

GENERAL AGREEMENT ON TARIFFS AND TRADE

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Committee on Trade and Development

Group on Residual Restrictions

REPORT OF THE GROUP ON RESIDUAL RESTRICTIONS TO THE COMMITTEE ON TRADE AND DEVELOPMENT

1. The Group has held two meetings on 28-30 June and 18-21 October 1965 respectively. At its meeting in June this year the Group examined information made available by the secretariat concerning residual restrictions applying to a list of products notified by less-developed countries to Committee III as of export interest to them. The Group agreed at this meeting that discussions on a country-by-country basis with contracting parties maintaining restrictions would be useful for accelerating import liberalization. The Group also agreed that the secretariat should seek information from governments in regard to quotas established for the restricted products, recent data on production and imports, and plans for liberalization, and also indications as to whether restrictions were being applied globally or in respect of imports from certain sources only. This decision of the Group was endorsed by the Committee on Trade and Development when it met last July.
2. In pursuance of the decision taken last June, the GATT secretariat requested detailed information from the following countries:

Austria	Japan
Belgium/Luxemburg	Netherlands
Denmark	Norway
Federal Republic of Germany	Sweden
Italy	United Kingdom
	United States

Information was also furnished by the Government of Australia and the Group heard a statement by the representative of Australia. The contracting parties concerned were also invited to furnish relevant information regarding restrictions on any other items in which less-developed countries had indicated an interest and which they thought might be relevant for the work of the Group.

3. The information furnished by contracting parties in response to this invitation was considered by the Group at its present meeting. The Group also consulted with each of the countries supplying this information, in the course of which it heard statements regarding the considerations behind the maintenance of these restrictions and indications of their plans for future liberalization of these products.

4. In the course of the discussion, representatives of developing countries sought clarification concerning the application of restrictions on specific products and emphasized the importance which they attached to the adherence to the target dates for liberalization set up in regard to items covered by the Action Programme, and to the establishment of agreed liberalization dates for other products. Disappointment was expressed that restrictions would continue to be maintained in respect of a number of products covered by the Action Programme even after the date 31 December 1965, and also that, for some of these products, no firm date for liberalization had been set as yet. Other representatives, while explaining difficulties experienced by their governments in notifying firm dates for liberalization, indicated the resolve of their governments to make the speediest possible progress in removing restrictions adversely affecting the trade of less-developed countries. In the course of the consultations some representatives gave indications concerning the areas in which progress could be expected to be rapid. The Group recognized the importance attached by less-developed countries to the need for providing more specific indications of liberalization plans in respect of all items still subject to residual restrictions which are under discussion in the Group.
5. The Group noted that, while in most instances there had been progress in applying restrictions uniformly without distinction between sources of supply, in some instances this type of discrimination continued to exist. The hope was expressed by some representatives that urgent action would be taken to eliminate the discriminatory element of the restrictions.
6. The points made in the course of the country consultations are contained in a record note which is annexed to the report. The Group recognized the importance to less-developed countries of rapid progress in the removal of remaining restrictions. The Group has noted that, while appreciable progress continued to be made in eliminating these restrictions, a number of products of interest to less-developed countries remain subject to quota or other limitations. The Group noted that attention would be given to non-tariff barriers affecting products of interest to less-developed countries in the Kennedy Round, and that the negotiations would provide further opportunity for eliminating these barriers.
7. The Group felt that, in addition to the usual report to the Committee on Trade and Development in regard to any changes in these restrictions and to progress made in achieving further liberalization, it would be useful to carry out a periodic review of restrictions maintained on products in which less-developed countries have indicated an interest, on the lines of the examination already carried out at the present meeting. This examination could cover not only products notified to Committee III as of interest to less-developed countries, but also any other products which might have been notified, for instance in the context of the Kennedy Round, and still subject to residual restrictions. In this respect it was recognized that the Group should seek to avoid duplication of work being carried out within the framework of the Kennedy Round trade negotiations. It was suggested that for this purpose contracting parties might be asked to furnish information early in 1966 in respect of remaining restrictions, and a review on the lines of the examination carried out by the Group at the present meeting be carried out during the first part of the coming year.

8. The Group recognized that such an examination is without prejudice to the rights and obligations of contracting parties under Article XXXVII, paragraph 2, or under Articles XXII and XXIII of the General Agreement. It was noted that not all the developed countries maintaining restrictions had been invited to furnish information and to consult in the Group. The Group requested the secretariat to invite other contracting parties who might have been left out of the present consultations also to consult since the problem of residual restrictions was not related only to obligations assumed by contracting parties under Part IV of the General Agreement.

9. The Group also had a brief exchange of views on the question of compensation for residual restrictions affecting the trade of less-developed countries. In this connexion a number of representatives emphasized the importance of compensating less-developed contracting parties whose trade was adversely affected by these restrictions by alternative concessions on other items, or any other appropriate ways. Other members of the Group, while emphasizing their desire to make the speediest possible progress in eliminating harmful restrictions, and their willingness to consult with less-developed countries with a view to mitigating any possible injury caused by such restrictions, pointed out that the legal issues involved in this proposal were currently under examination in the Group on Legal Amendments and that until the Legal Group had come to an agreed view in the matter, it would not be possible for the Group on Residual Restrictions to come to a finding in regard to any proposals for compensation.

ANNEXSummary of Major Points Made During the Consultations
on Residual Restrictions

At its meeting held from 18-21 October, the Group carried out consultations with the following contracting parties regarding quantitative restrictions maintained by them on products which had earlier been notified to Committee III, or the Committee on Trade and Development, as being of export interest to less-developed countries:

Austria	Japan
Belgium/Luxemburg	Netherlands
Denmark	Norway
Federal Republic of Germany	Sweden
Italy	United Kingdom
	United States

The major points made during the consultations, as well as a statement by the representative of Australia, are summarized below. In carrying out the consultations, the Group based itself on document COM.TD/B/W/1 and Addenda, containing the information supplied by governments in respect of restrictions maintained by them. Corrections to the data which were brought to the attention of the Group during the course of the consultations will be incorporated in the revised version of document COM.TD/B/W/1 which will be issued in due course.

AUSTRALIA

At the outset of the consultations, the representative of Australia stated that, although Australia was not among the countries for which a consultation had formally been scheduled, his Government had wished to inform the Group of the position in regard to aluminium and aluminium alloys - the only tariff items notified to Committee III as being of export interest to less-developed countries on which Australian restrictions were still maintained. He briefly explained the special economic circumstances of Australia and the reasons of defence, commercial and development policy which had led his Government to restrict imports of aluminium and aluminium alloys. The Government of Australia believed that these restrictions did not significantly affect the trade interests of less-developed countries. Nevertheless the import policy measure in respect of these items was currently under review by the Australian Tariff Board.

Representatives of less-developed countries expressed appreciation of the statement by the Australian representative and, in particular, for the information that the Australian authorities were currently reviewing this restriction.

AUSTRIA

In opening the consultation, the representative of Austria recalled the steps taken by his Government in recent years for liberalizing imports. With the virtual completion of the liberalization programme in October 1964, only a small number of products remained subject to residual restrictions. These included, as regards products in the industrial sector notified to Committee III or the Committee on Trade and Development as being of export interest to less-developed countries, only nine tariff items, and, as regards products in the agricultural sector, only five items. Austria had already had occasion to explain in other bodies of the GATT the reasons for which these agricultural restrictions were being maintained.

Representatives from less-developed countries noted with satisfaction the progress made by Austria in recent years in relaxing and eliminating quantitative import restrictions on products of export interest to them. At the same time they pointed out that restrictions continued to be maintained on items like jute goods and floor coverings, even though the target date envisaged in the Action Programme for removal of a number of such restrictions was about to expire. The members of the Group took note also of the measures adopted by the Austrian Government in order to eliminate discrimination in the import treatment. In reply to a question asked in this connexion, the Austrian representative explained that, apart from the restrictions applied on textiles under the Long-Term Arrangement on International Trade in Cotton Textiles, all items subject to restrictions were importable under global quotas. No distinction was made in the application of these quotas as to whether the imports came from EFTA countries or from other GATT countries.

While recalling the reservation made by the Austrian Minister at the time of the adoption of the Ministerial Conclusions on the Action Programme in 1963, the representative of Austria outlined briefly the efforts made by his Government to liberalize imports and the action currently under consideration in respect of certain specific items. Indications given in this regard were as follows:

Caustic soda (BTN No. 28.17, A.1) and furniture (BTN 94.01 and ex 94.03)

Possibilities for import liberalization of these items in the not too distant future are currently being explored.

Carpets, rugs and mats (item ex 58.02 B)

In the view of the Austrian authorities speedy liberalization was difficult because of certain special factors which operated in the trade in these items. The Government, however, hoped to liberalize imports of these items at a later date.

As regards antibiotics and medicaments containing antibiotics (items 29.44A and ex 30.03) the Austrian representative pointed out that, because of the need at all times to ensure adequate and uninterrupted supplies, and because of certain peculiarities of international trade in these items, import liberalization would not be feasible at the present time.

Representatives of less-developed countries pointed out that liberalization of items of export interest to less-developed countries might be accelerated, even where it was felt that special difficulties affected trade, through a more detailed breakdown of the tariff positions presently affected by the restrictions. For example, as regards carpets, rugs and mats, a distinction should be made between machine and hand-made products, the latter being an item of particular export interest to less-developed countries, which should be liberalized at an early date. In this connexion it was pointed out that in India alone, the production and manufacture of floor coverings such as woollen and coir carpets, was a source of livelihood for approximately 700,000 persons. This explained the great importance which India attached to all possible measures being taken by contracting parties concerned for eliminating import barriers on such items.

In the more general discussion regarding Austrian import policy measures, the representative of a less-developed country also referred to, and congratulated Austria on, the elimination of the duty on tea in bulk. He further expressed the hope that the Austrian authorities would also give urgent consideration to eliminating the duty on tea in small containers.

At the conclusion of the consultation, the representative of Austria assured the Group that he would bring the specific points and suggestions made during the course of the discussion to the urgent attention of his Government.

BELGIUM/LUXEMBURG

The representative of Belgium opened the consultation with a short statement in which he noted the small number of residual restrictions maintained by the Benelux countries, in line with their traditionally liberal trade policy. He described the reasons which had prompted his Government to maintain restrictions in respect of a few of the items notified to Committee III as being of export interest to less-developed countries. He pointed out that, out of the five tariff positions still affected by the restrictions, four related to agricultural products. In respect of one of these, sugar, it was relevant to note that Belgium had participated in the recently held United Nations Sugar Conference which aimed at finding solutions to the problems affecting international trade in sugar. He explained that the import regulations for sugar, currently in force in Belgium, were of a transitional nature, and would be replaced by the new EEC regulations for sugar as soon as the latter were established and put into effect. The representative of Belgium also recalled in this connexion that Belgium was a traditional producer and exporter of sugar. Yet, notwithstanding the importance which sugar beet held as a cash crop for Belgian agriculture, the acreage under sugar beet cultivation had remained stationary over several years.

As regards the restrictions applicable to imports of cut flowers, the representative of Belgium explained that, at present, the controls were still necessary to safeguard producer incomes, since, on the national level, there was no price regulation for cut flowers. Nevertheless, import liberalization of certain types of cut flowers had recently been put into effect and it was the intention of his Government to liberalize imports of cut flowers progressively in the coming years.

In referring to the restrictions on onions, the representative of Belgium explained that the importation of fresh onions destined for industrial use was already free from restrictions and that, the restrictions affected only a part of the tariff item. In this connexion he invited attention to the statistics provided by his Government, which showed that the import controls allowed substantial imports of the items.

As regards the regulations on imports of penicillin and medicaments containing penillin, reference should be made to the section on the Netherlands which is also valid for the Benelux countries.¹

Commenting on the various restrictions being applied by Belgium, representatives from less-developed countries expressed the hope that the Belgian authorities would examine what measures might be taken to accelerate import liberalization. In

¹See page 19.

this connexion the hope was expressed that the regulations for sugar which were being drawn up within the framework of the EEC would not lead to an intensification of the present import restrictions imposed by Belgium on that product, but would, indeed, provide opportunities for increasing access of less-developed countries to markets in the EEC.

A representative of a less-developed country pointed to the recent tightening of administrative licensing procedures applicable to certain imports in the textiles sector. He expressed the hope that these procedures would urgently be reviewed by the Belgian authorities so as to eliminate their restrictive effect. The representative of Belgium explained that procedural changes had been made only for achieving better statistical control. It was not intended to restrict imports by these procedures which were being applied in conformity with the provisions of Article VIII of the General Agreement.

DENMARK

At the outset of the consultations, the representative of Denmark explained that his Government had drawn up a specific time schedule and target dates for the abolishment, not later than 31 December 1966, of the remaining quantitative import restrictions on goods listed from Chapter 25 to the end of the Brussels Nomenclature and on some goods listed in Chapters 17 to 21. Among the items concerned of special interest to less-developed countries were: sugar confectionery, biscuits, certain marmalades, and rubber footwear.¹ He also informed the Group that import liberalization of sixteen other tariff items was presently under consideration by the Government. This left only seven of the items notified by less-developed countries as being of export interest to them subject to restrictions in Denmark. The import control measures applicable to these products were deemed to be consistent with Denmark's obligations under the General Agreement.

Representatives of less-developed countries expressed appreciation of the statement by the representative of Denmark and in particular of the indications regarding the establishment of specific target dates for the elimination of some of the restrictions. They also expressed the hope that, as a result of the review of the import policy in respect of other products, currently being carried out by the Danish authorities, it would be possible to announce further import liberalization measures for the near future.

In the discussion relating to specific commodities, representatives of less-developed countries expressed the hope that, notwithstanding the fact that certain of the restrictions were considered to be consistent with the General Agreement, special consideration would be given to removing restrictions on such items as sugar, manioc and manioc products, all of which were items of considerable export interest to developing countries.

¹For a fuller description of the items concerned and the target dates given, please see document COM.TD/B/W/1/Add.2.

FEDERAL REPUBLIC OF GERMANY

The consultation with the Federal Republic of Germany was opened by a statement in which the representative of the Federal Republic outlined measures taken over the past years to liberalize imports, thereby further increasing access to the German market, and reducing the area of restrictions.¹

In dealing with the restrictions on specific products, the representative of the Federal Republic explained that, as a result of continual increases in import quotas, the share of imported coir carpets, in the domestic market had risen from 22 per cent in 1961 to 36.5 per cent in 1964, the import quota for 1965 amounting to DM3.4 million. However, despite the measures taken for facilitating adjustment to increased import competition, the industry, consisting mainly of small and medium size enterprises, was still faced with considerable difficulties. Possibilities for further import liberalization were currently being examined. While this examination had not yet been completed, it was hoped that imports of woven coir carpets could possibly be liberalized on 31 December 1967.

Referring to remaining restrictions on jute products, the representative of the Federal Republic of Germany described the adjustments which had already taken place in the industry. In spite of the efforts made by the jute industry to adjust to increased import competition, the situation remained such that it had not been possible to achieve full import liberalization. On the other hand the German authorities had ensured, in consultation with the parties concerned, that quotas continue to be increased annually. His Government stood ready to consult with the parties concerned in regard to any new difficulties experienced by the latter. In any event, it was his Government's hope that the problems which had arisen in the trade in this commodity could be solved in the not too distant future.

As regards import controls on worsted yarns and certain woollen fabrics, the representative of the Federal Republic explained that controls were being administered in a liberal manner; in fact, all applications for imports from GATT member countries had so far been approved, regardless of the quantities involved, except where the Federal Republic had entered into special arrangements with a country. He pointed out that in 1964 imports of worsted yarn had amounted to 40 per cent of German domestic production. In the case of woollen fabrics imports amounted to more than 50 per cent of production in the Federal Republic.

¹The full text of the statement was circulated to the Group in document Spec(65)99.

As regards agricultural items, only processed edible vegetable oils remained subject to import control, in accordance with the provision of the German Marketing Law. Until now there had been no instances in which quotas opened for imports of these oils had been fully utilized and, in most cases, the imported quantities had amounted to less than one half of the allocated quota. A market regulation for oils and fats was presently under preparation in the European Economic Community. Consequently, the German Government would find it difficult to modify the import system for processed vegetable oils at the present stage.

A similar situation existed for sugar, syrup and molasses which were also all products covered by the German Marketing Laws. He recalled that the member States of the EEC were in the process of establishing a common set of regulations for these items.

Finally, certain canned fruit and vegetables remained subject to restrictions. This industry had lost a considerable part of its traditional market as a result of the division of Germany. A certain measure of protection for the industry had therefore become necessary. However, restrictions had already been lifted in respect of many of the items which had been notified to Committee III as being of export interest to less-developed countries under this general heading.

The representative of the Federal Republic of Germany pointed to the import liberalization measures which his Government had put into effect at an early date. As a result, for some time already, only a small number of sensitive hard-core items remained subject to quantitative restrictions. The unrestrained access to the German market over many years for the major part of the products exported by less-developed countries had, no doubt, been of benefit and importance to these countries. He assured the Group that the German authorities would continue their efforts to increase access for exports of less-developed countries to the German market. Quotas would continue to be increased annually and full liberalization of products still subject to restrictions would be put into effect as soon as this becomes possible. In the meantime, the Federal Government was always prepared to enter into bilateral consultations so that the specific trade problems of its trading partners would be given full consideration.

Members of the Group expressed appreciation of the progress in import liberalization made by the Federal Republic over the last year, and of the announcement that it was planned to liberalize imports of coir carpets on 31 December 1967. It was however, a matter of disappointment to the developing countries that progress in import liberalization was slow and, also, that there continued to be an element of discrimination in the application of the restrictions. Considering that import liberalization of some of these items had engaged the attention of contracting parties for some time, it was to be hoped that the

Federal Government would explore every possibility open to them to eliminate these restrictions at the earliest possible date. In the meantime the Federal Government should take immediate action to eliminate discrimination and to enlarge quotas. Representatives of less-developed countries all stressed the importance of a reduction in tariffs for these items.

While expressing recognition of the difficulties with which certain industries in the Federal Republic might be faced, representatives of less-developed countries also referred to the serious economic, social and human problems of developing countries and the importance which they had to give therefore to increasing their export revenues as a basis for the development of their economies. The labour market in the Federal Republic was tight, liberalization of imports was therefore unlikely to have any serious social implications. Many less-developed countries were running a heavy balance-of-payments deficit with the Federal Republic which was not wholly compensated by the financial assistance provided to these countries by Germany. A substantial part of the earnings from increased exports to Germany would also be spent by less-developed countries on larger purchases from the Federal Republic. According to representatives of less-developed countries these considerations underlined the need for early action by the Federal Republic. It was also pointed out that import liberalization of items of particular export interest to less-developed countries might be facilitated by establishing sub-positions for these items in the tariff statistical nomenclature. For instance, as regards coir carpets, a distinction would seem to be indicated in respect of machine-made and hand-made carpets, the latter being a product of particular interest to the less-developed countries.

The representative of the Federal Republic assured the Group that he would bring the comments and suggestions made during the consultation to the attention of the competent authorities in the Federal Republic.

ITALY

In opening the consultation, the representative of Italy recalled that his Government had since long adopted a liberal import policy, particularly as regards imports from developing countries. As a result, only a few products were still subject to restrictions, as could be seen from the documentation before the Committee. As regards two of these items (salt and tobacco), it might be noted from the reply of his Government to the questionnaire that they fell under State monopoly. For those monopolies, which were moreover administered in accordance with the provisions of Article XVII of the General Agreement, Italy was covered by the provisions of the Ancey Protocol concerning legislation already existing on the date of that Protocol. As regards two other tariff items, bromine and bromine compounds, contacts had been established between the Italian Government and the country which had notified these items to Committee III as being of export interest to it. It was hoped that these contacts would help to resolve the problems which this country might consider to arise in trade with Italy. Referring to restrictions on soyabean oil, the representative of Italy drew attention to the fact that the major exporters of this product were developed countries. The controls were, in effect, not maintained to restrict imports from less-developed countries and the control measures were unlikely to have a marked effect on opportunities to export to the Italian market.

As regards bananas, the representative of Italy recalled that, the Italian banana monopoly had been abolished on 1 January 1965 after having been in existence for approximately thirty years. To permit the necessary adjustments to be made without unnecessary dislocations to trade, and also to take into consideration Italy's commitments vis-à-vis Somalia, import quotas had been introduced as a transitional measure. The import régime for bananas was currently under consideration of the Government with a view to freeing imports, while taking account, temporarily, of the great significance of banana exports in Somalia's economy. He recalled that, for a small group of products - including bananas, Somalia at present enjoyed a special customs régime for imports into Italy.

While expressing appreciation of the indication given by the representative of Italy that the restrictions on bananas constituted a transitional measure, members of the Group representing less-developed countries noted with disappointment that the abolition of the Italian banana monopoly had not yet permitted their countries to share more fully in the Italian market. Also, there were certain administrative regulations pertaining to the licensing of imports which were not conducive to freer trade. They urged the Italian authorities to re-examine the administration of these regulations with a view to eliminating their restrictive effects. They also urged, pending full import liberalization, that the quota system be operated in a manner which would ensure that no less-developed country producing bananas would be prevented from obtaining a fair share of the Italian market.

In that connexion the representative of Italy pointed out that, within the limits of established quotas, no import licences for banana imports were needed; the customs authorities were entitled to admit imports freely until the quotas were exhausted.

As regards residual restrictions maintained by Italy on fruit juices, representatives of less-developed countries expressed the hope that, pending full liberalization of imports still subject to quantitative restrictions, tropical fruit juices would be excluded from the list of items subject to such restrictions. The Italian representative pointed out that the maintenance of these restrictions was due, above all, to the special situation of undertakings in the less-favoured areas of southern Italy. That was a situation which it would be difficult not to take into account in any liberalization measures which the Government could possibly take. He assured the Group that the suggestions and the points made during the consultation would be conveyed to the urgent attention of the Italian authorities.

JAPAN

In his introductory remarks the representative of Japan stated that since 1960 Japan had vigorously pursued the liberalization of its imports despite various domestic problems. Consequently, 93 per cent of its imports were at present liberalized as against 42 per cent in 1960. Over the last six years imports from less-developed countries had doubled. The annual growth rate amounting to 15 per cent, the highest rate recorded by any country over the same period. After the United States and the United Kingdom, Japan was, at present, the third largest market for products of less-developed countries.

The representative of Japan explained that out of forty items on the Committee III and Committee on Trade and Development lists, still subject to restrictions, twenty-seven were agricultural items. As was well-known, international trade in agricultural products presented difficulties for many countries. As regards remaining restrictions on industrial products, the items concerned were generally those produced by the economically weaker industries of Japan. The representative of Japan explained that, although at the present time it was not possible for his Government to announce target dates for import liberalization, it was the firm intention of the Government to relax restrictions, by increasing import quotas to the extent possible, and wherever possible to remove the restrictions. It was envisaged that imports from less-developed countries would continue to increase since domestic consumption of the items concerned was expected to expand. The representative of Japan emphasized that Japan was actively participating in the Kennedy Round. He expressed his earnest hope that the Kennedy Round should contribute to the expansion of exports from less-developed countries.

During the course of the consultation, the representative of Japan informed the Group that cocoa powder was scheduled for import liberalization in the near future, and that diesel engines, one of the items figuring in the list of products notified to Committee III, had recently been liberalized.

While expressing appreciation of the progress made by Japan in recent years in liberalizing imports, members of the Group expressed disappointment that many of the products notified as being of export interest to developing countries continued to be subject to restrictions and, in particular, that target dates for the liberalization of these items had not yet been set. They expressed the hope that the Japanese authorities would without delay undertake a re-appraisal of the overall import régime affecting the items notified as being of export interest to less-developed countries. They also invited attention again to the target date of 31 December 1965, for the elimination of quantitative restrictions on items covered by the Action Programme.

In further discussion of Japan's import policy measures, the representative of a less-developed country pointed out the imbalance in trade between Japan and less-developed countries in Africa. While expressing appreciation of the interest shown by Japan in encouraging imports from these countries by such means as the exchange of trade missions, it seemed that so far the missions had not had the desired result of contributing to any significant increase in exports from African countries to Japan. What was particularly important was that trade barriers should be eliminated on the products which Japan's trade partners among less-developed countries were already in a position to supply.

As regards black tea, it was noted with regret that this item was still subject to import restrictions, in addition to the import duty of 35 per cent ad valorem. Members of the Group recalled that tea was one of the first items which had been notified to Committee III, in view of the very considerable export interest of this item for a number of less-developed countries. Tea was also one of the items covered by the Action Programme. The hope was expressed that remaining restrictions on this item would soon be removed and that Japan would find it possible to announce free entry for that product, as other developed countries had done in implementation of the 1963 ministerial Conclusions. The representative of Japan explained that, prior to the notification of this item to Committee III of GATT, the Japanese authorities had operated a programme for encouraging the production of tea in certain areas of southern Japan where possibilities for profitable farming were generally unfavourable. At the present time black tea produced in these areas was not competitive with imported tea, and the industry continued to be in need of some protection. At the same time, Japan recognized the importance attached by less-developed countries to increasing their tea exports to Japan. The Government had imposed limitations on the acreage under tea cultivation, aiming at limiting domestic production. While the Government was not at present in a position to announce that imports of tea would soon be liberalized, it was the intention of his authorities to enlarge access to the Japanese market by increasing import quotas as far as possible with a view to ensuring an appropriate share of imports in total consumption.

In respect of restrictions maintained by Japan on manioc and tapioca, representatives of less-developed countries pointed out that these products were almost entirely produced in less-developed countries. They urged, therefore, that every attempt be made to liberalize these items at an early date. In his reply the representative of Japan explained that the restrictions had been imposed to protect growers of sweet potatoes. Sweet potatoes were used in Japan as a substitute for manioc and tapioca and the product was grown in Japan under rather difficult conditions in certain parts of the country where alternative production possibilities were particularly unfavourable. Representatives of less-developed countries urged the Japanese authorities to give nevertheless urgent consideration to early import liberalization of these items.

The Group also discussed import restrictions on leather, an item of export interest to many less-developed countries. The representative of Japan explained that import restrictions on leather continued to be necessary because of the very conservative nature of that industry which had so far not responded to the apparent need for its modernization. Possibilities for action in this regard were further limited by the fact that the enterprises were, in general, located in areas offering few alternative employment opportunities. He pointed out that the high cost of domestically produced leather also made it necessary to restrict imports of leather footwear.

Representatives from less-developed countries stated that, important as these considerations might be, these reasons could hardly be considered a justification for the continuation of restrictions affecting exports of less-developed countries in an item of such importance to them. Members of the Group expressed the hope that urgent attention would be given by Japan to encouraging the industry to adjust itself to increased import competition, and achieving speedy import liberalization.

Representatives from less-developed countries also expressed concern over the continued imposition of restrictions on such items as groundnuts and groundnut oils, roasted coffee, certain vegetable and fruit preparations, and syrups, all of which were items of export interest to a considerable number of less-developed countries. In this connexion, it was pointed out by a representative of a less-developed country that some of the sanitary regulations applied by Japan in respect of tropical fruit amounted, in effect, to a complete prohibition of imports. He urged that consideration be given to the elimination of the regulations on tropical fruit having such prohibitive effects.

The representative of Japan assured the Group that he would bring the comments and suggestions made during the course of the consultation to the attention of the competent authorities in Japan.

THE NETHERLANDS

The representative of the Netherlands referred, as far as the general position of his country in respect of residual restrictions was concerned, to the statement made earlier by the representative of Belgium on behalf of the Benelux countries.

While turning to the two items remaining subject to residual restrictions in the Netherlands, i.e. shrimp and penicillin, he briefly outlined in respect of the former the social and economic reasons which had led to the establishment of a market regulation for shrimps. The market regulation provided for an inter-related system of floor prices, levies on producers, diversion of excess supplies to animal feed, and import licensing. He explained that, in practice, the licensing controls had not had a restrictive effect on imports, since all applications for licences had been granted in full. He also informed the Group that full liberalization of shrimps in the not too distant future was under the active consideration of his Government.

As regards the restriction of imports of penicillin and medicaments containing penicillin into the Benelux countries, the representative of the Netherlands recalled briefly the difficult conditions prevailing in world markets, due to severe competition, while for obvious reasons a supply of this product must be available under all possible circumstances and production therefore be protected, as was the case in many countries producing penicillin.

The Group expressed appreciation of the statement by the Netherlands representative and, in particular, of the indication given by him that his Government was giving active consideration to the early removal of import controls on shrimps.

NORWAY

In his opening remarks the representative of Norway drew the attention of the Group to some of the main features of the Norwegian economy. Norway was a country in a special geographic location, having a population of less than 4 million. More than 40 per cent of total production of goods and services was being exported, and more than 40 per cent of Norway's total consumption of goods and services was being met through imports. Norway was a firm believer in the international division of labour and had always supported efforts directed to achieve a freer flow of trade. In line with this policy, restrictions on practically all industrial items had been eliminated in the post-war period. Further, in the context of the Kennedy Round, Norway was offering without exception a 50 per cent tariff cut on all industrial items, despite its already low tariffs.

While Norway maintained certain import regulations on agricultural products, it was hoped that, in the context of the Kennedy Round, Norway would be able to make a comprehensive offer in this sector also. As regards tropical products, tariffs were generally very low, in some cases nil, and there were no quantitative restrictions.

Referring to import restrictions affecting items notified as being of export interest to less-developed countries, the representative of Norway informed the Group that sugar, one of the more important items in trade, would be liberalized completely on 1 November 1965.

In reply to a question concerning possibilities for early liberalization of manioc, manioc products and also of rice, the representative of Norway explained that his country maintained import regulations on manioc since this product competed with potatoes which were produced in Norway under rather difficult conditions.

The representative of Norway expressed regret - as far as rice was concerned - that it would not be possible to indicate at this stage what action his Government might take in respect of that product, pending the submission of Norway's offers on agricultural products in the Kennedy Round negotiations.

SWEDEN

In opening the consultation the representative of Sweden briefly explained that, in toto, only twelve items continued to be subject to residual restrictions in Sweden. Five out of these twelve items had been notified as being of export interest to less-developed countries. The import controls on these products were being applied in a liberal manner. Licences were being issued freely, the purpose of the licensing requirement being primarily to safeguard against sudden developments in trade. He explained that for quite some time there had, to his knowledge, been no cases where licence applications for imports from less-developed countries had been denied. Sweden's agricultural policies were to be subjected to a full-scale review in the near future and, therefore, it was for the time being, unfortunately, not possible to indicate when imports of items still subject to import controls might be liberalized.

While expressing appreciation of the generally liberal trade policies followed by Sweden, one representative of less-developed countries drew attention to the fact that manioc starches were among the products still subject to import control. The hope was expressed that specially this item would soon be liberalized.

UNITED KINGDOM

In her opening statement the representative of the United Kingdom recalled that, as a result of earlier liberalization measures, the United Kingdom market was now virtually free from quantitative import restrictions. Of the items notified by less-developed countries as being of special export interest to them, only jute manufactures, bananas, cigars and certain citrus products remained subject to import control. While import restrictions on jute manufactures had been progressively eased, import restrictions on bananas, cigars and citrus fruit were, in fact, being maintained in the interest of certain less-developed countries.

The Group did not enter into a detailed discussion of the restrictions being maintained by the United Kingdom. The Group took note that the current import arrangements for jute were to be reviewed in 1967. The representative of a less-developed country, in referring to the importance of jute to his country, took the opportunity of expressing the hope, that the United Kingdom surcharge would soon be eliminated, although recognizing that this question was being dealt with in another working party.

UNITED STATES

In opening the discussion, the representative of the United States explained that the import controls on sugar, cotton, peanuts and unwrought lead were being applied consistently with her Government's obligations under the General Agreement. Restrictions on cotton and peanuts were covered by Article XI:2(c)(i), while import controls on unwrought lead were being imposed under the provisions of Article XIX. Finally, import controls on sugar were covered by the Protocol of Provisional Application. The efforts of the United States Government had all along been directed to bring about, through various measures, a better balance between supply and demand of the products concerned, while at the same time trying to avoid placing all the burden of adjustment on either the domestic or the foreign producers.

With regard to the restrictions maintained on cotton and peanuts, the United States had submitted a detailed report earlier this year (L/2340), and the report had been scrutinized carefully by a special working party. For both of these items it had been found necessary to maintain price support programmes for domestic producers and consequently the United States had not been in a position to allow unlimited imports of these commodities since these would have interfered with the governmental programmes and operations relating to these products. However, the acreage under cultivation had been greatly curtailed since the restrictions were instituted, and, in the case of peanuts, was at the minimum level required by law. Several measures had also been adopted to stimulate consumption of these products. In this connexion she informed the Group that new farm legislation relating inter alia to these two commodities was now being considered by Congress.

New legislative proposals were currently under consideration by Congress as regards sugar. The proposed legislation aimed at assuring foreign suppliers of the opportunity of sharing in the growth of consumption in the United States. The United States representative explained that production of sugar had been reduced in 1965 in order to prevent a decrease in the level of imports; imports in that year accounted for more than one third of consumption. The United States Government had recently participated in the United Nations Sugar Conference and would continue to co-operate in international discussions in this regard with a view to working out appropriate solutions for problems arising in international trade in this commodity.

With regard to lead, United States imports amounted to about 360,000 tons, representing some 60 per cent of total consumption of lead metal and concentrates in the country. The United States Tariff Commission had recently carried out a full investigation of the lead industries under the Trade Expansion Act and the question of the removal of the quantitative restrictions on this item was being examined by the competent authorities.

It was pointed out by the representative of a less-developed country that less-developed countries' exports of peanuts were being affected not only by the restrictions maintained by the United States, but also by the disposals of soyabean oil (a substitute for groundnut oil) in third markets under United States Public Law 480. While he recognized that the United States was consulting with affected countries concerning such disposals, the consultations were sometimes embarrassing and often ineffectual, considering that the countries consulting with the United States bore in mind the more or less charitable nature of Public Law 480 programmes. In any event, the effect of these disposals was that markets were lost. In this connexion, he cited the case of a country which had started to compete in export markets for groundnut oil only after the receipt of large quantities of soyabean oil under Public Law 480.

The delegate of the United States informed the Group that consultations regarding the disposal of vegetable oil under Public Law 480 were carried out in accordance with the procedures laid down by the FAO. To the best knowledge of the United States delegations the countries consulted seemed to have been satisfied with the consultations on Public Law 480 sales and had not heretofore indicated that United States exports of soyabean oil under Public Law 480 had displaced normal exports of peanut oil of these countries. While United States policy on sales under Public Law 480 was outside the terms of reference of the Group on Residual Restrictions, the United States is ready to discuss this matter bilaterally with any country concerned, and in this connexion invited any government concerned to submit any specific cases in which it was considered that United States exports of soyabean oil under Public Law 480 had displaced their exports of peanut oil.