

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

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AGRICULTURE COMMITTEE

Report to the Council

1. At their last session the CONTRACTING PARTIES directed the Agriculture Committee, whose terms of reference and composition are set out in COM.AG/2/Rev.1, to proceed with the task of formulating conclusions on possibilities for concrete action that might appropriately be taken to deal with the problems that arise in the field of agricultural products and that this task should be completed during 1970. The CONTRACTING PARTIES also decided that such opportunities as might arise for the settlement of particular trade problems at any time should be pursued, especially with respect to products on which a substantial amount of preparatory work had already been done within GATT (L/3366, paragraph 4).

2. The Committee had decided 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.

These groups each held one meeting in the first half of 1970; their reports on these meetings are annexed to this report.

3. The Committee itself has held three meetings since the last session of the CONTRACTING PARTIES in July, November and December. Secretariat notes on the first two meetings have been circulated as COM.AG/22 and COM.AG/23.

4. The Committee has, during the course of the year, assembled a wide spectrum of suggestions or proposals as to how the principal problems might be dealt with. It is understood that the Committee's work has been essentially of an exploratory nature and that the definition of this range of possible solutions does not imply a commitment to conform to any of these solutions. The Committee notes that these suggested solutions enjoyed varied degrees of support from members and that they are not always compatible with one another. It also recalls the Committee's mandate to seek mutually acceptable solutions to the principal problems of trade in agricultural products, and notes that, at the present stage, none of these suggested solutions commands support wide enough for any solution to be qualified as mutually acceptable.

5. The Committee has concluded, therefore, that this report should simply set out the suggested solutions that have been put forward, together with some of the main points made on them in the discussion and the suggestions made as to the best way of pursuing the work in the coming year in order to assist the Council in coming to a decision of this matter.

Suggested solutions - general

6. Various members explained their broad approach to the problems. A member said that his proposals (COM.AG/W/66), which were consistent and comprehensive, would need some specificity as to how they could be brought into application and what they would entail for individual contracting parties and individual commodities. His suggestions for possible implementation of his proposals on measures affecting exports, imports and production are given under paragraphs 16, 27 and 39 of this report. He suggested that in considering his proposals, a start should be made with measures affecting exports and imports at the frontier; then, one could consider other measures including those that might be taken to mitigate any effects on domestic production. He suggested that the Committee examine these proposals and their implications as part of the future work programme to enhance their acceptability as elements in future negotiations.

7. Members expressed their thanks to this member for these suggestions which were not discussed in detail for reasons of time and because of their complex technical nature.

8. Some members said that as all agricultural problems were interrelated, a general concept governed their agricultural policy, the measures of which formed a single whole. Any action on one measure had repercussions on all others. A delegation pointed out that their approach consisted in differentiating between solutions which called for changes in existing legislation or policies, and those which did not. For the first type of solutions, a common denominator and an appropriate method of negotiation must be sought. So far as those of the second type were concerned, solutions could be sought in the context of existing legislation or policies through the adjustment of management measures.

9. Some delegations stressed that any solutions must take into account various factors such as differences in natural endowments or structural patterns, and a country's present economic and social situation. Solutions might, therefore, differ country by country and product by product.

10. Several delegations expressed interest in the applicability in present circumstances of the margin of support approach, possibly supplemented by provisions on self-sufficiency ratios. Some delegations said that consideration should be given to levels (rather than margins) of support, together with the self-sufficiency ratio, as a tool towards concrete solutions. One delegation stated that the margin of support and the self-sufficiency ratio should not be considered as an obligation to be assumed by all countries without distinction.

11. Several delegations stressed that, in searching for possible solutions, special attention should be given to measures of particular importance to developing countries. In the search for a basis for general negotiations on agriculture, priority attention could be given to problems of developing countries by identifying those sectors of special interest to these countries in which action could be taken by the CONTRACTING PARTIES in the immediate future.

12. Several delegations pointed out that the need for adequate and timely progress in the finding of solutions to the major problems of international trade in agricultural products was of great importance to them and that it was fundamental to their position in any future negotiations that progress in the agricultural sector should parallel that in the industrial products sector in order to ensure a reasonable balance in any negotiating package.

Measures affecting exports (See also Annex I)

13. A member proposed that the Committee accept the elimination of all governmental aids to exports as an ultimate objective of concrete action. While this objective might not be attained immediately, procedures should be so devised as to give the greatest prospects of rapid advance in that direction. He proposed in this connexion that governments might agree to make Article XVI:4 applicable to all products, or, if governments could not eliminate export subsidies promptly but could accept their elimination as an objective, commitments be taken to their progressive reduction and elimination.

14. Some delegations said that export aids were only one element of agricultural policies and could not be dealt with in isolation. Some delegations considered that international action should first be directed at production policies with the aim of limiting production and avoiding surpluses in developed countries.

15. Some delegations considered that the elimination of governmental export aids was a long-term objective which was worth pursuing. This would however have to be done gradually and by appropriate means such as making Article XVI:4 applicable to all products (as suggested in paragraph 13 above), or pending such a decision, strengthening and giving greater precision to the existing Article XVI provisions on primary products (for example, by defining more precisely the concept of the equitable share of world markets; accepting a commitment not to grant export subsidies which result in prices lower than those of countries that did not grant subsidies) or, thirdly, by means of:

- (a) limits covering, for example, overall cost ceilings of export assistance, or cost ceilings for individual products or product groups;
- (b) a maximum cost per unit of subsidization for particular products;
- (c) the establishment of a fair relationship between the price of the primary product and the processed product; and
- (d) the establishment of minimum prices on international markets.

16. The member referred to in paragraph 13 proposed that possible commitments leading to progressive reduction and elimination of export aids should be examined, and might include the following:

(a) Establish each exporting country's total of subsidy payments on all products in a base year (say 1970) and provide that it shall be diminished by, say, 20 per cent per annum.

(b) Establish each exporting country's total subsidy payments for each product in a base year (say 1970) and provide that total subsidy payments for export of that product be diminished annually by, say, 20 per cent of the base year subsidy.

(c) For each country find the average unit subsidy per product in the base year (say 1970) and provide for the annual reduction of the unit subsidy by, say, 20 per cent of the base year level.

(d) Determine the 1970 average world market price for each product. In succeeding years the world market price would be estimated for 1971, 1972, etc. ("world market price" being defined in the same terms for 1970 and succeeding years). The 1970 subsidy ceiling per unit would then be defined for each country as the average domestic unit price less the 1970 average world market price. For 1971, the domestic price ceiling per unit for each country would be the 1971 estimated world market price (as estimated by a competent designated authority, say, FAO) plus, say, 80 per cent of that country's 1970 subsidy ceiling per unit. In 1972, the domestic price ceiling per unit would be the 1972 estimated world market price plus, say, 60 per cent of the country's 1970 subsidy ceiling, etc. In each year, beginning with 1971, no country's actual unit subsidy would be permitted to exceed the specified percentage of the 1970 unit subsidy ceiling.

17. Some delegations said that possible action in the field of export measures should take the form of a price discipline based on agreed minimum prices in international trade. Other delegations said that, for countries which practised certain systems of support (for example, two-price systems), export aids could only be limited in this way.

18. Some delegations, in supporting the objective of elimination of subsidies and its attainment in cumulative steps, pointed out that their agricultural exports, which were not subsidized, provided the means for industrial development. Other delegations stated that account must be taken of developing countries with a high dependence on agricultural exports, but where the stage of agricultural development was such as to make recourse to aids necessary if exports were to take place.

19. Some delegations suggested that priority consideration should be given to the elimination of export aids on products in which developing countries account for a significant share in world trade.

20. Some delegations expressed their readiness to consider solutions that did not involve a change in existing legislation or policies, including solutions based in particular on price discipline, on harmonization of export aid measures and on strengthened international co-operation. Some of these delegations felt that a more concrete formulation of these suggestions would make their consideration more easy.

21. Some delegations expressed support for extending the scope of paragraph 4 of Article XVI to all products. Some delegations also supported the strengthening and clarification of the existing provisions on primary products of that Article. Some representatives of developing countries expressed reservations on these suggestions, but welcomed the suggestion that any revision of Article XVI should have regard to Article XXVI, particularly paragraph 3 of that Article.

22. Several delegations stressed the importance of notification and consultation procedures as a first step towards the containment and subsequent reduction of export aids.

Measures affecting imports (See also Annex II)

23. The Committee discussed measures affecting imports which had been examined by Working Group 2 whose report is at Annex II.

24. The Committee agreed to draw up a document containing factual information on tariffs, quantitative restrictions, variable levies and other special charges; this document will also contain information on health and sanitary regulations which have been notified and which came under Working Group 4. Further details are contained in paragraph 4 of Annex II and paragraph 8 of COM.AG/22.

25. Some delegations stressed the paramount importance for them of import measures and the harmful effects which they could have. They also stressed the fact that, in their view, variable levies were more restrictive than quantitative restrictions. In the view of other delegations quantitative restrictions were particularly dangerous because they could lead to a ban on all imports.

26. Some delegations said that the aim should be the removal of all quantitative restrictions, variable levies and related restrictive measures and reliance on fixed tariffs at non-prohibitive levels. Several other delegations expressed the view that while this proposal had the advantage of simplicity it might be extremely difficult to put into practice. The delegation with whom the proposal had originated explained, in reply to questions, that under the proposal countries which at present relied on variable levies would be able to replace these by fixed tariffs and that the level of fixed tariffs in these and other countries would be agreed upon by negotiation. This delegation also said that it would only be able to consider removing the limited number of quantitative restrictions which it maintained if other delegations could consider the removal of their quantitative restrictions and variable levies.

27. This delegation said that possible techniques for the negotiated reduction of quotas and variable levies might include the establishment of average duty equivalents of quotas by ascertaining, for each commodity, the average unit differential between domestic price and landed cost (c.i.f. plus any fixed duties and/or charges) for 1970. Where this differential was greater than zero, the quota would be enlarged so as to reduce the differential by, say, 20 per cent for 1971, 40 per cent for 1972, etc. The ad valorem equivalents of variable levies would be established in the same manner and would be reduced for each commodity by, say, 20 per cent for 1971, 40 per cent for 1972, etc.

28. Some delegations said that they were not prepared to negotiate on, or pay for, the removal of illegal quantitative restrictions or the discriminatory element in otherwise legal restrictions, and that time-tables for their removal should be established. In reply to questions, these delegations said that by discriminatory quantitative restrictions they meant those which did not conform to the provisions of Article XIII, unless they were permitted by Article XIV. They said that in the interim criteria should be adopted for the non-discriminatory administration of any remaining restrictions and suggested that quantitative restrictions for which slight justification existed should be eliminated, that quotas should be opened in cases where imports were at present prohibited and an annual increase in quotas provided in order to permit imports to share in the growth of the market.

29. Some delegations said that all contracting parties should make efforts to relax and eliminate quantitative restrictions, whether legal or illegal, and should submit a list of items which could be liberalized; efforts should be made to increase other remaining quotas and solutions to these remaining quantitative restrictions should be found through consultation in the GATT.

30. A member pointed out that his government was very conscious of the importance of the aims pursued by the Committee. It had already made decisions on the elimination of quantitative restrictions on certain agricultural products which his government would make the utmost efforts to liberalize within the next six months. As to the furtherance of liberalization measures, while a decision as to which products would be liberalized had not yet been taken, his government had declared its intention to proceed vigorously and to the widest extent possible.

31. One delegation suggested that Article XI be broadened to legalize some of these restrictions while submitting them to additional discipline and periodic review in the GATT, with a view to moving towards a more rational trade in agricultural products. Several delegations said that they could not support this suggestion.

32. Some delegations suggested that the problems of agricultural trade should be identified and possible solutions should be sought to particular problems. A distinction should be drawn between the problems which might be resolved by an appropriate management of existing measures and the far-reaching problems the solution of which required modifications of agricultural policies.

33. These delegations said that in the first area there would be room for a whole series of adjustments which could improve trade in agricultural products. In the case of quantitative restrictions, for instance, the methods of administering them might be made more flexible. In some cases where quotas were fixed on the basis of historical market shares which were no longer relevant provision should be made to permit new exporters to enter the market. In the case of levies, exporters might co-ordinate their exports by exercising in this manner an influence on world prices so that the amount of the levies imposed by the importing countries could be influenced.

34. These delegations said that solutions in the second area presupposed very comprehensive negotiations. Countries should be left free in principle to apply whatever instruments they deemed appropriate to their own policies. The negotiation would essentially bear on the final results which it is desired to obtain. The undertakings would bear upon certain common data to be determined. One useful concept might be the self-sufficiency ratio. This does not exclude that more precise commitments concerning certain specific instruments might also be taken case by case.

35. Some delegations stressed the importance, in searching for possible solutions, of giving special attention to measures of particular importance to developing countries. In the search for a basis for general negotiations on agriculture, priority attention could be given to problems of developing countries by identifying those sectors of special interest to these countries in which action could be taken by the CONTRACTING PARTIES in the immediate future.

36. The Committee examined the particular problem of vegetable oils and oilseeds. The discussion which took place in Working Group 2 on this matter is summarized in paragraphs 20 to 26 of its report which is at Annex II. Some delegations expressed the view that tropical oils and oilseeds should be given separate treatment and expressed the hope that the question of a standstill would be given favourable consideration. Some delegations said that particular attention should be given to differential tariff duties on these products and that differential tariff duties were also important in the case of other products of particular export interest to developing countries, the example of duties on products shipped in bulk and those on products in small packages being mentioned as an example.

37. A question was raised regarding the changes proposed in the basis of agricultural support of a major importing country. The representative concerned, in reply, considered that this matter did not fall directly within the scope of the discussion,

but explained that one aspect of it was his country's application for accession to a customs union, and that the effect of the proposal would be to align his country's policies more closely with those of the customs union. The other aspect was his government's concern at the high level of public expenditure in agriculture; price fluctuations in the domestic market, which was large and open, led to an open-ended commitment for public expenditure. He foresaw no major changes in import requirements or production levels and only a minimum impact on trade as a result of the proposals which in his view represented only a change in the method, but not in the level of support and which had been designed to cause the least disturbance to trade. Moreover, his delegation continued to maintain that the present situation in agriculture was not of the importers' making. Some delegations doubted that the proposals would have only a minimal effect on trade and expressed their concern at the proposed changes, particularly in the context of efforts to find mutually acceptable solutions to the problems of international trade in agricultural products. These delegations asked for an expression of view by the country concerned about his authorities' approach to this question. In reply the delegate pointed out that his country had fully co-operated with other members of the Committee in its work and repeated that the proposals had been framed to cause the least disturbance to trade.

Measures affecting production (See also Annex III)

38. Several delegations stressed the importance of measures relating to production. Some delegations considered that international action should first be directed at production policies with the aim of limiting production and avoiding surpluses in developed countries.

39. A delegation proposed that any farm income maintenance measures which governments consider necessary should be separated from production and price policies in order to ensure that such measures are production neutral. It suggested the following possible techniques:

(a) A possible technique for the negotiated encouragement of income support measures (such as farmers retirement pensions and long-term land retirement payments) that withhold resources from the production of particular commodities might be: Estimate the value of the 1970 unit produced per man or hectare withdrawn from production. Multiply result by total number of units withdrawn, so as to get the estimated value of the total production reduction. If a country is a net importer of the product, calculate duty that the producing country would have collected on a like value of imports. Convert to ad valorem duty equivalent, using actual total import values as the base. If the importing country binds itself not to increase acreage or farm labour force in producing a specified commodity from which resources have been taken, the country may claim negotiating credit as if the tariff had been bound at a reduced level.

(b) A technique for the negotiated elimination of income support measures (e.g. premia, or deficiency payments, per unit of output) which reward increased production of particular products might be: Estimate the 1970 volume of production attributable to the support measures (i.e. subtract from 1970 actual production the estimated production in the absence of the income support measure). Determine the domestic market price reduction which would have increased consumption by this quantity, expressing this price reduction in percentage terms. If provision is made for a (possibly staged) abolition of the domestic producer income supports in question, negotiating credit can be claimed as if duties had been reduced by the percentage calculated above.

(c) A technique for calculating the negotiating credit to be given to exporting countries taking similar steps to reduce production would also have to be worked out.

40. Some delegations, while regarding these suggestions as interesting, expressed the view that while it might be possible to find negotiating techniques on frontier measures, it seemed difficult to find techniques appropriate to production measures. They felt, moreover, that the concept of production neutrality did not provide a useful starting basis for negotiations. Other delegations also pointed to the difficulty in assessing the production neutrality of various measures and considered that this problem would need to be studied.

41. Some delegations said that these suggestions raised the problems of equity. They considered that a country should not expect to be given negotiating credit for moving out of an area of production into which it had entered by artificial means. The parallel was drawn with unwarranted health and sanitary regulations for the abolition of which, in the view of some members, no payment should be expected either.

42. Some delegations stressed the need for an equitable sharing of responsibility for the level of supplies and their management. In the view of certain delegations, this responsibility rested primarily with exporters, particularly in view of the size of the surpluses. These delegations considered that recognition by exporters of such responsibility was essential to the solution of the main problems in agricultural trade. However, other delegates pointed out that policies in importing countries had an important bearing on the ability of exporting countries effectively to take action relating to supply management. They said that a rational policy maintained by exporting countries might well become irrational through policy measures taken by importers.

43. The Committee noted that it was also possible to bring supply and demand more into line by action on the demand side.

44. Some delegations, while recognizing the need for a balance between supply and demand, said that particular account must be taken of the stage of agricultural development in developing countries, where encouragement for improvement and diversification of agricultural production was still needed - duly taking into account comparative advantage in soil, climate, etc., and projections of both local consumption and export potential - and for whom a limitation of production would have serious consequences. Some of these delegations considered that such a limitation should apply only to countries that exert pressure on international markets with surpluses produced by means of artificial incentives.

Other relevant measures (See also Annex IV)

45. The discussion on the work of Group 4 dealt principally with the health and sanitary regulations that had been notified. Several delegations pointed out that such regulations could be formulated or administered so as to have an unnecessarily restrictive effect on trade, especially when they went beyond the health or sanitary problem sought to be controlled or were applied in a discriminatory manner. Several delegations noted that their observations applied to other types of measures which Group 4 had examined such as marketing standards and not only to health and sanitary regulations.

46. It was generally agreed that it was necessary to avoid duplicating the work of other international bodies. A number of delegations mentioned work currently being done, or that might better be accomplished, by other international bodies. The Committee was informed generally as to the work of the FAO/WHO Codex Alimentarius Commission. Reference was also made, inter alia, to the International Standards Organisation, the OECD, the International Office of Epizootics and the International Plant Protection Convention of 1951. Several delegations noted that the Committee did not have the special competence required for dealing with some of the more technical aspects of health and sanitary regulations. Several delegations said, however, that the trade effects of these regulations were certainly within the competence of the Committee and that there would be no duplication if it concentrated on this particular aspect.

47. Several delegations proposed that the GATT draw up guidelines for the formulation and administration of health and sanitary regulations so as to reduce or eliminate in so far as possible any harmful trade effects. Some delegations suggested that GATT should draw up some principles and standards and, in particular, that health and sanitary regulations should be eliminated where they no longer met the requirements of the situation which had motivated their establishment, and that measures currently in force should, where necessary, be relaxed so that they were not more stringent than necessary. These delegations also considered that it would be advisable to consider the possibility of establishing an arbitration procedure similar to that in the International Plant Protection Convention. Particular reference was made to Article XX of the General Agreement, which several delegations found vague. In this connexion one delegation suggested

that the Committee might call on the assistance of expert rapporteurs to be sent by contracting parties, and on the advice of international bodies with special technical competence. In its view the Committee could perform a hortatory function in drawing up a statement that would call upon contracting parties to work towards comparability of health and sanitary regulations following to the maximum extent possible the standards elaborated by the FAO/WHO Codex Alimentarius Commission. Pointing out that at best Article XX sub-paragraph (b) was not complete enough and had to be read in the context of the General Agreement, some delegations questioned whether the principle of most-favoured-nation treatment was relevant since there were cases when only a single or very few exporting countries might harbour a particular disease or pest.

48. Many delegations were of the opinion that individual contracting parties should engage in bilateral consultations whenever they felt that certain health and sanitary regulations had unjustifiably adverse effects on their trade. If such consultations failed it would then be up to the affected contracting parties to proceed within the framework of the General Agreement. It was pointed out that consultations on trade effects could be held under Article XXII, and that these might be based on expert advice from specially competent bodies, although some delegations expressed some doubt as to the feasibility of such a procedure. Another delegation expressed the view that any course of action taken by the Committee should not interfere with bilateral efforts to handle particular health and sanitary problems.

49. One delegation was of the opinion that it would be desirable to evolve a procedure by which a third party could arbitrate questions concerning the harmful trade effects of such regulations, but another delegation urged caution in this respect, since different contracting parties could adopt different regulations because of truly different conditions.

50. Other delegations stated that in the last analysis the government of each contracting party was responsible for the health of its citizens and that it would have to be the final arbitrator in all such cases since health and sanitary regulations were not negotiable in the ordinary GATT sense. One delegation considered that the secretariat might advise the contracting parties as to information on health and sanitary standards which it might receive from other international bodies. Another delegation questioned whether this would be necessary and suggested that governments themselves would be kept informed by the same organizations directly. One delegation suggested that the secretariat inform these organizations of the interest which GATT was taking in the trade aspects of such regulations, and that perhaps this might be done informally by the Director-General.

51. In the view of one delegation the foregoing discussion was a recognition by the Committee that harmfully formulated or administered health and sanitary regulations must be eliminated.

52. One delegation drew attention to the fact that a certain country was about to introduce import restrictions, using as a justification Article XX, sub-paragraph (g) relating to the conservation of exhaustible natural resources. It appeared to this delegation that the action would not be entirely consistent with the provisions of that sub-paragraph which provided that such import measures must be made effective in conjunction with restrictions on domestic production or consumption.

Suggestions as to future work

53. Some delegations made suggestions to be taken into consideration by the Council when deciding the best way of pursuing the work in the coming year. The Committee's mandate (document L/3366, paragraph 4) was recalled and one or both of the following suggestions were made by some delegations:

(a) Delegations should be invited to put forward further suggestions as to ways in which the principal problems facing trade in agricultural products might be dealt with, to make more specific the suggestions that had been made where this had not already been done, and to carry out an analysis of the suggestions. Some delegations underlined the urgency of getting on with the job of establishing a basis for future negotiations and said that the uncertainties of the present situation should not prevent this. They suggested that the Committee should concentrate on those suggested solutions which showed the best chance of acceptance, then on their application to particular commodities and finally on what additional elements might have to be brought into a negotiated package to make it acceptable for the principal participants.

(b) In the coming year the Committee might explore opportunities for the settlement of particular shorter-term trade problems. In this connexion, two delegations expressed their governments' concern at the lack of any further progress in the Working Party on Dairy Products and appealed to the other governments principally concerned to re-examine the possibility of resuming at an early date negotiations aimed at extending the coverage of the Arrangement Concerning Certain Dairy Products.

ANNEX I

WORKING GROUP 1 - MEASURES WHICH AFFECT EXPORTS

Report on Meeting of 6 to 10 April 1970¹

1. The Agriculture Committee has directed Working Group 1, dealing with measures which affect exports, to seek mutually acceptable solutions to the principal problems affecting international trade in agricultural products, and for this purpose to complete such further identification of these problems as is necessary (L/3320, paragraph 5). 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 (L/3320, paragraph 6). In the Conclusions adopted at their last session the CONTRACTING PARTIES further directed that conclusions be formulated on possibilities for concrete action that might appropriately be taken to deal with the problems that arise and that this task should be completed during 1970 (L/3366, paragraph 4).
2. The Working Group met from 6 to 10 April 1970 under the chairmanship of Mr. A.R. de Felice (United States). This report sets out the proposals or suggestions as to how the principal problems might be dealt with and the main points raised in the discussion. It is emphasized that the discussion at the first meeting was not exhaustive, that in many cases the views recorded were only tentative and that delegations would have full latitude to supplement and clarify them when the report was discussed by the Agriculture Committee at its July meeting.
3. The Group noted that problems on the proposed resolution on concessional transactions had been referred back to the Agriculture Committee for further consideration (SR.26/7). It noted that these problems were still under consideration in the Food and Agriculture Organization and agreed to revert to them at a later stage.

Basic issues

4. A proposal which had the support of a number of delegations was that contracting parties adopt as a guiding principle the complete elimination of all governmental aids to exports.
5. The delegations supporting this proposal shared the view that such a policy would have the following advantages:
 - it would put agricultural trade on a commercial basis;
 - it would tend to reduce incentives for uneconomic production;

¹Previously issued as COM.AG/W/52, of 17 April 1970.

- it would stop competition between national treasuries which can be to the detriment of all countries, especially the developing countries;
- it would eliminate a source of contention in international relations.

6. It was recognized that this proposal would involve re-examination and possibly some restructuring of basic national agricultural policies and, since this would naturally be time-consuming, this might be regarded by some as a disadvantage.

7. The delegation which had put forward this proposal noted that his country had unilaterally moved far in this direction. He suggested that other countries relying even more heavily than his own on agricultural production and trade should also find it practicable to abolish governmental aids to exports.

8. A number of other delegations considered that the withdrawal of government aids to exports in isolation would not necessarily lead to the advantages outlined in paragraph 5 above. The removal of export support alone would not result in agricultural trade being conducted on a truly competitive basis since individual countries would still be free to provide additional support through their domestic and import policies and the proposal would not, therefore, necessarily reduce incentives for uneconomic production nor stop competition between national treasuries. Prices on the international market would tend to reflect the level of support afforded to agriculture in exporting countries. Prices in importing countries would thus, in some instances, be higher than at present but the pattern of trade then established may still not reflect the most efficient production. Moreover, before any steps could be taken to proceed to their elimination it would be necessary to define exactly what measures should be considered as governmental aids to exports. The problem of food aid was also mentioned.

9. Another delegation expressed the view that export aid measures were not an end in themselves but the outcome of each country's domestic agricultural policies with which they were closely linked, having regard to conditions in markets that were unorganized or artificially segregated. The basic aim of those policies and therefore of export measures was the maintenance of producer incomes at a certain level. That view was shared by many other delegations. According to the delegation referred to above aids to exports could influence the world market for the product concerned, in particular where the product was in a state of over-supply; where it was in balance, export aids could, by lowering prices, lead to additional effective demand. This delegation suggested that solutions should be sought in the light of the nature of the problems, and that a distinction should be drawn between solutions:

- (a) that did not involve a change in existing legislation or policies; and
- (b) those that did involve such changes.

The first category included solutions based in particular on price discipline, on harmonization of export aid measures and on strengthened international co-operation. The authorities which that delegation represented were disposed to act in this area - as was shown in the case of wheat and dairy products - and were ready to examine the possibility of envisaging price discipline for all products where the market situation proved this necessary. Solutions in the second category, due to the large number of elements of agricultural price and production policies involved, required the search for a common negotiating basis and a negotiating method which would allow all countries to participate meaningfully. Such a basis was particularly necessary, taking into account the fact that export aids were often an inseparable constituent of an overall agricultural policy. In that case, any criterion of purely and simply reducing aids could not be objective and equitable and other elements would have to be taken into consideration, such as the self-sufficiency ratio, for example, and other instruments that might lead to equivalent and acceptable commitments. In other words, an appropriate negotiating method would have to be found. The delegation in question considered that its proposals had the advantage of being capable of concrete implementation, unlike other proposals which, while being perhaps more ambitious, might not be accepted by many contracting parties.

10. Several delegations took the contrary view that in practice export aids in general do not contribute to the expansion of demand for products subject to such practices, but they may have adverse consequences for other contracting parties, cause unjustified disturbances to trade and constitute an obstacle to the objectives of the General Agreement.

11. Some delegations said that they could accept without hesitation the objective suggested in paragraph 4 but that consideration should also be given to solutions which could provide a substantial amelioration in the situation since it was clear from what had been said that the total elimination of export aids might not be achieved within a reasonable span of time.

12. The following proposals were put forward by one delegation as a means of limiting and hopefully eliminating export aids (as earlier made in the Annex to COM.AG/11):

- (a) limits covering, for example, overall cost ceilings of export assistance, or cost ceilings for individual products or product groups;
- (b) a maximum cost per unit of subsidization for particular products;
- (c) the establishment of a fair relationship between the price of the primary product and the processed product; and
- (d) the establishment of minimum prices on international markets.

13. Some of the delegations that urged the acceptance of a guiding principle of complete elimination of export subsidies said that there was no inconsistency in seeking action on governmental export aids as such, whether or not countries simultaneously look for some more fundamental solutions based on supply management. These delegations suggested that a series of intermediate steps could be postulated that would be cumulative in their effect leading to the complete elimination of subsidies over a period of time. These intermediate measures could include, following further study, some of those suggested in paragraphs 9 and 12 including minimum price arrangements applying to products such as certain dairy products. Although the best solution would be the application of paragraph 4 of Article XVI to primary products pending a decision to this end there was a need to define more precisely the concept of the equitable share of world markets contained in paragraph 3, and to cover specifically the prevention of injury to those countries which did not have recourse to export aids. A valuable contribution in this direction could be made by accepting an obligation not to grant export subsidies which result in prices lower than those of countries that did not grant subsidies.

14. One delegation, while recognizing that the problem of export aids was complex and was closely linked with other elements of agricultural policies, thought that action could and should be undertaken with a view to the progressive elimination of aids. In the context of that objective, the most harmful effects of such aids should be tackled as a matter of priority. To that end, certain guidelines could be drawn up which would have to be discussed by the Group; a few of these were already suggested in the present document.

15. One delegation in pressing for the elimination of all export aids, said that solutions which fell short of total abolition of export aids were unsatisfactory because they either left the relationship between the prices of different exporting countries the same, in which case they achieved nothing, or they altered this relationship, in which case they created an unfair advantage where unequal assistance remained. This delegation, referring to the distinction made in paragraph 9, pointed out that a solution which did not involve a change in existing legislation for one country might involve such a change in another, and that this was not a theoretical problem only. So long as some countries maintained governmental aids to exports for whatever reasons, others might feel it necessary to retain the option of assisting their exports. This delegation noted that the main products on which export subsidies were granted were still those listed by the Panel on Subsidies in 1961 (BISD, Tenth Supplement, page 210). Grains, dairy and livestock products were the commodities most widely subsidized and it appeared that the root cause was the difference between prices received by producers in various countries.

16. Some delegations, expressing support for the aim of an early elimination of aids to exports, stated that priority consideration should be given to the elimination of such aids to products in which developing countries accounted for a significant share of world trade, such as tobacco, vegetable oils and oilseeds, cereals, meat and others.

17. Several delegations stated that as export aids were closely linked with other elements of agricultural policies, they could not be dealt with in isolation without taking these other elements into account, such as those related to production and income policies. Concern was also expressed as to the assessment of export aid measures in the light of specified criteria laid down in advance. Experience had shown that criteria of this kind were of a rather theoretical interest and hardly of any practical value. The important thing was the damage resulting from the use of export aids and any consultations that might be agreed upon should concentrate on this issue.

18. Certain delegations pointed out that their countries were major agricultural importers with only small exports which were not directly aided. They stated that while their interest in the matters concerning exports was thus marginal, they were nevertheless ready to consider the various proposals on their respective merits.

Notification procedures

19. The Group drew up a list of practices which might be the subject of notification. This is annexed. It was understood that the list was open-ended and further types of practices might be added if appropriate. It was also understood that the establishment of the list did not imply a judgment as to whether or not these practices were covered by Article XVI of the GATT, nor did it imply any judgment about the significance of the effects on exports of these practices.

20. One delegation suggested that a group of experts should examine all practices on the list.

21. Referring to item 14, some delegations considered that sales under bilateral clearing agreements not involving price concessions should not be notified.

22. It was noted that it would be necessary to define the product coverage of the notification procedure. Some delegations said that Brussels Nomenclature chapters 1 to 24 inclusive should be used for this purpose. It was suggested, however, that it might be necessary to include certain products outside the twenty-four chapters, and attention was drawn to the understanding of the coverage of primary products in the context of Article XVI.

23. Certain delegations considered that notifications might appropriately be made annually and that, in addition, any changes should be notified as they arise. Other delegations pointed out however, that, while earlier Article XVI procedures called for more frequent notification, the present procedures under that article were for full notifications once every three years. Some delegations considered that an interval of two years might be suitable.

24. It was suggested that the aim of the notification should be to give other interested contracting parties a basis on which they could decide whether they wished to pursue the matter further by means of consultation. It was agreed that

the notifications should describe the measures used and show the effect of these measures by the use of the latest statistics available. It was understood that the headings used for Article XVI notifications (BISD, Ninth Supplement, page 193) would provide a useful starting point in this regard.

25. The point was raised of the relationship between notifications of measures under the procedures of Article XVI and possible new notifications under those in respect of the List of Practices. It was noted that Article XVI procedures covered measures which affected both imports and exports, while the List of Practices related to measures which affected only exports. Notification requirements under Article XVI of subsidies affecting imports would remain unaffected by the proposed new procedure. On the other hand it was also noted that, as regards the export side, the List of Practices covered measures which had not so far been notified under Article XVI procedures.

26. One delegation suggested that all notifications should be made under the procedures relating to the List; since the List coverage was wider than that of Article XVI, the reporting requirements under Article XVI would automatically be fulfilled.

27. After having considered the above points, there was a wide measure of support for the suggestion that export subsidies and other practices included in the List contained in the Annex be notified under the existing Article XVI procedures which provided that this be done irrespective of whether in the view of individual contracting parties they were notifiable under Article XVI.

28. Certain delegations suggested that a standing committee should be established to receive and oversee the notifications. Some delegations stated that it would be necessary to reach an understanding on the objectives to which the notification and consultation procedure was directed before this question could usefully be discussed.

Consultation procedures¹

29. Several delegations said that experience had proved that existing procedures were inadequate to meet the objectives of the consultations under discussion.

30. Some delegations considered that there was a need for a permanent body which would conduct consultations. Such consultations would take place at regular intervals, for instance annually, but provision would also be made for holding additional consultations at short notice when required. In this connexion these delegations pointed to the proposal annexed to document COM.19/11.

¹See also paragraph 40.

31. Several delegations supported the proposals set out in the last three paragraphs of the Draft Resolution contained in document COM.LG/W/41. These provisions concerned adequate opportunity afforded by each contracting party for bilateral consultation regarding representations made by another contracting party; consultations by the CONTRACTING PARTIES, at the request of a contracting party, with any contracting party or parties in respect of any matter for which it had not been possible to find a satisfactory solution bilaterally; and the establishment of a standing committee to ensure the adequacy of the relevant information and to conduct any multilateral consultations referred to above.

32. Some delegations considered that before examining the possibility of establishing any new consultative body or procedures, it was necessary to determine the objectives of the consultations and that existing procedures already constituted an adequate framework for bilateral or multilateral consultation. These delegations were of the opinion that the disorder existing to date under existing notification procedures explained the difficulties encountered in the application of Article XVI and that it might be appropriate to group the notifications at present made under different procedures under Article XVI procedures.

Issues regarding Article XVI and other relevant GATT provisions

33. Some delegations said that the provisions of Article XVI were inadequate and that they should be reviewed. It was pointed out in this connexion that paragraph 5 of the Article itself provided for a review of the operation of the Article from time to time. One delegation said that changes could be made either by an amendment to the Article, or by means of interpretative notes or of a Declaration adopted by the CONTRACTING PARTIES.

34. Some delegations drew attention to the lack of balance in the Article and said that this should be corrected, preferably by bringing primary products under the provisions of Article XVI:4. If this was not possible the imbalance should be reduced by strengthening the provisions of Article XVI:3.

35. One delegation pointed out that as long as primary and non-primary products were treated differently under the Article there would be a problem at the border-line. His delegation felt that many export subsidies did act to decrease the price of non-primary products contrary to the provisions of Article XVI:4 in cases where it was claimed that it was only the primary product content of the exported non-primary product which was subsidized. His delegation suggested that such subsidies should not result in export prices below prices on the domestic market.

36. Several suggestions were made regarding paragraph 3 of the Article. One suggestion was that the concept of "an equitable share of world export trade" should be given greater precision. One delegation suggested that it should be made clear that this covered harmful effects to a particular contracting party in a particular market even if world trade as a whole was developing satisfactorily.

One delegation pointed out that the "equitable share" criterion should not be taken as authorizing a country to subsidize in order to gain or maintain a given share of a market. One delegation felt that a country's wish to maintain its share of a particular market was not justified in cases where this share was reserved through measures adopted by the importing country. It was pointed out by another delegation that such action was sometimes taken as an alternative to action under Article VI:6(b). Some delegations suggested that the idea of "a previous representative period" should be re-examined and given more precision. One delegation questioned whether a country's historical share in trade should be taken if other countries were subsidizing exports. The criterion should not freeze trade patterns. In addition there should be an obligation that if subsidies were used, they should not have harmful effects on the trade of countries which did not use export aids. This delegation also recommended the adoption of the criterion that a subsidy should not result in the export sale of products at a price lower than that of countries which did not grant subsidies.

37. Some delegations said that the present operation of the "equitable share" criterion in Article XVI had led to inequitable results for developing countries, as in some cases the grant of export subsidies were justified by developed countries on the ground of decline in their share of world trade, even though absolute levels of their exports had shown substantial increases. They therefore emphasized that any revision of Article XVI would have to have regard to Article XXXVI, in particular to paragraph 3 of that Article.

38. One delegation suggested that the "harmful effects" referred to in Article XVI:2 should be defined.

39. Some delegations suggested that the intent of Article XVI should be complemented by making mandatory the use by importing countries of countervailing duties under Article VI when export subsidies had harmful effects on third supplying countries. They recalled that this idea had already been discussed at the review sessions. Some delegations further proposed that if a third supplying country was harmed in this way it should have the right to retaliate by withdrawing concessions of interest to the subsidizing country. Other delegations pointed to the danger that this might lead to the withdrawal of concessions in series. It was felt by some delegations that the continued use of export aids was the greater danger to the General Agreement. They pointed out that in the event that exports of a third supplying country were prejudiced, adjustments would normally be expected to be achieved by the elimination or reduction of the export aids, or failing that the grant of compensatory new concessions. Only if neither of these preferred solutions proved feasible, would the CONTRACTING PARTIES be expected to authorize the withdrawal of concessions.

40. One delegation said that Article XVI:3 and any changes made in it should apply to the practices listed in the Annex. This delegation asked whether possible agreement to notify practices listed in the Annex under the Article XVI procedures would also mean that these would fall under the consultation procedures laid down in the Article and asked in this connexion what the implications were of the reservation on the definition of subsidies in terms of obligations under Article XVI. Another delegation said that the reservation was a matter of principle but that consultations could take place on the basis of the notifications.

Annex

List of Practices

1. Direct subsidies to exporters.
2. Export restitutions.
3. Double-pricing practices, including home-market schemes, pooling arrangements and equalization funds.
4. Deficiency payments and comparable producer price support arrangements when they apply to products which are exported.
5. Currency retention schemes or any similar practices which involve a bonus on exports or re-exports.
6. [The remission or exemption, calculated in relation to exports, of direct taxes or social welfare charges on commercial enterprises.]
or
[The remission or exemption, calculated in relation to exports, of taxes or charges.]
or
[Incentives being taxation measures related to exports and not covered by the first interpretative note to Article XVI.]
- [7. The exemption, in respect of exported goods, of charges or taxes, other than charges in connexion with importation or indirect taxes levied at one or several stages on the same goods if sold for internal consumption; or the payment, in respect of exported goods, of amounts exceeding those effectively levied at one or several stages on these goods in the form of indirect taxes or of charges in connexion with importation or in both forms.]
8. Sales in which, as a result of government intervention or of a centralized market scheme, prices are lower than prevailing world prices or, in the case of multi-year contracts, than can reasonably be expected to prevail in international markets for the duration of the contract.
9. In respect of government export credit guarantees, the charging of premiums at rates which are manifestly inadequate to cover the long-term operating costs and losses of the credit insurance institutions.

Note: Bracketed phrases in this Annex indicate wording to which some delegations felt it particularly important that additional thought should be given before the next meeting.

10. Sales on credit in which, as a result of government intervention or of a centralized 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 and where the period of repayment is up to three years.¹

11. The government bearing all or part of the costs incurred by exporters in obtaining credit.

12. 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 and in which the period of repayment is up to three years.¹

13. Government-sponsored barter transactions:

- (a) involving price concessions;
- (b) not involving price concessions.

14. Sales for non-convertible currency:

- (a) involving price concessions;
- /(b) not involving price concessions./

¹This would include commercial and quasi-commercial transactions.

ANNEX II

WORKING GROUP 2 - MEASURES WHICH AFFECT IMPORTS

Report on Meeting of 15 to 19 June 1970¹

1. The Agriculture Committee has directed Working Group 2, dealing with measures which affect imports, to seek mutually acceptable solutions to the principal problems affecting international trade in agricultural products, and for this purpose to complete such further identification of these problems as is necessary (L/3320, paragraph 5). 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 (L/3320, paragraph 6). In the Conclusions adopted at their last session the CONTRACTING PARTIES further directed that conclusions be formulated on possibilities for concrete action that might appropriately be taken to deal with the problems that arise and that this task should be completed during 1970 (L/3366, paragraph 4).

2. The Working Group met from 15 to 19 June 1970 under the chairmanship of Mr. H. von Verschuer (Commission of the European Communities). This report sets out the proposals or suggestions as to how the principal problems might be dealt with and the main points raised in the discussion. It is emphasized that the discussion at the first meeting was not exhaustive, that in many cases the views recorded were only tentative and that delegations would have full latitude to supplement and clarify them when the report was discussed by the Agriculture Committee at its July meeting.

Documentation

3. The Working Group noted four documents which had recently been distributed. COM.AG/W/57 and Add.1 summarizes the quantitative restrictions in force in seventeen countries and points made on these restrictions in the Joint Working Group. The Working Group conducted a first reading of COM.AG/W/54 which sets out notifications made in response to COM.AG/14, paragraph 8(a), of quantitative restrictions applied by other countries. This document will be revised in the light of the discussion which took place; details are contained in Spec(70)71. COM.AG/W/47 lists those positions in the first twenty-four chapters of the Brussels Nomenclature subject to variable levies and other special charges in countries or groups of countries which are members of the Agriculture Committee. COM.AG/W/58 indicates that tariff study data are available for eleven countries or groups of countries and gives details of the data. It was agreed that each country or group of countries should check the data relating to its own tariff. Members of the Working Group reserved the right to make corrections to, or comments on the documents which had been put before them and to make further notifications of non-tariff barriers on products in Chapters 1 to 24 of the Brussels Nomenclature.

¹Previously issued as COM.AG/W/60, of 24 June 1970.

4. It was noted that the secretariat was in a position to circulate a summary of tariff information for each four-figure Brussels Nomenclature heading of the same type that was being prepared in the industrial sector. Some delegations were of the opinion that, in the agricultural sector, a summary of tariff data alone would present a misleading picture. After some discussion the Working Group agreed that the secretariat should prepare a document for submission to the Agriculture Committee. This document would summarize, for each four-figure Brussels Nomenclature heading, information on (a) tariffs, (b) quantitative restrictions including centralized trading, and (c) variable levies and other special charges. In the case of (a) and (c) above the information would be in the form of ad valorem incidences. In the case of (b) above the document would indicate the type of restriction in question. This summary would thus be in the form of a table with three columns under each country. In an introductory note there should be laid out the problem of comparability of the three columns and the problem of the connexion of data appearing in the three columns and the effects of measures thus classified. These would be found in following three annexes:

Annex 1 on tariffs would consist of the detailed listings described in COM.AG/W/58, after verification.

Annex 2 on quantitative restrictions would consist of COM.AG/W/54, as revised in the light of the discussion of this document in the Working Group, and COM.AG/W/57/Add.1.

Annex 3 on variable levies and other special charges would include a summary description of measures applied and list:

- (a) each tariff line on which variable levies and other special charges as listed in COM.AG/W/47, subject to any modifications that may be agreed;
- (b) the ad valorem incidence of these levies and charges in 1968 or 1968/69; and
- (c) value of imports under each tariff line referred to in (a) above, by origin.

5. Some delegations suggested that further countries should be added to the tariff study. It was noted that the addition of other countries depended on a number of factors, including cost. It was agreed that members of the Agriculture Committee applying variable levies and other special charges should supply the secretariat, by 31 October 1970, with the information required to complete this part of the document.

6. It was further agreed that information on variable levies and other special charges in 1969 or 1969/70 and the latest information on quantitative restrictions should be supplied to the secretariat by 30 September 1971 to allow it to keep the document up to date.

The search for mutually acceptable solutions

7. Several delegations recalled the importance which they attached to the re-establishment of a true world market in sectors where markets are at present compartmentalized and isolated from one another and of re-establishing a true world market price that could be used as a guide for the economic allocation of resources. These delegations stressed the harmful effects of import measures such as variable levies, minimum import prices and quantitative restrictions including centralized trading, which insulated individual domestic markets from the world market and added elements of risk and uncertainty to international trade. In their view, variable levies are more restrictive than quantitative restrictions. Some delegations said that the aim should be the removal of all quantitative restrictions, variable levies and related restrictive measures and reliance on fixed tariffs at non-prohibitive levels which would link domestic markets to the world market in a predictable way and lead to an increase in trade to the benefit of all. These delegations would be willing to discuss the removal or relaxation of their own quantitative restrictions, even when permitted under Article XI, if other delegations were prepared to discuss their quantitative restrictions and variable levies; in this way these measures could be replaced by tariffs. These delegations said that such changes in import measures would require changes in agricultural policies and that income support measures which were more production neutral, especially by product, should replace measures which maintained domestic prices above world levels although exactly which measures were adopted would be left to the countries themselves. A global approach would be desirable and the work of the other Groups was clearly relevant since if subsidized exports ceased it would be easier for countries to modify their import measures and if some countries granted incentives to the production of goods already in surplus it would be more difficult for other countries to liberalize their import measures.
8. Several delegations expressed the view that, while this set of proposals had the advantage of simplicity it might be extremely difficult to put into practice. Some delegations were of the opinion that it was hardly realistic to expect countries to change their whole system. Other delegations said that they accepted the proposal as an objective but that consideration should also be given to solutions which could provide a substantial amelioration of the situation. Some delegations said that classes of measures, such as variable levies and minimum import prices, could not be condemned as such. Many measures were in force as a result of the existing disequilibria in world trade and whether, for instance, a minimum import price was more harmful than a fixed tariff depended on the level at which the minimum price was set and the weight of the tariff. Some delegations said that variable levies did not give rise to uncertainty, since internal prices characteristically remained fixed for considerable periods and exporters were aware of trends in world prices. These delegations also were of the view that it would be inequitable to negotiate off quantitative restrictions in one country against levies in another since the levy was, in principle, the sole instrument of protection and quantitative restrictions were not. Moreover, it was not satisfactory to negotiate the removal of individual measures since the benefit of this might be modified by the adoption of other measures.

9. Some delegations said that they were not prepared to negotiate on, or pay for, the removal of illegal quantitative restrictions or the discriminatory element in otherwise legal restrictions. They pressed for the unilateral elimination of such restrictions or their legalization where possible through existing GATT provisions. On the other hand, these delegations proposed that the elimination of variable levies and quantitative restrictions which are legal should be subject to negotiations. In the interim, criteria should be adopted for the non-discriminatory administration of any remaining restrictions. For instance quantitative restrictions for which slight justification existed should be eliminated and quotas should be opened which would permit imports which were at present prohibited and an annual increase in quotas provided in order to permit imports to share in the growth of the market.
10. Some delegations pointed out however that there was a grey area of restrictions which were legalized either by historical accident under the protocol of provisional application and similar protocols or by waivers. Some delegations said that in their view if a solution were to be reached it would be necessary to adopt a pragmatic approach and that all contracting parties concerned should make efforts to relax and eliminate quantitative restrictions whether legal or illegal and should submit a list of items which could be liberalized. Efforts should be made to increase other remaining quotas and solutions to these remaining quantitative restrictions should be found through consultation in the GATT. Other delegations said that they were not willing to take action on quantitative restrictions which they maintained in conformity with the GATT outside the context of a broad negotiation which also dealt with variable levies.
11. One delegation pointed out that some quantitative restrictions were permitted under Article XI and suggested that, since quantitative restrictions had become a part of the agricultural policies of many contracting parties, Article XI be broadened to legalize some of these restrictions while submitting them to additional disciplines and periodic review in the GATT, with the view to moving towards a more rational trade in agricultural products. Several delegations said that they could not support this suggestion.
12. Some delegations said that tariffs, variable levies and legal quantitative restrictions should be the subject of negotiation. However, the negotiations on agricultural products could not in general restrict themselves to measures applied at the frontier. On the other hand, there were a number of products which, while happening to fall into Chapters 1 to 24 of the Brussels Nomenclature, were closer to industrial products. In the case of these products, the tariff was still a key protective measure which could be negotiated separately. Processed foodstuffs were an example. These delegations suggested that the proposal for the phasing out of import restrictions on industrial products reproduced in the report of Working Group 4 of the Committee on Trade in Industrial Products (Spec(70)65, paragraph 10) might also apply to these products.

13. In its search for possible solutions the Group recognized the need to give special attention to measures of particular importance to developing countries. In this connexion some countries suggested that in the efforts which were being made to reach agreement on the basis for general negotiations in the agricultural sector, priority attention to the problems of developing countries could be given by identifying sectors of special interest to these countries, in which action could be taken by CONTRACTING PARTIES on an immediate basis. The Agriculture Committee had recognized that vegetable oils and oilseeds was one such sector (see paragraphs 20-26 below). In the view of some delegations, another such sector would be that of processed foodstuffs, which is frequently one of the first industries to be established in developing countries.

14. Some delegations suggested that the problems of agricultural trade should be identified and possible solutions should be sought to particular problems. A distinction should be drawn between the problems which might be resolved by an appropriate management of existing measures and the more far-reaching problems the solution of which required modifications of agricultural policies. In the first area there would be room for a whole series of adjustments which could improve trade in agricultural products: in the case of quantitative restrictions, for instance, the methods of administering them might be made more flexible; in the case of levies, exporters might co-ordinate their exports by exercising in this manner an influence on world prices so that the amount of the levies imposed by the importing countries could be influenced. Solutions in the second area presupposed very comprehensive negotiations. Countries should be left free in principle to apply whatever instruments they deemed appropriate to their own policies. The negotiation would essentially bear on the final results which it is desired to obtain. The undertakings would bear upon certain common data to be determined. One useful concept might be the self-sufficiency ratio. This does not exclude that more precise commitments concerning certain specific instruments might also be taken case by case.

15. Other delegations agreed that an appropriate management of existing import measures could lead to an improvement in trade. They felt however that such improvement would be limited by the limited scope of administrative action possible under the existing legislation of various countries. In any case, in the view of these delegations, action in this area, while no doubt useful and capable of being pursued separately did not correspond to the more far-reaching aims set for the present group because it would not solve the fundamental problems of agricultural trade.

16. These delegations stated that it must be accepted that the type of solution sought would lead to some modifications in agricultural policies. While recognizing that levies were part of an overall policy, they pointed out that elimination or reduction of other barriers, such as quantitative restrictions, would also lead to policy changes, and that levies, quantitative restrictions and tariffs all represented barriers to trade and thus needed to be dealt with.

17. The Group addressed itself to the second part of the suggestion put forward by some delegations (see paragraph 14). In reply to questions these delegations said that they had not re-examined the applicability of the montant de soutien approach. The concept of a global approach underlying that proposal nevertheless remained valid. Such an approach remained necessary in order to ensure that solutions based on commitments on different elements by different countries were mutually equitable and led to the desired results. It would be necessary to determine suitable yardsticks to measure the results of action taken by countries under commitments on particular elements.

18. Some delegations expressed doubts as to the utility of the concept of the self-sufficiency ratio. Such an approach would not encourage efficient resource utilization either within domestic markets or internationally. As a yardstick it would have to be applied on a commodity or commodity sector basis and might not be applicable to all commodities, and would have to be accompanied by more precise commitments. The commitments should be such as to allow their effects to be assessed in the course of their application and not only after a certain period of time. These delegations expressed the wish that the proposers of this approach develop their proposal further, in order to make it more specific, in particular as regards the type of action to be taken in respect of each type of barrier, and in order to allow its implications to be examined in detail.

19. Summing up this part of the discussion, the Chairman said that in his opinion, fundamentally, there were two possible approaches. One consisted in making commitments to allow imports to enter the market in competition with domestic production; to the extent that agricultural support was thus affected, recourse must be had to measures that did not adversely affect imports. The other consisted in making commitments that would result in the maintenance of domestic production at a level which left room for imports to meet the remaining demand or to share in the growth of demand. Both approaches would entail an impact on current agricultural policies and would of necessity lead to their re-orientation. Both involved political decisions of a far-reaching nature. In the meantime some limited improvement in trading conditions might be achieved by improving the administration of existing frontier measures; this was a question that might merit further consideration.

The particular problem of vegetable oils and oilseeds

20. The Group reverted to the proposals by 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.

21. The representatives of Nigeria and Ceylon, supported by other exporters of these products, expressed the hope that the Group might suggest lines of action to ease the problems faced by developing countries in this connexion, but which would not prejudice possible future action in a broader context. They stressed

that particular attention should be given to differential tariff duties. They felt that it was possible to give separate treatment to tropical oils and oilseeds, and in this context referred to the International Olive Oil Agreement and to suggestions made at the special Session of the FAO Study Group on fats and oils in January 1970 regarding the possibilities of a buffer stock scheme for lauric oils.

22. The representatives of the countries to which the proposition was addressed stated their positions. One delegation recalled that their country had already announced that restrictions on several of the products under discussion were to be removed by the end of 1971. This delegation added that no additional action on tariffs was expected for the foreseeable future due to the adverse effects that this would have for domestic producers and, because of substitution effects, for certain outside suppliers. They referred to the increased imports of their country and indicated their readiness to consider mutually acceptable solutions in this field.

23. Another delegation indicated that they were unable to take any action at present, and pointed out that their quantitative restrictions on groundnuts were connected with a support programme which involved domestic production controls. Another delegation said that oilseed production in their country was motivated by security grounds and the need to rotate crops, and pointed out that its self-sufficiency ratio was relatively low, there being no quantitative restrictions. An internal levy was applied without discrimination to domestic and imported products and its reduction would not affect the level of imports. He recalled that his country's general support for international commodity arrangements also applied to fats and oils but said that any arrangements should cover the whole sector, in view of the interrelationships between the different products. Another delegation noted that protection in his country was already at a moderate level. Unilateral elimination of the protection could therefore not be envisaged, but could be considered as part of multilateral action. Another delegation said that it could not yet pronounce on the request addressed to it for the relaxation of measures at the frontier, which consisted only of tariffs, as it had not received instructions.

24. One delegation recalled the suggestion that countries might subscribe to a standstill which had been made at a previous meeting (L/3320, paragraph 15) and proposed the text of such a standstill (annexed). Some delegations stated that, although in principle in favour of the standstill if it were to be accepted by major trading countries, the fact that their countries were to engage in certain negotiations meant that they would have to reserve their position with regard to its duration. Another delegation indicated that legal reasons prevented it from formally accepting the text but that its government could declare its intention not to change its present system of policy in this field.

25. It was agreed that it would be desirable to examine further the question of the standstill with a view to seeing if agreement could be reached on the text of a standstill or a series of declarations of intent which went in that direction. It was understood that the adoption of the standstill would not exclude the examination of possibilities for further action.

26. The representatives of developing exporting countries said that the discussion reflected the awareness of other delegations of the problems of developing countries in this sector, and expressed their appreciation of the willingness on the part of certain developed countries to consider possibilities for liberalization if other consuming developed countries were prepared to take similar action. They hoped that this willingness on the part of these countries indicated that it was possible to treat problems of tropical oil and oilseeds separately. They expressed the hope that if other consuming countries considered taking similar action, contracting parties could move towards a solution of problems facing developing countries in the sector.

Annex

DRAFT STANDSTILL PROVISIONS ON OILSEEDS AND OILS

Proposal by a Delegation

Whereas trade liberalization offers substantial potential for expansion of consumption and trade in oilseeds and products, with consequent benefits to producing and consuming countries, contracting parties hereby declare that as a preliminary step to this goal they shall, to the fullest extent possible - that is, except when compelling reasons, which may include legal reasons, make it impossible - refrain from introducing or increasing the incidence of, customs duties or non-tariff barriers on, such products.

ANNEX III

WORKING GROUP 3 - MEASURES WHICH AFFECT PRODUCTION

Report on Meeting of 4 to 8 May 1970¹

1. The Agriculture Committee has directed Working Group 3, dealing with measures which affect production, to seek mutually acceptable solutions to the principal problems affecting international trade in agricultural products, and for this purpose to complete such further identification of these problems as is necessary (L/3320, paragraph 5). 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 (L/3320, paragraph 6). In the Conclusions adopted at their last session the CONTRACTING PARTIES further directed that conclusions be formulated on possibilities for concrete action that might appropriately be taken to deal with the problems that arise and that this task should be completed during 1970 (L/3366, paragraph 4).
2. The Working Group met from 4 to 8 May 1970 under the chairmanship of Mr. K.W. Wilkes (United Kingdom). This report sets out the proposals or suggestions as to how the principal problems might be dealt with and the main points raised in the discussion. It is emphasized that the discussion at the first meeting was not exhaustive, that in many cases the views recorded were only tentative and that delegations would have full latitude to supplement and clarify them when the report was discussed by the Agriculture Committee at its July meeting.
3. Several delegations noted that while a world market operated in a reasonably satisfactory way for a number of commodities, in some cases there was only a residual market of last resort where the prices have little or no relationship with prices at which the great bulk of world production was sold. These delegations suggested the importance of re-establishing a true world market in sectors where markets are at present compartmentalized and isolated from one another and of re-establishing a true world market price which could be used as a guide for the economic allocation of resources. Some delegations said that the aim should be domestic prices which were at or near the true world market price. It would produce a more rational use of resources and would prevent the building up of surpluses by providing an automatic market clearing mechanism. In answer to questions these delegations said that this was clearly a long-term aim which might be reached in stages, but that it was important to reach agreement on the direction to be followed. These delegations said that in selecting measures to be taken to supplement farm incomes there was need to place less emphasis on domestic prices. These domestic prices should directly reflect world market prices and measures to support domestic producer income should not unduly interfere with the free rôle of price in trade.

¹Previously issued as COM.LAG/W/56, of 15 May 1970.

4. The delegations of some countries stressed that agricultural policy was one element in the overall economic policy and that it was necessarily part of the general incomes policy. They noted that in fact countries often found it politically difficult to allow the world market price to prevail on their domestic markets. They pointed out that the free formation of prices would call for the elimination of all import barriers, all export aids, as well as production support of all kinds. They noted, in this regard, that Food Aid was an important element to be taken into consideration, in view of the effects it could have on producers' incomes. Some other delegations considered that Food Aid did not necessarily constitute an element of production support.

5. Some delegations said that if domestic prices were held above the world market price, other things being equal production would tend to increase; demand to decrease and surpluses to arise. In the opinion of these delegations agricultural surpluses produced by this sequence were the greatest problem in world trade today and affected in particular grains, dairy products and products produced from grains. Whatever measures were taken by a country should not have the effect of exporting its domestic problems. Some delegations said that care should be exercised in the use of the concept of surpluses since some countries might find themselves with a surplus because action had been taken by others which reduced the amount which they themselves could export. Some delegations said that the surplus problem should not be viewed narrowly and that countries which reduced import opportunities by artificially stimulating relatively high cost production also contributed to the problem. Other delegations said that there might be differences of opinion as to what constituted high cost production and that this should be judged in the context of the overall economy. Some delegations pointed out that experience had shown that domestic prices could be held above world price levels without necessarily bringing about an increase in production, and that price levels should not be considered in isolation since they were linked to a wide range of other factors, in particular, the cost of production level, as well as the general level of prices and wages in the economy.

6. Some delegations reiterated that domestic prices above the world level would produce surpluses unless measures were taken to regulate either supply on the one hand, or demand on the other. Some delegations outlined the experience of their countries in controlling production, for instance, by making payments for taking land out of production. Another delegation pointed out that marketing quotas could be used to achieve a similar effect. The question was raised of the extent to which methods based purely on price could control production. Some delegates noted that the price policy remains an essential instrument, in spite of the fact that under certain circumstances it may be necessary to make use of other measures.

7. Some delegations said that references to the limitation of production in some countries related especially to cereals. Their own authorities had taken action on other products. The measures each country or groups of countries took

resulted from their own situation. Moreover, the limitation of production was only one factor to be taken into consideration. This and other factors should be examined to see if there was a common denominator which could form the basis of an acceptable agreement which was equitable for all parties.

8. Special mention was made by some delegations of measures for structural improvement, notably measures aiming at facilitating retirement and transfer of labour from agriculture to other occupations.

9. The Working Group noted that it was also possible to bring supply and demand more into line by action on the demand side and noted some measures which had been taken to this end. It was the opinion of some delegations, however, that this was not an appropriate time to pursue this question.

10. Some delegations said that measures adopted to supplement farm income should be production neutral; they should not artificially induce production of farm commodities as a whole nor of one commodity rather than others. Care should also be taken that shifts out of production of one commodity to another had regard to the economic use of resources. Some delegations considered that care should also be exercised to ensure that support, whether production oriented, or production neutral, should not inhibit the movement of resources out of agriculture when such movement is economic.

11. Some delegations suggested that a catalogue be drawn up of income supplements to producers in descending order of production neutrality and that a line be drawn between supplements that might be regarded as production incentives and those that might be regarded as production neutral. There was a wide measure of agreement that very few measures were likely to be completely production neutral. It was also noted that there was unlikely to be full agreement on the effects of some measures.

12. Many delegations emphasized that all countries, both importers and exporters, should share in any adjustment process required to bring world supply and demand into balance. Under certain circumstances particularly if a country is not a producer of the commodity concerned, the scope for importer participation in the adjustment process may be limited. The representative of one major importing country described the action taken to deal with the problem of a surplus of rice in his country, as an example of not exporting its domestic problems. Other delegations noted that in this case rice had not been dumped on the international commercial market, nor had the imports of other cereals been adversely affected. These delegations felt that the action taken was broadly in line with the principles which they had been suggesting. In this connexion, however, some delegations expressed reservations about the direction production policies had taken in certain other major import markets. Representatives of these countries said, inter alia, that import measures had been adopted to stabilize the market and to prevent the import of agricultural commodities at abnormally low prices.

13. There did, however, arise from the discussion a consensus that there was need for increased international co-operation and a greater degree of co-ordination of action where appropriate especially in cases where urgent problems existed. Some delegations pointed out that it was the job of the Working Group to suggest the specific form that such international co-operation might take.

14. Several delegations expressed the view that commodity arrangements might in certain cases provide an appropriate solution to some of the problems facing agricultural trade. They pointed out however that existing commodity agreements tended to concentrate on the price element and did not as a rule bear directly on agricultural policies; in order to be effective such agreements should contain provisions on domestic production policies and on adjustment of supply. Some delegations saw certain disadvantages in attempts to control the world market and said that some of the other suggestions put forward might be more fruitful. Representatives of some developing countries said that their main interest lay in tropical products which were very important for their trade and development. In their view the most feasible way of dealing with production problems in this area was through international commodity agreements. In this connexion they pointed out that they did not possess the resources to subsidize their production or exports.

15. Moreover, the representatives of these developing countries pointed out that in many instances their producers received prices that were below world levels and that did not represent an incentive to production.

16. Several delegations said that the margin of support approach put forward during the Kennedy Round merited further consideration. Some delegations, while agreeing with this, recalled that the freezing of existing support margins as suggested in the Kennedy Round created a disparity problem in that it would permit countries with high levels of support to maintain them while withholding from countries with low levels of support the possibility of increasing them. Representatives of developing countries pointed out that generally they were not in a position to offer support to agricultural production and that they should therefore not be required to conform to the principle of the freezing of the margin of support that had been referred to during the Group's discussions.

17. Several members referred to the concept of the self-sufficiency ratio. The question was raised whether the self-sufficiency ratio was merely a measuring device or whether it could also usefully serve as a policy tool and an element of negotiation. The question was also raised that it might be useful to take into consideration the percentage of population engaged in agriculture as well as the general rôle of agriculture in a given country's economy. Some members considered that the ratio measured the effects of a country's agricultural policies and warranted a further examination as a possible element of negotiation. Other members felt that the ratio taken in isolation was not a useful concept as it did not take account of factors such as relative costs of

production and efficient resource allocation. The point was made by some delegations that the level of the self-sufficiency ratio should not be used as a criterion to give a country with a ratio below 100 per cent the freedom to pursue policies in disregard of international considerations. In general, the concept should be used with all due care and prudence.

18. Some delegations considered that it would be useful to pursue further a suggestion for a combination of the concepts of the margin of support and the self-sufficiency ratio. It had been suggested that it would be useful to have comparable figures for supports granted to agriculture (through domestic support, restraints on imports and subsidies benefiting their exports) and their effects on trade when considering the relative efficiency of exporting and importing countries and the adjustments which they might make. A ratio of self-sufficiency of over 100 per cent did not give a country an absolute right to export, nor did a ratio of less than 100 per cent give a country an absolute right to increase production up to or beyond full self-sufficiency. Some delegations, however, expressed reservations about a combined margin-of-support/self-sufficiency ratio approach because it implied that absolute advantage, rather than comparative advantage, would be used to determine the adjustments to be made.

19. Some delegations said that agricultural policies varied from country to country, in particular because conditions of production differed among countries because of differences in natural endowments or structural patterns. Any solutions that might be applied to the problems must take these various factors into account and might therefore also differ country by country and product by product. These delegations also stressed political, social and security considerations underlying their agricultural policies. In this context, the point was raised that demographic considerations might limit the use of what had been referred to as production neutral measures. Many delegations expressed the view that there are general principles which should be applied to the solution of trade problems arising from agricultural production policies.

20. The Group noted that a certain number of suggestions had been made by different delegations which among others could be considered in the further work directed towards finding mutually acceptable solutions, taking into account the views expressed during the course of the Group's work. These suggestions are annexed to this report.

Annex

- (i) There was need for increased international co-operation and greater co-ordination of actions where appropriate; periodic consultation on, and review of various matters affecting international trade in agricultural products might be appropriate in this respect.
- (ii) There was need for acceptance of the basic principle of international price mechanism as a market clearing instrument.
- (iii) Any farm income maintenance measures which governments consider necessary should be separated from production and price policies in order to insure that such measures are production neutral.
- (iv) Exporting countries, and major exporting countries in particular had a common and equitable responsibility for the level of supplies and their management. Countries which are both importers and producers of a product, in particular developed countries, also had some responsibility in this respect.
- (v) There was need for governments to have regard to economic relationships between different products or sectors.
- (vi) Appropriate solutions in certain cases might be approached through commodity arrangements and these arrangements might well contain provisions on domestic production policies and on adjustment of supply, as was hardly the case in certain existing arrangements.
- (vii) The margin of support approach, possibly supplemented by provisions on self-sufficiency ratios, merit further consideration.

ANNEX IV

WORKING GROUP 4 - OTHER RELEVANT MEASURES

Report on Meeting of 22 to 26 June 1970¹

1. The Agriculture Committee has directed Working Group 4, dealing with health and sanitary regulations, marketing standards, packing and labelling regulations, customs and administrative procedures, miscellaneous charges and taxes and prior deposits, to seek mutually acceptable solutions to the principal problems affecting international trade in agricultural products, and for this purpose to complete such further identification of these problems as is necessary (L/3320, paragraph 5). 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 (L/3320, paragraph 6). In the Conclusions adopted at their last session the CONTRACTING PARTIES further directed that conclusions be formulated on possibilities for concrete action that might appropriately be taken to deal with the problems that arise and that this task should be completed during 1970 (L/3366, paragraph 4).
2. The Working Group met from 22 to 26 June 1970 under the chairmanship of Mr. B.F. Meere (Australia). This report sets out the proposals or suggestions as to how the principal problems might be dealt with and the main points raised in the discussion. It is emphasized that the discussion at the first meeting was not exhaustive, that in many cases the views recorded were only tentative and that delegations would have full latitude to supplement them both within the Agriculture Committee and in other meetings of working groups.
3. The Working Group conducted a first reading of COM.AG/W/49 and Add.1 reproducing relevant non-tariff barrier notifications either made in response to the request contained in COM.AG/14, paragraph 8(d), or transferred from the Committee on Trade in Industrial Products. The points made in the examination of the individual notifications will be reflected in a revision of the document. A delegation considered that data for each item in the document should include: (a) a reasonably full discussion of the measure; (b) authority and justification supplied by the country maintaining the measure; and (c) comments by notifying countries.
4. Some delegations pointed out that the practices followed by delegations in making notifications had varied and this had led to an imbalance in the present information. They said that their authorities might therefore wish to notify all relevant measures applied by other countries. It was recognized that this would create an enormous amount of work. Some delegations were of the opinion that this work would be largely unnecessary since the fact that health and sanitary requirements

¹Previously issued as COM.AG/W/62, of 1 July 1970

in particular existed for most agricultural products in most countries could be stated in a general note. Some delegations said that measures should only be notified when they constituted a real barrier to trade. The Working Group noted that contracting parties reserved the right to make further notifications relating to agricultural products whether or not these fell into the eight sectors in which the work of the Agriculture Committee had concentrated initially and agreed that such notifications should be made by 31 October 1970.

5. Some delegations recalled that Working Group 2 had agreed that the secretariat should prepare a document for submission to the Agriculture Committee which would summarize information on (a) tariffs, (b) quantitative restrictions including centralized trading, and (c) variable levies and other special charges (COM.AG/W/60, paragraph 4). These delegations stated that in order to give the Agriculture Committee a general and objective picture of import measures it would be necessary to complete the document by the addition of a fourth column which would indicate those four-figure Brussels Nomenclature headings in respect of which notifications had been made of health and sanitary regulations (and of the other notifications before the Group if this was the wish of other delegations) and refer the reader to these notifications. Some delegations were of the view that the addition of a fourth column as described would be misleading since these regulations are not import restrictions in the same way as tariffs, quantitative restrictions and variable levies. Some of these delegations added that their effects could only be assessed on a bilateral basis. Other delegations were of the opinion that in any case, the effects of these regulations on international trade would have to be taken into consideration in the framework of the Agriculture Committee. It was agreed that this matter should be referred to the Agriculture Committee for consideration at its next meeting.

6. There was general recognition of the fact that differences in national practices, each of which may be perfectly justifiable in itself, can cause difficulties for trade. Some delegations having duly noted the work being done in other international bodies, such as FAO, the FAO/WHO Codex Alimentarius Commission, OECD and ECE, and having taken into account that these bodies were well equipped to deal with problems of a technical nature, considered that the functions of the GATT would be:

- (a) to bring to the attention of these bodies the restrictive trade effects of such problems in order to assist them in developing international standards; and
- (b) to establish general guidelines regarding the trade effects arising from the application of existing standards and regulations.

7. Several possible guidelines were suggested in the course of the discussion. Several delegations suggested that imported goods should receive the same treatment as goods produced domestically. Other delegations pointed out that the applicability of this principle was limited by the fact that national practices are in many cases designed to keep out diseases which do not occur in the country. Several delegations suggested that health and sanitary regulations should be applied

on a most-favoured-nation basis. It was also suggested, however, that this concept would have to be carefully defined in this context. Some delegations suggested that it should be interpreted to mean equality of opportunity for exporting countries which could satisfy the health regulations of importing countries. Other delegations suggested that it might be necessary to go further and to deal with problems of discrimination against exports of particular countries in specific markets.

8. Some delegations expressed the view that health and sanitary regulations were not negotiable in the usual GATT sense, i.e. they were not removable in return for a concession, and were therefore of a different nature from the other types of measures before the Group. Several delegations said that the best way of dealing with difficulties which might exist would be through bilateral discussions between the technical people responsible.

9. Several delegations suggested as a basic principle that health and sanitary regulations should not be more rigid than necessary to achieve their essential purposes. Some delegations pointed out that regulations sometimes took the form of complete prohibitions of imports and suggested that this should not be necessary, even in a disease-free country, if there were other cast-iron ways of keeping out the disease. Some delegations said that certificates by authorities in exporting countries might be more frequently accepted by importing countries. Delegations of some developing countries said that they had experienced some difficulties in the implementation of regulations and suggested that there should be a greater degree of co-operation between exporting and importing countries with respect to inspection, testing and research facilities. Some delegations said that inspection and testing requirements should be simplified. Some delegations said, however, that the final decision on these matters must inevitably rest with the importing authorities which had a duty to protect the health and sanitary standards of their country.

10. Some delegations said that national authorities should endeavour to ensure that measures taken by State and local authorities were consistent with national and international regulations. Some delegations said that consultations should be held to ensure that changes proposed in legislation by each country were adequate to implement internationally agreed codes.

11. Some delegations said that the regulations and technical requirements of importing countries should be readily available in an intelligible form to the competent authorities in exporting countries.

12. Some delegations noted that some measures which had been included in the category of health and sanitary regulations were designed to maintain certain strains of plants which were considered desirable and pointed out that these might have an adverse effect on trade; as a general principle, farmers should be left free in such matters.

13. In connexion with general problems raised by the effect of health and sanitary regulations on trade, several delegations representing countries that both import and export agricultural products stressed the scope and stringency of those regulations in certain countries which were traditionally major exporters of agricultural products. Indeed, it appeared that the measures applied by the countries concerned, for reasons of quality and of sanitary controls, had effects which were particularly striking from the quantitative aspect. In practice, the result was a virtually total prohibition on imports of agricultural products or of a wide range of products from the agricultural sector. In the view of the delegations concerned, the attention of the Agriculture Committee should be drawn specifically to problems arising from the application of health and sanitary measures in certain cases that threatened to distort the appreciation of any concept of equilibrium in the field of trade.

14. Other delegations were of the view that it was no accident that countries free from most types of disease should have an appropriate coverage of veterinary and phyto-sanitary control measures to protect that disease-free condition. Furthermore, in a situation in which every country of the world maintained some form of veterinary or phyto-sanitary controls, it was a natural consequence that producing countries which are relatively free of pests would be best able to meet the requirements in other countries, and so export their products to a greater number of markets. Export capability would therefore be directly linked to relative freedom from disease in a particular country, which necessarily required a wider range of veterinary and phyto-sanitary controls to protect that freedom. This was of great importance for countries which relied heavily on exports of agricultural products.

15. Some delegations said that many of the points made on health and sanitary regulations also applied to marketing standards. They added that marketing standards should not be based on characteristics peculiar to national production and that the equivalence of internationally agreed standards and the standards of exporting countries should be recognized wherever possible.

16. The Working Group agreed that the Committee on Trade in Industrial Products should deal with measures of general application to the agricultural and industrial sectors in cases where work had already begun in that forum, on the understanding that delegations reserved the right to revert at any time to particular notifications made to the Agriculture Committee and, at a later stage, the right for the Agriculture Committee, to review the applicability to the agricultural sector of any solutions evolved in the Committee on Trade in Industrial Products. This applied for example to valuation for customs purposes, consular and customs formalities and prior deposits. Some delegations noted that any of the non-tariff barriers of the types examined which were contrary to GATT should be removed unilaterally as soon as possible.