European Communities believed that there was a consensus in the Committee to consider that, under Article XVI:1, there was an obligation to notify all forms of subsidies that operated to increase exports or to reduce imports. As the Nordic countries had pointed out, notification should not prejudge whether the measure was a subsidy under Article XVI:1; for example, one could question whether an aid to an agricultural school was a subsidy that operated to increase exports or reduce imports. As regards the suggestion for reverse notification, he recalled that Article 7, paragraph 3, of the Subsidies Code had already instituted such a procedure. The Community did not object, however, to having reverse notification in this context of agriculture. Another notion that had been put forward in the Committee was establishing a list of subsidies. The Chairman had recalled that such a list already existed in the Subsidies Code. The representative stated that not being very satisfied with the Code, he was not very satisfied with this list either. The subsidies that were included in the list were those that were granted at the time of exportation. However, Article XVI:1 was not limited to those types of subsidies. Other speakers had pointed out that there were a number of subsidies which had the effect of increasing exports and these were not to be found in the list of the Code. He was not favourable to the idea of establishing a list because he foresaw difficulties in drawing one up. The representative asked the Chairman to seek the views of the secretariat as to whether the secretariat was satisfied objectively with the notifications that were being submitted, and what could be done to improve transparency in this regard. He proposed that the secretariat utilize the notification made by the European Communities as an example.
28. The representative of the secretariat stated that, from the point of view of the secretariat, which was the guardian of the General Agreement, the notifications under Article XVI:1 were deficient in many regards; both as regards direct export subsidies and indirect export subsidies. Speaking first of the deficiencies on direct export subsidies, he considered that they were deficient in three areas: credit, the so-called grey area measures, and export subsidies properly speaking. In response to the EC invitation to the secretariat to comment on the EC notification as an example, he referred to the fact that the day before, a member state of the Community had renewed for three years a financial protocol with a developing country. This would allow that member state to sell agricultural products within a specified amount of drawing rights. The protocol had already existed for three years and was now being renewed. He believed that the EC had never mentioned such a protocol in any of its notifications, even though the protocol amounted to a considerable amount of money; i.e., 500 million French francs. Similarly, advances extended by US banks to Latin America had not been notified to the GATT. As a result, the first deficiency one could mention as regards notifications was the lack of information on export credit. Secondly, as regards the grey area, there were two kinds of measures that could be considered under Article XVI:1: non-commercial transactions and the new techniques that had been developed for selling. Given that everybody recognized the importance of non-commercial transactions in penetrating markets, he considered it incredible that these were not notified to the GATT. In the Consultative Sub-committee on Surplus Disposal in Washington, where these transactions were notified, in principle, before, during, or after they took place, usual marketing requirements were discussed. He considered that these requirements reflected a certain vision or a certain concept of what constituted or should constitute the commercial market of an importer, which was never heard of in the GATT. He personally had had to arrange with the secretariat of this Consultative Sub-committee on Surplus Disposal to receive a record of the discussions, two months after they took place. Otherwise the GATT would be completely ignorant in this area. As regards the new techniques for selling, experts and economists had agreed for the most part, that between a quarter and a third of sales for export in 1982 were made in the form of barter, countertrade, buy-back or other operations of this kind. The representative of New Zealand knew very well the importance of transactions of this kind, countertrade or barter, since his government had signed a certain number of agreements with Middle Eastern countries. By referring to this, the representative of the secretariat stated that he did not wish to say that this necessarily represented a subsidy on the sale of sheep. In order to determine this, one had to know the terms of the exchange, how many barrels of oil had been exchanged for how many carcasses of lamb. There could probably be an element of subsidy therein. At any rate, such information would be of interest to contracting parties. He also referred to the fact that Indonesia had made this kind of transaction a sort of rule for its external trade. It was very difficult at the present time to sell products to Indonesia, if in exchange, and this was so inscribed in law, one did not take a certain quantity of oil or raw materials. This might perhaps not be a form of export subsidy, something which, however, would have to be demonstrated. Certainly it would interest all the
contracting parties to know whether or not this constituted a subsidy within the meaning of Article XVI. A third deficiency in his view concerned direct subsidies, which were regarded as subsidies, strictly speaking. He shared the concern of the representative of the Community about the difficulty there would be in establishing an illustrative list. He wondered whether in so doing the Committee would be trying to pick on a bone that was too big, and whether in fact such a list would not anyhow be incomplete. He considered it extraordinary that the problem of export subsidies, which was regarded as one of the major problems of agricultural trade today, was not periodically examined by the contracting parties. There was no review, neither annual, nor biennial, nor even triennial. The last review, the last time when the whole of the problems on subsidies were discussed in a group, called a Panel on Subsidies, which included all of the contracting parties, had taken place in 1961, twenty-two years ago. Of course, the signatories of the Subsidies Code had met from time to time to go over together and examine notifications. But he believed that all contracting parties should decide to establish, on a more or less permanent basis, a review of all subsidies every year, every two years or every three years. On that occasion so-called reverse notifications could take place, as well as an effective analysis of the effect of the subsidies on trade. He was not so naive as to believe that the country notifying a subsidy would say that it had a considerable effect on its export trade. However in a group, others could say for what reasons in their view such and such a subsidy had an important effect on trade. He believed that the questionnaire, which had been drawn up by the Panel on Subsidies established in 1958, was largely out of date and could gain by being modified somewhat. As regards indirect subsidies it was clear that there were several types of indirect subsidies. Some were indirect to a first degree, others to a second degree and others to a third degree. He considered subsidies granted to agricultural schools to be subsidies of the third degree, and the effect of the subsidy was so dispersed that it would be almost impossible to re-allocate those credits for any particular exportation. As an example of an indirect subsidy to the second degree, he referred to the subsidization of agricultural fuel by a certain number of European countries. Their farmers put into their tractors gasoline which was not paid for at an ordinary price. This was a subsidy to the second degree. Here again, he asked how one could establish the relationship of the amount of this subsidy with the measure of unfair competition brought about. With the benefit of subsidized gasoline, the farmer would plant sugar beet, wheat, oilseeds. The representative of the secretariat believed that this would not be of great interest to the contracting parties. However, indirect subsidies for products which were exported should be notified annually and some group on subsidies ought to discuss this annually or biennially. For example, he did not consider that it would be interesting to examine the indirect subsidies that Switzerland granted in order to support prices or income to sugar beet producers, since Switzerland did not export sugar. However, when there was exportation, when certain countries had exports that were extremely diversified, at that moment it was indispensable to know to what extent price support, which was granted for socio-political reasons to this production, had engendered a certain
volume of production, which necessarily would find an outlet at one moment or another on the world market. Finally, he referred to the previous discussion regarding Article XVII. It was clear that on certain occasions and in certain countries, State trading or para-State trading intervened in the conditions of competition, and this not in a negligible manner. There had never been a periodic review of the operation of Article XVII. As a consequence, he wondered whether it might not be useful, if the Committee were to decide one day to establish an annual review of the obligations of Article XVI, to join to this on the same occasion, a review of the obligations under Article XVII, to the extent that they had an influence on export trade.

29. The representative of Japan stated that all contracting parties should notify according to the obligations of Article XVI:1. To establish a system of reverse notifications as a first stage might prevent contracting parties from notifying. He agreed with the Canadian view that the Committee should seek balanced solutions as regards the level of rights and obligations; for example, if solutions were to be found on export subsidies, the status quo as regards importation under Article XXIV and Article XXV should also be modified. He pointed out that the domestic price support of his country was only related to imports and not to exports, since Japan for the most part did not export agricultural products.

30. The representative of Canada did not share the view of New Zealand that price support or deficiency payment systems were less disruptive than export subsidies. Government support measures had an impact at the farm level, an economic impact as well as an effect on production. He noted the suggestion for drawing up an illustrative list of subsidies, as well as the view of others that such a list would never cover all measures. He suggested that under Article XVI:1 all contracting parties could be asked to notify the total sum of their direct payments from government treasuries to the agricultural sector. He recognized that this would then include subsidies that had been called subsidies of the second or third degree, like grants to research. However, rather than leaving the choice to governments of what subsidies to notify, they should notify all their expenditures related to agriculture. This should be a reasonably easy task to fulfil, he thought, given that these expenditures were available through the normal government budgetary review process. He observed that notification was a means to an end and not an end in itself. The substance of Article XVI:1 was to determine whether or not a subsidy was causing serious prejudice to another contracting party. He recalled that such an examination would take place after the subsidization had had such an effect. When prejudice occurred, it did not come suddenly, but over a number of years after the true economic impact of agricultural policies became discernible. Once a country realized that its trade was being affected seriously and sought recourse to a panel, which in turn agreed that serious prejudice was occurring, it would then be difficult to modify those farm programmes. They would have been in place for a number of years and would have become an integral part of the political fabric. Therefore, he thought it desirable to have guidelines on subsidies in advance rather than after the fact.
31. The representative of New Zealand stated that he had not suggested that deficiency payments or other price support did not have an impact on the exporting competitiveness of the country in question. Certainly he felt that the Committee should look at the importance of these domestic support and production measures. What he had been suggesting was that a distinction should be made, at least from the point of view of the exporting countries, between the effect of direct subsidies on trading opportunities in third country markets as opposed to the situation within the domestic market concerned. He still believed that such a distinction was valid.

32. The Chairman however pointed out that the domestic market was an international market for another country.

33. The representative of Australia recalled that his delegation had suggested than an annual review take place of the notification of subsidies. Notification was not envisaged as an end itself, but action could be foreseen towards limiting the subsidy in question. Australia had viewed this not as a theoretical discussion but for the purpose of limiting the subsidy. That being said he took note of the problem raised by Canada of examining the ex-post effects of subsidies. Perhaps the review process that Australia had proposed would provide an early warning of measures that were going to have a disruptive effect on other countries' trade.

34. The representative of Chile stated that if it was considered that deficiencies existed in the present questionnaire, it should be reviewed and perhaps modified, so as to make it more specific and complete with regard to agriculture. Moreover, countries might be asked as well to report on what their policies would be in the year ahead. He hoped that a review of the questionnaire as well as the review of the notifications themselves would work towards averting problems that could surge up.

35. The representative of Poland stated that to assist the Committee as it was trying to determine the various degrees of subsidization, it might be worthwhile for it to refer to the wide body of economic and legal literature which appeared to indicate a certain consensus on defining a subsidy. In this connection, a subsidy was defined as a transfer of government resources to a specific area of economic activity in a way which may be discriminatory to alternative potential domestic recipients of this type of transfer. In his view such a definition clearly left out the vast number of marginal beneficiaries of what otherwise might be considered a subsidy. For example, a road built in a rural area which was not designed to benefit one specific user would then not fall under the definition of the subsidy, in his view. Similarly, vocational training to agricultural colleges would also not be considered a subsidy, seeing that similar arrangements for training existed as well to engineers, for example, which were trained free of cost.

36. The Chairman stated that there appeared to be a large measure of agreement in the Committee that more complete notifications were necessary on direct and indirect subsidies which influenced trade. Moreover, there appeared to be agreement that regular review was needed, perhaps every year or so, of the notifications. It had also been pointed out that it was necessary to review and re-shape the questionnaire.
37. The Chairman next raised whether the obligation to discuss the possibility of limiting the subsidization under Article XVI:1 second sentence, implied that the subsidizing contracting party must take action to limit the subsidy in question.

38. The representative of the European Communities agreed with the view of Australia that notification was not an end in itself, but a first step towards something else. That next step was Article XVI:1 second sentence. He considered that the drafters had written the provision well. However, there had been a certain deviationism in applying the provision. The first difficulty appeared to be in the first clause of the sentence which stated "in any case in which it is determined". The provision did not specify who was to make the determination. The secretariat document had referred to the conclusions of a GATT working party in 1948 in this connection. The representative recalled the complaints that had been made against EC policies on sugar. The panels had found that the EC had not taken more than an equitable share of trade, but nevertheless a number of the contracting parties continued to believe that it had. It was difficult to elaborate a principle, which was based on subjectivity rather than facts. The second question the representative of the EC raised with regard to this provision was that the prejudice. It was evident in his view, that Article XVI:1 stipulated that the subsidy must be determined to cause or threaten to cause prejudice. It was important that elements of fact and not subjectivity were present in this determination. The aim of the exercise was to have the contracting party that was granting the subsidy discuss the possibility of limiting the subsidization; and this, in order to avoid prejudice. He did not agree with the views of Australia and Canada which implied that one could engage such a discussion, if it were felt that a subsidy could cause prejudice. Rather, the subsidy must be determined to cause or threaten to cause prejudice, so that an appropriate correction could be made. There was a certain difficulty with Article XVI:1 second sentence, in the sense that contracting parties had already admitted in paragraph 2 that export subsidies either direct or indirect, could cause prejudice. As a consequence then, the contracting parties had established a limit on those subsidies in the form of the equitable share obligation. This was, in his view, how paragraphs 1, 2 and 3 of Article XVI should be read. There was a link between Article XVI:1 second sentence and paragraphs 2 and 3. He noted that the sugar panel had found it amusing to state that the subsidy policies of the EC were in principle prejudicial. This had not led to much progress and the time had come to put things on the right track.

39. The representative of Argentina asked the Community whether there was a different reading of Article XVI for industrial products, as opposed to agricultural products.

40. The representative of the European Communities stated that there was one objective reading of Article XVI; however, paragraph 3 did not concern industrial products.
41. The representative of Canada did not share the EC view that the limit of what constituted serious prejudice was equitable share. Article XVI:1 spoke of subsidies on both exports and imports. The equitable share obligation did not mean that serious prejudice could not occur, before equitable share had been obtained.

42. The representative of the European Communities stated that Article XVI:1 provided that where prejudice was determined the contracting party should discuss the possibility of limiting the subsidization. Subsidization here encompassed any subsidy which operated directly or indirectly to increase exports or to reduce imports. The drafters had then added additional provisions on export subsidies. Subsidies affecting imports, therefore, were only covered by paragraph 1, and not the subsequent paragraphs of Article XVI. Paragraph 2 stipulated that direct and indirect export subsidies, in principle, might have harmful effects. Paragraph 3 stated that "accordingly" governments should seek to avoid the use of export subsidies. Moreover, if a contracting party did subsidize, then it must respect the equitable share principle. The representative believed, therefore, that if a country were to obtain a share that was more than equitable, prejudice would be caused. However, if it were determined that one did not exceed more than one's equitable share, one was in the clear. He also referred to the fact that the Subsidies Code had added to the rule of equitable share, the concept of price undercutting.

43. The representative of New Zealand stated that, if it was determined that prejudice was being caused, it did appear possible to take refuge in a strict literal interpretation of the obligation under Article XVI:1 second sentence to discuss the possibility of limiting the subsidization. However, he also believed that there was a basis for arguing that the offending subsidizing country should feel a sense of obligation not only to discuss but to act. Paragraph 2 of Article XVI stated that export subsidies were potentially a damaging and trade distorting factor. Generically they were a bad thing, although certain mitigating circumstances could be recognized as necessitating their use. The starting point was that they should be avoided, and this applied to subsidies on industrial as well as agricultural products. What paragraph 3 of Article XVI did, in his view, was to recognize the prevalence of agricultural export subsidies without condoning them. Where they did exist, the Article attempted to establish a rule aimed at obviating injury to trading partners. The equitable share obligation represented the best way the drafters could find to define injury. Given the thrust of Article XVI that subsidies should clearly be avoided, in a case where it had been determined that the prejudice existed, he believed that a contracting party had not only to consult upon request but also had to take steps to remove the injury. Otherwise, the contracting parties would not be operating consistently with the intent of the Article on the whole. He did note the distinction between "must" and "should", and so long as an obligation was not explicit, contracting parties were likely to interpret it to meet their own interests. However, he felt that more emphasis should be placed on the intent of the Article and, in this connection, the Committee might wish to return to the question of improving the language of the provision in line with its intent.
44. The representative of Australia observed that it was inevitable that he and the EC shared different opinions on the sugar case. In general, he felt that a country granted a subsidy in order to gain a share of trade that otherwise it could not obtain. If there was a finding of prejudice, or threat of prejudice, as there had been in the sugar case, the next step was for the subsidizing contracting party to discuss, upon request, the possibility of limiting the subsidization. A simple exercise of discussion did not resolve the case, and ran the risk of seriously eroding the General Agreement. In the Australian view, prejudice did constitute nullification and impairment under Article XXIII:1 paragraph b, as well as under Article 8 of the Subsidies Code. Therefore, the onus should be on the party against which the complaint had been brought, to rebut the charge. Implicit in paragraphs 1, 2, 3 and 5 of Article XVI was that subsidies inherently had a de-stabilizing effect on the trading interests of others. Therefore there was an obligation to take action to prevent those effects. The discussion had shown that there were clear differences of interpretation as to the meaning of the obligation. There was a deficiency in the Article. The Committee needed to focus on the problem.

45. The representative of the United States stated that seriously prejudiced contracting parties should have a reasonable expectation that a subsidizer would take remedial steps rather than continuing to cause serious prejudice. He noted that both sugar panels that had been referred to, had concluded that the EC system for subsidizing the exports of sugar constituted a threat of prejudice in terms of Article XVI:1. Subsequently, the Director-General had organized a working party between the EC and the contracting parties on the possibility of limiting EC subsidization of sugar exports. In this working party, the EC had reviewed the measures it was taking in its sugar regime which in the EC's opinion, would bring it into compliance with Article XVI:1. Other participants however, believed that the EEC system would continue as an open-ended one, and would constitute a threat of prejudice in terms of Article XVI:1. The US representative noted that none of the participants in this working party however, had denied the need to take action: the issue had been one of how extensive the action should be. He also referred to the report of the London Preparatory Committee of the Havana Charter wherein it was noted that the word "limiting" meant not only maintaining subsidization at as low a level as possible but also a gradual reduction in the subsidization where appropriate. The US considered that clearly a reduction in subsidization would be appropriate in the case where subsidization was adversely affecting the interests of contracting parties.

46. The representative of Switzerland stated that, based on the Committee's discussions, the term prejudice as used in Article XVI paragraph 1 second sentence appeared to include competition among exporters on third markets. However, the Ministerial Declaration stated that subsidies could cause serious prejudice to the trade or to the interests of contracting parties. One might imagine that such prejudice concerned as well the competition between exporters, as the competition to domestic production in importing countries and that the latter aspect also was a source of concern to the Committee.
47. The representative of the European Communities asked how the EC could have measured the limitation it was supposed to make on its subsidization, given that the two sugar panels had not established the level of prejudice that the EC had allegedly caused. Some countries had asked for a total ban on EC export subsidization. He felt that this went further than the obligation under Article XVI:1 to discuss the possibility of limiting the subsidization. The provision did not mean that a contracting party would have to take such action which would prevent it from exporting any longer. He also noted that the Subsidies Code had introduced the rule of undercutting. Therefore, if a contracting party respected this rule, it no longer depressed prices on the world market. He also mentioned that the EC had changed its system on sugar and therefore had fulfilled its obligations under Article XVI. The Community would never accept the position that the granting of subsidies in principle meant that a country had more than an equitable share of world export trade.

48. The representative of Argentina did not share the EC view that if a contracting party did not reach the limit of more than an equitable share of world export trade, it was in the clear. He found that the debate over past cases was turning too theological or technical. He hoped that the Committee would pass this stage and move towards a political stage, in order to find a pragmatic solution on the question of subsidies.

49. The representative of Chile observed that Article XVI:1 had been drafted, and incorporated into the GATT, by the fathers of the GATT. The remaining paragraphs 2 through 5 of Article XVI had been drafted by the fathers but incorporated by their sons, so to speak. It was important to note that Article XVI:1 had existed alone until 1955, at which time Section B had been added. One should realize then that paragraph 1 had been intended to be self-sufficient. The secretariat document had shown that the question of who determined prejudice under Article XVI:1 remained open. It could be an affected country that made this determination. In this case, such a determination would be subjective, and could be subject to a contrary view. Therefore the discussion could be oriented towards deciding whether or not a prejudice existed, rather than towards a direct solution of limiting the subsidization. However, when the contracting parties, either through a panel or working party, determined that prejudice existed, this could not be put into doubt. In this context then, it was not a matter of simple discussion or consultation, but it was expected that the contracting party would take the necessary steps to remove the prejudice or threat thereof. Moreover, he considered that prejudice was not simply obtaining more than an equitable share of the market. There could be other possibilities of a prejudice existing, which were not covered by Article XVI:3; for example, where the value of a concession granted had not been taken into account, or the depressing effect on prices as a result of stocks.

Article XVI:3: "equitable share"

50. The Chairman next raised the questions as to whether the equitable share principle embodied in Article XVI:3 was sufficiently well-defined or interpreted and whether this provision was an effective discipline on export subsidies.
51. The representative of the United States stated that the rules were imprecise, in that they prohibited the effects of subsidies rather than limiting their use. He also pointed out that the case-by-case application of the rules had been unsatisfactory since panels had been reluctant to make clear legal findings. Therefore, in the opinion of the United States, the equitable share principle was not providing an effective discipline on the use of export subsidies. The other concepts contained in Article XVI:3 needed more precision as well; for example, a determination regarding equitable share permitted certain special factors to be considered. In looking at the trade effects caused by subsidies, he believed that one should consider whether those effects would have otherwise occurred in the absence of export subsidies. In practice, the subsidizing exporter had tried to show that its increased market share had resulted from some special factors rather than its subsidies; such as, as a result of a crop failure or other natural disaster or a strike experienced by a competitor. However, the US representative stated that an increased market share resulting from a special factor did not give the subsidizer a proprietary right to maintain such a share, when the special factor no longer existed. In his opinion, this was an example of where the equitable share principle needed tightening. There were certainly other areas as well which were imprecise. He hoped that the focus of the Committee's more technical discussions would be on the need to limit the use of subsidies, and not merely to mitigate their effects.

52. The representative of Canada referred to the growing distortion caused by government intervention, and its consequent effect on trade patterns. In this context, he asked whether it was possible for any panel to determine whether a subsidizing country is gaining more than an equitable share of the market. In the past, where a panel had made such a finding the trade environment was less distorted than was the case now.

53. The representative of the European Communities believed that there should be a better definition or clarification of the concept of equitable share. One question that should be addressed was the scope of the term "world export trade": whether this was limited to commercial transactions or also extended to non-commercial transactions. Related to this question was whether trade on the world market or on an individual market, in determining whether more than an equitable share had been obtained. He noted that the Subsidies Code had tried to solve this problem and suggested that the Committee discuss whether the Code had indeed succeeded. The wheat flour panel had shown that there had been a great divergence of views between the US and the EC as to what constituted an equitable share. The question of special factors should also be considered. He asked the secretariat to comment as to how Article XVI:3 could be clarified.

54. The representative of the secretariat stated that he had always been struck by the lack of symmetry between the GATT provisions on imports and those on exports. Article XI:1 prohibited quantitative restrictions. Paragraph 2 authorized under certain conditions exceptions to this prohibition. As regards Article XVI, however, the drafters had not proceeded in the same manner. They had provided a
certain tolerance for export subsidies, and around this tolerance a very complicated and confused jurisprudence had been built. Given that conditions had changed since 1947 one could imagine that now, or in 1985, the symmetry between the provisions on export and on imports could be re-established. This would mean that subsidies on the export of primary products would be prohibited, just as quantitative restrictions are prohibited. Subsequent paragraphs of Article XVI therefore, could institute a certain number of limited and precise exceptions. He had been struck by the small number of cases where Article XI:2 had been invoked in the notifications under Exercise A. This provision contained the derogations to the ban on quantitative restrictions. He hoped that the invocation of exceptions to Article XVI would also be as limited. Whatever the case, the contracting parties from the beginning had organized things inversely by saying more or less that export subsidies should not be considered as something well and good, but establishing a tolerance for them. Here was where one found the famous equitable market share. The history described in the secretariat document showed clearly that the different panels which were established to resolve particular disputes had had truly disorganized opinions as to the interpretation of the various provisions of Article XVI:3. It was extremely difficult to grasp a general line of case law in the decisions of the panels. In his view, the extreme limit had been reached in the panel on wheat flour, where the panelists had stated lucidly and courageously, that the provisions of Article XVI had been interpreted so divergently, that they did not feel authorized to side one way or the other, or to add a new interpretation to what existed already. This proved that a limit had been reached, in terms of the history of law, when judges stated that they were no longer capable of interpreting the law. As regards equitable market share, panels had in the main followed a two-step approach. In examining each particular case, panels had tried to gather together a certain number of facts, trying to collect a bundle of presumption. First, they addressed themselves to whether a subsidy existed. In general this was the easiest question for panels to determine. Secondly, they saw whether there was an increase in the share of the country in question on the market in question. Here again this was fairly easy to establish because this involved statistics. Thirdly, they examined whether there had been a decrease in the share of the competitors in this market. In the main again, statistics helped to answer this question. Had sales taken place at a price which was on the whole below the price existing at that particular time on the world market? This became more difficult to answer as it was very difficult at least for certain products to determine a world market price. Certain points of reference had been lacking, for example, how did one establish the world market price for wheat flour. Was it the price published in the United States market price list or a price derived from the price on the Chicago market for wheat, adjusted by processing co-efficients or the price or the prices in tendering operations that had been presented by certain complainants? Nevertheless, the panels had tried to establish a certain presumption in general. Presumption was not proof. What had always been lacking in order for the panels to truly establish that there had been an infraction or else to acquit the guilty party - the accused party if you will, was establishing the causality between the subsidization and the different elements of presumption. Here was where the special factors
came in. We had witnessed in a number of panels the amplification of the role of these special factors, which completely put into question the relationship which must necessarily exist between the granting of a subsidy on exports and the increase in the market share, which was the subject of a complaint. In numerous, if not the majority of cases, it appeared extremely difficult for the panels to establish this causal relationship, even when panels found that a subsidy was being granted without a shadow of a doubt, which permitted country X to increase its share of the market while the shares of others decreased at the same time that the sale was being made, and at such a price which appeared to be below that of the world market. Panels could not supply the proof, could not establish with certitude that because of a subsidy that a country was granting, it maintained more than its equitable share of the market. This was because at the same time a dozen, or two dozen, special factors had intervened in the game, so confusing matters as to destroy any possibility to pass judgement. Further complicating matters in the five panels was the fact that the notion of commercial prejudice was not clearly established. In certain cases, trade prejudice was not even complained about nor invoked, as the volume of trade involved was extremely small. Rather, what had been invoked in some cases was a sort of moral prejudice stemming from the fact that GATT provisions had been violated, in the view of the complaining party, and this could open the way to more important prejudice on trade. Contrary to what had been believed for a long time, it appeared from the panels that it was not necessary to have a trade prejudice established or in evidence to have recourse to action under Article XXIII. The representative of the secretariat considered that the notion "equitable share" was extremely ambiguous because of the word "share". One could imagine that market shares which had been negotiated were inevitably equitable, but this might not necessarily be true. A certain number of international commodity agreements set something which resembled an equitable share. For example, when export quotas were fixed under the international agreement on coffee or sugar, this did not entail the sharing of individual markets but the fixing of the maximum contribution by each participant towards the supply of the world market. Thus there was nothing extraordinary in the concept of equitable market share. As opposed to international commodity agreements, market shares were not negotiated nor probably negotiable in the GATT. As a consequence all panels established to determine what was equitable or not must necessarily and largely refer to subjective notions. That was how we had arrived at having panels with divergent interpretations or no interpretations at all. At this stage of the discussion, it was difficult to imagine how the concept could be modified or improved in order to make it more compact and less subject to debate. As it stood now, it was obviously open to a variety of interpretations, because of its imprecision, and because of the role that special factors were called to play more and more in its definition.

55. The representative of New Zealand stated that the secretariat documents and remarks had highlighted the dilemma and problems of interpreting Article XVI:3. He still felt that the Committee should formulate an agenda for bringing clarity to the provisions on equitable share, a criterion for assessing whether injury had taken place. In his
opinion, the trouble with equitable share was that it was a false precision. It sounded scientific but just meant fair. Article 10 of the Subsidies Code had been a recent attempt to bring precision to Article XVI. Its paragraph (a) contained the notion of displacement. Its paragraph (b) provided that a given market share pattern should be carried over into new markets. He wondered whether this was really equitable, when in the absence of subsidies, a different allocation of the market would have taken place. In other words, it provided a static basis for assessing what was equitable. In this connection, he queried whether Article 10(b) of the Code was at odds with the principles of GATT Article XVI:1, where there was a broader picture of possible prejudice. Moreover, Article 10:3 of the Code had grappled unsatisfactorily with the concept of price impact of export subsidies. This was a new thing, separate from equitable share, and not in Article XVI. Article 10:3 prohibited signatories from granting export subsidies resulting in prices materially below those of other suppliers to the same market. Such a provision made no sense in situations when a product was not in oversupply, seeing that the exporter would not deprive himself of available returns. But if the product was in oversupply the subsidizing exporter would take a part of the market from his competitors and this went back to the question of equitable share. Another case that interested New Zealand in particular which had not been addressed in Articles XVI or 10, was where subsidies lowered the overall price levels on the market and other suppliers had to reduce their prices to protect their market share. This was a problem that should be on the Committee's agenda for subsequent discussion. In this situation, subsidies were depriving suppliers who could sell without subsidies, the benefits of their comparative advantage, and the returns they could hope to obtain from the market in the absence of subsidies or with reduced subsidies. Article 10 of the Subsidies Code had fallen short of the clear guidance as regards Article XVI that its drafters hoped they would achieve. This pointed to the subsequent work that the Committee should focus on.

56. The representative of the European Communities felt that the Committee was sliding away from what the Ministers had requested. The Ministers had not asked the Committee to write new disciplines. The position of New Zealand was that Article XVI:3 led to divergent interpretation, and therefore it should be rewritten by establishing new disciplines. What worried the EC representative was that the New Zealand position started from a reasoning which was not the GATT's. As the secretariat had pointed out there was a difference between Articles XI and Article XVI. The former prohibited and provided exceptions. The latter was not a prohibition but a tolerance. Of concern to him as well was the New Zealand view that maintaining a share with subsidies meant that one had more than an equitable share. The EC representative did not agree with this opinion. Maintaining a share with subsidies was not necessarily inequitable. He referred to the interpretative note to Article XVI:3 wherein it was stated that "the fact that a contracting party had not exported the product in question during the previous representative period would not in itself preclude that contracting party from establishing its right to obtain a share of the trade in the product concerned." For example, the United States in the past had not exported dairy products. The GATT did not prohibit the United States
from subsidizing exports of butter in order to obtain its share of the world market. That was the reality of the GATT. A country which did not subsidize in the past but which decided to grant a subsidy to maintain a share in the world market was not guilty under the GATT. That was the rule and it could not be changed. He agreed with New Zealand that Article XVI:3 had led to different interpretations and therefore was badly written. The Community was ready to write it to make it clearer but did not agree to write it by adding new disciplines. This would go further than what the Ministers had requested. He did not agree with the view that the fact of granting a subsidy was in itself a factor that created an inequitable share. This was another question and would mean a new rule in the GATT. Experience had shown that politicians and big bosses should never be left alone. This had led to the drafting of Article 10 of the Subsidies Code. Not that this Article was absurd, but he was sure that the participants here working together could have written it differently. He also considered that discussions on subsidies should continue between this meeting and the meeting of the Committee in March.

57. The representative of Argentina agreed with the statement of the secretariat as regards the importance of special factors in determining equitable share. Nevertheless, he felt that the Committee should not go too deeply into these problems and lower the level of the discussion to a technical level. The Committee had been asked by the Ministers to examine the effectiveness of Article XVI in promoting the objectives of the General Agreement and avoiding subsidization seriously prejudicial to the trade or interests of the contracting parties. The ultimate goal of the Committee was to make recommendations with a view to achieving greater liberalization in the trade of agricultural products. He did not believe that greater liberalization could be achieved via a greater use of export subsidization. Therefore he thought the Committee should focus on proposals for fixing the parameters for limiting these practices.

58. The representative of Canada referred to the EC contention that the basic rules of the GATT could not be changed and that the mandate given by Ministers of the Committee did not include envisaging a change in the GATT rules. He believed, however, that this was an incorrect interpretation of the facts. At their meeting, it was clear that the Ministers had recognized that the state of trade in agricultural products was reaching a disastrous situation. They had asked officials not just to examine the problem, but to come up with concrete recommendations. Moreover, the wise men that had drafted Article XVI recognized that this Article might not be effective. This was evident in that they had provided in Article XVI:5 a review of the operation of the provisions with a view to examining its effectiveness. The problem with the Subsidies Code as it related to agricultural trade was that the two major protagonists having not agreed on the substance of the problem drafted around the basic problems. He referred to the incipient trade war between the European Community and the United States, as well as the fear of other countries to be caught in the middle. At the Ministerial meeting the Minister from Australia had made a valid point, in asking whether it was necessary to have a trade war before countries were prepared to come up with new rules, if such rules were required. In the
view of the Canadian representative, that was what the Committee should be getting into. The observations of the secretariat as regards the history of the evolution of equitable share led one to believe that it would appear virtually impossible to come up with an elaboration or a clarification, or a drafting around the problem of the equitable share principle, which was a subjective concept, thereby translating it into something operationally meaningful and quantifiable. This suggested to him that it would not do by saying that Article XVI:3 was the status quo, could not be changed, or could be clarified only by drafting around the problem. The basic problem remained the domestic support policies which existed in all countries. Until the Committee tackled that problem he was afraid that it would not get very far.

59. The representative of Hungary stated that he recognized the great importance attached to understanding and interpreting well the Articles of the GATT. Similarly he agreed that interpretation as such was not for the Committee, but for the CONTRACTING PARTIES to do. This of course did not preclude, in his view, that interpretations given by the Committee could be endorsed by the CONTRACTING PARTIES. Experience had shown to him that the only equitable share was the lion's share. This did not satisfy small suppliers like Hungary but it was a fact of life. He was worried that the Committee was putting the cart before the horse by discussing concepts before it had reviewed what it would do with these concepts. It was important, in his view, to have a sort of moral guarantee or at least, a not unfounded expectation that if the Committee did come to an agreement, this would result in action being taken.

60. The representative of New Zealand agreed with the Canadian view that the Committee was not precluded by its Ministerial mandate from looking searchingly at the contents of the provisions of Article XVI and considering what changes might need to be made thereto. He also agreed however, with the EC implication that it would be a hopeless and time-wasting task to try to bring about a root and branch revision of Article XVI. Certainly he did not want to appear as suggesting that. It was important, he believed, for the work in the Committee to go beyond the relatively narrow parameters of the concepts contained in Article XVI.

61. The Chairman stated that he would not attempt a summary of the Committee's discussion on equitable share. The secretariat had commented on the fact that Article XVI was difficult. The Subsidies Code existed on which he would pass no judgement. There had been a feeling however that panels were not able to come to conclusions anymore. Therefore, he believed that the Committee should look at Article XVI not to scratch it off nor to prohibit altogether subsidies, but rather participants should explain to one another what should be the limits on subsidies or the future possibilities of having subsidies, on the domestic market as well as on exportation in order to avoid trade wars.
"Primary product" and Article XVI:4

62. The Chairman next raised the questions as to what constituted a primary product and what were the obligations of contracting parties as regards the subsidization of the primary product component of a processed product.

63. The representative of the European Communities stated that there were two problems - one was the definition of a product other than a primary product and secondly in what form a primary product could be presented. He referred to the fact that a definition of primary products was included in the Notes and Supplementary Provisions to Article XVI. When contracting parties had approved this definition, it was more or less understood that any problems that might arise would be handled on a case-by-case basis. He thought it would be difficult to go further in clarifying this definition and considered that really the problem did not lie here. The real problem in his view was whether Article XVI:4 in light of past practice could be read as stipulating that contracting parties could not grant subsidies on a primary product, if that primary product was incorporated into another primary product or processed. He referred to the dispute between the EC and the US on subsidies on pasta. In this case, the EC had not been subsidizing pasta but the primary product incorporated in the pasta, as had been the practice all the time. The United States had shown the way for this when in 1958 and 1961 it had made an interpretative declaration as regards the subsidization of cotton and of cotton in textile products. In its notifications under Article XVI:1, the Community had always clearly stipulated that it subsidized processed products. This had never been the subject of discussion nor to dispute. Similarly, Australia had subsidized the sugar incorporated into candy. This had not been contested until the United States, upon a complaint, had imposed a countervailing duty on Australian candy. Although it did not use the same jargon, but referred to equalization, Switzerland did subsidize the export of processed agricultural products, as did the Nordic countries as well. The practice had never been challenged until the United States woke up on the question of pasta. The question was therefore was it permissible to subsidize wheat. In its natural form, the answer was yes, once processed, some said no. The reading of Article XVI:4 did not say so. Supposing it was clearly established that the granting of the subsidy on a primary product was permissible in its natural form as well as processed, the third question that could be raised was which rule would then apply to the subsidy. The concept of equitable share existed. It applied on the primary product in its natural form, but would it apply to the primary product component or to the processed product? Seeing that it was not clear what rules should apply, and if the United States had been more reasonable a year and a half ago, there could have been discussions on what disciplines should apply on processed products. The equitable share concept could apply to those processed products for which there was a world market; for example, wheat flour or barley malt. However, to apply an equitable share on the primary components such as wheat and wheat flour or sugar incorporated into candy would seem difficult, if not absurd. A rule needed to be found. Saying things must be clearer, did not mean that one was going further than the actual rule. One could discuss, for
example, whether the rule should be that no subsidy should be granted on the exports of processed products that was higher than the equivalent of that on the primary product component. He also recalled that Article 10 of the Subsidies Code had been written on a tablecloth at the Hotel Intercontinental in Geneva at a meeting between Messrs. Strauss and Gundelach. The agreement was not very good and therefore showed that a problem or solution that is not ripe should not be brought into the hands of politicians. He hoped that the discussions on subsidies would be taken as far as they could in the Committee. He doubted whether the Committee could fulfill well its Ministerial mandate, in the way that other speakers had indicated, if it did not continue to discuss things as it was doing now informally, and if it did not prepare beforehand the matter, before placing it at the political level. He observed that it was GATT practice for the Chairman of a group to consult with delegations. He thought such a formula would be advisable, rather than for the Committee to go directly into the subject of subsidies in March.

64. The Chairman agreed that now was not the time to put formal proposals on the table.

65. The representative of the United States stated that he would begin his remarks with a question: was a sandwich a primary or a non-primary product? The Chairman as well as the EC had asked what were the obligations of contracting parties as regards the subsidization of the primary product component of a processed product. He considered that the way this question was framed presumed that it might be permissible to subsidize a processed product, by claiming that the subsidy was on the primary product component thereof. Article XVI:4 made it clear that it was not permissible. The rule was clear, the problem was that the Community did not like the rule. The obligations under Article XVI:4, for the contracting parties bound by the paragraph, were to cease to grant either directly or indirectly any form of subsidy on the export of any product other than a primary product. The panel established under the Subsidies Code to examine the EC subsidies on the export of pasta had considered every aspect of this issue, and had correctly concluded that export subsidies on such processed products were prohibited. He characterized the Panel's report as correct, well-reasoned, and clearly stating the rule, leaving no question as to the obligations of the contracting parties under this provision. The United States did not intend to re-argue the pasta case in this Committee. He emphasized however that they were not here to negotiate either Article XVI:4 or Article 9 of the Subsidies Codes so as to lessen the obligations of the contracting parties.

66. The representative of Chile observed that there was one category of goods on which all appeared to agree constituted primary products, and another category which all recognized as not primary products. He felt that the Community had quite rightly drawn attention to the grey area of certain products, in particular wheat flour, which were inbetween primary and non-primary products. He thought that a solution could be found for this. Secondly, there was the question of the meaning of the rules on the subsidization of the primary product component of a processed product. The history of the GATT demonstrated that the rule was clear. Article XVI:4 prohibited subsidization of processed
products. This rule had been reproduced in the Subsidies Code. When the United States had made its unilateral interpretation about subsidizing cotton in textiles, there were those who did not accept this, including Mr. Gundelach, as well as representatives of Sweden and Denmark. What we were confronted with was a rule that was perfectly clear, and certain practices. He could not accept the argument that because practices had been enforced which had not been contested, this meant that a new rule was in place that had been accepted by all contracting parties. Thirdly, he considered that the Community had quite rightly posed the question of whether by chance or otherwise it was determined that it was possible to subsidize the primary product components of a processed product, what kind of disciplines should apply. It was evident that the concept of equitable share could not apply. Therefore the debate in the Committee, in his view, should cover the fact that certain practices existed, some of them had been notified, and that it would be important to determine to what discipline or control they should be subjected. If these practices were considered legitimate, Article XVI would have to be redrafted to provide a specific paragraph concerning the disciplines on processed products. He considered this to be an interesting hypothesis because by reopening the question of redrafting or examining the scope of Article XVI, contracting parties would be embarking in a complete renegotiation of that Article. He stated that he would prefer to see that the practices in question be replaced by those that were legitimate under the GATT or altogether eliminated.

67. The representative of Switzerland stated that the Community had appeared to imply that Switzerland had been secretive about its equalization systems on processed agricultural products. The representative of Switzerland referred to the last complete notification under Article XVI:1 furnished by his country (L/5102/Add.9). In that notification it was stated clearly that in order to place the Swiss foodstuffs industry on an equal footing with foreign competitors in respect of the cost of agricultural commodities used in the preparation of processed products, a Federal Law authorized Switzerland to charge variable elements on imports and to grant contributions on exports. The contributions on exports as well as the variable elements on imports were calculated periodically on the basis of the difference between Swiss and foreign prices of agricultural commodities. By replacing the words "contributions on exports" with "export restitutions" he suggested that the system then would describe the EC system on processed products. The Swiss notification also specified that contributions on exports had been granted for dairy products, preserved eggs, cereal products and sugar and molasses, when these commodities were exported in the form of processed foodstuffs such as chocolate, biscuits, infant food, confectionery, macaroni, spaghetti and the like, soups, sauces etc. The amounts of the contributions to exports were also indicated under the title "Amount of Subsidy", which showed that Switzerland was not hiding the fact that this system did involve a subsidy. It was also noted that the subsidy allowed Swiss undertakings to be placed on foreign markets in the same competitive conditions as foreign undertakings in respect of the cost of purchasing the principal agricultural commodities. Through its notification, Switzerland was recognizing implicitly that its system was compatible under its obligations under Article XVI, as well as the Subsidy Code. His delegation was ready however, to examine the rules applicable on the granting of subsidies on processed agricultural products because it seemed that there was a lacuna in the GATT in this regard.
68. The representative of Finland stated that the Nordic countries had made clear their position on the question relating to the subsidization of exports of processed agricultural products. To them, this was a very important issue which had ramifications well beyond the concrete case which had been discussed in the Committee on Subsidies and Countervailing Measures. The Nordic countries did not believe that the long-standing practices that had prevailed before the Tokyo Round negotiations had been changed by the negotiation of the Subsidies Code. Such a change would not have taken place without explicit discussion and agreement among the negotiators. He added that the representatives from Nordic countries had taken an active part in the negotiation of the Code. It should be clearly recorded that the Nordic countries did not accept the interpretation that the primary product component of the processed agricultural product could not be subsidized. This was allowed, in their view, as long as the subsidy did not exceed the level needed to compensate the difference between the higher domestic price and lower world market price for the agricultural raw material component used in the manufacture of the processed product. Like the representative of Switzerland he hoped that the Committee could come to a consensus on the matter but he thought the task was difficult.

69. The Chairman asked the secretariat to comment on the issue.

70. The representative of the secretariat stated his view that the fact that this question was before another group should not stop the Committee from reflecting as to the best way to find a satisfactory solution to the matter. Having spent a long time on the pasta case, he wished to stress at the outset that the opinions that followed were strictly personal. It seemed to him that the subsidization of the primary product component raised four major economic or trade inconveniences. Firstly, one did not know where the subsidization should stop. Trees, for example, were a primary product - planks were the object of a first processing and furniture of the second processing. It was difficult to know where to stop the subsidization in this scheme of things. If the wood that was incorporated into furniture could be subsidized, he did not see what was left not to subsidize, perhaps the nails or the screws. The second inconvenience was that the processed product, which all would agree was a non-primary product, escaped from the rules of Article XVI:3, as the EC had pointed out. He saw with difficulty how the contracting parties could negotiate what constituted the equitable share on a particular market for biscuits or petits fours. Thirdly, the subsidization of a primary product component involved an extraordinary bureaucratization at the border. He had always wondered how one could calculate how to grant a subsidy on the unnatural sugar incorporated into fruit juice, given that the natural sugar content of fruit juice varied year to year with the sunshine. A fourth inconvenience was that it was probably known that the subsidization of the primary product component led to fraud and contraband. It was not the EC Commission's civil servants who would deny this point, given in particular the rather loose definition they had given of inward processing arrangements. Apart from the fact that this technique costed a great deal at the border, since sometimes as much as 50 per cent of the value of the product was in question, he had wondered whether a possible solution might come from comparing, or by analogy with, what
existed under rules of origin, wherein the added value played an essential role in the final determination of the origin of the product. Although they had been completely free to do so, he thought it was a pity that the experts who had studied this question had tried to resolve it according to essentially legal criteria. He referred to the fact that one or two years ago, the United States had decided to implant a network of bakeries in the Republic of China. He asked whether indeed this was the good way out. If a country truly considered that it faced unfavourable conditions of competition on its exports of a primary product but nevertheless wished to conquer foreign markets, it was up to that country to do what was necessary; i.e., to invest in the industrial manufacturing process in the countries whose markets it wanted to conquer. It seemed to him that it was not beyond the efforts of the contracting parties to agree to a list of products which constituted a primary product, provided that all parties brought with them a certain amount of common sense. Another solution would be to prohibit purely and simply the subsidization of the primary product component of a processed product. A third solution would be to subject the products so subsidized to at least the same or equivalent disciplines to be found under the equitable market share provisions of Article XVI:3. In the strictly legal considerations of the pasta panel in the elaboration of its conclusions, what it had judged open to criticism was not the fact that the primary product component was subsidized, but rather that the subsidy was granted to the processed product. Given the ingenuity as well as the number of civil servants in Brussels, he thought it would suffice for them to modify around 250 Commission regulations to render the EC system less prone to attack, by transferring the stage of the subsidy from the processed product to the primary product. He did not know whether there was any future in such a path, and whether the formal respect of the GATT provisions in this case would necessarily benefit agricultural trade.

71. The representative of Hungary observed that the solution for a country to introduce itself into the industrial process everywhere in the world was only available to those countries who had unlimited means to do so. Only the big rich countries could afford this. He characterized as interesting the secretariat suggestion for using a method similar to that employed for rules of origin. Another method, more closely related to exportation, was the drawback system. This permitted the production and exportation of the paid tariff content of the product, and this was passed on at whatever stage of manufacturing. He wondered whether such a refund system which was allowed under GATT rules could be assimilated to this question of refunding the primary product content of a processed product.

72. The representative of the United States stated that the issue in the pasta case was not whether pasta was a primary product or not. Quite frankly, no known definition of a primary product was needed in his view. The Panel had found that the EC subsidies were paid on pasta and not on durum wheat. The problem was not whether the product in question was primary or not, but rather that those countries which subsidized non-primary products, in contravention of the GATT and the Subsidies Code, wanted a new rule that made that practice permissible. The secretariat idea for a new list would require, as noted, a renegotiation of Article XVI.
73. The Chairman agreed that this would involve changing Article XVI but that this did not mean necessarily that the Committee could not make recommendations to do so if it so wished. He did not wish to summarize this the Committee's first discussion on subsidies. Of course, the Committee would continue its discussion, in particular on the question of what constituted a primary product, and the question of subsidizing a primary product component. The Chairman, in co-operation with the secretariat, would be presenting further ideas to assist the Committee at a future meeting.
Progress report

1. When closing the session on 13 October 1983, the Chairman suggested to submit a progress report to the Council and the CONTRACTING PARTIES, with the following content:

(i) The Committee has held three meetings, in March, June and October 1983. At its first meeting in March 1983, the Committee adopted its Programme of Work, which has been circulated in document AG/1 (see Annex I). At a second meeting in June 1983, the Committee elected as its Chairman Mr. Aert de Zeeuw (Netherlands), confirmed its work programme and discussed problems related to the establishment of documentation and the organization of work at its third meeting.

(ii) The Committee entered into work on substantial matters at its third meeting, held from 4 to 13 October 1983. It carried out the examination of trade measures affecting market access and supplies, including those maintained under exceptions or derogations (Exercise A) for the following 23 countries and the European Communities, for which adequate information had been submitted as agreed when adopting the Programme of Work: Argentina, Australia, Austria, Bangladesh, Canada, Chile, Colombia, Finland, Hungary, Japan, Kenya, New Zealand, Nigeria, Norway, Pakistan, Peru, Philippines, South Africa, Spain, Sweden, Switzerland, United States, and Yugoslavia.

(iii) The discussion brought out some major deficiencies in the information submitted. It would therefore be desirable for the secretariat to act to improve that information, in particular by including in the tables all relevant information to be found scattered in various GATT papers. That however would be a long-term routine exercise which would not require establishing a special time-table. It is noted that the up-dating and completion of the agricultural documentation, the AG/DOC/-series, will be continued according to already established procedures (AG/1, paragraph 2).

(iv) The cross-examination of trading policies very clearly demonstrated a well-known phenomenon, namely that the contracting parties have all had recourse to a more or less broad range of restrictive practices, affecting both imports and exports. The perception which governments have of such restrictive measures is, broadly speaking, that their rights under the GATT permit them to take such measures. Provision of Article XI, XVI, XVII, XX and XXIV, "grandfather" clauses, legislation pre-dating accession to the General Agreement or waivers have been frequently invoked to justify their action. It seems fairly clear that in many cases views differed as to the perception of the use of such rights under the GATT, either because of a different interpretation of GATT provisions or because it was felt that the use being made of certain of those provisions might substantially disrupt the balance of rights and obligations deriving from the General Agreement. In its preparation for the March meeting the secretariat should keep this aspect of the discussions in mind.
(v) The Committee decided to examine trade measures of other countries, for which the necessary information had not yet been available, at a meeting to be held from 28 November to 2 December 1983, and to conclude Exercise A at that meeting, if possible. The Chairman urged the delegations of those countries to take the necessary steps as a matter of urgency to have the required documentation submitted as soon as possible and not later than 7 November 1983.

(vi) Furthermore, the Committee has also started its examination of the operation of the General Agreement as regards subsidies, especially export subsidies, including other forms of export assistance (Exercise B), mainly on the basis of a note by the secretariat (AG/W/4).

(vii) The discussion revealed that the frequent and extended application of subsidies had caused problems to the trade in agricultural products, but the Committee recognized that it was difficult to assess the impact this has had on the trade.

(viii) A general opinion was prevailing in the Committee that any subsidy, including any form of income or price support, which operate directly or indirectly to increase exports or to reduce imports should be more extensively notified; that these notifications should be subject to regular review and that it might be necessary to reshape the questionnaire adopted by the CONTRACTING PARTIES in 1960. It was recognized, however, that some difference of view was still persisting with respect to product coverage and the measures to be included in such notifications. Views were also divergent with respect to the interpretation and application of other provisions of the General Agreement regarding subsidies, notably those contained in Article XVI, and the Committee decided to pursue further its discussion on such matters, inter alia, the obligation to discuss the possibility of limiting subsidization, and the notions "more than equitable share", "special factors" and "primary products".

(ix) The work on Exercise B may possibly be pursued further at the meeting in November, but will definitely be continued at the meeting scheduled for March 1984. The Committee intends in any case to complete both the examination of trade measures affecting market access and supplies, including those maintained under exceptions or derogations (Exercise A) and the examination of the operation of the General Agreement as regards subsidies, especially export subsidies, including other forms of export assistance (Exercise B) at its meeting in March 1984. It will also in March give preliminary consideration to conclusions to be drawn from the examinations. The Committee intends to elaborate its conclusions and recommendations, at meetings in May and June 1984 and subsequently adopt its final report to be submitted to the Council and the CONTRACTING PARTIES for consideration at their 1984 Session.
2. The Committee accepted the suggestion by the Chairman, and authorized him to make, on his own responsibility, a progress report to the Council and the CONTRACTING PARTIES. (The progress report has been circulated in L/5563.)

Further work

1. When closing the session of the Committee on 30 November 1983, the Chairman made the following suggestions with respect to further work:

(i) The secretariat is invited to prepare a report on the Committee's discussions so far, highlighting the essential aspects which have emerged from the debate, and have it distributed by 15 February 1984. This document will form the basis for the Committee's work at its meeting in March 1984.

(ii) The Committee will also have an opportunity to revert to any remaining problems relating to the notifications, including reverse notifications which may have been submitted by then.

(iii) The next meeting of the Committee will begin on 5 March 1984 as previously agreed and will be continued for as long as is necessary.

(iv) The Chairman intends to convene a meeting of the Committee at senior policy level on 2 to 4 April 1984. Delegations which intend to attend the meeting at such a level are invited to advise the Secretariat accordingly at an early date.

2. The Committee accepted the suggestions made by the Chairman regarding further work. (The decision has been circulated in AG/3.)