

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

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LUXEMBOURG IMPORT RESTRICTIONS ON AGRICULTURAL PRODUCTS

Draft Report of the Working Party

1. In accordance with the provisions of paragraph (c) of the Waiver granted to Luxembourg under the Decision of 3 December 1955, in connexion with import restrictions on certain agricultural products, the Working Party had examined the progress made by the Government of Luxembourg in adopting measures necessary to make its agriculture more competitive and necessary to achieve a relaxation of import restrictions maintained under the Waiver.
2. The representative of Luxembourg, in introducing the Fifth Communication by his Government pursuant to the Decision of 3 December 1955, stressed that although there had been improvements in the agricultural sector in Luxembourg, the present situation did not remove the need for the Waiver granted by the CONTRACTING PARTIES in 1955. He explained that, for example, although there had been some improvement of productivity in agriculture, such progress had been nullified to a large extent by increased costs. He stressed that, because of natural factors, agriculture in Luxembourg still faced the exceptionally adverse conditions recognized by the CONTRACTING PARTIES when the Waiver was granted; it was essential for the Government of Luxembourg to maintain agricultural production and to accord the necessary support in order to improve the conditions of such production.
3. The representative of Luxembourg stated that for the most part only two contracting parties, Belgium and the Netherlands, shared in the Luxembourg market; the effect of the restrictions maintained under the Waiver was, therefore, very small on contracting parties other than these two countries. He stressed that the future common agricultural policy of the European Economic Community would certainly affect the agricultural situation in Luxembourg; the elimination of restrictions covered by the Waiver on imports from all contracting parties would depend, to a large extent, on the progress made towards the establishment and the implementation of the common agricultural policy. Since the Government of Luxembourg could not foresee the date when the need to maintain quantitative restrictions would disappear, it was essential that Luxembourg should be permitted to maintain the Waiver. However, as an indication of its determination to

eventually move away from the need to retain such import restrictions, the Government of Luxembourg, pending the implementation of the common agricultural policy of the European Economic Community, was prepared to withdraw immediately, eggs (not in the shell), and macaroni, spaghetti and the like, from the list annexed to the Waiver, and to consider withdrawing from the list, in the course of the next few years, some other products such as eggs and fruits.

4. The Working Party recognized the serious agricultural problems confronting Luxembourg; the CONTRACTING PARTIES had recognized these problems in granting a Waiver under which the Government of Luxembourg had been authorized to maintain import restrictions for an indefinite period on certain agricultural products. The Working Party was aware that since the granting of the Waiver, much had been done by the Government of Luxembourg to rationalize agriculture and to improve agricultural techniques. It was also recognized that the price support policy in Luxembourg was not operated in a way that would lead to a decrease in consumption, and that efforts were actually being made by the Government to increase domestic consumption of agricultural products. It was pointed out, however, that although producer prices of agricultural products in Luxembourg were no higher than in many other European countries, they were considerably higher than international prices.

5. In response to questions on the agricultural policies pursued by the Government of Luxembourg, the representative of Luxembourg stated that in the last five years his Government had introduced various measures of a legislative and technical nature with a view to improving the structure in agriculture. It was, however, the Government's policy to maintain small and medium size holdings for political and social reasons; the actual decrease in the number of small farms which had taken place was not a result of governmental measures. He felt that any modification of the structure in agriculture must be of such a nature that other sectors of the economy could readily absorb the population moving out of agriculture. In Luxembourg, where the entire economy was based mainly on agriculture and on the iron and steel industry, it was essential to maintain a sound equilibrium.

6. Referring to the future common agricultural policy of the European Economic Community, members of the Working Party expressed the view that insofar as it would affect Luxembourg, a common agricultural policy would be welcome where it assisted Luxembourg to adjust agricultural structure in such a way as to facilitate the introduction of more economic production. A common agricultural policy would be a disappointment, however, if it would defer rather than encourage such an adjustment. One of the advantages of the common agricultural policy should be that it would help expedite the liberalization of imports of agricultural products from all contracting parties.

7. In response to a question, the representative of Luxembourg informed the Committee that low import figures for cattle for breeding purposes for the period 1957/59 actually represented normal import requirements. The

higher import figures for the period 1954/56 were due to the large number of cattle which had been slaughtered immediately prior to this period as a result of a campaign against tuberculosis.

8. A member of the Working Party noted a statement by the Government of Luxembourg that "the evolution of imports of agricultural products and foodstuffs covered by the Waiver showed that the import control policy had been applied with flexibility so as not to disturb existing trade channels, notwithstanding the fact that home production had increased substantially". He pointed out that it was impossible to judge from the material submitted by the Government of Luxembourg whether existing trade channels had actually been taken into account and whether import licences had been freely issued. He requested that in future reports submitted by the Government of Luxembourg, the CONTRACTING PARTIES be provided with such information.

9. Members of the Working Party stressed that although there was no time limit on the validity of the Waiver which had been granted to Luxembourg, it was nevertheless generally expected that the Government of Luxembourg would remove import restrictions as promptly as possible. In view of the improvements experienced in the agricultural situation in Luxembourg it could reasonably be expected that the Government of Luxembourg would be in a position to remove certain import restrictions in the near future. Several members of the Working Party reminded the representative of Luxembourg that their governments had been rather reluctant to agree to such a Waiver for an indefinite period and expressed the hope that the Government of Luxembourg would make particular efforts to progressively remove import restrictions maintained under the Waiver. In this connexion they noted that during the past five years, except for the liberalization measures recently announced for eggs (not in the shell), macaroni and spaghetti, etc., no relaxations of the import restrictions authorized under the Waiver had been made. The representative of Luxembourg pointed out that the recent liberalization measure proposed by his Government actually represented more than at first would appear. Until recently domestic manufactures of macaroni and spaghetti, etc., had been required to mix certain quantities of domestic cereals with imported cereals; this mixing regulation no longer was applied.

10. The Working Party expressed interest in the relationship between the Waiver granted to Luxembourg and the Waiver granted to Belgium. The representative of Luxembourg stated that the nature of the two Waivers were entirely different. He informed the Working Party, however, that any import liberalization measures which might be taken by the Government of Belgium on products covered by both Waivers would also result in the removal of the import restrictions applied by the Government of Luxembourg.

11. In response to questions concerning imports of beef, which was one of the commodities covered by the Waiver, the representative of Luxembourg stated

that his country was an exporter of beef. He confirmed that since it was felt that this product was one which widely affected agricultural incomes, his Government had granted subsidies for beef production. He stressed, however, that Government subsidies were granted only on quantities offered for domestic consumption; exports of beef had never been subsidized and were made at world prices.

12. The Working Party noted that whereas the Government of Luxembourg was prepared to withdraw immediately quantitative restrictions on certain products as mentioned above, the Government was also prepared to consider withdrawing, in the course of the next few years, other products from the list annexed to the Waiver, such as eggs and fruits. The Working Party expressed the hope that the Government of Luxembourg should consider the possibility of announcing the liberalization of imports of still other agricultural products listed in the Annex to the Waiver. It was stressed that the pace of import liberalization had so far been slow, and greater efforts were needed if agriculture in Luxembourg was to become more economic and competitive. The representative of Luxembourg stated that the list of products which his Government considered withdrawing from the Annex to the Waiver in the course of the next few years, should not be considered as being exhaustive; it may also be possible to consider the relaxation of import restrictions on other products covered by the Waiver.

13. The Working Party, in discussing the scheduling of the next review, noted that the Belgian Waiver was scheduled to expire at the end of 1962. In view of the relationship between the Belgian and Luxembourg Waivers and between the two countries within the Benelux Union, the Working Party felt that the CONTRACTING PARTIES might wish to review at that time the progress achieved by Luxembourg in adopting measures necessary to make its agriculture more competitive. The Working Party also noted the uncertainties about the exact timetable for the implementation of the common agricultural policy of the European Economic Community and felt that the CONTRACTING PARTIES might also wish to take any future developments of the common agricultural policy into consideration when scheduling the next review. The Working Party agreed, therefore, that the next review should take place when considered necessary by the CONTRACTING PARTIES and, in any case, not later than by the end of 1965.