

GENERAL AGREEMENT ON TARIFFS AND TRADE

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CONTRACTING PARTIES
Twelfth Session

Committee on the Treaty Establishing the European Economic Community

SUMMARY RECORD OF THE MEETINGS

held at the Palais des Nations, Geneva,
on Tuesday, 5 November 1957 at 3 p.m. and
Wednesday, 6 November 1957 at 10 a.m.

Chairman: H.E. Mr. Dana Wilgress (Canada)

Subjects discussed: 1. Trade in agricultural products
2. Plan and schedule

1. Trade in agricultural products

The CHAIRMAN invited the Committee to consider the provisions of the Treaty concerning trade in agricultural products, in relation to the provisions of the General Agreement.

Mr. CHRISTENSEN (Denmark) stated that the statistical information prepared by the secretariat showed clearly that hardly any other country had a greater trade interest in agricultural products with the Community. As the views of Denmark on the future agricultural policy of the European Economic Community had been referred to in some detail during the Ministerial Meeting he would limit himself to a few remarks. There were two distinct groups of problems: those connected with the final agricultural policy of the Community and those likely to arise in the transitional period. With regard to the first group, the Treaty and the information given by the Member States indicated that although the customs union would include agricultural products, trade in those products would not be completely free but subject to a common policy establishing a managed market. The Treaty set out in very general terms the objectives of such a common policy and a list of measures which might be applied to further them. The alternative forms of regulation which clearly represented different grades of interference in the free trade in agricultural products were: (a) common rules concerning competition, (b) compulsory co-ordination of the various national market organizations and (c) a European market organization. How the two last and most comprehensive systems of market regulation would not conflict with the concept of a genuine customs union as set forth in Article XXIV was hard to see.

Furthermore some of the other measures mentioned in the Treaty, such as the establishment of machinery for stabilizing imports or exports would not be in accordance with the provisions of the General Agreement. The final detailed agricultural policy and the selection of the most appropriate among the measures listed would, however, only be decided in the course of the negotiations prescribed in the Treaty. There was, therefore, still room for hope that the Six would ultimately be convinced of the advantages to all of a free exchange of agricultural products and would adopt the freest system, that of fixing common rules for competition. If, however, a highly protective system emerged it would be very difficult to reconcile the provisions of the Treaty with those of the General Agreement. The CONTRACTING PARTIES could not at present pass any judgment as to whether the Treaty would in fact lead to a genuine customs union for agricultural products in the sense of Article XXIV. They could, however, play an important role in the further elaboration of the final agricultural policy and might request the Six to present their plans as they were developed for examination and comment by the CONTRACTING PARTIES before their implementation.

Addressing himself to the transitional period, Mr. Christensen noted that under the Treaty the Six might in 1959 start replacing quantitative restrictions by minimum prices and long-term contracts. In this connexion he stressed that the formation of a customs union far from creating any right for participating countries to introduce quantitative restrictions either among themselves or towards outside countries should, on the contrary, further free trade for all. The CONTRACTING PARTIES had hitherto been able to do little with regard to the freeing of trade in agricultural products. At present four of the Six countries were entitled to use quantitative restrictions. Italy and France applied such restrictions for balance-of-payments reasons, but their restrictions also involved protective elements. A Waiver had permitted Belgium and Luxemburg to protect their agriculture. For Germany and the Netherlands, the problem would arise of establishing a legal basis for protective measures. In considering these problems the CONTRACTING PARTIES would have to take into account that they had granted to some contracting parties the right to apply restrictive measures. However, their task was to facilitate an orderly expansion of trade, also in the agricultural field, and they had, therefore, the obligation to give careful attention to the elaboration of the final agricultural policy of the Six. Mr. Christensen thought that a temporary solution should be given to the problems which might arise for Germany, and possibly for the Netherlands, pending the further examination of more elaborate plans for trade in agricultural products within the Community which he hoped would be of a liberal nature. Any temporary solution by the CONTRACTING PARTIES should prejudice in no way the final decisions they might wish to make.

Mr. PRESS (New Zealand) recalled that he had already stressed the great importance which his Government attached to the agricultural provisions of the Treaty of Rome, and the need to examine them closely in order to see whether they were consistent with the General Agreement, particularly paragraph 4 of Article XXIV. In reply to question 45 (doc. L/656) the Six had referred to special systems adopted for agriculture throughout the world;

it was true that such systems were widespread, but they were not all consistent with the General Agreement and could not be used as a precedent for the Community. When, as decided at the Ministerial Meeting, the CONTRACTING PARTIES would further examine agricultural problems later in the Session, they should not, even by implication, agree to provisions in the Treaty which might be operated in a manner inconsistent with the provisions of the General Agreement.

One such provision, set out in Article 43, paragraph 2, concerned the replacement of national market organizations by a common organization. This would take place after the first two stages by a qualified majority vote, on two conditions, the first of which seemed to imply that where the common organization comprised such measures as price controls and subsidies (as referred to in Article 40, paragraph 3), the common price structure would have to be so arranged as to satisfy the Member State having the highest cost structure. This implication was all the stronger when considered in the light of Article 40, paragraph 3, that "the organization shall exclude any discrimination between producers or consumers within the Community". Such action could lead to a substantial and uneconomic increase in production of the commodity concerned over the whole Community, and a consequent reduction in imports from third countries which would be inconsistent with Article XXIV of GATT.

With regard to the introduction of minimum prices during the transitional period, Article 44 provided two methods for operating those minimum prices. The second method, which made imports conditional on their price being above the minimum price fixed for the product concerned, might lead to complete exclusion of products of third countries, since it also provided that minimum prices should not include customs duties. Paragraph 6 of Article 44 envisaged that minimum prices would still operate at the end of the transitional period; that provision did not seem consistent with the abolition of all trade barriers among the Six.

Article 45, paragraph 2, referred to the quantities to be covered by long-term agreements or contracts, and in particular to an increase in the volume of exchanges between Member States within the limit of existing requirements due account being taken of traditional trade currents. Unless there was an increase in overall demand, it was difficult to see how there could fail to be a corresponding reduction in imports from traditional sources. There was admittedly a qualification "due account ...", but this sentence could not easily be interpreted as precluding a reduction in imports from traditional sources.

The New Zealand delegation recognized that the agricultural provisions of the Treaty might not necessarily be operated in a manner which would lead to a reduction in trade with third countries. Careful examination by the sub-group would be required. He hoped that the Six would be prepared to give assurances that would dispel all misgivings about those provisions.

Mr. GARCIA-OLDINI (Chile) pointed out that although his country exported agricultural products only in moderate quantities, many products were included, and therefore Chile had a vital interest in all questions affecting trade in agricultural products. The relevant provisions of the Treaty did not seem to be in conformity with Article XXIV, in that they seemed to create serious obstacles to trade. Article 44 of the Treaty stated that minimum prices must not be applied in such a manner as to impede trade, but he could not see how that could be avoided, and in his view the treatment envisaged could not fail to be unfavourable for countries not parties to the Treaty.

Mr. CHRISTIE (Union of South Africa) referred the Committee to the statement made by his Minister, at the Plenary Meeting. He associated himself with the views expressed by the representative for New Zealand and supported the proposal to establish a Working Party.

Mr. WESTERMAN (Australia) said that he thought the common organization represented the essence of the agricultural provisions; Article 40(3) provided that the common organization, in one of the forms provided for in that Article, could comprise all measures necessary to achieve the objectives of the common agricultural policy, including the use of subsidies, price controls and measures to stabilize imports and exports. Could it be claimed that such measures were in accordance with Article XXIV and conformed furthermore with Articles XVI and XVII of the General Agreement? Would it, for example, be possible to avoid the use of quantitative restrictions in attempting to stabilize imports? It was evident that all the agricultural provisions aimed at long-term management of agriculture. The common rules of competition set out in the Treaty were vague and reminiscent of the practical difficulties now experienced by European countries in controlling trade in agricultural products among themselves. In the light of experience common rules of competition conjured up ideas like market sharing. Indeed, if internal control of competition were necessary, what treatment would be accorded to imports?

The Treaty also provided for compulsory co-ordination of national marketing organizations apparently designed to bring about an integrated market for agricultural products. In such circumstances, would not the total output of the Community have to be disposed of before imports were admitted? This kind of organization seemed to provide for unlimited protection. In addition, the insulation of the products of the less competitive Member States from those of more competitive Members could only be achieved by internal control of the movements of products. Was that in conformity with Article XXIV:3(a)?

Mr. Westerman said that his country had some experience of attempts to solve the kind of agricultural problems facing the Six. In Australia a customs union had been operating for over fifty years. The constitutional requirement that trade between the States should be absolutely free had created a great deal of litigation. In the light of Australian experience he thought that the Six would find that they could only have the kind of managed agricultural marketing they envisaged if they maintained internal controls or large monopolies which would absorb the production of every Member State. Such monopolies, as

was evident from the discussion which had taken place on quantitative restrictions, would need to be non-discriminatory and their policies would have to be governed by commercial considerations. If these monopolies were of the same nature as the European Coal and Steel Community they would need special dispensations from the CONTRACTING PARTIES.

Mr. Westerman further referred to Article 44 of the Treaty which provided that minimum prices would be operated so that imports would be reduced or temporarily suspended or made conditional on their price being above the fixed minimum price. This could represent the worst form of agricultural protectionism. However, there was a vagueness about the way in which minimum prices would operate. They seemed to be designed to prevent one Member State "plundering" the more profitable markets of the other Members; to ensure that the volume of internal and external exports by the Members would not distort prices and that all that was produced was sold; and that there would be an adequate incentive to production. He had also noted that the Treaty provided for steps towards increasing productivity but appeared to pay little regard to international specialization. Minimum prices would apparently not be fixed in relation to prices in the outside world nor would they take account of customs tariffs. Furthermore, the minimum price scheme did not seem to be limited to items produced by the Six and might perhaps also apply to products of the overseas territories, such as sugar. Finally, Article 44(6) left the impression that minimum price schemes would not be confined to the transitional period.

There was a very definite requirement for long-term contracts to be entered into in the first stage and to increase in volume up to the limit of existing requirements. There was admittedly a proviso regarding traditional currents of trade but as he had pointed out at the Ministerial Meeting, these currents were already shrinking. There was little comfort therefore for third countries particularly as the volume of goods exchanged under contract was likely to increase faster than consumption. Prices were to approximate those paid to producers in the purchasing country and, as in the case of minimum prices, would be likely to be determined at the level of the highest common factor among the participating countries. Moreover the provisions for the association of overseas territories made it appear that contracts could apply to such tropical products as sugar, oil-seeds and cocoa. These long-term contracts might very well entail either quantitative restrictions or import monopolies. In the light of the considerations envisaged in the Treaty, could such import monopolies avoid discrimination and give full consideration to commercial factors?

Parallel with the long-term contract system Article 33(1) provided for the globalization of national quotas and their rapid increase. As for some products such as wheat, bilateral quotas inside the Community were already large - their globalization and annual increase could only occur at the expense of third countries. Finally, Article 46 provided for countervailing duties, which appeared to be a form of duty designed to protect the less competitive Member States against the more competitive Member States. This provision seemed to be contrary to Article XXIV,

Mr. Westerman, in concluding, said that he had considerable sympathy with the aim of the Member States to rationalize their agriculture. This question, however, had an importance quite apart from the Treaty, and was of interest to all countries producing agricultural products. Australia accepted the idea of agricultural protectionism, but as far as could be ascertained from the Treaty, the proposals of the Six to manage their market for agricultural products would conflict with Article XXIV. He hoped the Six would be prepared to take a new look at the agricultural provisions of the General Agreement which were a problem for all. He did not wish to appear obstructive and was, on the contrary, anxious that a solution to these problems be found which would be of assistance to the Six. However, this did not seem to be the occasion to take any further the proposals which he had made at the Ministerial Meeting. He would look forward to an opportunity to deal with them later in the Session.

Mr. VALLADAO (Brazil) wished to associate his delegation with the views expressed by the representative of Australia. His Government was particularly concerned about the provisions of the Treaty with respect to trade in agricultural products. These provisions did not, as those concerning the common tariff or the use of quantitative restrictions, merely give rise to problems of calculations of incidences or interpretation of legal texts; they related to the very essence of the General Agreement and were in danger of upsetting the balance of rights and obligations under that Agreement. The setting up of a managed market in agriculture and the association of the overseas territories would be contrary to the interests of his country. By accelerating the production of certain commodities irrespective of conditions of productivity these schemes would adversely affect the exports of the under-developed countries on which they depended as a source of income for their imports and funds for economic development. The CONTRACTING PARTIES must recognise that in this case the granting of a waiver might not be appropriate. Mr. Valladao, therefore, wondered whether the time had not come to revise the General Agreement to take account of the new situation which the Treaty had created. The proposals for a free-trade area might make such a revision even more desirable.

Mr. MAGARINOS (Uruguay) referred to the statement his delegation had made at the Ministerial Meeting when it had voiced its apprehensions concerning the provisions of the Treaty relating to agriculture. He drew attention to the lack of clarity of these provisions. Paragraph 4 of Article 38 provided for the establishment of a common agricultural policy. In the Treaty this policy was only described in very general terms which left considerable doubt about the precise nature of the managed market. Sub-paragraphs 1(a) and (b) of Article 39 set forth as objectives of the Treaty in this field the increase of productivity and the achievement of a fair standard of living for the agricultural population, and the use of subsidies was provided for in Article 40, paragraph 5. Other aims of the Treaty, the stabilizing of markets and the charging of reasonable prices to consumers, would require price controls for which provision was made in the same article.

Policies of support for agriculture, had already resulted in increased difficulties for countries exporting agricultural products. He instanced the production of meat in the United Kingdom which, with the help of such policies, had greatly expanded so that even when exports had not yet reached their pre-war levels and prices had declined because of oversupply. In Western Germany the output of meat was near to the pre-war level of production in the whole of Germany. Surplus disposal in the United States was another example. Would the agricultural policy of the Community, particularly in view of the association of the overseas territories, aggravate this situation?

Mr. Magarinos thought, however, that the integration of the economies of the Six could lead to an expansion of world trade to the benefit of all and that ways and means could therefore be found under the General Agreement to reach a satisfactory solution. But his Government had certain apprehensions about the granting of new waivers for agricultural protectionism. New waivers permitting the Member States to maintain quantitative restrictions would only add obstacles to exports of third countries. His Government would fully support the institution of the European Economic Community if it did not cause prejudice to third countries.

Mr. SANDERS (United Kingdom) said that the discussion seemed to sort out the issues under two main heads. Firstly, attention had been drawn to provisions in the Treaty which, despite the application to agriculture of the general provisions for the elimination of tariffs and quotas, seemed to give cause for doubt whether the Six would by the end of the transitional period have achieved a state of affairs in respect of agriculture which in all respects could be regarded as consistent with the definition of a customs union in paragraph 8 of Article XXIV. There were fair grounds for these doubts. The CONTRACTING PARTIES, would, therefore, be justified in asking that the Six should keep them regularly informed of their plans as they developed so that appropriate consultations could be held between the CONTRACTING PARTIES and the Six. Secondly, the point had been made that the nature of the arrangements contemplated by the Six for agriculture, as among themselves for at least the transitional period, seemed to involve restrictions on imports from outside which would conflict with the basic provisions of the General Agreement. As one speaker had pointed out, only two of the Members of the Six still claimed balance-of-payments justification for these restrictions. Belgium and Luxemburg already had waivers for the use of quantitative restrictions to protect their agriculture. Germany had promised an early indication of its intentions in regard to its remaining quantitative restrictions now that it could no longer invoke Article XII. While he hoped that Germany would be able to announce the dismantlement of a good many of their remaining restrictions, it had to be recognized that there might be a limited hard core of agricultural restrictions in respect of which Germany would need to invoke the Decision of 5 March 1955. He believed that the remaining non-dollar restrictions for which the Netherlands no longer claimed balance-of-payments justification also included a good number of agricultural restrictions which the Netherlands Government would presumably wish to legalize.

It was not yet known precisely what would be involved by way of restrictions inconsistent with the General Agreement as the common agricultural policy... developed. These problems, therefore, could not be resolved now. By their nature they required close and continuing consultation between CONTRACTING PARTIES and the Six. It was clear that the right to use protective measures

not permitted by the Agreement could not be acquired through the formation of a customs union under Article XXIV. Any dispensations which might ultimately be required as detailed plans were worked out must clearly take account of the interests of outside countries and have due regard to the general principles of Article XXIV.

So far as the United Kingdom's direct interests, and those of the territories for whom the United Kingdom spoke were concerned, Mr. Sanders wished to add that the inclusion of many tropical and semi-tropical products in Annex 2 left his delegation with some of the same doubts and anxieties about the possible implications of these arrangements as had been voiced by agricultural exporting countries.

Mr. CISNEROS (Cuba) said he found it difficult to accept prima facie that the provisions of the Treaty concerning agriculture would contribute to the basic objectives of economic integration, i.e. to an increase in productivity and greater specialization. As explained by the representative of Australia, marketing schemes as envisaged by the Treaty, and particularly the fixing of minimum prices and the conclusion of long-term contracts during the transitional period, instead of bringing about a re-organization of agricultural production on a more efficient basis, might tend to increase the preference which agriculture in the Community would enjoy under the common tariff as well as the protection from which it already benefited in each of the Member States. After the previous statements on the subject, he did not think it appropriate to review one by one the provisions concerning agriculture or to mention all the possible implications. At this stage he only wanted to stress that the sub-group should take into account in its deliberations inter alia the serious effects which the Treaty might eventually have for countries whose economies depend mainly on the production and export of one or a few agricultural commodities. Increased agricultural protectionism in the Community might have serious economic and social consequences for some countries. He was confident that the contracting parties including the Member States, were aware of this fact and he expected that this would not be overlooked in the sub-group and that due weight would be given to its importance.

Mr. SHAW (Federation of Rhodesia and Nyasaland) said that after the previous statements, he would only stress once again that the CONTRACTING PARTIES should give serious consideration to the question of agricultural protectionism. Some effects of this protectionism had been described in "International Trade, 1956". It could not be disputed that managed markets in the field of agriculture and also the granting of waivers to meet requirements of individual contracting parties had become the rule rather than the exception.

One of the Federation's main export products to the markets of the Community was tobacco which in two of the Member States was under State-trading. Since the proposal of the Six in agriculture must be regarded as an integration of six individual managed markets into one, his Government was apprehensive lest import controls on tobacco in that market might spread. His delegation believed that there was a weakness in the General Agreement relating to the management of agricultural matters and the suggestion had been made that this should be examined. His delegation would support that proposal and ask that the sub-group should look into the possibility of providing means for quantitative restrictions to be negotiable in the same way as tariffs.

Mr. AHMAD (Pakistan) said that his country, as an exporter of primary and agricultural commodities, attached considerable importance to the provisions of the Treaty dealing with agriculture. Pakistan was anxious to see that the trade of countries in the early stages of development was not hampered by any measures that might be taken by the Six in this sphere particularly because future economic development of those countries depended on maintaining the traditional markets and improving opportunities of export to those markets. The restrictive and protective measures in force in some countries were already imperilling the vital flow of trade in agricultural products and had been causing his Government great concern. They were in most cases inconsistent even with the existing weakened provisions of the General Agreement relating to agriculture and it was therefore essential that they were not taken as precedents to justify any undue extension of the area of those restrictions even conceding that special problems did exist in the field of agriculture. He hoped that when shaping its agricultural policies and measures the Community would pay due regard to these interests of the under-developed countries.

Mr. Ahmad thought that the provisions of the Treaty dealing with agriculture were liable to be interpreted as conflicting not only with paragraphs 4, 5(a) and 8(a) of Article XXIV but, as was pointed out by the representative of Australia, with other articles as well. For examining the matter further and arriving at a more definite conclusion it was necessary to have detailed and full information from the Six about their precise plans and intentions. The same procedures should then be adopted as had been decided for examination of the common tariff and quantitative restrictions. This would mean undertaking a commodity-by-commodity and country-by-country examination of the restrictive devices to be applied in the field of agriculture in order to assess the level of restrictions and their impact. Indeed, arrangements like minimum price schemes, State monopolies, long-term contracts, subsidies and managed markets could well result in creating barriers to trade more restrictive than, or equally restrictive as, tariffs, and should accordingly be examined with the same care. These features suggested a need to set up machinery for continued examination of the problem.

Mr. SWAMINATHAN (India) said that his delegation shared the apprehension expressed by the representative for Australia in regard to the agricultural provisions of the Treaty. The opinion had been expressed by some contracting parties that as primary producing countries they did not derive as much benefit from the General Agreement as industrialized countries. It was precisely with the intention of assisting the under-developed countries that Article XVIII had been evolved and, difficult though the consultation procedures under that Article were, it would not be right to say that the CONTRACTING PARTIES did not show their concern for the problems facing the countries undergoing development.

The CONTRACTING PARTIES had on previous occasions given attention to agricultural problems which arose from relatively temporary situations, whereas the present request went beyond the scope of earlier requests and brought forward a whole set of regulations for consideration. Moreover, agricultural production in the countries of the Community was by no means as efficient as their industrial production. The fact that the proposed agricultural regime included commodities which were not even produced within the territories of the participating countries gave rise to certain misgivings and, in his opinion, the agricultural provisions

of the Treaty could be operated in a manner which could easily lead to a very wide field of discrimination. He cited a specific illustration of the practice of bulk purchase of goods which could easily take the form of favouring one particular country against other sources of supply. Moreover, some of the commodities might suffer from the average tariff which in many cases would be higher than the individual tariffs which commodities currently paid. In addition, some of the commodities listed in Annex 2 could be subject to various regulations such as bulk purchase, minimum price, etc. He then referred to tea, the commodity of vital importance to his country which in his opinion was going to suffer on account of an increased rate of duty. The use of this beverage, which had been promoted in Europe at considerable expense and effort, might suffer not only from a higher tariff; but also on account of favourable conditions created for other competing beverages. Furthermore, the marketing of the exports of vegetable oils might also encounter a similar kind of difficulty. His Government earnestly hoped that arrangements affecting vegetable oils would be so framed and administered that no disadvantages would accrue to the exporters of that commodity. He hoped that the working party which would be set up to deal with the agricultural provisions of the Treaty would give the utmost consideration to these problems so that the interests of the under-developed countries should not be affected adversely.

Mr. REISMAN (Canada) recalled that at almost every meeting of the CONTRACTING PARTIES problems connected with trade in agricultural products had been prominent on the agenda and had necessitated the granting of special derogations and waivers to deal with special situations. Most of the contracting parties took recourse to regulatory arrangements in one form or another in the field of their agricultural policy, and Article XI of the General Agreement, recognizing that there were special problems in this sector of international trade, tolerated to some extent certain restrictive trade devices. While considering the agricultural provisions of the Treaty of Rome, his delegation attached the utmost importance to the practical aspects of the problem.

He then referred to the proposal made by the delegate for Australia for undertaking a review of those provisions of the General Agreement relating to trade in agricultural products and stated that his delegation wished to reflect further on that proposal and was prepared to participate in any discussion on the merits of the approach proposed by the Australian delegation. His delegation saw a great deal of wisdom in the Australian proposal, and although that proposal did not strictly fall within the terms of reference of the present Committee, he was of the opinion that it did bear a close relationship to the subject under discussion.

The provisions of the Treaty dealing with trade in agricultural products were not yet fully formulated, and they merely provided a framework for the development of policies during the years to come. It was difficult to know in any precise way what would be involved and what commodities would be affected. However, there were two particular aspects which the Canadian delegation would wish to look at carefully: whether the provisions relating to the internal arrangements among the Six during the transitional period, as well as in the long run, and whether the relationship between the Six and the third countries conformed with Article XXIV of the General Agreement.

Mr. Reisman stated that his Government feared that there might emerge a method and a level of protection in the proposed Community which might be greater than the sum of all the existing measures of protection which were being applied presently in each of the constituent territories. In his opinion it was possible that the Six would not only retain a considerable element of existing protection, but there might be a new element of protection added in respect of their trade with third countries. Moreover, different degrees of protection and difficulties in access to the market of the Six might arise depending on the closeness or otherwise which a trading country might have with the Six. Since his and other countries represented important trading interests in the market of the Six with respect to key commodities, he would not wish to see these interests prejudiced or interfered with, and his delegation hoped that if the Six would bear in mind the material interests of the third countries and make appropriate arrangements for safeguarding them he was hopeful that a satisfactory solution could be found.

Mr. CORSE (United States) said that even after a careful study of the provisions of the Treaty dealing with agriculture, it was impossible for him to determine the exact extent of their trade impact. Although he shared some of the misgivings expressed by earlier speakers regarding the possible impact of those provisions, he was more concerned with some of the devices which his Government had consistently opposed in bilateral as well as multilateral negotiations. On the other hand, there were various provisions in the Treaty where it was provided, either explicitly or implicitly, that the objective of the Six in implementing the Treaty would be to act in a manner which would result in an expansion of world trade. He referred to Article 39 of the Treaty which laid down that the common agricultural policy should have as its objective the increase of agricultural productivity by developing technical progress and by ensuring the rational development of agricultural production. He also referred to Article 44, paragraph 2, which required that the minimum prices should not be an obstacle to an expansion of trade, and finally he drew attention to the declared objective contained in the Treaty that the long-term purchase arrangements would take full account of the traditional trade flows. His delegation shared the Canadian view that practical solutions should be sought in this field, and it was his opinion that the agricultural provisions of the Rome Treaty could be implemented in such a way as to contribute to an expansion of trade of the Six with third countries. He hoped that the sub-group might consider carefully the practical measures for reducing the area of possible complaints by other countries regarding, for instance, the impact of minimum prices upon trade.

Mr. MAKATITA (Indonesia) expressed his concern at the inclusion of some tropical products which were of vital importance to the export trade of his country among the commodities listed in Annex 2 of the Treaty. He referred specifically to coffee and tea which were also included in the Specimen Tariff list. The arithmetical average for the tariff on coffee amounted to 16 per cent; whereas for black tea it stood at 35 per cent. He wondered if the impact of the differences in the tariff rates would not be such as to favour coffee at the expense of tea in the average family budget. He would consider it deplorable if the agricultural provisions of the Treaty of Rome should result in changing the present consumption patterns.

Mr. VAN LANGENBERG (Ceylon) said his Government was very apprehensive about the possible impact which the agricultural provisions of the Treaty could have on the export trade of Ceylon with the countries of the Community. He agreed with the representatives of India and Indonesia regarding the possible adverse effects which these provisions could have on the exports of tropical products, like tea and vegetable oils, and he wondered if the effect would not be to

divert trade from the traditional channels. His delegation wished to identify itself with the position taken by India and Indonesia in regard to the agricultural provisions.

Mr. KLEIN (Federal Republic of Germany) assured the CONTRACTING PARTIES that the Six Member countries of the proposed European Community had listened with great interest to the points which had been raised by various delegates and had taken note of the concern which had been expressed. In particular, he thanked the representative of Australia for many illuminative suggestions. He assured the CONTRACTING PARTIES that during the course of the work of the sub-group dealing with the agricultural provisions of the Treaty the representative of the Community would try to answer fully all questions.

Referring to the danger pointed out by the Canadian representative that there might be a tendency for the Six to intensify the various agricultural protective measures, Mr. Klein said that the marketing of agricultural products posed very important problems for the Community since each country had been developing its own agriculture in a particular fashion over the past years. However, the aim of the Community would be to avoid a restrictive agricultural régime and to organize a realistic and rationalized agricultural production. However, there would certainly be within the agricultural organization in the Community a fair amount of competition and many of the provisions contained in the Treaty were laid down with a view to achieving that objective. He hoped that after the transitional period a new era in European agriculture would come about when it might not only be able to compete with the rest of the world, but also emerge as an exporter of agricultural goods. The paramount importance of the agricultural problems arose from the fact that agricultural development was essential for the maintenance of social and political stability in Europe. Moreover, some countries had special organizations or special measures to achieve stability of markets and support of prices, some of which were in conformity with the rules of GATT whereas some others were governed by waivers. He agreed to the suggestion made by the Australian delegation that in view of the overriding importance of the problems of international trade in agricultural products, an examination of the provisions of the General Agreement relating to this sector of trade should be undertaken.

Mr. Klein, referring to the concern of the CONTRACTING PARTIES about the flexible nature of the provisions of the Treaty, said that the Treaty contained not only the objectives but also various measures which were described in general terms. The criteria for the implementation of these measures could only be worked out in future by the institutions themselves, although it would be most difficult to foresee their practical implementation over a long period. He therefore hoped that the CONTRACTING PARTIES would agree with him that it would be most difficult for the Six at this stage to prejudge the decisions of the institutions which were to be set up in future. Although paragraph 4 of Article XXIV of the General Agreement laid down the guiding principle for the institution of a customs union only in very general terms, he assured the CONTRACTING PARTIES that the Six themselves when laying the provisions of the Treaty did not think that the measures which they proposed would in any way run into conflict with the General Agreement and it was by no means their intention that such a conflict should occur. Moreover, none of the speakers

in the course of discussion had conclusively shown that the agricultural provisions of the Treaty were in conflict with the General Agreement and it had only been argued that conflict might eventually arise.

Referring to some of the specific points which were raised in the course of the discussion, Mr. Klein thought that the impact of minimum prices had been rather over-estimated. He asserted that the régime of minimum prices was meant to be a transitional measure to meet the difficulties which would arise from the abolition of duties and quantitative restrictions within the framework of the Community. Furthermore, the criteria for this system had to be worked out during the course of the next two years. He added that this provision owed its origin to the experience of certain countries, in regulating their trade in specific commodities, which had successfully applied a minimum price system in respect of a limited number of commodities, particularly vegetables and fruit. The Six did not expect that this system would have a restrictive effect on the trade of third countries, especially since it would only operate in respect of a limited number of commodities. The intention of the Community was to abolish this system at the end of the transitional period. Referring to the question raised by the Australian representative, he stated that the objective of the Community would be to bring about in their new market harmonized and suitable prices. As regards the suggestion that external prices should be taken into account in their price policy, he stated that it was very difficult to take world market prices as a guide since these prices were subject to many fluctuations and were to a large extent distorted.

Referring to long-term contracts, Mr. Klein stated that this was also a transitional feature and only a limited number of products would fall within the scope of such contracts. It was the intention of the Six to bring about an expansion of trade in agricultural commodities among the countries of the Community, but in so doing the traditional trade flows, as expressly laid down in the Treaty, would be fully taken into account and the Six attached great importance to this provision. Referring to the remarks of the Canadian representative, Mr. Klein said that the Six had no intention of restricting their trade with third countries. Since all the Six countries had a great interest in maximizing their export earnings, they were, by necessity, conscious that to achieve this objective they had to maintain a rising import volume.

There seemed to be a general conflict between the views of the CONTRACTING PARTIES, on the one hand, and of the European Economic Community, on the other, and Mr. Klein emphasized the need for arriving at a friendly understanding and an acceptable agreement to resolve these differences. He stated that the Six wished to avoid all possible conflict with the GATT since they were very conscious of their international obligations, and Article 234 of the Treaty laid down that the existing obligations had to be observed. Moreover, Article 110 contained a clear

statement about the general principles governing the future commercial policy of the Six. In his opinion the solution of the controversial points could only be achieved by very close and friendly collaboration with the contracting parties which would not be difficult in view of the fact that GATT had a mechanism for dealing with conflicting interests. He did not think that it was wise to arrive at judgments about future eventualities and one could not usefully make provisions to meet hypothetical situations. In his view every issue should be judged on its merits and each of the Six countries should be held responsible on the basis of their obligations. It would be unrealistic to go into eventual intentions or to deal with problematic cases. He stressed that the Six had no intention of inflicting harm on, or causing disadvantage to, any of the contracting parties. He hoped that a reasonable solution would be found to mitigate the differences which might arise in the implementation of the agricultural provisions of the Treaty.

The CHAIRMAN thanked Mr. Klein for his constructive remarks on behalf of the Six. The discussion had brought out the points which the Committee would wish to be examined further in a sub-group on trade in agricultural products, and it was to be hoped that that examination would allay the misgivings which had been expressed by many representatives. The main difficulty for the CONTRACTING PARTIES arose from the fact that the Treaty only provided a broad outline of the policy for trade in agricultural products; moreover, some of the rates for agricultural products in the external tariff still remained to be negotiated. Since it was therefore impossible to reach definite conclusions it would be appropriate for the Committee, under paragraph (c) of its terms of reference, to consider the possibility of continued study of the matter after the Twelfth Session, either by the Committee or by some similar body. The Australian representative had proposed that the GATT provisions relating to agriculture should be re-examined, and a number of delegations had supported that proposal; the sub-group which would examine the agricultural provisions of the Treaty might also discuss the matter raised by the Australian representative, but should not attempt to make recommendations on a question which would have formally to be placed before the CONTRACTING PARTIES in plenary session.

The Committee agreed to appoint a sub-group to study the agricultural provisions of the Treaty in relation to the General Agreement.

2. Plan and Schedule

The CHAIRMAN invited the Committee to consider the question of the plan and schedule required, paragraph 5(c) of Article XXIV.

Mr. GARCIA OLDINI (Chile) pointed out that, as in the case of the common tariff and the future agricultural policy of the Community, adequate information was still lacking to enable full consideration to be given to the plan and schedule.

Mr. PARBONI (Italy), speaking on behalf of the Six Community countries, said that he could not agree that the Treaty did not contain a plan and schedule as required by Article XXIV of GATT. Indeed, the Treaty went further than that, and provided a set of rules and methods for the establishment of a common market. The Treaty set a definite date for the end of the transitional period, and that period seemed reasonable considering the scope of the objectives which the Community had to achieve and the complexity of the problems which had to be solved in that time. At the end of the transitional period, quantitative restrictions still imposed within the Community had to be abolished, and the progressive reduction of customs duties was to take place during that time. There was an assurance for the CONTRACTING PARTIES that the objectives of the transitional period would be achieved in that the Treaty was for an unlimited period, and furthermore it contained no provision for denunciation by any Member State. The rules contained in the Treaty made it certain that there would be no halt in the gradual achievement of the customs union, and Article 8, paragraph 6 provided no possibility for further extension of the transitional period. He reminded the Committee that the CONTRACTING PARTIES had been informed at the Eleventh Session of the intentions of the Six Governments, and the Treaty had been transmitted to them in April 1957. Since then additional information had been supplied.

In reply to a question by the Indonesian representative, Mr. PARBONI said that, although the association of the overseas countries and territories had actually been decided upon after the original notification to the CONTRACTING PARTIES at their Eleventh Session, the time-limits for the transitional period applied to all the territories covered by the Treaty of Rome.

Mr. SMITH (Australia) suggested that some aspects of the question of plan and schedule might appropriately be considered by the sub-group on the agricultural provisions of the Treaty.

The CHAIRMAN proposed that the question of the plan and schedule be referred to the sub-group on the common tariffs, and that any necessary co-ordination with the work of other sub-groups should be arranged by the Chairman of the sub-groups.

It was so agreed.