

# GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

L/3320

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## AGRICULTURE COMMITTEE

### Report to the Council

1. In its report to the CONTRACTING PARTIES at their last session the Agriculture Committee, whose terms of reference and composition are set out in COM.AG/2/Rev.1, agreed that the first stage of its work programme, the assembly of documentation relating to eight product groups, had been completed. The CONTRACTING PARTIES approved the outline for the second stage of the Committee's work, the identification of the principal problems, (COM.AG/11, paragraph 17) and requested the Committee to complete rapidly the identification of the problems affecting agricultural trade and production so that it could proceed with the essential task of seeking mutually acceptable solutions to these problems (BISD, Sixteenth Supplement, page 14).
2. Since the twenty-fifth session the information collected in the preparatory stage has been the subject of a reasonably detailed examination process to identify, and to a certain extent to quantify the incidence of, the various measures affecting imports, exports and production of agricultural products falling within the eight sectors, which cover approximately three quarters of agricultural trade.<sup>1</sup>
3. The Committee agreed that the work done had enabled it to obtain a broad picture of the scale and scope of the various types of support measures and the main problems arising, although there still remained work to be done on the identification and analysis of problems and the quantification of the incidence of various measures.
4. The Committee agreed to carry the work forward in four working groups dealing, respectively, with:
  - Group 1: measures which affect exports,
  - Group 2: measures which affect imports,
  - Group 3: measures which affect production,
  - Group 4: other relevant measures.

The scope of the measures to be covered by each of the groups, as well as the documentation on which their work would be based, are set out in Annex I which is not, however, to be regarded as exhaustive.

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<sup>1</sup>The relevant documents relating to international trade are Spec(69)9/Rev.1 to 22/Rev.1, export sales on credit being covered separately in Spec(69)136 and to production policies are COM.AG/13, Spec(69)62, Spec(69)35/Rev.1 and 36/Rev.1. An analytical summary of the inventories has also been drawn up by the secretariat (Spec(69)155).

5. The groups should seek mutually acceptable solutions to the principal problems of international trade in agricultural products and for this purpose should complete such further identification of these problems as is necessary. The groups will give special attention to measures of particular importance to developing countries.
6. It was understood that this work would be essentially of an exploratory nature and that the definition of a range of possible solutions did not imply a commitment to conform to any of these solutions.
7. The Committee instructed the working groups to submit progress reports by 1 June 1970. The groups should work successively and as expeditiously as possible, leaving some time between the meeting of the groups. Group 1 would meet immediately following the twenty-sixth session of the CONTRACTING PARTIES.
8. The Committee agreed that it was difficult to establish in advance precise rules and directives in a field of activity that was so complex and so varied and that the Chairman of the Committee, in consultation with the chairmen of the groups and interested parties should ensure that the work of the groups proceeds in a balanced and satisfactory way.
9. The Committee agreed that the groups should be composed of representatives of the countries in which the measures discussed are in force, and of other countries interested. Membership would be open to all contracting parties, whether or not members of the Agriculture Committee.
10. The Committee had requested contracting parties to submit notifications of non-tariff barriers facing their exports of agricultural products not included in the eight sectors, while keeping the supplementary exercise separate in character from the one already in hand (COM.AG/14, paragraph 8(d)). It has agreed to deal with the notifications on the residual items transferred to the Agriculture Committee by the Industrial Committee contained in COM.AG/15, and any other notifications which may subsequently be transferred, in the context of this exercise (COM.AG/17, paragraph 2). The Committee agreed that all notifications which it received should be referred for preliminary examination to the relevant group referred to in paragraph 4, notifications not falling within the purview of other groups being referred to the Group 4.
11. The Committee examined the particular problem of oilseeds and vegetable oils at the request of the Council (C/M/56).
12. The Committee agreed that the second stage of its work on oilseeds and vegetable oils was finished and that the third stage should be initiated on the basis of precise proposals from individual delegations. The Committee received proposals from Nigeria (COM.AG/18 and Corr.1) and Ceylon (COM.AG/19) for the reduction and elimination of tariff and non-tariff barriers to tropical oilseeds and vegetable oils. These requests were supported by other exporters of these products.

13. The members of the Committee to whom the requests were addressed said that these raised complex problems to which solutions could only be found in the context of an exercise covering all oilseeds and vegetable oils and covering production measures as well as measures at the frontier. In the view of these members, the Committee should therefore revert to the specific requests when its programme of work was further advanced.

14. The Committee also heard a statement by the observer from the International Olive Oil Council (COM.AG/20).

15. It was suggested that members to whom requests had been made might, as an interim measure, agree to a standstill with respect to tariff and non-tariff barriers on tropical oilseeds and vegetable oils. Some of the countries concerned responded favourably to this proposal while other members could not accept it. The Committee therefore agreed to revert to the matter and to the two proposals after the special session of the FAO/UNCTAD Study Group on oilseeds, oils and fats now being held in London.

16. At their twenty-fifth session the CONTRACTING PARTIES requested the Agriculture Committee to conduct a fundamental review of the notification and consultation procedures regarding the disposal of commodity surpluses and to report to the Council on the means whereby the existing procedures could be improved (L/3109/Rev.1 and SR. 25/8, page 135). The secretariat submitted a paper (COM.AG/W/41) suggesting the adoption by the CONTRACTING PARTIES of a new Resolution, relating to concessional transactions (which are the subject of prior notification and prior consultation in the FAO) and to governmental aids to exports.

17. After discussion, the Committee agreed to recommend that the CONTRACTING PARTIES adopt a new Resolution relating to concessional transactions, the text of which is contained in Annex II. The Committee also recommended that, if this Resolution is adopted by the CONTRACTING PARTIES, the following understandings should be recorded, (a) that countries reporting and consulting in accordance with the FAO procedures would thereby be fulfilling their obligations under the GATT Resolution, (b) that recipient developing countries would not be obliged to consult and (c) that concessional transactions would be defined as those transactions listed in the annex to the Resolution but that the list might subsequently be amended if this appeared necessary. The representative of one developing country reserved the position of his delegation on the entire Resolution as the question of usual marketing requirements was under consideration of the FAO and no definite agreement had been reached on some of the basic issues in paragraph 2 of the preamble.

18. It had been proposed that the Resolution should also cover government aids to exports, both direct and indirect, and certain other governmental practices, such as those which had the effect of pre-empting the whole or part of export markets. The majority of the Committee's members supported the broad lines of this proposal, although the wording of the proposed Resolution and the definition of the transactions to which it would refer have not yet been discussed. Other

members pointed out that the CONTRACTING PARTIES requested the Committee to examine this question "within the framework of its work programme". They said that the working groups which are to be established should decide what information should be received on a regular basis on the matters with which they would deal, and that there was no reason to restrict this possibility to the group dealing with measures affecting exports.

19. With regard to governmental aids to exports the Committee decided that this subject should be added to the list of subjects to be considered by Group 1.

20. Some delegations considered that the proposed new Resolution relating to concessional transactions could replace the Resolution adopted in 1955. Other delegations considered, because of the coverage of the 1955 Resolution, that it should still remain in effect. In these circumstances, it was agreed that the question should be re-examined by the Committee and the 1955 Resolution cannot be discontinued. Some delegations stated that their continued compliance with the reporting procedure under the 1955 Resolution was based on the assumption that all other contracting parties would also observe this procedure.

ANNEX I

Subjects to be considered	Documentation
<u>Group 1</u> Export subsidies Export restitutions Effect of double-pricing practices on export prices Effect of deficiency payments and comparable arrangements on export prices Subsidized export credits Non-commercial transactions Governmental aids to exports	<u>Agriculture Committee</u> Basic documentation - COM.AG/W/2 to 35 and Add.1 to 8 Answers to COM.AG/12 - COM.AG/W/2 to 35/Add.9 Export tables - Spec(69)9/Rev.1 to 15/Rev.1 Export credits - Spec(69)136 Relevant non-tariff barrier notifications - see paragraph 10 of this report List of measures in COM.AG/W/41, Annex B <u>Other GATT documents</u> Subsidy notifications - L/3178 and addenda Surplus disposal notifications - L/3105 and addenda
<u>Group 2</u> Quantitative restrictions Mixing regulations Prohibitions Discretionary licensing Liberal licensing Quotas Discriminatory quantitative restrictions State trading Customs duties Tariff quotas Levies Countervailing duties	<u>Agriculture Committee</u> Basic documentation - COM.AG/W/2 to 35 and Add.1 to 8 Answers to COM.AG/12 - COM.AG/W/2 to 35/Add.9 Import tables - Spec(69)16/Rev.1 to 22/Rev.1 Relevant non-tariff barrier notifications - see paragraph 10 of this report Tariff study - see C/M/54, page 3 <u>Other GATT documents</u> (a) Summary table - Annex to L/3260 (b) Notifications of "residual" restrictions - L/3212 and Add., L/2981 and Add.

Subjects to be considered	Documentation
<u>Group 2</u> (cont'd)	<p>(c) Notifications of "balance-of-payments" restrictions - BOP series</p> <p>(d) Notifications of restrictions of newly-independent countries -- L/3213 and Add., L/2984 and Add.</p> <p>(e) Notifications relating to particular cases --</p> <p>(i) Swiss Protocol - L/3214</p> <p>(ii) Polish Protocol - L/3241 and Add.</p> <p>(iii) United States waiver - L/3098</p> <p>(f) State-trading notifications L/3177 and Add.</p>
<p><u>Group 3</u> Production measures</p> <p>Producer prices</p> <p>Self-sufficiency ratios</p>	<p><u>Agriculture Committee</u></p> <p>Basic documentation - COM.AG/W/2 to 35 and Add.1 to 8</p> <p>Answers to COM.AG/12 - COM.AG/W/2 to 35/Add.10</p> <p>Self-sufficiency ratios - Spec(69)35/Rev.1</p> <p>Producer prices - Spec(69)36/Rev.1</p> <p>Relevant non-tariff barrier notifications - see paragraph 10 of this report</p>
<p><u>Group 4</u> Other relevant measures, including sanitary regulations as appropriate</p>	<p><u>Agriculture Committee</u></p> <p>Basic documentation -- COM.AG/W/2 to 35 and Add.1 to 8</p> <p>Import tables - Spec(69)16/Rev.1 to 22/Rev.1</p> <p>Relevant non-tariff barrier notifications - see paragraph 10 of this report</p>

ANNEX II

DRAFT RESOLUTION

The CONTRACTING PARTIES

NOTING that concessional transactions made without regard to the effect on the normal commercial trade of other contracting parties could cause serious damage to their interests by restricting markets for their regular competitive exports and by disrupting market prices and that the contracting parties hereby express their intention, when engaging in concessional transactions, to do so in such a way as to avoid displacement of normal commercial trade of other contracting parties and undue disturbance of the world market;

CONSIDERING that, when making concessional transactions of the types listed in the Annex, supplying countries should establish safeguards designed to ensure that the recipient country maintains at least the usual global commercial imports of the commodities concerned in addition to the imports under the transactions; and that, before finalizing transactions of the types listed in Annex, supplying contracting parties should undertake a procedure of consultation with the principal suppliers of those products and other interested contracting parties, which would contribute to the orderly development of world trade in the commodities affected and to the avoidance of prejudice to the interests of other contracting parties, and that they should give sympathetic consideration to the views expressed by other contracting parties in the course of such consultations;

DECIDE

That donor contracting parties making transactions of the types listed in the Annex shall submit written annual notifications to the CONTRACTING PARTIES giving details of transactions, summarizing their programmes and describing their policies and procedures followed in consultations with third countries;

To review annually the application of the present Resolution and the notifications submitted under it.

Annex

1. Gifts or donations of commodities from a government to a government of an importing country, an intergovernmental organization or a private institution for free distribution directly to the final consumers in the importing country.
2. Gifts or donations of commodities from a government to a government of an importing country, or an intergovernmental organization or a private institution for distribution, by means of sale on the open market of the importing country.
3. Monetary grants by the government of an exporting country to an importing country, for the specific purpose of purchasing a commodity from the exporting country.

4. Monetary grants by a government either to a supplying country (or countries) or to a recipient country for the specific purpose of purchasing a commodity from the exporting country (or countries) for delivery to the specific recipient country.
5. Monetary grants by a government to an intergovernmental organization for the specific purpose of purchasing commodities in the open market for delivery to eligible importing countries (developing countries).
6. Transfers of commodities under the rules and established procedures of the World Food Programme.
7. Sales for the currency of the importing country which is not transferable and is not convertible into currency or goods and services for use by the contributing country.
8. Sales for the currency of the importing country which is partially convertible into currency or goods and services for use by the contributing country.
9. Government-sponsored loans of agricultural commodities repayable in kind.
10. Sales on credit in which, as a result of government intervention, or of a centralizing marketing scheme, the interest rate, period of repayment (including periods of grace) or other related terms do not conform to the commercial rates, periods or terms prevailing in the world market. In particular with respect to period of repayment, credit transactions are distinguished as follows:
  - (a) ten years or more;
  - (b) over three years and under ten years.
11. Sales in which the funds for the purchase of commodities are obtained under a loan from the government of the exporting country tied to the purchase of those commodities, distinguished as follows with respect to period of repayment:
  - (a) ten years or more;
  - (b) over three years and under ten years.
12. Transactions under categories 1 to 4 and 7 to 11 subject to tied usual marketing requirements or to tied offset purchasing requirements.
13. Transactions under categories 1 to 4 and 7 to 11 tied to the purchase of fixed quantities of the same or another commodity from the exporting country.