

GENERAL AGREEMENT ON  
TARIFFS AND TRADE

RESTRICTED

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EXPANSION OF TRADE - AGRICULTURAL POLICY

Report of Committee II on the Consultation  
with Switzerland

1. In accordance with the decision adopted by the CONTRACTING PARTIES at the fourteenth session that consultations should be held with the individual contracting parties regarding their agricultural policies, the Committee has carried out the consultation with Switzerland. The Committee had before it: (i) a synopsis, furnished by the Government of Switzerland, of non-tariff measures for the protection of agriculture or in support of incomes of agricultural producers and (ii) a document giving detailed information on the commodities entering importantly into world trade on which the CONTRACTING PARTIES had agreed the consultations should in the main be concentrated. In conducting the consultation, which was concluded on 24 September, the Committee followed the plan for consultation contained in Annex A to document COM.II/5 and adopted by the CONTRACTING PARTIES at the fourteenth session. The present report summarizes the main points discussed during the consultations.

A. GENERAL AGRICULTURAL POLICY

2. In his opening statement the representative of Switzerland drew the Committee's attention to the comprehensive description of Swiss agricultural policies, and the measures which had been adopted to implement those policies, which was contained in the documentation which had been supplied to the Committee. He stressed that there were two points of fundamental character which should be borne in mind in order that Swiss agricultural problems could be seen in their proper perspective.

3. The first point was that the maintenance of a healthy and prosperous agriculture in Switzerland went far beyond the economic sphere only; it was intimately linked to the very existence of the country as a political entity. Switzerland was a permanently neutral country which had always considered neutrality not only a privilege but an obligation, which involved defence by her own political, military and economic means. Despite, therefore, natural conditions that were very unfavourable, Switzerland had to maintain her agricultural industry as a going concern. The fact that Switzerland had been able to rely, at least partly, on her own resources had saved her population from starvation and possibly destruction during two world wars and enabled her to play her traditional humanitarian rôle. Since the basic conditions for agricultural production in Switzerland were difficult, there had to be a certain degree of agricultural protection in order to keep the industry alive.

4. The representative of Switzerland stated that the second point that he wished to stress was that the moderate measure of agricultural protection existing in Switzerland should in no way be construed as a departure from the country's traditionally liberal trade policy. The Swiss authorities were convinced that the restrictions it maintained were the very minimum that was essential to achieve the general objective. Switzerland was a great importer of agricultural commodities from all parts of the world and ranked among the largest importers of agricultural goods per head of population, holding second place among European importers. It was the constant ambition of the Government of Switzerland to expand this area of freedom in her agricultural imports as far as possible without jeopardizing the fundamental interests of the country. Viewed from this angle, Switzerland could with confidence face any test of her agricultural policies.

5. The Committee expressed appreciation for the concise statement made by the representative of Switzerland and for the documentation which had been furnished by the Government of Switzerland.

6. In discussion on the statement made by the representative of Switzerland, members of the Committee pointed out that the aims of Swiss Government agricultural policy found expression in a most comprehensive and thoroughgoing system of agricultural support which included almost every possible type of protective measure such as fixed prices, quantitative restrictions, State trading and subsidies. A member of the Committee noted that the documentation supplied by the Government of Switzerland contained no reference to the percentage of the population at which the Government aimed for agriculture. In 1950, the percentage of the population engaged in agriculture had been 15 per cent and unofficial calculations made in 1956 had shown a decline to 12 per cent. This member considered that the omission of any reference to the aims of the Government in regard to the percentage of the population to be maintained in agriculture implied that, despite all the protective measures that were in operation, the earlier aims had proved impossible of fulfilment. In the view of this member of the Committee, this demonstrated that even the most comprehensive support could not prevent flight from the land. He assumed that the discussions on agricultural policy and possible revisions of the existing system which he understood the Swiss authorities were now engaged in would include consideration of the question of the percentage of the population to be maintained in agriculture.

7. Members of the Committee stated that in their view there was no serious social or economic problem in relation to farmers in Switzerland and, as shown in the 1957 OEEC Report, the agricultural population was declining and there was profitable employment elsewhere in the country. They recognized that movement of population away from agriculture would give rise to social difficulties in particular regions, but considered that these marginal producers should be helped by means other than very high income support which at the present time went to all farmers in Switzerland. They stressed their view that as exporters they would wish to see the elimination of the marginal producer since it was this producer that set the price; there could be little objection to support for real cases of necessity but, in their view, such cases were few in number. Members of the Committee emphasized their feeling that the Government of Switzerland should give consideration to the possibility of directing support towards the improvement of productivity rather than towards compensation for unfavourable circumstances. Even if one accepted the existence of special

factors involved in the maintenance of agriculture in Switzerland, it could still be legitimately questioned whether every measure adopted by Switzerland was justified. The system operating in Switzerland was designed to bring forth as much production as the land and resources could yield and the stimulation of this production depended on a thorough-going protection which had a restrictive effect on international trade in agricultural products. Members of the Committee doubted whether this system contained any incentives to efficiency since farmers knew that they had almost complete protection.

8. The representative of Switzerland stated that the omission of references in the documentation to the percentage of the population which the Government aimed at maintaining in agriculture was not to be taken as an indication that the Government of Switzerland no longer attached importance to this point. The aim of the Government was the maintenance of a minimum of agricultural population and the promotion of a stronger and more effective agricultural industry, and these aims were laid down in the Basic Agricultural Law of October 1951. The Government recognized the existence of a trend towards a steadily declining agricultural population but did not regard this necessarily as a bad thing in itself since methods of productivity were constantly being improved and this compensated for the decline in the number of people engaged in agriculture. Swiss agriculture suffered from the existence of too many small farms and the Government deemed desirable, always with the aim of increasing productivity, a reduction in the number of excessively small farms and their amalgamation into larger units. In regard to the suggestion that support should be confined to marginal producers only, Swiss agriculture as a whole needed support and additional protection was granted to farmers in difficult mountain regions. The Government was attempting always to evolve new methods of support for agriculture which would concentrate on correction of handicaps rather than on compensation for handicaps, though it could not be denied that such an evolution took place only slowly. Nevertheless, the Government was concentrating on all possible measures, including education, research, improvement of livestock breeding etc., that could make the agricultural industry more effective, though it was obvious that limits were set to what could be achieved since it was not possible to change the conditions imposed by nature on the country and, in addition, Switzerland's suppliers were also increasing their productivity. The Government considered that the compromise between agricultural and industrial population which had been reached in the legislation of 1951 was sound and they would not want to jeopardize this compromise unnecessarily. Furthermore, in the view of the Government, protective measures as used by Switzerland had resulted in the achievement of a fair equilibrium between domestic production and the interests of Switzerland's trading partners and had prevented Swiss agriculture from declining faster than it would have done without these protective measures.

9. Members of the Committee noted that Swiss Government policy aimed at fixing the internal market by the use of physical controls on imports in order to produce acceptable internal prices for farmers and stressed their great concern at the effects that this had on the trade of other suppliers to the Swiss market. Members of the Committee asked how the Swiss authorities calculated the price levels they sought to achieve, what considerations of efficiency of the domestic industry were taken into account in these calculations and how the consumer interest was taken into account compared with the question of the price to the domestic farmer. The representative of Switzerland said that the desired internal prices were based largely on costs

of production; the Swiss Peasants Union maintained a list of 500 to 600 average farms and constantly examined the book-keeping and administration of these farms in order to provide the Government with cost data for the fixing of production prices. Consumer interests were taken into account as required by the Basic Agricultural Law of 1951 which laid down that all measures should be taken with due respect to the national economy in general, and the Government maintained advisory boards and committees which criticized existing measures and advised on new measures also from the consumer point of view.

10. Members of the Committee expressed their view that, since Switzerland was a relatively rich country with no balance-of-payments difficulties, it would have been reasonable to expect her to have provided a valuable market for agricultural products unless she could provide them for herself on competitive conditions. The industry was not competitive; the total cost of the Government's support programme, which had shown a marked increase between 1956 and 1958, was a very heavy burden but was only a fraction of the total cost involved for the Swiss citizen. The maintenance of high internal prices, which, for example, required the Swiss consumer to pay more than double the price for butter, cheese, beef and lamb than the consumer in the United Kingdom, represented a further heavy burden for the Swiss citizen. Members of the Committee recognized the existence of the strategic considerations described by the representative of Switzerland and the problems which those gave rise to, but doubted whether strategic justifications necessitated the adoption of policies which included high consumer prices and a very limited scope for imports. They enquired whether the Government of Switzerland could not devise a system that would have less adverse effects on the trade of other suppliers to Switzerland; this need create only limited disturbances in the Swiss market but would have marked benefits to the Swiss consumer who would be able to buy better quality goods at lower prices. In this connexion, one member drew the attention of the Committee to the view expressed in the Haberler Report that a moderate change in the direction of agricultural and food policies might, over a number of years, by imposing a moderate restraint on domestic production and providing a moderate stimulus to consumption, have a substantial percentage effect upon the volume of net imports. Members of the Committee, noting that Swiss agricultural policy aimed at ensuring the maximum possible supply from domestic production, asked whether, in the event of an increase in Swiss demand for agricultural products, domestic producers would be given further incentives to production or whether other suppliers to Switzerland could be assured that this increased demand would be met from imports. Meanwhile, in their view, the scope for increased consumption in Switzerland was limited by the policies adopted by the Swiss Government. They said that there had been ample evidence in the last eighteen months that even in highly industrialized countries, demand was responsive to changes in consumer price and stressed their view that the highly restrictive import controls should be relaxed to the undoubted benefit of the consumer. There was little doubt that there was a high level of consumption of some types of food in Switzerland, e.g. bread, and there was equally little doubt that the level of consumption of other types of food, e.g. animal products, fruit and vegetables, could be increased to the benefit of the Swiss citizen if these foodstuffs were made available at lower prices.

11. The representative of Switzerland stated that the Government of Switzerland would not maintain that the system that had been adopted was the only system that could achieve its aims, nevertheless the system was an historical evolution arising from the special conditions in the country and, as it stood

at the present time, was the result of a compromise, not easily achieved, between different groups of interests. With regard to the views that had been expressed about high consumer prices in Switzerland and the possibility that consumption in Switzerland would be increased if prices were lowered, there was no evidence that the Swiss citizen was under-nourished and there was room for doubt whether high prices had a limiting effect on consumption in Switzerland. Switzerland was a wealthy country and the citizens seemed prepared to pay and able to pay high prices for food and, furthermore, the agricultural support programme had been put to popular vote in Switzerland and accepted by the people. It was calculated that the average Swiss family used 30 per cent of its total expenditure on food. In replying to questions, the representative of Switzerland said that in the drawing together and codifying of earlier agricultural laws in the new legislation enacted in 1951, no direct link had been established between the relatively low income tax burden on the Swiss population and protection to the Swiss farmer. Nevertheless, the fact that direct taxation of the population was not excessive contributed to making the level of food prices tolerable for the Swiss consumer. In regard to the question raised by members of the Committee about incentives to production, the representative of Switzerland said that development would be allowed to take a free course and no additional incentives would be given to domestic producers if there were an increase in domestic consumption of agricultural products.

12. Members of the Committee noted the large number of agricultural items subject to quantitative restrictions and stressed their concern at the adverse effects of such restriction on the trade of exporting countries; they also stressed their concern at the effects of restrictive techniques, such as the closing of the Swiss frontier to imports of certain products at seasons of the year when domestic supplies were adequate, which not only carried repercussions for exporting countries but accumulated problems for other importing countries. They asked for information on the part that considerations of international trade and the needs of Switzerland's trading partners played in the formulation of the Government's detailed national agricultural policy. It was their impression that imports of agricultural products were only allowed if they did not interrupt or interfere with domestic production. The representative of Switzerland said that his country had achieved liberalization of 68 per cent of imports in the private sector under the rules of OEEC and this liberalization was extended to all countries. He agreed with members of the Committee that the percentage would not be so high if imports made by the State-trading agencies were included in the calculations but pointed out that State trading was not necessarily the strongest weapon of protection available to the Government since the agencies acted solely in accordance with commercial considerations and imported from those sources from which the best quality and price could be obtained. The interests of Switzerland's trading partners were taken into account in the formulation of the Government's detailed national agricultural policy, within the framework of the limitations imposed by existing laws and existing international engagements. The Basic Law on Agriculture itself imposed strict limitations and, having achieved a 68 per cent level of liberalization which inevitably involved opposition from Swiss agricultural organizations, the area of freedom where it was possible to decide in favour of protection or increased imports was a marginal one; here it was essential to reach a compromise between the agricultural organizations and exporters for each case on its merits and the decision was never an easy one for the Government.

13. In reply to questions about allocation of licences for import, the representative of Switzerland stated that the administration of the quotas within the limits established by the Government was as liberal as possible. The quotas were divided up among traditional importers who were in most cases entirely free to decide on sources. Members of the Committee expressed their view that the bilateral agreements which existed in both the private and State-trading sectors and the priorities in the Swiss market which were thus afforded to some supplying countries could represent serious discriminatory effects against the trade of other countries. Members of the Committee also considered that the allocation of import licences in the private sector to traditional importers only could prevent efficient development of import trade; since no provision was made for newcomers there could be little competition between the importers or incentive to efficiency. The representative of Switzerland stated that there were very few bilateral agreements left; instead, for most of the products of concern to the Committee, importation was effected through a variety of systems all characterized by a large measure of freedom. He agreed with the views expressed that the limitation of import licences to traditional importers only could have undesirable effects, but pointed out that such effects were mitigated in the Swiss import licensing system which provided for 10 per cent of quotas to be set aside for hardship cases and also provided for periodic revision of import rights with reductions of the rights of importers who did not make full use of their quotas.

14. Members of the Committee noted that in the documentation furnished to the Committee the Swiss authorities had stated that no mixing regulations were in force in Switzerland. They pointed out that for some commodities, e.g. milk-powder and eggs, importers were compelled to buy a certain amount of domestically produced material in order to obtain the right to import, and said that in their view such a requirement had the same effects on international trade as a mixing regulation. The representative of the Swiss Government considered that this system was more liberal than the imposition of a high tariff or an import prohibition.

15. Members of the Committee noted that the Government's agricultural policy took account of natural conditions and outlets offered by domestic and foreign markets; in this connexion they thought it possible that, given the high level of production costs and support, exports of some Swiss products might attract anti-dumping measures in other countries. The representative of Switzerland stated that for many products Switzerland was able to export at the exact prices of production. In the case of cheese, for example, it was precisely because the production costs and prices were high that the United States did not restrict its entry.

16. Members of the Committee pointed out that in their view Government agricultural policy appeared to be directed towards self-sufficiency within the limits imposed by natural resources. They noted that Swiss agricultural production accounted for 70 per cent of agricultural requirements (with a far higher degree of self-sufficiency for some products) and asked for information on the trend of domestic production compared with the pre-war level. They noted with concern that the system of agricultural production and large-scale protection for the stimulation of this production appeared to be designed for permanency and asked for any indications that could be given of possible changes in direction of agricultural or trade policies. The representative of Switzerland stated that the Government's agricultural policy was not aimed at self-sufficiency; Switzerland depended on exports for her economic prosperity

and the Government were fully aware of the unfortunate repercussions that would affect these exports if self-sufficiency for agriculture were achieved. The percentage of agricultural requirements met by domestic production had been extremely stable over the last twenty to thirty years and no great changes were expected for the future. In its fundamental aspects the maintenance of a healthy and prosperous agricultural industry in Switzerland was intended as a matter of principle to be a permanent feature of Swiss life and there was little prospect of radical change in the Swiss system. It was a matter of the highest political importance that the agricultural population, which had now declined to a level of 12 or 13 per cent of the total numbers employed in Switzerland, should be maintained. The Government were satisfied that the present level of restrictions were necessary to prevent further decline in the agricultural population and therefore the prospects for further dismantling of protection were small.

17. Members of the Committee expressed their disappointment at some of the statements made concerning Swiss Government policy for agriculture. In brief, this policy aimed at the maximization of domestic production and was only maintained through use of extensive import controls which it appeared the Swiss authorities had little or no intention of relaxing. Economically, Switzerland was as involved in world trade as the other countries of the world; as her own representative had pointed out, the natural resources of the country were poor and the country was dependant on exports. The members stressed their view that the Government of Switzerland should consider a modification of their protective measures and seek to attain their objectives through other means with less restrictive effects on trade; this could have only beneficial effects on Switzerland and her trading partners in the world.

18. The representative of Switzerland stated that he wished to draw attention once again to the great political importance attached to the agricultural industry in Switzerland and to the unfavourable conditions in which this industry had to be operated. He stressed that consumption was at a very high level and that considerable imports of agricultural products entered Switzerland. The degree of 70 per cent self-sufficiency which had been mentioned was on the basis of prices while, calculated on a caloric basis, agricultural imports amounted to 50 per cent of total consumption. Consequently, despite the protective devices employed in the country, Switzerland was still a large market for imports and, because of her dependence on exports for economic well-being, intended to remain so in the future.

## B. COMMODITIES

19. The Committee conducted a detailed examination of the information submitted by Switzerland on those commodities on which it had been agreed the consultations should be concentrated. This section of the present report summarizes the main points discussed during the consultations.

### Milk Products

20. In reply to questions about import arrangements for this group of products, the representative of Switzerland said that for milk-powder importers were required to buy from home production an amount equal to the amount it was desired to import. BUYRA, a State agency monopoly, purchased the supplies of butter, in addition to the amounts arising from domestic production, needed by

the country and was free to buy from any source those supplies which were needed from other than home production. No bilateral quotas were in operation. The representative of Switzerland said that the aim of Government policy within this group of goods was the production of as much cheese and as little butter as possible in order to increase imports of butter; exports of cheese were subsidized in certain cases and this gave a corresponding opportunity for increased imports of butter. Imports of other goods within this group, e.g. cheese, were liberalized.

21. Members of the Committee pointed out that a guaranteed price of 43 centimes per kilo for milk was high in relation to prices in other countries. This high guaranteed price had acted as an incentive to production of milk and had led in turn to a high support price of 9.65 to 9.80 francs per kilo for butter. On the basis of prices of exports of butter from Denmark, one member of the Committee calculated that the basis for the price to the consumer in Switzerland, which was over 9 francs per kilo, was more than double the basis that it would be if the Swiss market obtained more of its supplies from abroad. This member, having noted the statement of the Swiss representative that there was a high level of food consumption in the country, pointed out that the level of butter consumption in Switzerland was considerably lower than the level in, for example, Denmark, and this could only be the result of the very high consumer price for butter.

22. Members of the Committee noted the very heavy subsidies that were paid on exports of cheese and that there had been a sharp increase in these subsidies from 8 million Swiss francs in 1957 to 40 million Swiss francs in 1958. They also concluded that to the extent that Switzerland was exporting milk-powder and preserves at a price which corresponded to world market prices, there must be some element of subsidy granted on the export of those products.

23. The representative of Switzerland stated that the Government of Switzerland were concerned at the high rate of milk production and since a year ago 2 centimes per kilo of the guaranteed price had not been paid to milk producers but had been held back by the Government to stabilize the situation and discourage production. All industries manufacturing products containing milk had been able since 1 November 1957 to purchase milk at 2 centimes a litre cheaper than the price paid to the producer for liquid milk destined for the Swiss consumer. Subsidies were paid on the export of cheese (though not to all countries) but, except for the 2 centimes a litre reduction in the price of milk which all manufacturing industries received, there was no other subsidy on the export of milk-powder which consisted largely of baby foods. As to the references to higher butter consumption in other countries, the representative of Switzerland pointed out that there was instead a high rate of cheese consumption in Switzerland so that there was in fact a high level of milk consumption in one form or another.

24. One member of the Committee noted that, in addition to the requirement that an amount of milk-powder equal to the amount of imports had to be bought from domestic sources, importers of milk-powder had to pay high import duties and supplementary taxes on imports which, in the case of skimmed-milk powder, amounted to approximately 75 per cent ad valorem. The representative of Switzerland said that the general level of protection for milk-powders was in fact between 20 and 25 per cent ad valorem, which the Government regarded as a moderate protection only; skimmed-milk powder which carried a high protection fell into the category of feedstuffs.

Meat

25. In reply to questions about import licensing arrangements for meat, the representative of Switzerland said that, so long as the level of internal prices in Switzerland indicated that the needs of the country could be covered from Swiss production, there was little or no importation of meat and cattle for slaughter. When prices showed that domestic needs were not being covered, imports of a fixed amount of meat were allowed on a global quota basis. This global quota was allocated to traditional importers on the basis of imports in a reference period.
26. One member of the Committee stated that, although no figures of production and consumption of mutton and lamb were available, it seemed that production and consumption of these commodities was at a low level in Switzerland. He expressed his view that increased provision for imports of mutton and lamb would not greatly affect home producers of these items or producers of beef and veal but would be of benefit to the consumer in Switzerland. The representative of Switzerland stated that mutton was not popular in Switzerland, but provision was made for import of both mutton and lamb within a global quota which could be used for import from all sources. Imports of mutton and lamb were restricted as there was a national production of these items.
27. Members of the Committee stressed their view that the high internal prices of beef, veal and pork had kept consumption of these items at a much lower level than would have been the case if imports had been permitted from world markets in increased volume; one member of the Committee produced statistics which showed that the per capita consumption of beef, veal, pork and bacon was considerably higher in Denmark than in Switzerland.
28. Members of the Committee noted that importers of meat were required, under certain conditions, to participate to a reasonable extent in the disposal of any surplus, and asked about the extent and the conditions of this requirement. The representative of Switzerland explained that importers would not be called upon to participate in surplus disposal schemes if they had participated immediately before i.e. if no imports had taken place since the time of their last participation. The surplus disposal took the form of storage of meat to a reasonable extent.
29. One member of the Committee stated that exporters of meat products from the Netherlands, who wished to enter the Swiss market had been told that no quota existed for products from that country. Some established importers in Switzerland apparently had some small possibility of import for meat products but only irregularly and since the items concerned were branded products and the importers needed continuity of supplies there was little scope for the exporter to establish his products on the Swiss market. The representative of Switzerland said that quotas for meat products varied according to needs since there was a national production of these products. He agreed that it was difficult to get a foothold in the Swiss market for these products but this factor was inherent in the whole system since Switzerland was largely self-sufficient in meat and meat products.



CEREALS

30. In response to questions, the representative of Switzerland outlined the import arrangements for the items in this group. On wheat, Switzerland was a member of the International Wheat Agreement and her minimum quota for purchase under this Agreement was 80 per cent of her import requirements, averaging about 280,000 tons per annum. At the present time imports of wheat were solely in the hands of a State-trading monopoly, but from 1 January 1960, the import trade in wheat would be in private hands. Traditional importers would be granted quotas limited only by the needs of the country and would be free to buy from whatever source they wished. For coarse grains, imports were controlled by the State-trading monopoly but actual importing was carried out by traditional importers who received shares of the global quota established by the Government and were as a rule free to import from any source.

31. One member pointed to the existence of a requirement that amounted in effect to a mixing regulation; it prescribed a minimum proportion of domestic wheat to be used in the milling industry and a certain percentage from a specified geographical area, while only 7 per cent was allocated to imports from all other areas. The representative of Switzerland stated that under the system that would operate from 1 January 1960 there would be no such regulations; the Government would fix the level of wheat to be imported and the miller would have complete freedom to decide what type of imported wheat he wanted to use. In reply to a question, the representative of Switzerland confirmed that the change in the system from 1 January 1960 referred to the transfer of import functions from the State monopoly to private traders and would not affect the deficiency payments scheme which would be continued for domestically-produced wheat. He also confirmed that the Governmental Cereals Administration would retain the right to import wheat and might avail itself of this possibility for imports of, for example, seeds, but direct imports by the Cereals Administration would be limited. One member of the Committee stated that the policy of providing heavy funds for highly uneconomic production of wheat in Switzerland bore heavily on those agricultural exporting countries who produced the same type of wheat (i.e. soft) as Switzerland and stressed the need for increased import opportunities for soft wheat in the Swiss market. He asked whether the system to be introduced in January 1960 would involve frequent changes in the level of the quota. The representative of Switzerland stressed that it was important to bear in mind that for climatic reasons Switzerland was only able to produce soft wheat. The import quotas for feed grains, the level of which would be determined by the Government on the basis of advice from importers, would be fixed every three months on a global quota basis.

32. Members of the Committee noted that because of the support measures maintained in Switzerland, domestic production of wheat had advanced in the period 1953-57 by 25 per cent over the average pre-war production and that imports had decreased by 12 per cent. Consumption of wheat had remained steady, but 41 per cent of domestic consumption was met by domestic production in 1953-57 compared with the pre-war average of 33 per cent. The representative of the Swiss Government stated that the aim of the Government was the maintenance of a reasonable balance between cereals and livestock production. At the present time there was over-emphasis on livestock production and the Government was seeking to remedy this by such measures as the withholding of part of the guaranteed price for liquid milk and the application of price supplements to imported fodder with a view to adapting the number of livestock

to the fodder production of the enterprise and of the country, but meanwhile it could not discourage the domestic production of cereals. However, the acreage under cereals cultivation in Switzerland had not greatly increased; increases in production were mainly due to increased efficiency. The Government had no intention of tolerating a production of wheat at a level such as would compromise relations with overseas trading partners, and intended to maintain a gap in requirements to be met by imports.

#### SUGAR

33. In reply to questions, the representative of Switzerland said that the price of sugar in Switzerland was based on the open market price of imports which were quite large in volume.

#### OIL SEEDS AND VEGETABLE OILS

34. The representative of Switzerland expressed his agreement with one member of the Committee who pointed out that the cost of the losses incurred (over \$100 per acre) in the relatively small amount of production of colza was high but said that the production had to be maintained.

#### FISH

35. In reply to a question from one member of the Committee, the representative of Switzerland stated that no special protection or support for the Swiss fishing industry was planned.

#### OTHER COMMODITIES

36. In conclusion, the Committee considered the requests that had been made for the inclusion of additional commodities in the consultations with Switzerland.

37. In reply to questions raised by members of the Committee, the representative of Switzerland confirmed that a system similar to the one in operation for imports of milk-powder existed in relation to imports of eggs. Importers were at present required to take up to 35 per cent of their requirements from domestic sources but, having met this requirement, were free to choose their sources of supply. In reply to questions about apples, the Swiss representative said that in exceptional circumstances this system applied also to imports of fruit and vegetables, but in the main imports of these items were subject to the 'three-phase' system under which there was:

- (i) free import while there was no home produce in the market;
- (ii) limited import when home produce was in the market but in insufficient quantities; and
- (iii) suspension of imports as soon as the market was adequately supplied with home produce.

Importers had complete freedom as to sources. Members of the Committee stressed their view that the 'three-phase' system represented an extremely effective method of protection of the domestic industry with adverse effects on the trade of overseas supplies. One member of the Committee outlined the

difficulties his country had experienced in the Swiss market due, among other things, to the fact that little or no notice was given of the shifts from one phase to another; in the past five seasons apples had been admitted into the Swiss market from his country only once and there had been no imports of pears.

38. Another member of the Committee drew attention to the restrictions on imports of seed potatoes and the large increase in production of potatoes from .8 million tons in 1955 to 1.2 million tons in 1957 and in the volume of exports from 3,000 tons in 1955 to 30,000 tons that had come about as a result of the high guaranteed prices in Switzerland. They also drew attention to the heavy losses on exports of potatoes and asked whether any discouragement to production was being considered by the Swiss Government. The representative of Switzerland said that the restrictions on the import of seed potatoes were in the main based on technical factors such as the need for certain qualities in the organization of national production. The Government of Switzerland was trying to remedy, within the limits of its powers, the excessive production of potatoes, and remedial measures so far taken included the diversion of part of the crop to processing.

(The United Kingdom Government has requested that the following text be attached as a footnote to paragraph 39 on page 10 of GATT document L/1053)

Footnote to paragraph 39, page 10

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<sup>1</sup>The United Kingdom have subsequently pointed out to the representative concerned that imports of dead poultry were in fact liberalized at the time of the consultation, except from the dollar area, and that imports of poultry from the dollar area were liberalized later in 1959. Imports of new potatoes are permitted without quantitative restriction except during the months of September and October. The prohibition of imports of seed potatoes is maintained for plant health reasons and there are restrictions on imports of uncooked dead poultry from certain countries for animal health reasons.

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Annex A to document COM.II/5 and adopted by the CONTRACTING PARTIES at the fourteenth session. The present report summarizes the main points discussed during the consultation.

A. General Agricultural Policy

2. In his opening statement, the representative of the United Kingdom drew the Committee's attention to the comprehensive statement on the agricultural policy of the United Kingdom and the measures taken to implement it which had been furnished by his Government to the Committee and then outlined the general considerations which the United Kingdom Government had had in mind, how these had affected its choice of methods of supporting agriculture and the main problems which it saw ahead.
3. The main objective was the promotion and maintenance of a stable and efficient agricultural industry which was an important contributor to the country's external balance of payments. In furthering this main objective, the Government had had particularly in mind the need to encourage improvements in agricultural productivity, the need to provide consumers with sufficient supplies of food at reasonable prices and thus help to maintain a high level of consumption and the need to maintain free markets with a minimum of controls over imports and home production. The aim for agriculture in the United Kingdom was not self-sufficiency. A little over half the country's total food requirements were imported, and there was evidence that during the last five years imports had accounted for a somewhat increasing proportion of the country's food and feed consumption.
4. The fact that living standards in the United Kingdom were already high had two important consequences for agriculture; firstly, the scope for further consumption was limited and secondly, the level of support required to maintain a reasonably

prosperous agricultural industry might need to be rather higher than in some less-developed countries if farmers and farm workers were to enjoy a suitable standard of living in relation to that of other sectors of the economy.

5. The deficiency payments system, the principal method of support used in the United Kingdom and the system in which the Haberler Report had seen a number of advantages, had been adopted because it enabled the Government to ensure a reasonable level of return to producers and at the same time left the ordinary channels of trade to operate freely; as operated in the United Kingdom it also ensured that the producer felt some of the impact of the market. Furthermore, as most members of the Expert Panel of FAO which met in Rome in April 1959 had agreed, the net effect on import requirements seemed likely to be smaller under a deficiency payments system than if the same level of prices to producers were maintained by (for example) regulating the flow of supplies to the market.

6. The production grants and subsidies with which the price guarantees in the United Kingdom were supplemented were designed to encourage good husbandry and improvements in productivity. United Kingdom agriculture had made itself technically very efficient - this efficiency was increasing year by year at a rate which the Government estimated at something like 2 per cent per annum of the value of gross output. Improvements in productivity must be expected to continue and these would almost certainly mean higher output though at lower cost, e.g., as yields per cow or per acre improved still further. However, a deliberate expansion in output through more stock or more acres was only being sought by the United Kingdom Government in those directions where market requirements<sup>1</sup> were not yet met, e.g. beef, or where a contribution to economic efficiency could be made, e.g., by substitution of lower cost home-produced feed for imported feed.

7. There had been a substantial reduction in the cost of agricultural support between 1957/58 and 1958/59. Under the deficiency payments system the cost depended in part on factors beyond the Government's control, but a major factor which the Government did control was the level of the price guarantees and in the last five years, these guaranteed levels had on the whole not been rising; in fact, for wheat, rye, eggs, pigs, milk and wool the present guaranteed prices were actually lower than the corresponding prices in 1954/55. In view of the inflationary pressures operating during the earlier part of this five-year period, the avoidance of a general increase in support levels should be regarded as a considerable achievement which was possible only because of the continuing improvement in the efficiency of the agricultural industry.

8. The representative of the United Kingdom concluded his statement by referring to the main problems which appeared to his Government to lie ahead. Firstly, there was the limit to the absorptive capacity of the United Kingdom market. Such expansion of consumption as was possible in the United Kingdom might depend on lower prices to the consumer, and consequently to producers in the exporting countries, as well as on improved presentation, marketing and servicing. The second main problem concerned the level of domestic production in the United Kingdom; it was necessary to maintain something like the present level if the country was to have a reasonably prosperous agricultural industry but there was inevitably a tendency for some increase in output as productivity increased and as the industry became economically more competitive. The third problem was the vulnerability of the United Kingdom to dumping.

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<sup>1</sup> See paragraphs 29-32.

9. In the view of the United Kingdom Government, these circumstances gave rise to the need for encouragement of increased consumption and the expansion of markets generally in the world, with the object of raising living standards and of ensuring a greater degree of stability to producers at prices reasonable to consumers. This might require lower cost production in many countries and appeared to the United Kingdom Government a major problem of agricultural policy both at home and abroad.

10. The Committee expressed appreciation for the clear statement of the representative of the United Kingdom and for the comprehensive and detailed documentation which had been furnished by the Government of the United Kingdom. In discussion on the statement made by the representative of the United Kingdom several members of the Committee stressed their view that, although the authors of the Haberler Report had seen much advantage in the deficiency payments scheme as a method of support and although this view was shared by the United Kingdom which had adopted such a system as its principal method of support, it was nevertheless vital that there should be recognition of the disadvantages of this method. Some of the advantages of the deficiency payments scheme were undoubtedly lost in a higher income country like the United Kingdom where the elasticity of total demand for foodstuffs was relatively low. A deficiency payment scheme in itself provided no safeguards against the development of surpluses and therefore such a scheme shared this disadvantage with other support systems; high prices were of considerable influence on the volume of production in a country whether these high prices were induced by deficiency payments schemes or other schemes and it was just as possible, as had been demonstrated in the case of egg production in the United Kingdom, for an importing country to become an exporter under the former. They recognized that the system of deficiency payments adopted by the United Kingdom did not depend on the use of quantitative restrictions on agricultural products and that the few remaining restrictions were being removed progressively in response to improvements in the United Kingdom balance of payments. However, this did not of itself assure a profitable market for traditional exporters who were being forced out of the United Kingdom market by the fact that the effect of the level of prices associated with the deficiency payments schemes had led to a substantial increase of production. Furthermore, the prices to be obtained in the United Kingdom market were considerably less than they would otherwise be in the absence of agricultural support. At the same time they recognized the importance for agricultural exporting countries of the fact that the United Kingdom provided the widest open market for foodstuffs and pointed to the need for other countries to open their markets.

11. In response to a request for more information about the guiding principles and the factors taken into account in determining the level of the guaranteed prices, the representative of the United Kingdom, after drawing the attention of the Committee to the White Papers published by the United Kingdom Government after each Annual Review, which explained in detail the considerations which had been taken into account, stressed that the Annual Review system was flexible and could take all factors into account. The United Kingdom Government was not tied to any index or calculation of changes in cost; increasing efficiency and changes of factor costs in the aggregate were only some of the factors taken into account and, since the reviews were annual, there was adequate provision for remedying errors and making changes. Members of the Committee expressed the view that the long-term assurances given to the industry in the 1957 Act might, in fact, unduly restrict the powers of the United Kingdom Government to make

all those changes which might be necessary at any review. The representative of the United Kingdom stated that, in the view of his Government, the percentages laid down in the Act were adequate;  $2\frac{1}{2}$  per cent of the total value of the guarantees could in fact mean that an increase or reduction of the order of £30 million could be made. For example, after the review of 1958 there had been a net reduction of £19 million after allowing for an increase in factor costs of £11 million. On individual commodities, the percentages were also considered to be adequate; for example, after the same review the guaranteed price for pigs had been reduced by 2/-d. per score with immediate effects on the pig-breeding herd.

12. Some members of the Committee doubted whether there was in fact any true incentive for the producer in the United Kingdom to obtain the most that he could from the market and thought that too much assured protection was implicit in the United Kingdom system regardless of whether any gains had been made in efficiency; one member of the Committee, having noted that the main objective of United Kingdom Government policy was the promotion and maintenance of an efficient industry, asked by what criterion efficiency was measured and whether efficiency or the maintenance of a suitable standard of living for the agricultural population was considered the more important by the Government. In discussion on the total cost of the programme to the Exchequer, members pointed out that this had represented about 75-80 per cent of farmers' net income in the last three years, and thought that the provisions for decreases in the total costs of the guarantees would be offset by increasing costs in the future. In reply, the representative of the United Kingdom stressed that there was in fact an incentive to the United Kingdom producer to get the most he could from the market since the amount of money that each producer got was made up of his return from the market plus the flat rate of guarantee which was the average of all sales in the market. It was not the intention of the Government to protect the inefficient farmer; the Government assumed that the industry was increasing in efficiency and in fact put a money value of £25 million per annum on this factor which was taken into account at Annual Reviews. In the view of the United Kingdom Government, it was unlikely that changes in costs would be so marked as to eliminate the large margin of £30 million to which he had referred; it was not the expectation of the United Kingdom that support levels would have to be increased.

13. Members of the Committee noted that the policies of the United Kingdom appeared to be leading to self-sufficiency for a number of products. They asked by what criteria the United Kingdom Government judged that expansion of output in various sectors was necessary and whether a desirable consumer price and prospective increases in supplies from efficient overseas producers were included in these criteria. In reply, the representative of the United Kingdom stressed that the United Kingdom Government had for the last two years told producers that no increase in gross output was needed; deliberate expansion in output was only sought in those sectors where this was not yet sufficient. The Government was not able to enforce restrictive measures but it did all that it could to discourage unwanted production.

14. One member of the Committee asked whether the United Kingdom authorities envisaged the continuation of what appeared to be a more or less static overall agricultural industry or whether they contemplated that structural adjustments such as had been considered necessary in other industries, e.g., textiles, would be considered necessary in the agricultural field to meet future conditions. In reply, the representative of the United Kingdom said that it

was impossible to make any forecasts about the actions of future Governments though, in his personal view, for what it was worth, action on the lines undertaken for the cotton industry did not appear to be contemplated for agriculture.

15. One member of the Committee noted that quantitative restrictions remained on imports of a number of agricultural products and enquired whether any hard-core problem would arise when these quantitative restrictions were no longer needed for balance-of-payments reasons. He noted also that many of the remaining import restrictions on agricultural products were applied by the United Kingdom in a discriminatory fashion for which, in view of the fact that there was now external convertibility of sterling, there was no logic or justification nor any need for more protection than was already provided by the support measures in force in the United Kingdom. The representative of the United Kingdom referred to recent discussions in the Balance-of-Payments Committee in which the United Kingdom representative had said that, in view of external convertibility, there was no longer any payments advantage in buying from one source rather than another. As was then pointed out, the United Kingdom was endeavouring to remove the remaining dollar discrimination and the quantitative restrictions maintained for balance-of-payments reasons, but considered it was undesirable to forecast in advance of abandoning the restrictions maintained under Article XII what items if any might form the hard-core problem.

16. Members of the Committee stressed their view that the Government of the United Kingdom should have constantly in mind the effect that their agricultural support measures would have on the trade of traditional exporters to the United Kingdom and, in settling the levels of guaranteed prices, should take into account the interests of such exporters.

#### B. Commodities

17. The Committee conducted a detailed examination of the information submitted by the United Kingdom on those commodities on which it had been agreed the consultations should be concentrated. This section of the present report summarizes the main points discussed during the examination.

#### Milk Products

18. Members of the Committee pointed out that there had been a considerable increase in total milk production from the pre-war average and stressed their view that the support prices, which were considerably higher than the prices paid to producers in other countries, had been a powerful incentive to this increased production. The increased production had resulted in a considerable reduction in imports of cheese and evaporated and condensed milk, for which items tariff concessions had been negotiated with the United Kingdom, and a considerable increase in exports of condensed and evaporated milk from the United Kingdom; the whole pattern of trade in these products had in fact been changed.

19. The Committee noted the assurance given by the United Kingdom representative that the policy of the Government of the United Kingdom was not to encourage milk production beyond the level needed for the liquid milk market after allowing for the necessary reserve. Nevertheless, they suggested that the long-term assurances which had been given to the milk producers and the possibilities of increase in the guaranteed quantity of milk, might run counter

to these policy objectives. They also expressed their view that the practice of payment by the Milk Marketing Board of an average of two prices to producers created a greater overall incentive to production than if the producers were paid directly according to the two-price system; the system also implied a direct subsidy to the industries processing milk and thereby an indirect subsidy to the export of processed milk. They asked whether it would not be possible for the United Kingdom to evolve a more flexible system which would have a stronger deterrent effect on the production of milk for manufacturing. The attention of the Committee was drawn to the discriminatory application of the import restrictions which remained on most products in this group, but not now on butter.

20. The representative of the United Kingdom again emphasized that the policy of the Government was the production of less milk than was in prospect and this policy had found confirmation after the 1959 Review of Farm Prices in the reduction of the guaranteed price by 1d. a gallon and the issuing of strong warnings about the undesirability of further production. It was also the Government's policy that increased consumption of liquid milk should be encouraged. The Government would seek to implement its policy by the means available to it, and was satisfied that the provisions of the 1957 Agriculture Act did not unduly restrict its power to influence production. The present arrangements for milk contained a built-in deterrent to an expansion of production by the relating of the guaranteed price to a standard quantity. The representative of the United Kingdom said that the United Kingdom remained the most important market in the world for milk products, and this should be noted against the general background policy of not encouraging increased gross or net output of milk.

#### Eggs

21. Members of the Committee pointed out that in the last few years the United Kingdom had changed from being the world's largest importer of eggs to a country that was completely self-supporting in that commodity. The encouragement given to domestic production in the United Kingdom by systems of support which contained no built-in safeguards against unlimited production had had extremely damaging effects on traditional exporters to the United Kingdom and other markets and had caused an unfortunate reaction in one importing country where the government of that country had been compelled to grant a subsidy to its producers to enable them to retain some share of their home market. Members of the Committee considered that, in view of the highly efficient nature of the egg industry in the United Kingdom and the fact that it could obtain its feeding materials at world market prices, there was no need for support measures, particularly at the high level at which the subsidies were still applied, and noted that the 4 per cent maximum reduction in the guaranteed price had not been made at the last review of farm prices. Members of the Committee expressed the feeling that this example seemed to prove that the system of minimum guarantees was not sufficiently flexible in all cases. They welcomed the assurance that the policy of the United Kingdom Government was that less eggs should be produced and asked whether this policy was to continue until traditional exporters could attain a reasonable share of the United Kingdom market.

22. The representative of the United Kingdom said that the points raised in discussion were kept well in mind by the United Kingdom Government. The policy of the Government continued to be that less eggs should be produced and for the last three years it had done what it could to discourage production; the

maximum possible reduction of 4 per cent in the guaranteed price had been made in 1957 and reductions had been made in each year since then. It was not possible to predict whether the United Kingdom production would be reduced to the point where substantial imports could be made into the United Kingdom. The United Kingdom Government would, however, continue to recognize the difficulties which existed and would keep in mind the international repercussions when the problem was examined at the next annual review of farm prices. The representative of the United Kingdom reminded the Committee of the prompt action which had been taken by the Government of the United Kingdom when exports of eggs had taken place; the position on eggs was exceptional and it would be wrong to allow the situation which had developed on this commodity to loom too large in any appraisal of the United Kingdom position on agriculture generally.

### Cereals

23. Members of the Committee pointed out that there had been an increase of 62 per cent in production of wheat in the United Kingdom over the pre-war average production of this crop. The increase in production of wheat had been accompanied by a decrease in United Kingdom imports particularly of the type of wheat produced in the United Kingdom because there had been no proportionate increase in consumption. Members of the Committee noted that the guaranteed price for this commodity had been reduced in 1959 but thought that there was ample scope for further reductions. They expressed their alarm at the high continued support price for a commodity which did not appear to be required in the United Kingdom in the quantities which the incentive of the guaranteed prices produced. In their view, the United Kingdom had not paid sufficient attention to the effects that their policies had had on their trading partners or on the price and volume of wheat entering into international trade. As to barley, members of the Committee noted that there had been an increase of 286 per cent over the pre-war average production in the United Kingdom. Although there had been no decrease in imports from pre-war levels, nevertheless the encouragement given to production of home-grown feedingstuffs had meant that traditional exporters had not been able to share fully in the expanded United Kingdom consumption of barley.

24. The representative of the United Kingdom said that it was necessary to view the feedingstuffs situation as a whole. The United Kingdom took about one-third of the total world imports of maize; United Kingdom imports of feedingstuffs had increased from a level of 4.8 million tons in 1955/56, to 5.4 million tons in 1957/58 and to a forecast estimate of 6.1 million tons in 1958/1959. The United Kingdom Government was concerned about undue dependence on imports of feedingstuffs and did not consider that there had been harmful effects on the international trade in this commodity.

25. In reply to questions put by a member of the Committee, the representative of the United Kingdom confirmed that there was an informal (non-governmental) agreement between the National Farmers' Union and United Kingdom flour millers under which the latter agreed to use their best endeavours to purchase a certain minimum quantity of domestic wheat each year. He also confirmed that there was a similar arrangement under which the United Kingdom milling industry undertook to endeavour to import a certain annual quantity of Australian wheat for home consumption.

Sugar

26. In reply to questions about the refining margin which represented one of the elements in the establishment of the price at which refined sugar produced from home-grown sugar beet was sold, the representative of the United Kingdom said that the undertaking given by the United Kingdom refiners to the Government related only to a maximum margin. The refining price, based on competitive factors, varied from day to day and there was no question of price fixing, either of internal or export prices.

27. One member of the Committee considered that there might have been a disguised increase in the margins of preference provided for in the United Kingdom tariff by the use of pre-war freight rates in the pricing arrangements of the Commonwealth Sugar Agreement. The representative of the United Kingdom said that the use of pre-war freight rates in the method of pricing in the Commonwealth Sugar Agreement, which was designed as a stabilization measure for a group of countries, was only one detail in the price fixing system incorporated in the Commonwealth Sugar Agreement which should be seen as a whole. He confirmed that this Agreement incorporated contractual arrangements for the purchase of sugar at fixed prices from the major sugar exporting countries of the Commonwealth. In reply to the statement made by the representative of the United Kingdom, one member of the Committee said that both the existence of discrimination and the widening of the consolidated margin of preference by the pricing arrangements was a matter of great concern for some countries.

Meat

28. Members of the Committee noted that all imports of carcase meat and preparations containing meat were still subject to quantitative restrictions from the dollar area.

29. Members of the Committee pointed out that the guaranteed prices for pigs had resulted in a considerable increase in production of pork and bacon in the United Kingdom from the levels of pre-war years while there had been a decline of 70 per cent in total imports of pork and a 7 per cent decline in total imports of bacon. Traditional exporters had struggled to maintain their position in the United Kingdom market for pork but as a result of the high support prices could only command extremely low prices in the United Kingdom and were being forced to seek markets elsewhere. The shortage of beef and veal and its consequent effect on prices of these commodities, had led to an increase in United Kingdom demand for bacon but traditional exporters had been denied this increased market for bacon which was being filled by the increased domestic production and had in fact been forced to limit output. Members of the Committee considered that the limit in the reductions in the guaranteed price for pigs imposed by the 1957 Act might ~~constitute~~ constitute an obstacle to the Government policy objective of production of less pig meat

30. Members of the Committee stated that, while they recognized that the United Kingdom market for beef was not at present adequately supplied, this might be due to factors of a temporary nature. The United Kingdom Government had nevertheless considered it necessary to pay subsidies of £34 million in 1957/58 and £30 million in 1958/59. This appeared to be an extremely high burden for the Exchequer in what was in fact a period of very high market prices for beef.

Members of the Committee asked whether the production of more high quality beef in the United Kingdom would be accompanied by a reduction or even elimination of the guarantees for all cattle below top quality and whether it was contemplated that beef production as a whole would continue to rise and, if so, the degree of self-sufficiency at which the United Kingdom Government would aim.

31. Members of the Committee noted that over the past three years the guaranteed price for lamb had been 3/3<sup>1</sup>/<sub>2</sub>d. per lb. and that the wholesale prices for the same period had usually been considerably below this support price. They noted that the policy objective of the United Kingdom Government was to reduce costs and asked whether the efforts to reduce lamb costs would be accompanied by progressive reductions in the guaranteed prices and whether it was felt that a reduction of lamb production might accompany any reduction of costs. Members of the Committee stressed their view that if the high level of guaranteed prices were maintained, the further production which would inevitably result would have adverse effects on overseas suppliers.

32. The representative of the United Kingdom considered that the whole question of meat production in the United Kingdom should be viewed against the fact that the United Kingdom was importing two-thirds of the world's imports of carcase meat, including a substantial element of the bacon supply. As to the view which had been expressed that the 1957 Act might render ineffective the Government's policy of less pig meat production, United Kingdom experience had been that the price reduction made after the 1958 review had produced an immediate and substantial reduction in the size of the breeding herd. Encouragement was being given to overseas suppliers to expand their trade in chilled beef with the United Kingdom. On the other points which had been raised by members of the Committee, while it was not possible to anticipate the results of future reviews of prices, as he had already explained, the impacts of the agricultural guarantees upon the United Kingdom's trading partners were always an important factor in reaching the determinations made by the Government after each annual review.

33. In reply to a question put by a member of the Committee, the representative of the United Kingdom confirmed that a long-term agreement involving deficiency payments on meat from Australia was still in operation; this agreement had been entered into at a time when the United Kingdom State-traded in meat and when the position was one of shortage which appeared at that time likely to continue. Similar arrangements were offered at the same time to other suppliers. In reply to the statement by the representative of the United Kingdom, one member of the Committee pointed out that the price guarantee feature of the agreement aggravated the discrimination already involved in the margin of preference permitted under the General Agreement.

#### Fish

34. The representative of the United Kingdom gave a detailed account of the background policy objectives, the operation of the United Kingdom subsidy arrangements on fish and the status and activities of the White Fish Authority and the Herring Industry Board. This statement now forms an addendum to the information already submitted in writing to the Committee.

35. The Committee held a lengthy discussion on the statement of the United Kingdom representative. One member of the Committee considered that in view of the fact that 90 per cent of United Kingdom consumption was landed by

United Kingdom fishermen, the degree of support to the fishing industry, particularly in regard to the herring section, was very high and had had injurious effects on exporters to the United Kingdom market. The United Kingdom had to export a large part of its herring catch as salted herrings and since a decline in export possibilities to Eastern Europe was to be expected, they anticipated that the United Kingdom would be forced to increase its production of oil and meal and increase its subsidies in order to compete with other producers of these materials. Considering the high level of self-supply of 90 per cent and the high degree of support needed to maintain this level, he suggested that the United Kingdom should consider the contraction of that part of the industry getting special support.

36. The representative of the United Kingdom considered that the fishing industry should be judged as a whole and that support of £3 million annually was not large in relation to a total catch of £50 million. He could not agree that damage had been caused to exporters; imports into the United Kingdom had increased since the 1953 level of 2.1 million cwts. in 1953 to 3.4 million cwts. in 1957 and would increase further while the volume of home production had tended to dwindle. As to the suggestion that the United Kingdom herring fleet should be contracted, there had been a continuing reduction in the sizes of the herring catch since 1953 and 1954; the United Kingdom was not embarrassed by quantities of herring that could not be sold and could have sold more to the USSR last year if supplies had been available. The Government was not committed to a policy of assistance to the industry beyond 1963. The present policy was designed to cover the needs of the industry in a period of transition, and the legislation under which the arrangements had been made expires in 1963 by which time it was hoped that the modernization of the fleet would have been completed. In the meantime, the Government had appointed a Committee of Inquiry to advise on the long-term policy to be adopted for the fishing industry.

37. Some members of the Committee drew attention to the continued exclusion of frozen and chilled fish from the dollar area; in their view, liberalization of imports from this area could only have a negligible effect on the United Kingdom import bill. The representative of the United Kingdom said that the restrictions were maintained for balance-of-payments reasons.

#### Other Commodities

38. In conclusion, the Committee considered the requests that had been made for the inclusion of additional commodities in the consultations with the United Kingdom.

39. One member of the Committee drew attention to the complete prohibition maintained by the United Kingdom on imports of seed potatoes and dead poultry and to the fact that imports of new potatoes and other potatoes were only permitted when supplies were low and prices high in the United Kingdom. The member of the Committee asked whether the United Kingdom representative could give any indication of further liberalization measures which might affect these products as well as fresh and canned apples for which a global quota was in operation.

40. One member of the Committee drew the attention of the Committee to the restrictions imposed by the United Kingdom on tobacco and grapefruit. He appreciated that the restrictions imposed on the importation of these products

had not been imposed for the protection of agriculture within the limits of the United Kingdom itself but nevertheless in his view they did influence international trade and did have the effect of giving agricultural protection to certain trading partners of the United Kingdom. A number of exporting countries had been precluded from sharing in the growth of the United Kingdom and British Commonwealth tobacco market in recent years. The main barriers had been purchase agreements with Southern Rhodesia, other bilateral trading arrangements, what amounted to a type of mixing regulation in that no individual manufacturer could purchase more than 61 per cent of his tobacco from the dollar area, preferential tariffs and restrictions imposed on balance-of-payments grounds. With respect to fresh grapefruit, which had been under severe import restrictions from the dollar area ever since the war, it was noted that within the overall dollar quota there existed a special restriction confining imports of dollar grapefruit to the summer months. It was noted that there could be no balance-of-payments justification for this seasonal feature, and its trade diverting effect was being felt all the more keenly as increasing non-dollar supplies of grapefruit were entering the United Kingdom market, both from British and non-British sources, all the year round.

41. The representative of the United Kingdom recognized the problems raised by the members of the Committee but referred to the answer reported in paragraph 15. It was a measure of the degree of liberalization of agricultural products reached by the United Kingdom that the few remaining quantitative restrictions should appear of such importance. The representative of the United Kingdom recognized that on citrus fruits and tobacco there were discriminatory quantitative restrictions which operated against the dollar area. The mixing regulation for tobacco to which reference had been made was a detail of those discriminatory restrictions. There was no absolute quantitative limit on the amount of dollar tobacco that could be imported; tobacco was licensed up to the estimates of needs submitted by manufacturers. Nor was there any government-to-government purchasing arrangement between the United Kingdom and any part of the Federation of Rhodesia and Nyasaland; there were arrangements between London buyers and the Rhodesian producers but these involved no commitment to buy on any but commercial terms.