

# GENERAL AGREEMENT ON TARIFFS AND TRADE

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## Group on Residual Restrictions

### NOTE ON PROCEEDINGS OF THE MEETING OF THE GROUP HELD ON 22-23 OCTOBER 1970

Prepared by the Secretariat

#### Introduction

1. The Group on Residual Restrictions met on 22-23 October 1970 under the chairmanship of Mr. S.R. Pasin (Turkey). The Group had before it (i) COM.TD/W/118/Rev.1 containing information provided by the secretariat on types of restrictions maintained by developed countries, and import data relevant to the remaining fifteen items selected for priority examination; (ii) COM.TD/W/125 and Addenda 1 to 5 setting out data on production and consumption as well as comments by governments on the problems and policies relating to restrictions maintained on the fifteen items.
2. The Group took note of modifications and supplementary information from individual delegations bringing up to date the secretariat document COM.TD/W/118/Rev.1.
3. After giving an opportunity to members to comment on any developments regarding the six priority items studied earlier, the Group carried out a detailed examination of each of the remaining fifteen items selected for priority treatment. The Group heard reasons for the maintenance of restrictions by developed countries and in some cases indications regarding measures of liberalization recently taken or envisaged. Developing countries also made representations on items of interest to them. The discussions on individual items are summarized in Part II of this document. On the basis of these discussions, the Group proceeded to consider views and suggestions which could be drawn to the attention of the Committee on Trade and Development. These views and suggestions are set out in Part I.

#### PART I

4. The Group welcomed indications given by some developed countries concerning measures of liberalization recently taken by them or envisaged in the near future. While it was recognized that the progress achieved in the Group so far had been slow and modest in relation to the problems faced by developing countries, it was agreed that efforts within the Group to promote the removal of import restrictions affecting products of export interest to developing countries should continue to be pursued, and in this connexion give particular emphasis to seeking concrete solutions designed to achieve the removal of import restrictions on products of export interest to developing countries within a reasonable period of time.

5. Commenting on the suggestions made during the discussions by certain countries maintaining quantitative restrictions that it might be possible for them to consider their removal in the context of multilateral action for alleviating problems in agriculture and other specific sectors, members from developing countries stressed that negotiations to deal with import restrictions in such a way would not provide a solution to their problems. These restrictions were generally incompatible with the provisions of the General Agreement and as such should be removed on a priority basis particularly as they affected the trade of developing countries.
6. Some members of the Group regretted that no progress had been made along the lines of the proposal put forward by the delegation of New Zealand during the twenty-fourth session of the CONTRACTING PARTIES. They emphasized, therefore, that efforts should continue in the Group to see how far steps taken by developed countries maintaining restrictions on products of interest to developing countries were adequate to secure their removal.
7. The representative of one developing country expressed the view that a distinction should be made between restrictions maintained by developed countries on behalf of certain developing countries and other restrictions. He further stated that in considering removal of the former, attention should be paid to the need for the simultaneous adoption of measures to bring about the necessary structural changes. The representative of one developed country maintaining residual restrictions said that his government was in general agreement with these sentiments.
8. Members of the Group from developed countries maintaining import restrictions said that it was essential to recognize that it was the existence of certain deep-seated, underlying economic and social conditions which were responsible for the difficulties in removing these restrictions. In this connexion they mentioned the chronic over-supply of certain products on world markets and the heavy dependence of certain economically vulnerable geographical and social sectors in developed countries upon a particular economic activity. One developed country stated that one element behind the maintenance of certain restrictions maintained by his country was the desirability of meeting the needs of certain developing countries heavily dependent on a particular developed country market. One member of the Group drew attention to the provisions of Articles XI and XIII in relation to these observations. Some developed countries pointed out that the necessary structural changes to deal with the basic and fundamental problems could only be effected gradually.
9. The Group suggested that solutions to deal with the problems mentioned might include the application of measures of diversification by developed countries in the regions and sectors concerned. In this connexion the Group gave particular attention to the possibility of governments continuing to have recourse to the use of measures of adjustment assistance to deal with the social and economic problems that might underlie the maintenance of particular restrictions. The view was expressed that progress in the dismantling of restrictions might be expedited by more vigorous use of these measures.
10. The Group recommended that in moves towards complete liberalization, developed countries in contemplating positive measures for immediate action, should endeavour to modify these restrictions in a liberal direction by considering the possibilities of using the following measures: by applying restrictions only seasonally where

appropriate, by increasing global quotas, by removing restrictions where quotas are applied and no imports take place, by adopting measures designed to enable new exporters from developing countries also to have a share in their markets, and by removing restrictions on imports of products whether in primary or processed form which were produced exclusively in developing countries. Some members also suggested that governments should give careful consideration to the possibility of relying on tariff measures only, for the regulation of imports where both tariffs and import quota restrictions were applied to particular items. In this connexion some members of the Group further suggested that in regard to products which were likely to be excluded from the generalized scheme of preferences consideration should at least be given to the removal of quantitative restrictions affecting such products.

11. The Group felt that it would be helpful to have information concerning tariff rates and other obstacles to trade when import restrictions on products under examination were discussed.

12. The Group noted that the import system of one developed country provided less favourable treatment for some imports of certain items selected for priority treatment originating in some developing countries than was extended to imports from various other sources. Hope was expressed that such differential treatment would be eliminated as quickly as possible.

## PART II

### Detailed Discussion on Individual Items or Product Groups

#### Coir mats and matting

13. The representative of India said that the bilateral negotiations between the EEC and India which were referred to at the previous meeting of the Group were still continuing. He hoped that mutually satisfactory solutions would be found in the near future and that the restrictions concerned would be removed. The representative of the Commission of the EEC said that the Joint Committee which had been set up to study all aspects of the coir industry would be meeting shortly and it was hoped that the results of the work of this Committee would lead to mutually acceptable solutions in this sector.

#### Leather products

14. In reply to questions by the representatives of Canada and India as to whether any progress had been made since the last meeting of the Group towards liberalizing leather products, the representative of Japan said that his Government had decided to liberalize some further twenty items by the end of 1971 in addition to those which had already been indicated to the Joint Working Group. However, he was not in a position to state at the moment which items would be included in this list. He would convey the interests expressed to his Government. With regard to the specific question of leather products, his delegation had indicated in the past the particular difficulties faced by his Government in this sector. He was not, therefore, very optimistic that this particular item would be included in the liberalization list.

15. The representative of India stated that considering that leather products were not included in the Japanese offer in the context of the generalized scheme of preferences, there should be no compelling reason to maintain quantitative restrictions on these products. The representative of Korea, in supporting this statement, agreed that the protection afforded by Japan in this sector was too onerous. The representatives of Spain, Ceylon and Argentina also expressed the hope that Japan would liberalize the item leather and leather goods at an early date.

#### Cut flowers

16. Several representatives from developing countries emphasized their interest in exporting cut flowers to the markets of countries maintaining restrictions. They asked the countries concerned to describe the kind of restrictions applied, in particular whether developing countries could be assured of obtaining a fair share in the market where global quotas were applied.

17. The representative of Denmark stated that consumption of cut flowers was amply covered by domestic production at all seasons and that imports only took place in the winter season of certain varieties which were not produced locally. As exports of Danish cut flowers were hampered by high protection in some traditional markets it was necessary to protect the local Danish market. If imports were liberalized a considerable degree of market disruption would take place.

18. The representative of Switzerland pointed out first that all the restrictions under examination in the Group were in fact covered by the provisions of the Protocol for the Accession of Switzerland to GATT; in addition, under the terms of that Protocol, Switzerland presented annual reports which already contained all information on the products examined and those annual reports were moreover the subject of a detailed examination every three years in a Working Party in which all contracting parties could take part (see L/3250).

19. Referring to the case of cut flowers, the Swiss representative stated that imports were subject to seasonal restrictions and were under quota from 1 May to 25 October. The quotas were fixed each month taking into account the market situation and the terms of bilateral agreements. This régime enabled liberal imports to take place in the period 26 October to 30 April when domestic production was very small. This régime was particularly advantageous for many developing countries which had a milder climate during Switzerland's cold season. From the figures indicated in COM.TD/W/125/Add.5, it could be seen that developing countries with climatic advantages enjoyed a favourable position in the Swiss market.

20. Asked about the problem of the allocation of quotas, the Swiss representative said that during the period of quota restrictions - from 1 May to 25 October - quotas were fixed for each individual case. A committee informed the authorities of the quantities which would have to be imported to meet the shortfall between

supply and demand, and determined the volume of quotas, taking account of existing bilateral quotas in order to ensure that they were used up. In recent years, total imports had been in excess of the quantities provided for in bilateral quotas. It was difficult to give precise percentage figures, as these varied from year to year; one could consider, however, that on average the bilateral quotas allocated to customary suppliers covered some 60 per cent of total imports. In any case, the monthly global quotas were fixed in a flexible way, according to consumer demand for a particular item, so that in fact fairly broad possibilities were left for new suppliers.

21. The representative of Belgium said that his country only applied quantitative restrictions to roses, carnations, chrysanthemums, tulips, lilacs and narcissi. He said that it was the intention of his Government to liberalize imports of certain categories of flowers in the near future. The representative of the Netherlands stated that no restrictions applied in the Netherlands on cut flowers and that the Netherlands should be removed from the list of countries maintaining restrictions on this item.

22. The representative of France said that the production of flowers in France was very vulnerable and was subjected to competition from countries where wages were very different from those in France. Production was highly concentrated, posing additional problems. The general trend of imports, however, was towards an extension of quotas. He confirmed that certain bilateral quotas were in existence.

23. The representative of Germany said that the situation in his country was similar to that in other European countries. Production of flowers was carried out predominantly by small family concerns, and in removing restrictions in this field his Government could only proceed on a step-by-step basis to avoid jeopardizing the existence of such enterprises. He explained that the import régime had reached a stage where fresh cut flowers could be imported with practically no quantitative restrictions in the period October/May. His Government hoped to be able to remove the restrictions in this field completely, in the course of one year.

24. Several members of the Group suggested that countries maintaining restrictions in this field throughout the year should consider applying seasonal restrictions. Some representatives from the countries concerned responded that their authorities would give consideration to this suggestion.

#### Tomatoes, onions and potatoes

25. In reply to enquiries, the representative of Austria indicated that only seasonal restrictions were applied to onions and that even during the period when restrictions were applied, licences were accorded liberally taking into account the domestic situation.

26. The representative of Denmark referring to the restrictions maintained by his country on onions, said that farms which were in a structurally difficult position used onions as an alternating crop, and that the proceeds therefrom were important to them. International trade in this product suffered from price fluctuations and without the restrictions in question the Danish production might in some years be destroyed completely.

27. The representative of Switzerland pointed out that a three-phase import system was applied to all fresh fruits and vegetables. In the first phase, there was no limit to the quantity which could be imported so long as domestic products of the same kind were not available. In the second phase, imports were permitted under quotas according to requirements when domestic products of the same kind were available at reasonable prices but not in sufficient quantity. In the third phase, imports were in principle suspended when domestic products of the same kind were available at reasonable prices and in sufficient quantities to cover requirements. The Swiss representative underlined that considering the different harvest periods involved, the system was particularly beneficial to the interests of exporting countries. The representative of Belgium indicated that no further import restrictions were applied to onions. The representative of Chile pointed out that onions was one of Chile's most important export items. Production had increased considerably as a result of measures taken by the Government to improve production. His Government was, therefore, anxious that all restrictions on onions should be removed. He felt that there could be a danger in some countries of prolonging their seasonal restrictions unnecessarily. He stressed therefore that such restrictions should be limited essentially to the period strictly required to protect internal production.

28. Commenting on import restrictions applied on potatoes, the representative of Denmark said that imports were restricted seasonally except for seed potatoes of which for phytosanitary reasons, only very limited quantities were admitted. The representative of Switzerland said that domestic production of potatoes in Switzerland was substantial and largely covered domestic market requirements. Switzerland was a net exporter of food potatoes and therefore had to apply import quotas. There was however scope for imports, as could be seen from the figures provided in COM.TD/W/125/Add.5 for some imports from developing countries, before the beginning of the Swiss harvest. In the case of seed potatoes, imports were very slight as these were determined by considerations of quality, plant health and consumer preferences.

29. The representative of Belgium answered that it was the intention of his Government to liberalize to a certain degree imports of potatoes for consumption. The representative of the Federal Republic of Germany referred to the written communication submitted by his Government in COM.TD/W/125, page 6. In this communication it had been pointed out that the potato was an indispensable root crop for the maintenance and profitability of crop farming on medium and especially light soils such as those prevailing in several regions in Germany. Complete removal of protection against imports would inevitably lead to a decline of production which was not desirable in the interests of land improvement. He pointed out that it was possible to export early potatoes to Germany up to 25 May each year.

30. The representative of Denmark said that in his country tomatoes constituted the most important greenhouse cultivation allocated to edible crops. The remuneration accruing to Danish growers was stagnating and was very low due to imports. Further imports would therefore entail very serious consequences for producers. The representative of Belgium said that tomatoes for industrial purposes entered freely into the Belgian market. The representative of France described in general the particular problems faced in the production of vegetables in France and said that the Community had been obliged to set up a special system to regulate trade in these products since the beginning of 1969. In the case of prepared and preserved tomatoes, there was a licensing system with certain bilateral quotas for developing countries.

31. The representative of Japan said that in the absence of the existing measures there would be serious repercussions on producers in his country as growers were still very vulnerable to foreign competition. He recalled the statement he had made earlier to the effect that his Government was considering the liberalization of certain items before the end of 1971. He could not say whether preserved or prepared tomatoes would be included in the list of liberalization.

32. Some members of the Group noted that variable tariffs were applied on a seasonal basis to imports of certain of the items under examination. They considered that the effects of these tariffs could be similar to those of quantitative restrictions and felt that information on the application of these measures should also be taken into account in the examination of the Group.

#### Apples, pears and peaches

33. The representative of Austria, in reply to a suggestion that the system of quantitative restrictions being applied in his country should be changed to a seasonal one in the case of apples, said that this would not change the situation since the situation in Austria derived from conditions under which huge surpluses of apples were being produced. He would nevertheless convey the suggestion to his authorities.

34. The representative of the United Kingdom said that his Government would only be able to consider action to liberalize apples and pears within the context of multilateral action in this sector. He pointed to the very large surplus of apples predicted for world trade. With regard to suggestions for the application of seasonal restrictions in this field, he wondered how realistic this suggestion was in view of the fact that there was a considerable trade in stored apples. He recalled that during the Kennedy Round negotiations his Government had made a proposal that an expert group should study the problems involved in specific agriculture sectors with a view to bringing about a solution to the problems involved on an international and multilateral basis.

35. The representative of France pointed out that apples and pears were liberalized in France. He referred in this connexion to the Journal Officiel dated 6 September 1970. The system currently applied to such fruits in their preserved form was a temporary one pending the development of the Community Regulations in

this field. The representative of Italy said that it was difficult for his Government to change its import system to a seasonal one in the case of apples. The representative of Denmark said his authorities felt that the seasonal restrictions in Denmark did not significantly affect export opportunities of overseas suppliers of apples. He recalled that a certain amount of liberalization had recently taken place in this sector and that further liberalization would only be possible if a system of minimum pricing were established with efficient safeguards against dumping.

36. The representative of Argentina, commenting on the statement by the representative of Denmark that seasonal restrictions did not significantly affect the interests of exporting countries, said that the exports of apples from Argentina to certain European countries were affected by quantitative restrictions whether they were seasonal or not. Referring to the situation in the United Kingdom market, he said that restrictions were not applied to all countries but only to countries outside the sterling area. If quantitative restrictions were applied by the United Kingdom to preserve market stability it was strange that imports of apples from certain countries did not disturb this stability while those from countries like Argentina were alleged to have this effect.

37. The representative of the United Kingdom confirmed that the global quota system in his country did not apply to sterling area countries: this was the consequence of the traditional Commonwealth trading patterns which were a well known feature of international trade. He said that all countries had an opportunity, however, to share in the global quota. With regard to the question of market stability, he said that if the number of countries having free access to the United Kingdom market was limited it was clear that the disruption would be less.

38. The representative of Switzerland said that the three-phased system he had described in respect of tomatoes and onions was also applicable in the case of apples and pears.

39. The representative of Japan said that item BTN ex 08.11 - apples, provisionally preserved, would be liberalized before the end of 1971.

40. The representative of the Federal Republic of Germany said that his Government hoped to be able to remove quantitative restrictions in the foreseeable future on BTN ex 20.04 - apples, pears and peaches, preserved by sugar; and ex 20.05 - apples, pears and peaches in the form of jams, marmalades etc.

41. The representative of Italy, commenting on item ex 20.07 - fruit juices, made of apples, pears, peaches unfermented etc., reiterated the comments made by his delegation in the Agriculture Committee and in the Joint Working Group. He stressed, in particular, the importance of the canning industry to his country in offering the possibility of using primary products produced locally. The fruit industry was very vulnerable and was concentrated in one of the most backward regions of Italy, and was an area in which unemployment posed particular problems.



Citrus fruit and juices

42. The representative of the United Kingdom said that restrictions in his country were maintained solely in the interests of certain Commonwealth countries in the Caribbean area. The citrus industry of those countries for which the United Kingdom was the main market, played a very important rôle in their economies as an export earner and as a major provider of employment. Restrictions had been progressively relaxed to the extent it seemed possible to do so without endangering the interests of these developing Commonwealth countries. For example the import of frozen concentrated orange juice was wholly liberalized in 1964 and in 1967 the quota period during which fresh grapefruit might be imported from the dollar area was extended by three months to cover the main Florida export season. As far as he was aware, the restrictions had in no way prevented dollar-area countries, in addition to the United States, from entering the United Kingdom market. There was, therefore, the possibility that any fresh relaxation of the present restrictions would merely benefit one major developed country producer at the expense of several small developing countries for which citrus exports were relatively much more important in their economies.
43. The representative of Japan said that his Government had been obliged to maintain restrictions on citrus fruits because of the large number of people engaged in the industry which was very vulnerable to foreign competition. With the exception of BTN ex 08.02 - grapefruit, which would be liberalized by the end of 1971, it would not be possible for the time being to liberalize imports of other citrus fruits.
44. The representative of France said that the problem of preserved fruit was closely related to that of fruit production. Canning was an important outlet for fruit produced in France. Purchases of domestic fruit were carried out under strictly commercial conditions, and efforts were made to produce the fruit required to supply the needs of canneries without subsidization. This meant that certain forms of protection were necessary. Thus certain bilateral quotas were applied in respect of certain countries in regard to all the preserved products appearing against France in document COM.TD/W/118/Rev.1. These quotas were not limited only to traditional suppliers since requests for new suppliers capable of supplying the needs of the French market taking into account its special requirements and conditions would be examined by the French authorities.
45. The representative of Denmark said that imports of fruit juices made from pears and elderberries were liberalized as of 1 July 1970. The restrictions on imports of preserved pears and apples, and of fruit juices had furthermore been eased in recent years to the considerable disadvantage of Danish growers.

### Molasses

46. The representative of Japan said that as molasses was composed of materials used in the production of alcohol, it competed directly with domestically produced potatoes. His Government was therefore obliged to maintain restrictions to protect the position of potato producers. Replying to a question as to why no imports of molasses from developing countries were shown in COM.TD/W/118/Rev.1, although a global quota system was applied, the representative of Japan said that imports were not prohibited and that the data could be supplied by his delegation if required.

47. The representative of Denmark said that a special régime for sugar was introduced in 1932. The purpose of this régime was to secure stable and remunerative prices for growers of beet sugar. The import controls applied were intended to complement this system.

### Wine

48. In reply to an enquiry by the representative of Argentina as to whether there had been any change in the restrictions applied to wine, the representatives of Austria, Canada, Norway, Sweden and Switzerland said that there had been no changes. The representative of Denmark recalled that this item had been liberalized in Denmark in January 1970. The representative of the EEC said that with the entry into force of the Common Agricultural Policy on Wine all quantitative restrictions had been removed in the member States.

### Ethyl alcohol

49. The representative of Switzerland said that an alcohol monopoly in Switzerland was exercised by the Régie fédérale des alcools. This monopoly was established mainly for reasons of public health and the purpose of the legislation under which the monopoly was established was to reduce the consumption of alcohol including imported alcohol. The monopoly did not directly import all alcohol, only that which had a high alcoholic strength. As regards brandies with an alcoholic strength of between 75 and 80 per cent, the Régie issued import permits without any quantitative restriction; brandies of an alcoholic strength not exceeding 75 per cent could be imported without a permit.

50. The representative of France said that there was a permanent surplus of alcohol produced in France. Imports were therefore very low but in practice the French monopoly did not discriminate as to sources of imports. The representative of Japan said that imports of alcohol were exercised by a Government monopoly for reasons of public health. Imports were carried out on a global basis.

51. The representative of Denmark said that a special régime for alcohol introduced in 1934, the purpose being inter alia to secure stable and remunerative prices for growers of potatoes. The restriction of imports was intended to complement this scheme.

Bran

52. The representative of Switzerland said that like other animal feedstuffs, permits were required for the importation of bran. The Société Coopérative Suisse du Céréale et Matière Fourrageur exercised the right to import these products. This Société however did not itself import these products. All imports were subjected to permits granted by the Société with the exception of imports of less than 20 kgs. gross. These permits were granted to importers on condition that they observed the federal regulations regarding national stocks and domestic surplus potatoes.

53. The representative of Austria said that import restrictions on bran formed part of the Austrian system applied to cereals and milling products. The legal basis for this system was provided for under the provisions of the Austrian Marketing Law, the functioning of which had already been explained on several occasions in the GATT. Domestic production of bran for the time being did not cover demand, consequently restrictions on bran were applied in a very liberal manner and, so far as he was aware, no applications for imports of bran had been refused by the Austrian authorities in recent years.

Menthhol

54. The representative of Japan said that the producers of menthol were to be found in the Hokkaido Island, where climatic conditions were not favourable to the production of other items. In order to protect the interest of producers in this Island, the Japanese Government was obliged to maintain restrictions on menthol.

Yarn, fabrics and garments of non-cotton fibres

55. The representative of France said that the whole textile sector covered in COM.TD/W/118/Rev.1 could be taken together since for all developed countries maintaining restrictions it represented an area of very serious social, economic and political preoccupation. In view of the complexity of the problem he doubted whether a detailed study of all the elements involved could be carried out in the Group. In his view, the Group could merely take note of the situation.

56. The representative of Italy said that there was a critical situation in the silk sector in his country which had caused very serious disturbances in the silk market with the result that his Government had been obliged to take emergency protective action under Article XIX:2 of the GATT. A detailed account of the situation had been circulated in document L/3231. This sector of the Italian economy had been in a delicate situation for some years, particularly as production was carried out by family-type concerns. The Italian Government had expressed readiness to enter into consultations with any contracting party having a substantial export interest but, to date, no consultations had been requested.

57. The representative of the Federal Republic of Germany referred to the information describing the situation of the German textile industry and outlining the underlying reasons for the maintenance of quantitative restrictions, which had been circulated in COM.TD/W/125. He said that the number of restrictions applied by Germany were very limited and involved only fifteen of 113 tariff items in the garment sector. Further, most of the fifteen items were "ex BTN items" and were applied vis-à-vis a few Schedule B countries only.<sup>1</sup> Almost 600 textile plants or looms had disappeared in the Federal Republic over the last decade and more than 50,000 workers lost their jobs in regions where alternative employment opportunities were limited especially for the large number of women employed in the industry. The re-valuation of the deutschmark in 1969 had further aggravated the situation for domestic textile producers and exporters. Despite these difficulties the Federal Republic had, in the past, continually expanded import possibilities of textiles subject to quantitative restrictions and was prepared to continue in this direction also in the future. Imports had risen steadily and considerably. In 1967 and 1968, for example, imports of textile products amounted to some 14.3 per cent of domestic textile production and had risen to more than 20 per cent in the first six months of 1970. In addition to the normal quota increases, the non-cotton quotas were raised by an additional 20 per cent in 1969. Moreover, an additional global quota totalling DM 20 million was made available for a number of items. As a result of these measures, imports of non-cotton textiles from the Schedule B countries under quantitative restrictions increased from DM 49 million to DM 80.7 million in 1969. Additional import possibilities had been created for developing countries by very generous quotas amounting to over DM 10 million for the Annual Fair in Berlin, having the motto "Partners in Progress".

58. The representative of the United Kingdom, commenting on the restrictions maintained by his country on jute items listed in COM.TD/W/118/Rev.1, said that the problem faced by the United Kingdom in this sector had been explained on many previous occasions. He reiterated that the British jute industry was concentrated almost entirely in the city of Dundee and that over 14 per cent of the working population of Dundee was involved in the jute industry. The Dundee area also suffered from an above-average rate of unemployment in the United Kingdom. It was therefore found necessary to impose a quota on certain kinds of jute products which were important to the Dundee industry. Despite these difficulties, the import arrangements for jute goods had been made steadily more liberal, particularly under the new system introduced since 1 May 1969. It was estimated that during the first quota year of this new system, 1969-1970, imports from India and Pakistan of quota type goods, including those for re-export, had in total exceeded the 1967 level (under the previous system) by over 25 per cent. The jute problem in the United Kingdom was not one for which there was any immediate or easy solution. The United Kingdom Government was doing what it could through the normal channels of adjustment assistance to try to channel alternative employment to the Dundee area. Furthermore, the Dundee labour force was declining, an element which would to some extent serve to alleviate the problem. Progress had been made but the rate of liberalization would have to depend on the speed with which diversification of the industrial structure of the Dundee area could be effected.

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<sup>1</sup>A list of countries falling in Schedule B was set out in document INT(65)646 dated 20 October 1965. Cuba had since been deleted from that list.

59. The representative of India expressed appreciation for the measures taken by the United Kingdom Government by way of adjustment assistance to promote structural adjustment in the jute industry. He felt however that progress had been slow and expressed the hope that the process of structural adjustment in the jute sector would be speeded up. With regard to the increase in imports referred to by the United Kingdom representative, it was the view of the Indian delegation that considering the potentialities of the United Kingdom market for certain types of jute goods, imports would have been higher under the previous régime. The previous system had allowed free entry without limitations subject to a price mark-up. Under the new system a quantitative limitation was set on the amount which could be exported. He hoped that in the not too distant future the United Kingdom would find it possible to remove the import restrictions involved.

60. The representative of the EEC, referring to fabrics of jute, said that the Community had encountered similar difficulties to those mentioned by the United Kingdom representative. The EEC had entered into discussions with India and Pakistan, which were the exclusive suppliers of jute products, and had concluded an agreement with India in 1969 envisaging the accelerated implementation of Kennedy Round concessions two years ahead of schedule, effective 1 January 1970. In addition, an agreement had been reached under which India would limit its exports of cloth of a width greater than 150 cms., with an annual increase, it being understood that the quantitative restrictions affecting such cloth in some member States would be suspended. The agreement also provided for the establishment of a Joint Committee on Co-operation to examine all relevant aspects of the jute situation with a view to seeking mutually acceptable solutions. This Committee would be meeting very soon. A similar agreement was also negotiated with Pakistan but had not yet entered into force.

61. The representative of India expressed the hope that quantitative restrictions on certain categories of jute products which were currently applied in the Federal Republic of Germany and in France would be eliminated and mutually acceptable solutions found as a result of the forthcoming meeting of the Joint Committee.