

# GENERAL AGREEMENT ON TARIFFS AND TRADE

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## SUMMARY RECORD OF THE EIGHTH MEETING

Held at the Palais des Nations, Geneva,  
on Wednesday, 25 February 1970, at 10.20 a.m.

Chairman: Mr. SULE KOLO (Nigeria)

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### 1. Statement by the United States

The Honourable Carl. J. GILBERT, Special Representative for Trade Negotiations, Executive Office of the President of the United States, confirmed the full support of the United States for the work programmes for the Committee on Trade in Industrial Products and the Committee on Agriculture. He expressed the hope for progress beyond a mere indication of types of solutions that might be considered for dealing with the trade barriers, and also the hope for indications as to what specific elements might be included in solutions.

His comments would relate to two main points: first, the need to give more substance to frequent declarations of good intentions with respect to trade barriers affecting developing countries; and, second his Government's views on some of the concrete steps which could be taken to bring a better sense of law and order to agricultural production and trade.

An aspect of the trade problems of developing countries which merited special attention and concentrated effort was the elimination of non-tariff barriers on export products of special interest to those countries. He referred to President Nixon's announcement on 31 October 1969 on his Government's determination to lead a vigorous effort to bring about a reduction in non-tariff barriers to trade in these products, which was reaffirmed in the President's report to Congress on 18 February dealing with United States foreign policy for the 1970's. He said that

in the responsible GATT groups, his delegation would present specific ideas for the removal of unwarranted restrictions to the expansion of international trade, particularly those which impeded the trade of the developing countries, and he called on other contracting parties to proceed together with the United States in this effort.

Turning to agriculture, he said that his Government considered that agricultural trade must now come to the forefront in the work of the CONTRACTING PARTIES. It was precisely in this area that the greatest scope for strengthened observance of GATT commitments might be found, as well as possible new approaches to the co-ordination of agricultural policies as they affected trade. He observed that, in fact, a degree of success in coping with agricultural problems might well be essential to the future viability of the GATT itself. His delegation was pleased that there was agreement in the Agriculture Committee to seek solutions to the principal problems of agricultural trade. They were glad also that the Committee had under active consideration a resolution on concessional sales of commodity surpluses and that it would take up the question of government aids to exports in its work programme.

He noted that the Committee had amassed a great deal of background on trade in the eight sectors chosen for priority attention, and that the primary product chapters of the tariff study would also be available. His delegation considered that before undertaking any formal round of negotiations it would be desirable to organize all this information in a convenient and systematic form so that one could tell readily which tariff and non-tariff barriers applied to particular tariff items.

Turning to the problems of trade in agricultural products he stated that there were certain obvious facts that must be kept in sight. He noted that economic growth resulted in shifts from agriculture into industry, and that as levels of income rose, consumers devoted ever-greater portions of their incomes to the purchase of industrial products and services, while at the same time agricultural productivity increased. Fewer people were required on the land, a phenomenon signalled by the price mechanism in the reduction of farmers' incomes relative to those of persons engaged in other occupations. For large sectors of agriculture, support policies were required to cushion this gap, and that if these support policies held farm prices of commodities above equilibrium level of supply and demand, supply would outstrip demand. The balance could only be restored and maintained by measures of supply adjustment, induced either through a reduction in supports, production restraints, or the use of both measures.

It was to be expected that countries which sustained farm prices above world levels would frequently take measures to restrain imports so as to prevent their price and income supports from being jeopardized. He noted that article XI permitted contracting parties to restrict imports whenever required in connexion with support schemes, but only when those programmes called for production or marketing control, which was a good principle.

He suggested that perhaps in the course of their future work the contracting parties should discuss whether quantitative restrictions were the only device which should be so associated with control of output, saying that he was thinking particularly of levies which operated to protect domestic programmes in the same way as quotas.

With or without measures to restrict output, experience showed that surpluses would occur from time to time. He said that the most direct solution was a reduction in price support levels, the method by which Governments could most clearly signal their intention of curbing surplus production. He said that other measures of supply adjustment, such as diversion into non-commercial markets or into storage, could be brought into play. Where export payments were employed in any case by countries which were traditional exporters, these countries might simply increase these export payments to the degree necessary to relieve the supply situation.

He said that the GATT subsidy provisions followed the rough-and-ready rule that agricultural export subsidies were permitted to the extent that the country employing them did not take more than its fair share of the world market. He queried whether this rule was really adequate. Unlike the rule governing imports it did not make the right to subsidize exports dependent on the existence of production control, nor did it take into account the fact that particular import markets might be smaller than they should be because the importing country was restricting imports in order to raise the prices received by its own farmers. If it were accepted that price support should be linked to the limitation of production, this principle should apply not only to exporting countries but to importing countries as well. He asked whether the GATT could devise appropriate and acceptable ways to bring this about.

Mr. Gilbert then described the consensus legislation which the United States Administration had sent to Congress on 3 February, concerning programmes for feedgrains, wheat, and cotton, all three of which the United States was a major exporter. Under this proposal, which was designed to balance supply and demand in agriculture, the United States would keep 40 to 50 million acres of crop land out of production. Direct payment would be authorized for farmers who set aside a portion of their crop land and devoted it to approved conservation or non-productive uses. Once having met the requirements, farmers would be free to specialize in those crops which maximized their net returns. Under the proposal, loans would be authorized to assist producers in orderly crop marketing, but at levels somewhat below those prevailing in world markets. Hopefully market forces at home and abroad would keep prices above these loan levels, so that the market then could operate to reflect the premiums that should accrue to the desirable grades and qualities. He said that this was a market-oriented programme.

Mr. Gilbert cited this proposal not as a topic for discussion but rather as background for his remarks that followed. His delegation felt that many contracting parties considered that the United States was unnecessarily exempted from the obligations of the General Agreement relating to trade in agricultural products because of the waiver that it had received in 1955. He said that it might not be fully appreciated that his country now applied quantitative import restrictions to a limited list of products, for most of which it was fully entitled to continue the restrictions by virtue of production controls and the provisions of Article XI. His Government wished to stress this point, and to highlight the importance it attached to production control in connexion with measures of agricultural price support above world levels. Accordingly, his delegation was authorized to announce that it was examining the possibility of proposing an amendment to the Decision of 5 March 1955 so that it would henceforth cover only those few commodities for which a waiver was in fact required. He said that his delegation could not proceed alone and had no intention of doing so. It would expect countries maintaining illegal import quotas to move rapidly towards removing them. He added that his delegation would expect that those countries using other devices to protect their own domestic price support programmes, levies in particular, to couple use of those devices with production control, and that if countries were to say that they could not accept these controls then they should reduce price support levels.

Mr. Gilbert continued by saying that a way must be found to curb the extravagant use of export subsidies, the growing use of which by some areas had already led to serious distortions in world trade. His country had the choice either of expanding its own use of this same device or of convincing other areas that they should curb the practice.

In conclusion, he said that his delegation would suggest that contracting parties which were both producers and net importers of agricultural products consider whether they might not be able to agree, if not to production limitations, then to reduce their price support levels, especially for grain, toward world price levels and where deemed necessary to supplement farm incomes by direct payments, which were production-neutral. He noted that the coming weeks and months were open for the exploration of these and other ideas, and that further study would doubtless reveal that some of the suggestions made were impracticable while others would need much refinement before they could possibly be adopted. He said that at this stage he would emphasize only a single point: in the view of his delegation any future trade negotiations must, and he emphasized the word must, provide ample benefits for agricultural trade. The unfortunate legacy of the past in this area left ample scope for bringing this about.

2. Expansion of International Trade: Adoption of reports

(a) Committee on Trade in Industrial Products (L/3298 and COM.IND/13)

The CHAIRMAN referred to the reports of the Committee on Trade in Industrial Products (L/3298 and COM.IND/13) which had been presented on 17 February 1970 (SR.26/2).

The reports were adopted.

(b) Agriculture Committee (L/3320)

The Chairman referred to the report of the Agriculture Committee (L/3320) which had been presented on 17 February 1970 (SR.26/2) and reminded the contracting parties that at the meeting on Friday, 20 February it had been decided to refer the draft resolution on Concessional Transactions back to the Agriculture Committee.

The report, with the exception of the draft resolution on Concessional Transactions, was adopted.

(c) Committee on Trade and Development (L/3335)

The Chairman referred to the report of the Committee on Trade and Development (L/3335) which had been presented on 17 February 1970 (SR.26/2).

The report was adopted.

The CONTRACTING PARTIES decided that the report of the Committee on Trade and Development would be derestricted forthwith.

3. Accession of the United Arab Republic (L/3362)

The CHAIRMAN recalled that at their first meeting on 16 February the representative of the United Arab Republic had indicated that he might wish later in the session to seek the approval of the CONTRACTING PARTIES to the addition of another item to the agenda of particular interest to his Government. The Chairman had now been informed that the Working Party on the accession of the United Arab Republic had completed its meetings on 24 February and that its report had been circulated as document L/3362. In the light of this report he had been requested by the representative of the United Arab Republic to invite the CONTRACTING PARTIES to agree to the addition of the following item to the session agenda: Accession of the United Arab Republic.

The request by the United Arab Republic was welcomed and supported by Mr. RARARZ (Poland), Mr. KASSA-MAPSI (Gabon), Mr. BESA (Chile), Mr. PAPIC (Yugoslavia), Mr. GARCIA-INCHAUSTEGUI (Cuba), Mr. SWARUP (India), Mr. LAI (Malaysia), Mr. PANDELAKI (Indonesia), Mr. AL-ANSARI (Kuwait), Mr. ABBAS (Tanzania), Mr. AKANNI (Dahomey), Mr. PASIN (Turkey), Mr. SAMARANAYAKE (Ceylon), Mr. PATRIOTA (Brazil), Mr. MUNOZ VARGAS (Spain), Mr. STEPHANOU (Greece), and Mr. AHMED (Pakistan).

It was agreed that this item would be added to the agenda, to be considered at the meeting on Friday, 27 February.

The meeting adjourned at 11 a.m.