

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

L/1199
24 May 1960

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EXPANSION OF TRADE - AGRICULTURAL POLICY

Report of Committee II on the Consultation with Luxemburg

1. In accordance with the Decision adopted by the CONTRACTING PARTIES at their fourteenth session that consultations should be held with the individual contracting parties regarding their agricultural policies, the Committee had before it:

- (i) a synopsis, furnished by the Government of Luxemburg, of non-tariff measures for the protection of agriculture or in support of incomes of agricultural producers (document COM.II/2(b)); and
- (ii) document COM.II/52 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 completed on 13 April 1960, the Committee followed the plan 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 Luxemburg drew the Committee's attention to some of the salient features of Luxemburg's agricultural policy and its relation to the national economy. Luxemburg's economy was predominantly dependent on its trade relations with other countries. Its economic policies had necessarily to be based, therefore, on the principle of trade liberalization, as evidenced by the Convention which instituted the Belgium-Luxemburg Economic Union in 1921 and by the Benelux Customs Agreement in 1944. The outcome of these policies was that 70 per cent of Luxemburg's home production was exported and that the greater portion of the country's requirements in raw materials and consumption goods was imported.

3. This being the case, it might be considered surprising that Luxemburg's agricultural policy was in contradiction with this free trade policy, even within the territories covered by the aforementioned economic and customs conventions. While it was generally recognized that a country's agricultural policy should be an integral part of its economic policies, the instance of

Luxemburg represented an exceptional case of free trade economic policy in which a particular sector of the economy was afforded special treatment in the form of protective and support measures. There were two main reasons for this. The first was that agriculture in Luxemburg operated under decidedly adverse conditions. The second was the fact that agriculture played a vitally important part in maintaining the structural and political stability of the country.

4. Because of the fact that medium-sized industries of a somewhat diversified and specialized nature were lacking in Luxemburg, the agricultural sector had to be preserved to maintain a proper structural and social balance in an economy which tended to be top-heavy, dominated as it was by a powerful steel industry in which, after all, recessions were always a possibility. In these circumstances, it became imperative for a small country like Luxemburg to support agricultural production and to safeguard the income level of the population engaged in this sector of production.

5. The Government of Luxemburg had already had occasion to explain the exceptional situation prevailing in the country's agriculture to the CONTRACTING PARTIES in 1955, when it submitted its request for a waiver from Article XI of the General Agreement. On that occasion, it was acknowledged by the CONTRACTING PARTIES that the granting of special assistance to the country's agriculture had been, in the case of Luxemburg, a necessity of long standing and one which had been recognized in all conventions and agreements to which Luxemburg was a party. They also realized that the discontinuance of the protection extended to Luxemburg's agriculture would cause great harm to producers in Luxemburg and to the country's national interests, without resulting in any appreciable advantages to international trade.

6. It would be apparent from these facts that agriculture in Luxemburg was a marginal activity and that it was affected by at least three features peculiar to the Luxemburg economy. These were the existence of a powerful steel industry which paid very high wages and provided a highly developed social security system, the fact that natural conditions were unfavourable and the limited size of the domestic market. The economic predominance of the steel industry inevitably affected agricultural development. The high level of wages paid and of social benefits extended to industrial labour made it difficult to solve the problem of providing fair remuneration for agricultural work. On the other hand, consumption of agricultural products benefited from the high purchasing power of the working classes. Owing to the unfavourable natural conditions under which agriculture operated, production costs were high. The limited extent of the home market was detrimental to the expansion of agricultural production, and particularly to its specialization.

7. As explained in GATT document COM.II/2(b) of 27 February 1959, the two primary objectives of Luxemburg's agricultural policy were to secure equitable remuneration for agricultural labour and to provide for the maintenance of agriculture as the mainstay of the structural and political equilibrium of the country. To achieve this dual objective, the Government resorted to various measures bearing upon three different aspects; production, marketing and social security.

8. On the production aspect, in view of the fact that small-and medium-size family holdings predominated, improvement and rationalization of farming operations were achieved by means of legislative and administrative provisions and of measures for individual and collective dissemination of technical means of development. The scope covered by such actions included inter alia the consolidation or re-arrangement of small holdings, inheritance laws, land improvement, vocational training for farmers and their wives, and promotion of the activities of agricultural associations and co-operatives.

9. On the marketing aspect, the aim pursued was the improvement in the price structure of farm products. This was accomplished by fixing prices at a level yielding a fair return and by reserving the home market for the main items of domestic production, which included wheat and rye, milk, beef and pork and, to a lesser degree, potatoes and eggs. The prices payable to producers were fixed in relation to costs, which were very high. In order to avoid the excessive consumer prices which would otherwise result from such high production costs, the Luxemburg Government had established a two price system. Consumer prices were maintained at a "normal" level. The difference between the higher prices paid to producers and the lower prices paid by the consumers was covered by so-called "structural" subsidies borne by the State budget. This two price system was limited, however, to principal agricultural products such as wheat, rye, milk, beef, veal and pork, and applied only to the volume of such products absorbed by the home market. This latter limitation was particularly significant from the standpoint of external trade: it avoided undesirable consequences in foreign markets of the direct export subsidies that would be involved if support prices were paid on total production. The two price system had been in force since the end of the last world war. The possibility of this system being abolished in the near future was difficult to visualize, since it was an integral part of the present price policy of the Luxemburg Government, a policy which was linked by law to the fluctuations of the cost-of-living index.

10. The principle of reserving the home market to the domestic production of the principal commodities was established on the basis of relevant stipulations written into the various agreements and conventions to which Luxemburg was a party. The provisions concerning the fixing of official production and retail prices and the reservation of the domestic market for the principal home-produced commodities were accompanied by a nationwide system of market organization for the products covered by the price support measures. This market organization provided the means of implementing the two price system and of regulating the "normal" marketing of home

produce at stable price levels. Furthermore, the fact that uniform prices were assured to all producers had led to the introduction of a system of price equalization for surplus produce exported chiefly to the countries economically linked to Luxemburg. A special law provided for the establishment of equalization funds by individual sectors, financed by levies on producers which could amount to as much as 10 per cent of the official selling prices. Such equalization funds existed at present in respect of wheat, beef, veal and pork. These funds were administered by the "Centrale Paysanne" (National Farmers Association) acting as agricultural chamber of commerce, under the supervision of the Ministry of Agriculture. The proceeds of these levies were also used to finance the storage and the processing of production surpluses.

11. On the social security aspect, the Government's efforts aimed at making available to agricultural labour the same benefits as were being enjoyed by industrial labour in the way of accident, sickness, old-age and disablement insurance as well as family benefits. Up to the present, insurance privileges extended to the farming population only covered accidents, old-age pensions and, to a lesser extent, family allowances. A draft law providing for a sickness insurance fund for agricultural workers has recently been put before the Parliament.

12. The funds required for the implementation of these various policies were provided in the budget of the Ministry of Agriculture. At present, (excluding the "structural" subsidies) they represented 2.5 per cent of the total public budget, which for 1960 amounted to 5.3 billion francs. The cost of the State interventions has been increasing steadily since 1955, when it made up only 1.5 per cent out of a total budget of 5 billion francs. In addition, "structural" subsidies had been paid since 1945. These "structural" subsidies appear in the budget for the Ministry of Economic Affairs. They were intended to compensate for the high production costs of the main agricultural commodities and to maintain the retail prices of such products at a normal level. They were included in the State budget expenditures for 1960 to the extent of 6.3 per cent as against 6 per cent in 1955. This high figure emphasized the importance attached by the Luxemburg Government to the structure of agricultural prices within the general pricing policy.

13. Regarding the effect on farming efficiency of this policy, while there had been a marked improvement during the last ten years, the results had remained far below the progress registered in the industrial and handicraft sectors. Agricultural wages were still at the lowest level in the country's economy, as evidenced by the fact that, while the population engaged in agriculture represented about 15 per cent of the total population and 20 to 22 per cent of the active population, its income amounted only to approximately 8.5 per cent of the national income. This abnormally low share of income in relation to manpower engaged in agriculture was admittedly largely due to shortcomings in the agricultural structure. As a result of this adverse condition, a large number of farmers had given up their holdings in recent years. Since 1952, the number of farm holdings of less than 2 hectares average had dropped from 11,000 to 9,500. While this drop was considered by many as regrettable, it represented in fact a positive contribution toward a rehabilitation of the status of individual farm operators.

The task which this development laid upon agricultural policy-makers was to extend timely assistance to agricultural workers wishing to leave the land for more remunerative work. Such assistance should provide, among other things, for proper vocational training facilities.

14. The Luxemburg Government was conscious of the fact that the trend towards economic integration and liberalization of international trade in which it took an active part called for an urgent intensification of its efforts toward a permanent improvement of the country's agricultural structure in general and of the sub-structure of rural districts in particular. It was mindful, also, of the necessity of supporting the efforts undertaken by the agricultural trade to improve equipment techniques and organization for the processing and marketing of agricultural products. All these efforts were bound to result ultimately in a substantial strengthening of the competitive position of Luxemburg's agriculture and in enabling it to integrate itself into the policy of trade liberalization which was the underlying need of Luxemburg's general economy.

15. The representative of Luxemburg concluded his statement by saying that the final aspect of Luxemburg's agricultural policy to which he wished to refer related to the comparative status of the country's resources and of its requirements for foodstuffs. Despite the policy of restricting imports of certain agricultural products, and notwithstanding the increased production resulting from the improvement in agricultural productivity, there had been no decline during recent years in imports of agricultural products and foodstuffs, which included primarily coarse grains, sugar, rice, vegetable oils, coffee, chocolate, tobacco, vegetables, fruits, veal, cheese, eggs and biscuits. On the contrary, these imports showed an upward trend. Their value amounted in 1959 to 1.8 billion francs, or 10 per cent of total imports. Exports of agricultural products, while of small volume, were vitally important in maintaining a balanced position in the internal market. They included butter, pigs, cattle and wine. Their total value in 1959 amounted to 200 million francs. The main supplier of agricultural products and foodstuffs to the Luxemburg market was Belgium. On the other hand, Belgium was the largest purchaser of agricultural products exported by Luxemburg.

16. The Committee expressed appreciation for the statement of the representative of Luxemburg and for the detailed documentation which had been furnished by the Government of Luxemburg. At the outset of the discussion on the opening statement and the documentation members of the Committee noted that Luxemburg seemed to take costs of production as the sole basis for determination of support prices and asked how the costs of production formula was worked out. The representative of Luxemburg stated that producer prices were fixed on the basis of costs of production only for wheat, beef, pork and milk. For other products price formation was entirely free or almost free. The Government objective of ensuring a certain level of income for farmers had led to the need for a certain price to the producer. The Government had concluded that it could not maintain such a level of support on a permanent basis and was therefore concentrating on improvements of productivity so as to lead to the disappearance of the high costs of production. Meanwhile three elements were taken into account in determining the level of prices to producers. These were (1) costs of production in

Luxemburg; (ii) cost of production in neighbouring countries; and (iii) prices on world markets. The support level finally determined was in fact a weighted price which took into account the interests of producers and the budgetary cost of covering the differences between producer and consumer prices. The policy objective of making the main agricultural products a sound economic proposition was meant to ensure an equitable income for farmers. The Government wished to ensure that their policies would represent a sound economic proposition for consumers also and it was the final objective of the Government to liberalize the agricultural sector, as was now the case in the industrial sector. Members of the Committee noted from the documentation that any amount of production which could not be taken up by the domestic market had to be exported at a loss or stored to be offered for sale at a subsequent date. They noted also that it was stated that the agricultural producers themselves bore the storage costs or export losses from equalization funds maintained by levies on the sale of agricultural products. They asked whether these levies were taken into account in assessing the farmer's costs of production or whether they represented a real reduction in the price returned to the farmer. The representative of Luxemburg stated that the levy represented a reduction in the price to the farmer.

17. The Committee noted that the difference between the official prices paid to agricultural producers and retail prices were covered by structural subsidies paid by the State budget. Members of the Committee expressed their view that these structural subsidies were akin to a deficiency payments scheme. They had the advantage of keeping prices to the consumer below the level necessary to finance high cost of production. The consumer did not, therefore, carry as he did in some other agricultural systems the whole of the burden of financing agricultural support. Since, however, the Luxemburg agricultural system depended also on a high degree of quantitative restriction, prices to the consumer were higher than they would be in the absence of quantitative restrictions. Members of the Committee asked how consumer prices were fixed and whether there was any attempt on the part of the Government to follow world market prices when consumer price levels were determined. The representative of Luxemburg stated that the structural subsidies were intended to finance support for agriculture which was an essential factor in the political and structural elements of the country and to keep consumer prices down to a reasonable level. Consumer prices were based on a level which might be expected to obtain if there were an open market in Luxemburg. For bread, for instance, the price to the consumer at the present time was lower than it would be if bread grains could be imported freely. Consumer prices were in fact linked directly to the general price policy of the Government. Low prices to consumers and relatively high prices to producers were now a well-established practice. The Government had not been prepared to increase the levels of consumer prices since it did not wish to decrease the purchasing power of the steel worker.

18. One member of the Committee thought that the Committee would generally take the view that the structural subsidies were in the main production subsidies. He noted the references already made to similarities between the Luxemburg system of agricultural support and a deficiency payments system and asked whether the Government of Luxemburg had ever considered introducing a deficiency payments system which did not involve such a high

degree of physical interference with trade as the system at present employed. He also asked whether the Government feared that, if an open market was established, domestic producers would not be able to sell their production. The representative of Luxemburg agreed that the structural subsidies might be regarded in part as production subsidies; about two-thirds of Government expenditure on structural subsidies represented production subsidies and the remaining third was for reduction in prices to consumers. The Luxemburg Government had at one time considered the introduction of a deficiency payments scheme, but had concluded that it would not be advisable to adopt any new system of agricultural support at the present time since the intention was not to maintain structural subsidies on a permanent basis, but ultimately to liberalize the whole sector of agriculture. The main reason for the retention of quantitative restrictions was the necessity to sell domestic production; if no barriers to imports were imposed cheaper imports would displace Luxemburg produce. Within the limits of budgetary appropriations, the Government was trying to keep the purchasing power of workers at a steady level. At the present time, Governmental intervention was applied to bread, milk for butter production and meat (pork and beef). The consumer price for bread was lower than world prices; the price of butter was above the world market price and meat prices were approximately the same as in neighbouring countries. The representative of Luxemburg agreed that the measures in force in Luxemburg represented a mixed system which neither fully covered farmers' production costs nor brought consumer prices fully down to world levels.

19. In reply to questions about the cost to the budget of structural subsidies in recent years, the representative of Luxemburg stated that although since 1955 total expenditure on such subsidies had shown a small increase because of a slight increase in consumption, there had been no changes in the level of the support prices themselves. The representative of Luxemburg added that the improvement in agricultural productivity in recent years was such that production costs might have been expected to decrease. The cost of certain input factors such as wages, machinery, seeds and fertilizers, had however risen also and higher productivity had been no more than enough to absorb these increased costs.

20. Members of the Committee noted from the documentation that the Government of Luxemburg also intervened to stimulate individual and collective efforts in production, processing and distribution of agricultural products by granting subsidies or bearing the cost of interest rates on loans contracted for such purposes and asked for information on the intentions of such intervention. The representative of Luxemburg stated that these measures aimed at an improvement and a rationalization of the country's agriculture. As an example, he cited the case of an artificial insemination centre, the building cost of which had been financed by the Government, the operating costs being borne by the farming community. Under the programme for centralization in the dairy sector, new milk centres had been built at the farmers' own expense, the Government assuming only part of the cost of interest charges. Endeavours were also made by the Government to improve milk quality. To this end, the Government had assumed responsibility for part of the cost to a maximum amount of 15,000 francs per farm, of special milk-cooling and storage rooms on farmers' premises. Subsidies were also granted by the State towards the cost of improvement to stables, drainage of water-bogged land, diversion of streams and building and maintenance of rural roads.

21. In reply to questions about the cost to the Government of price support operations, the representative of Luxemburg stated that the producer received a fixed price for wheat and rye, milk for butter production and meat (beef and pork). The consumer prices for these products were fixed at a lower level and the difference in the prices was paid by the Government. The total cost of the structural subsidies in 1959 was 345 million Belgian francs or 6.3 per cent of the total budget of 5,500 million Belgian francs. The structural subsidy was only paid on the amount of the product consumed in the country. Producers paid a levy on sales of agricultural products and the funds from this levy were used to cover export losses, processing expenses and stockpile operations.

22. Members of the Committee asked whether there were any cases in which the equalization funds derived from levies on the sale of certain agricultural products failed to cover export losses and, if so, whether the Government made good these losses. The representative of Luxemburg stated the maximum limit of the levy was 10 per cent. The Government had never given any form of guarantee as to the operation of these equalization funds. Members of the Committee noted this statement and the statement in the documentation that the Government of Luxemburg did not grant any direct subsidies on production or export. They stressed their view that, despite these statements, where substantial subsidies were in fact granted to producers and products were exported there existed a substantial amount of indirect export subsidization. Even if it were not the desire of the Luxemburg Government to stimulate exports the system, which was designed to protect the market for domestic producers, was affecting domestic production and leading to exports of surplus production. In these circumstances they wondered whether the Government of Luxemburg did not now consider that surplus production indicated that the level of protection was too high. Even though the amounts of exports were small, nevertheless an important principle was involved. The building up of surpluses had an aggregate effect on markets for agricultural products and contributed to the pressure on international markets and to the difficulties of other exporters of agricultural products. The representative of Luxemburg agreed that an incidental effect of the system was an increase of production, but stated that this was unavoidable in a country where there was considerable room for improvement in agricultural productivity. The effects on international markets would be as suggested by members of the Committee if Luxemburg were a large exporter of agricultural products. He emphasized that the system of protection was a transitory one designed to enable Luxemburg to improve the structural conditions of agriculture and so to reduce costs of production and improve productivity. It would take at least one generation to reduce production costs to competitive levels. In the view of the Government, however, the solution to the agricultural problem in Luxemburg could not leave out of account the gradual increase of competition on the domestic market. When the Government considered that productivity had reached such a level as to enable competition to be faced, the market in Luxemburg would be opened up by the elimination of quantitative restrictions and support measures.

23. One member of the Committee asked about the functions of the "Centrale Paysanne" (National Farmers Association) and the "Chamber of Agriculture" and their relationship to each other and to the Government. The representative of Luxemburg informed the Committee that the "Centrale Paysanne", in its capacity as National Farmers Association also assumed the functions of the Chamber of Agriculture and had consultative status with the Government. The "Centrale Paysanne" administered the equalization funds derived from the levies on the sale of agricultural products.

24. In discussion of quantitative restrictions maintained by Luxemburg, one member of the Committee noted that egg imports were subject to restrictions from 1 February to 1 September each year and asked whether these restrictions involved exclusion of imports from all countries during this period. He pointed out that it was unusual to find seasonal restrictions associated with a maximum retail price order such as was in force on eggs and asked why the Government found it necessary to impose a maximum price order and whether the quantitative restrictions could not be eliminated so that the price of eggs was controlled by competition instead of administrative action. The representative of Luxemburg stated that two separate elements were involved in the question and neither of them arose in fact from Government agricultural policy. The Ministry of Economic Affairs maintained a ceiling price on eggs for the cost-of-living index. This was, in fact, contrary to the interest of the producers who could, in the absence of a maximum price order, have expected to obtain during the winter shortage of eggs more for their production than the price 42 francs a dozen imposed under the order. So far as quantitative restrictions were concerned, the law provided for these to be imposed during periods of high production. However, even during these periods, considerable imports had taken place since domestic production did not fully cover domestic requirements. Thus, even though there was provision in the law for quantitative restrictions to be imposed, this provision was not implemented and imports were permitted freely. The bulk of imported supplies came from Belgium and the Netherlands.

25. Members of the Committee asked to what extent some of the quantitative restrictions operated by Luxemburg were made necessary because of the economic union with Belgium and the Netherlands in order, for example, to control re-exports to Belgium and the Netherlands. They also asked whether the quantitative restrictions notified on page 4 of document COM.II/2(b) applied to Belgium and the Netherlands equally with third countries and pointed out that there had been no notification of the quantitative restrictions which were maintained on other agricultural products such as margarine, oats, sugar, barley, cheese and tobacco. The representative of Luxemburg stated that the list of products on page 4 of document COM.II/2(b) was that listed in the Annex to the Waiver granted by the CONTRACTING PARTIES to Luxemburg in 1955 and was the standard list of products on which quantitative restrictions were applied against Belgium and the Netherlands as well as other countries. In addition to these products, however, Luxemburg was in an economic union with the Netherlands and Belgium and as a result quantitative restrictions were in force in Luxemburg for certain products, for which Luxemburg was wholly dependent on imports, because quantitative restrictions were also in force in Belgium and the Netherlands. The imposition of quantitative restrictions by Luxemburg was required within the framework of the implementation of the external policy of the Union. Sugar

and tobacco, for example, were subject to quantitative restrictions for the implementation of this policy, while levies were imposed on imports of oats and barley into any part of the Benelux Union. Members of the Committee asked how the Government of Luxemburg considered it could justify quantitative restrictions on products other than those covered by the Waiver granted to Luxemburg. In reply the representative of Luxemburg stated that, in respect of such products the provisions of the Belgian-Luxemburg Economic Union applied. Consequently, the restrictions referred to were covered by the Waiver granted by the CONTRACTING PARTIES to Belgium in 1955.

B. Commodities

26. The Committee conducted an examination of the information submitted by Luxemburg 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.

Dairy Products

27. In reply to questions about structural subsidies for dairy products, the representative of Luxemburg confirmed that producers received the benefit of official prices. In respect of milk used domestically for butter production "structural" subsidies were paid in order to implement the guaranteed producer price for milk. There were fixed consumer prices for liquid milk and butter.

28. One member of the Committee noted that imports of products which were not covered by the Waiver Decision of 3 December 1955 were liberalized to OEEC countries and asked whether these liberalization measures, in particular those on cheese, had been extended to all contracting parties to the General Agreement. The representative of Luxemburg stated that in general all products liberalized for Member countries of OEEC were liberalized to Member countries of GATT; imports of cheese were free from all sources.

29. A member of the Committee referred to the statement made in the documentation on dairy products that no export subsidies were granted by the Government of Luxemburg and recalled the views expressed earlier in the consultation with regard to this statement. The representative of Luxemburg stated that there were no direct State subsidies on exports; it was the producers themselves who covered export losses through the levies paid by them on the internal sale of certain agricultural products. The Government of Luxemburg remained convinced that the system did not directly stimulate exports though the system might be considered as an indirect aid to exports. Members of the Committee drew attention to the report of the Panel on Subsidies (document L/1160) and to the provisions of Article XVI which required that any subsidy, including any form of income or price support, which operated directly or indirectly to increase exports, should be notified to the CONTRACTING PARTIES. They stressed that the Government of Luxemburg should consider the measures now in force in Luxemburg in the light of the report of the Panel on Subsidies and the provisions of Article XVI.

Cereals

30. Members of the Committee noted that the Government fixed annually the percentage of domestic bread grain to be used in millers' grists and the rate of extraction to be achieved, as well as the total quantity of import wheat that millers might use and asked why it was considered necessary to maintain these mixing regulations for bread grain in addition to quantitative import restrictions. They also requested information on the proportions of imported and domestic wheat to be used and whether these proportions had changed in recent years. The representative of Luxemburg stated that the proportion of imported wheat that could be used depended on the quality and the volume of the domestic crop. In 1959, for example, the quality of the domestic crop had been so good that there had been no mixing of imported wheat, although in that year Luxemburg had imported durum wheat for manufacture of semolina to the extent of 10 per cent of its total requirements of bread wheat. In the years 1954, 1955 and 1957, however, the domestic crops had been of low quality and in those years it had been necessary to mix imported wheat, and one-third of Luxemburg's requirements had been imported. It was necessary to impose a mixing regulation for wheat and rye. Rye was grown in some areas of Luxemburg and since 1931 the use of some proportion of rye in bread manufacture had been obligatory. Even if there were such good domestic crops that no mixing regulation for domestic and imported wheat were necessary, a mixing regulation as between wheat and rye would continue to be necessary in order to allow for the use of rye.

Sugar and Vegetable Oils

31. Members of the Committee noted that the same system of importation was in force in Luxemburg for sugar and vegetable oils as was operated in Belgium. They recalled that during the consultations with Belgium, the representative of Belgium had explained that the Belgian system of price fixation for sugar was linked with national sugar production. They enquired whether, since there was no domestic sugar production in Luxemburg, importers in Luxemburg could import sugar freely if it was required on the national market. The representative of Luxemburg stated that because of the common trade policy in the Belgian-Luxemburg Economic Union it was not possible for Luxemburg importers to import freely.

32. The Committee agreed that reference should be made in the present report to the explanations of the systems in force on sugar and vegetable oils given by the representative of Belgium during the Committee's consultations with that country (document L/1173).