

# GENERAL AGREEMENT ON TARIFFS AND TRADE

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CONTRACTING PARTIES  
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## LUXEMBURG IMPORT RESTRICTIONS ON AGRICULTURAL PRODUCTS

### Fifth Communication by the Government of Luxembourg pursuant to the Decision of 3 December 1955<sup>1</sup>

Under the Decision of 3 December 1955 granting a waiver to the Government of Luxembourg in connexion with import restrictions on certain agricultural products, the Luxembourg Government is required to communicate at least once a year relevant information for circulation to the contracting parties. The following communication, dated 27 September 1960, has been received from the Luxembourg Government.

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1. By a Decision of the CONTRACTING PARTIES dated 3 December 1955, the Luxembourg Government has been released, in accordance with Article XXV of the General Agreement, of the obligations arising out of Article XI to the extent necessary to allow it to maintain quantitative import restrictions on certain agricultural products and food-stuffs, listed in the Annex to the above-mentioned Decision.
  2. The granting of the waiver was approved by twenty-nine votes against two with one abstention. In their conclusion, the CONTRACTING PARTIES recognized the very special situation of the Luxembourg agriculture and, as a result, no time-limit has been fixed in the waiver. However, it was agreed that the situation should be reviewed in 1960, in the light of the progress made towards the improvement of the competitive power of the Luxembourg agriculture.
  3. The Luxembourg Government has therefore to provide information as to whether and to what extent its policy to rationalize agriculture has contributed to improve the situation within the framework of trade liberalization.

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<sup>1</sup>This communication will also provide an introduction to the discussions which will take place at the seventeenth session on the review of the Decision of 3 December 1955. See L/1253.

4. In accordance with the Decision of 1955, the Luxemburg Government has furnished to the Executive Secretary a detailed annual report concerning, on the one hand, developments which have occurred in the field of agriculture, and, on the other, the application of import restrictions on products covered by the waiver. Two main features appear in the various reports submitted. In the first place, notwithstanding the fact that the agricultural production of animal and vegetable products has been rationalized, the competitive situation of agriculture has not improved to the extent necessary to allow domestic agriculture to face foreign production. Secondly, the development of imports shows that quantitative restrictions have been applied with great flexibility and that there has been no deterioration in comparison with the situation existing in 1955. In relation to these two features, the following remarks should be made.

5. As regards the competitive position of domestic agriculture, it is clear, as had already been noted in 1955 that it would be unrealistic to imagine that an easy, prompt and perhaps complete solution can be found. However, the efforts made in this direction during the last few years have been considerable. Governmental support for the structural improvement of agricultural production has been increased from 1.5 per cent of a budget totalling 5,000 million francs in 1955 to 2.5 per cent in a budget totalling 5.3 thousand million in 1960. During this same period, the farming community for its part has invested 500 million francs in equipment for the processing and storage of certain products (dairies and grain silos). Similar investments are expected within the next few years in the meat sector.

6. Through these joint efforts, it has been possible to increase substantially the output per unit in the field of vegetable and animal production. As regards, for example, bovine cattle, the elimination of tuberculosis during this period of five years is to be considered as a remarkable proof of the determination of Luxemburg farmers to improve its situation. Unfortunately, the financial efforts made to increase agricultural productivity have not been adequately rewarded. In fact, the increase in the cost of the means of production supplied by the industry and also the increase in salaries have rapidly cancelled the economic benefits of production improvements. Consequently, the welfare of the farming community has not improved very much compared with other sectors of the population. This situation can be illustrated by the fact that the agriculture, which represents approximately 15 per cent of the total population and employs 20 to 22 per cent of the gainfully employed population, receives only 8.5 per cent of the national income. This also explains why the number of farms exceeding 2 hectares (5 acres) has decreased from 11,000 in 1952 to 9,500 in 1959.

7. In the light of these figures and taking into account the developments outlined above, it is not surprising to ascertain that the Government of Luxemburg could not impose it upon its domestic agriculture to have to face the increased competition of imported products. In other words, quantitative import restrictions had to be maintained on the products covered by the 1955 waiver. However, the evolution of imports of agricultural products and foodstuffs (see Annex) shows that the import control policy has been applied with flexibility, so as not to

disrupt existing trade channels, notwithstanding the fact that home production has increased substantially. In 1959, Luxemburg imports of agricultural products and foodstuffs amounted to 1.8 thousand million francs, representing 10 per cent of total imports.

8. On the other hand, exports of agricultural products did not exceed 200 million francs. Luxemburg's principal supplier of agricultural products and foodstuffs and principal customer is Belgium, which is our partner in the Belgian-Luxemburg Economic Union concluded in 1921.

9. This being the existing situation of the Luxemburg agriculture, the question arises as to how the Luxemburg Government envisages the possibility to open its markets progressively to foreign agricultural products, in accordance with the provisions of the General Agreement. This same question applies as regards Benelux and the Common Market, of which Luxemburg is a signatory Member. Under those two Treaties, special treatment has been accorded to the Luxemburg agriculture; such treatment is practically the same as that which is provided for in the Decision of 3 December 1955 by the CONTRACTING PARTIES while the Benelux Treaty lays down no precise time-limit as regards the duration of the special treatment; the EEC Treaty, for its part, stipulates that at the end of the transitional period, which is respectively twelve and fifteen years, the Council will decide, upon a proposal by the Commission and with the majority required, to what extent the waivers granted to Luxemburg must be maintained, amended or abolished.

10. With its partners in the above-mentioned international organizations - GATT, Benelux and EEC - Luxemburg has undertaken all necessary measures in order to improve the competitive situation of its agriculture. It has been noted in the above paragraphs that the results achieved since 1955 towards the elimination of quantitative restrictions within the framework of the General Agreement have not been very successful. This is also true as far as the Benelux is concerned. As regards the Common Market, it is of course too early to judge. But the difference between the EEC and the two other organizations, on this particular question, is that the EEC Treaty includes provisions for a common agricultural policy, in which Luxemburg must logically participate, in its own interest. Consequently the Luxemburg Government has indicated its desire to participate, within the limits of its possibilities, in the integration of agricultural markets, as soon as the establishment of a common internal market is initiated, probably on a product-by-product basis.

Past a certain stage, as Luxemburg will take an increasing part in the implementation of the EEC common agricultural policy, it will no longer be in a position to resort to the possibility of imposing restrictions on imports of certain agricultural products and foodstuffs. It is obvious that as a result of active participation in the common agricultural market Luxemburg will have to forego the special treatment accorded under the waiver of 3 December 1955 vis-à-vis all GATT members.

12. Luxemburg can only give up quantitative import restrictions as a common agricultural policy is being established and implemented. At the present time, the common policy has not yet been finally established. Furthermore, such a policy is likely to be carried out only by gradual stages. In the meantime, Luxemburg will not be in a position to eliminate quantitative restrictions on agricultural products for which the waiver has been granted.

13. In view of the foregoing, the Government of Luxemburg wishes to request the CONTRACTING PARTIES not to amend the terms of the waiver of 3 December 1955. On the other hand, it is not possible, at this stage, to give any reliable indication as to the additional period of time during which the waiver would still be necessary.

14. However, pending the implementation of the common policy, the Government of Luxemburg is prepared:

- (a) to withdraw, immediately, the following two products from the list annexed to the waiver of 3 December 1955; eggs, not in the shell; macaroni, spaghetti and the like; and
- (b) to consider withdrawing from the list, in the course of the next few years, some other products, such as eggs and fruits.

15. As regards the other products in the list, their liberalization will depend, to a large extent, on the progress made towards the establishment and the implementation of the common agricultural policy within the Common Market.

16. The Government of Luxemburg hopes that the CONTRACTING PARTIES will appreciate the desire and willingness of Luxemburg to make progress towards the progressive liberalization of trade in agricultural products.

ANNEX

Application of Restrictions on Imports into Luxemburg of  
Certain Agricultural Products in 1959

Units: t: thousands of tons  
T: thousands of heads

Former Tariff Item No.	Description of Products	1954	1955	1956	1957	1958	1959
<b>A. <u>Animals and meat</u></b>							
3 a	Bovine cattle for breeding (T)	0.91	1.62	1.79	0.9	0.2	0.1
3 b)	Bovine cattle for slaughter (t)	0.98	1.23	1.5	1.5	1.4	1.6
13 a)	Beef and veal						
6 b)	Swine for slaughter						
13 c)	Pork (t)	0.33	-	-	-	-	0.02
17 )	Bacon						
18 ab	Prepared meat (t)	0.26	0.28	0.2	0.2	0.1	0.05
116	Sausages (t)	0.14	0.15	0.15	0.12	0.05	-
117 c	Preserved meat (t)	0.31	0.36	0.45	0.38	0.38	0.5
<b>B. <u>Milk and dairy products</u></b>							
22	Milk (t)	-	-	-	-	-	-
23	Milk cream	-	-	-	-	-	-
24 a	Milk and cream, canned (t)	0.36	0.375	0.45	0.43	0.5	0.5
25	Butter (t)	-	0.04	-	-	-	-
<b>C. <u>Miscellaneous</u></b>							
27 ab	Eggs (t)	0.68	0.79	0.75	0.8	0.8	0.8
49 b	Seed potatoes (t)	3.8	3.8	3.9	3.8	3.5	2.5
49 c	Potatoes (t)	2.5	2.6	4.2	4.7	9.9	6.1
59 a	Apples (t)	1.2	1.5	2.7	4.1	4.2	6.0
<b>D. <u>Cereals and derivatives</u></b>							
68	Wheat (t)	6.0	12.0	5.3	6.3	5.2	8.4
69	Rye (t)	-	-	-	-	-	-
75 ab	Flour (t)	-	-	-	-	-	-
76	Groats and semolina (t)	-	0.1	0.2	0.2	0.2	0.2
134	Macaroni, spaghetti and the like (t)	0.54	0.55	0.87	1.0	1.1	1.2
135	Bread (t)	-	-	-	-	-	-