

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

SR.20/12
29 November 1962

Limited Distribution

CONTRACTING PARTIES
Twentieth Session

Page 183

SUMMARY RECORD OF THE TWELFTH MEETING

Held at the Palais des Nations, Geneva, on
Friday, 16 November 1962, at 9.30 a.m.

Chairman: Mr. W.P.H. VAN CORSCHOT (Kingdom of the Netherlands)

	<u>Page</u>
<u>Subjects discussed:</u> Programme for Expansion of Trade	183
(a) Statements on the Programme as a whole	183
(b) Tariff reduction	186
(c) Cereals and Meat Groups - Report on work of Groups	186
(d) Committee II - Report on common agricultural policy of EEC	188
(e) Committee III - Reports	199

Programme for Expansion of Trade

(a) Statements on the Programme as a whole

The CHAIRMAN afforded an opportunity for delegates to comment on the Programme for Expansion of Trade before proceeding to take up the sub-items one by one.

Mr. ZAMAN (Pakistan) said that the expansion of international trade had a crucial rôle to play in providing an adequate response to one of the gravest challenges of present times, the challenge posed by the problems of the under-developed world. It was universally recognized that the progress and integration of the economy of the world hinged on the successful outcome of the efforts of the less-developed countries to shed their economic stagnation by quickening the rhythms of their growth. An eminent economist declared many years ago that "the causes which determine the economic progress of nations belong to the study of international trade". This statement had considerable relevance in the sixties of the twentieth century. There was no doubt, some realization of the trade problems of the less-developed countries at the time when the General Agreement on Tariffs and Trade first came into being. A full realization of the trade

problems of these countries had, however, emerged in the last few years only. A disconcerting feature of recent trends in international trade was the growing deficit of the less-developed countries. During the fifties with an annual national income per caput growth of 2 per cent in the under-developed world, these countries had a trade deficit of \$20,000 million. This imbalance in the trade account of the less-developed countries was attributable in part to obstacles hindering the entry of their products into the industrial markets, and in part to the failure of demand for primary products to grow in line with their increased supply. As revealed in the GATT publication International Trade 1961, the gap between the minimum import requirements of the less-developed countries and the export value of their traditional products might increase by around \$15 billion during the period 1960-75. To this was to be added the snowballing burden of external debt which would impose a further severe burden on these countries. In the fifties the under-developed world had to pay \$13,000 million for servicing external indebtedness. During the sixties the corresponding figure would be substantially higher. The less-developed world needed "Trade" as well as "Aid" to fulfil the task set for it in the current decade designated as the decade of development by the United Nations. As stated in the report of the Secretary General of the United Nations on the "Proposals for Action" during the UN Development Decade, the flow of capital and assistance to the developing countries during the sixties needed to be increased by \$4-5 billion a year over the level of the current flow. In addition to this a sharp step up must take place in the export capacity of the less-developed countries. Even if the generous flow of loans and assistance visualized in the Secretary General's report on the Development Decade was forthcoming, an overwhelming share of import requirements of these countries would have to be met by their own export earnings. In 1956-59 for instance, exports provided less-developed countries with six times more foreign exchange than was derived from the flow of capital and assistance. It had been estimated that even on very conservative assumptions, the export earnings of the under-developed world must reach a level of \$45 billion by 1970 if they were to maintain their growth momentum and meet their debt commitments. Furthermore, it had been roughly calculated in a study published in the Economic Survey of Europe in 1960, that about one third of the total export receipts of the under-developed world during the sixties must come from non-traditional commodities, principally manufactures. The developed countries must take into account these quantitative magnitudes and qualitative aspects of the trade of the less-developed countries, while framing their commercial policies and in their schemes of regional economic integration.

Continuing Mr. Zaman said that the argument of disruptive competition from low income countries should not be used as an instrument for inhibiting the export expansion of countries in the process of development. The products of these countries would pose problems for certain established industries in the developed countries. Yet, because the industrialized countries were advanced and rich, they were in a position to carry out necessary adjustments in their economic structure without shifting the burden to the less-developed

countries by restricting the flow of their exports. In this connexion, special attention should be paid to the Ministerial Declaration on the Promotion of Trade of the Less-Developed Countries which was unanimously adopted in November 1961. The Declaration stressed the need for a conscious and purposeful effort on the part of all governments to promote an expansion in the export earnings of the less-developed countries. The progress made so far in implementing the Declaration of the Ministers had been most disappointing. His delegation therefore, urged greater vigour and speed in the implementation of the Declaration. With regard to tariff reduction, pursuant to the Ministerial Declaration, the CONTRACTING PARTIES appointed a Working Party on Procedures for Tariff Reduction which would examine new procedures and techniques for the further reduction of tariff barriers on a most-favoured-nation basis in accordance with the principles of the GATT. In this regard the traditional GATT technique of negotiating tariff concessions was no longer adequate. No doubt it had produced substantial results in the past, but it now needed to be suitably amended to meet the new requirements of the less-developed countries. The less-developed countries whose receipts from customs duties and other charges constituted an important element of their revenue could not offer adequate concessions to match the reductions that might be offered by the industrially advanced countries. The developed countries should consequently adopt a more flexible and sympathetic attitude with regard to reciprocity in tariff negotiations with a view to removing obstacles to the expansion of export earnings of the less-developed countries.

His delegation also urged that the concept of "principal supplying interest" be suitably modified in order to enable the less-developed countries to participate more effectively in the general rounds of tariff negotiations held from time to time. Under the current system, the less-developed countries which by definition, at the present stage of their economic growth, could not have principal or substantial buying interest in any of the manufactured products, were left on the side lines of tariff negotiations owing to lack of bargaining power. It would be more fitting if the industrialized countries would make linear reductions in their tariffs without demanding compensating concessions from the less-developed countries. As regards the work of Committee II, it had made an extensive study of the national agricultural policies of contracting parties and the effect of these policies on international trade in important agricultural products. The Committee had found from its examination that non-tariff devices such as quantitative import restrictions, import levies, systems of State trading accompanied by restrictive measures, bilateral agreements, systems of price support and subsidies, all which had adversely affected international trade were extensively employed. The Committee had also noted that the wide use of non-tariff devices, particularly quantitative restrictions and impairment or even nullification of tariff bindings, had frustrated benefits to which countries were entitled as a result of the obligations arising from the General Agreement. The Committee had further concluded that the levels of protection had resulted in the increase of production in the countries concerned and had led to a decrease in imports, a situation which placed a heavy burden of adjustment on exporting countries. In conclusion, Mr. Zaman emphasized the importance of

stimulating the trade of less-developed countries. This was an issue of paramount importance to the future stability and growth of the world economy. The problems facing these countries had been identified and were highlighted in the report of Committee III. The road toward the solution of these problems was clearly indicated in the programme of action proposed by the less-developed countries in the Annex to Committee III's report. It was now for the industrialized world to decide if they intended to take this road.

(b) Tariff reduction

The CHAIRMAN recalled that the CONTRACTING PARTIES at their nineteenth session had appointed a Working Party on Tariff Reduction to examine new procedures and techniques for the further reduction of tariff barriers. This Working Party had not been convened. He suggested that the Executive Secretary be requested to convene the Working Party as soon as possible, when he considered that the elements essential for a successful meeting were present.

On the proposal of the Chairman, Israel was appointed as a member of the Working Party on Tariff Reduction.

(c) Cereals and Meat - Report on the work of the Groups

The CHAIRMAN called on the Executive Secretary who had presided at the meetings of the Groups on Cereals and Meat, to report on the work of the Groups.

The EXECUTIVE SECRETARY recalled that at their nineteenth session the CONTRACTING PARTIES had established a Group on Cereals in line with the suggestion made during the ministerial meeting. The object of the Group was to ascertain or to explore the possibilities of finding, through discussions between principally interested countries, a basis for the negotiation of acceptable terms of access for the principal cereals in the international market. The CONTRACTING PARTIES had indicated that the Group on Cereals was merely the first of what might prove to be a series of similar groups for important agricultural products entering into international trade. The CONTRACTING PARTIES had agreed that the whole of the programme of exploration and negotiations on possibilities of finding a basis for acceptable terms of access for agricultural products should be supervised by the Council. Accordingly, after the Cereals Group had held its initial meeting, which was limited to an exchange of views and ideas, he had reported to the Council and a summary of the discussions of the Group had been distributed to contracting parties in document CG/1.

The Executive Secretary further recalled that it had been agreed by the Council that the question of convening a second meeting to continue the work of the Group should be left to his discretion as Chairman of the Group, and that he should convene the Group on Cereals again only at such time as he considered that the circumstances were propitious for making substantial and significant progress in the work of the Group. For this reason he had

maintained close contact with the members of the Group in order to try to ascertain at what point they felt that a further meeting could usefully be held. The question of the timing of the next meeting was necessarily a complicated one, partly because of the difficulty and importance of the subject matter, and partly because the question of trade in the principal agricultural products was very closely and directly affected by important negotiations which were going on elsewhere. He thought that all members of the Group would feel that a meeting which was held at an unpropitious moment and which did not take sufficiently into account the impact of events elsewhere on their work would have a serious adverse effect on the possibilities for eventually finding proper and acceptable solutions to this basic problem. During the course of the present session he had carried out a further series of consultations with the members of the Group and his judgement based upon these consultations was that it was still too soon to envisage with any certainty at what date the Group could reconvene. There were, however, members of the Group who felt that this further meeting should not be too long delayed and that the time might well be approaching when the work which had begun during the first meeting could successfully be resumed. He would therefore continue to keep this matter under the most careful and urgent review and, as instructed by the Council, would convene the Group at the earliest possible moment when there were prospects of significant advance and achievement. The Executive Secretary went on to say that the ministerial suggestion had envisaged that there might be need for other groups to consider other major products, and the Council had agreed to the constitution of a group on trade in meat of cattle and sheep. The Group on Meat had not yet held a formal meeting, but there had been a preparatory meeting at a technical level in order to try and establish the basic facts and the basic elements in the problems confronting international trade in meat products. It was generally recognized that there was a very close connexion between the problems of international trade in meat and international trade in cereals and that it would be impracticable to make very much headway in dealing with problems relating to international trade in meat unless one had a clear idea of the direction or the outcome of the negotiations with respect to cereals. Nevertheless, the Meat Group had made a good and significant start to its work in drawing up a basic study which would be an essential part of the work of the Group itself, when it was deemed appropriate that the Group should meet. The Executive Secretary concluded that it was appropriate that he had also been authorized to decide on the timing of the meeting of the Meat Group since the timing of discussions on meat were closely linked with the timing of the meeting on cereals.

The CONTRACTING PARTIES took note of the oral report by the Executive Secretary on the work of the Cereals and Meat Groups and of his intention to convene further meetings of these Groups at an appropriate time.

(d) Committee II - Report on consultation with EEC on common agricultural policy (L/1910)

The CHAIRMAN recalled that the Council, at its meeting in May, had decided to request Committee II to carry out a consultation with the European Economic Community in order to examine the changes in the agricultural policy of the member countries resulting from the progressive establishment of a common agricultural policy. The Committee had submitted its report in document L/1910. He called on Mr. Honkaranta (Finland), the Chairman of Committee II, to present the report.

Mr. HONKARANTA (Finland) said that Committee II had examined the regulations on the common agricultural policy which the EEC had laid before it. The Committee had had a detailed discussion on the technicalities of the common agricultural policy systems. This had been followed by a discussion of a more general character in which the Committee or members of the Committee had tried to determine the possible effects of the new régime. He expressed the view that the consultation had been extremely useful. It had afforded the Community the opportunity to explain to most of the interested third countries the whole complex of its agricultural policy in respect of the five groups of products examined. In the second place, the consultation had afforded countries which were interested in developments of agricultural policies in Europe the opportunity to receive detailed information on many aspects of the new policy, which were of interest to them. In the third place, the Community and third countries had achieved a better understanding of the new systems on their mutual trade relations. It had been clear from the discussion that third countries felt great concern in respect of certain aspects. The Community had taken note of the observations made and members of the Committee had urged that these observations be kept in mind by the Community while drawing up their common policy in respect of other products and at the time of reviewing and elaborating the present regulations.

He stated that third countries had expressed concern on possible implications of the new systems but that in this respect a great amount of uncertainty was involved, since the full implications for both the member States and third countries could not as yet be foreseen and a possible enlargement of the Community would fundamentally change the whole impact of the common agricultural policy on international trade. The Committee had agreed on the point that the impact of the common agricultural policy on international trade depended predominantly on the direction in which the future price policy of the Community would move and the assurance had been given that, within the Community, there was awareness of the great responsibilities of the Community towards other countries and that it was in the interest of the Community to operate a reasonable price policy. He said that a most important point for further reflection was the offer made by the Community to enter into consultation or into negotiation on the basis of reciprocity as regards the general price policy and world-wide agreements in respect of a number of agricultural products.

Mr. LACZKOWSKI (Poland) said that the problem was particularly important for his country since agricultural exports from Poland to the EEC countries in 1960 amounted to 47.1 per cent of total exports to the Community and this figure had increased in 1961 to 50.1 per cent. In absolute figures agricultural exports to the EEC countries amounted to \$75-80 million. He felt that the report contained a certain disproportion to the extent that, in the technical part of the report a number of points of interest for a full understanding of the Community policy were mentioned, which had not been taken up in the general part. No analysis had been made on the question whether the new policy, as set out in Regulations 19-24, meant an increase in protection. He had noted the point of view of the Community that the new policy intended to be a liberal one, but expressed the view that there existed more simple systems which could create a liberal situation in international trade.

Mr. Laczkowski illustrated the amount of protection in the EEC. While imports of pig meat into Germany had increased by 88 per cent during the period 1958/60, imports of pig meat from Poland had only increased by 5 per cent during this period. In the same way, imports of eggs into Germany during this period had increased by 80 per cent and imports of Polish eggs only by 12 per cent; imports of poultry into Germany had increased by 114 per cent during 1958/60, imports of poultry from Poland only by 24 per cent. He expressed the concern that the present obstacles to trade would lead to a further reduction in trade with the Community. Since the introduction of the new measures, agricultural exports from Poland had decreased by 75 per cent as compared with the level of the preceding year. He felt that this serious problem entitled his country to have recourse to certain measures or consultation procedures under the General Agreement.

Mr. Laczkowski, speaking on the maintenance of restrictions on imports from State-trading countries, expressed the view that there was some illogicality in applying at the same time a multilateral levy system. The levy system had been described as affording protection to Community procedures against fluctuations in world market prices. Since Poland had a system of stable prices, he did not understand why the levy system was also applied vis-à-vis his country.

With reference to the system of sluice prices, Mr. Laczkowski gave the assurance that his Government would strictly keep to the sluice price system. In respect of the decrease in exports to the EEC, he reserved the right to have recourse to the Council in order to seek a remedy for the present situation.

Mr. EVANS (United States) expressed his appreciation for the co-operation received from the representatives of the Community. With reference to the report, he said that wherever in the Committee report certain views were attributed to "some members of the Committee" the United States was among the delegations which shared these views. The Committee had discussed at length various aspects of the common agricultural policy which related to the level

of protection. A direct comparison of the present level of protective devices and the duties collected before the common agricultural policy came into effect would be meaningless; this arose in part from the fact, inherent in the levy system, that if world prices would fall the amount of the levy automatically would rise and vice versa. A more meaningful appraisal was possible if the level of protection was gauged not by the amounts collected but by the potential effect on trade. In his view, the levy system ensured that all cereals, pig meat or poultry for example, produced in the Community, would find a market either in the Community or in the export markets at a pre-determined price. This system of restrictions and subsidies which provided such an assurance to domestic producers could not be less protective than the level of restrictions which existed in the member States before the common agricultural policy was adopted. He recalled that the restrictions which were in effect before the common agricultural policy included such devices as quantitative restrictions which would be inconsistent with the General Agreement under present circumstances.

Mr. Evans made clear that the United States had found that in a number of respects, the protection afforded to producers within the Community actually exceeded the level required to give them this absolute assurance of a market at present prices. As an example of this over-protection, he mentioned that the common agricultural policy provided for the gradual elimination of barriers existing between the member States in order to achieve the legitimate objective of establishing a common market. It provided an initial advantage to Community producers in the markets of other member States, but it had accomplished this by adding the so-called "montant forfaitaire" to the levy charged against third countries and then deducting this from the levy charged against member States. Thus, the initial advantage given to Community producers in the markets of other member States had been achieved not by reducing barriers within the Community but by raising them towards the outside world.

As a second example of over-protection, Mr. Evans referred to the levy on flour imports. Domestic producers of flour were protected by a levy which was made up of several components. The first component was designed to provide 100 per cent protection against any price advantage foreign millers might have as a result of a difference between the world price and the Community price of wheat. In addition, there was added an element equal to the entire costs of milling in the Community. This resulted in the inclusion in the levy of an amount which provided full protection against any difference in milling costs outside and inside the Community. It would seem that these elements would be sufficient to prevent any price competition from taking place, but on top of these elements a margin of protection was added amounting to 19 per cent of the total price of the wheat used and more than 100 per cent of the Community costs of milling.

His delegation believed that the common agricultural policy was so designed as effectively to insulate domestic producers from the forces of price competition and from any natural influence that would operate to encourage the development of efficient production. In his view, at present price levels, the common agricultural policy was quite capable of eliminating entirely any imports into the Community and of displacing in world markets the sales of efficient producers outside the Community. As a possible demonstration that the first of these results was already beginning to be felt, he stated that, since the introduction of the common agricultural policy, United States exports of poultry to Germany, which had been built up into a multi-million dollar business, had almost completely ceased.

Mr. Evans expressed the view that the fact that the normal influences of price competition were prevented by the levy system from having any effect on the production and trade of the Community, did not necessarily have to lead to the disappearance of exports to the Community. But to prevent this from happening the Community would have to substitute important policy decisions for the normal forces of competition. The most important decision needed if the result of the common agricultural policy was not to be highly restrictive was a conscious determination by the Community to reduce and to continue to reduce the target prices in the Community so that prices within the Community would fall at least as rapidly as would have been the case if improvements in efficiency both in and outside the Community had been allowed to exert their normal influence on prices, production and trade.

Mr. CAMPBELL (Australia) endorsed the comments made by the United States delegation. He also expressed his appreciation for the co-operation given by the representatives of the Community. He recalled that the Committee had examined in a factual and analytic way the revolutionary changes which had taken place in the systems of agricultural protection and agricultural policy within the Community. The Committee had not examined the compatibility of the measures with the General Agreement or the relationship of the policies with Article XXIV or other relevant provisions of the General Agreement.

In discussing some details of the report, Mr. Campbell referred to the operation of the tender system as a means of facilitating Community exports. In his view, this system had quite disturbing features and he stated that contracting parties would continue to be interested in the use of the tender system as a device for facilitating exports. With reference to the sluice price system, he stated that there was a very wide area of administrative discretion and determination involved. The way in which such discretion and arbitrary determinations were operated would in fact determine the impact of this system on trade with the Community. As the sluice price system developed, it would be carefully watched by contracting parties with trade interests in the products concerned.

Mr. Campbell said that the general tenor of the analysis was that the systems of protection constituted just about as watertight a system of protection as could be devised, at least for certain commodities. The system of protection being of this nature made the actual price policies followed by the Community of even greater importance than they would be with a less rigorous system of protection. He welcomed the assurance, stated in the report, that the Community recognized the responsibility it carried in formulating its internal price policies. Contracting parties generally would be looking for a demonstration that this responsibility in fact was met in a way which recognized the importance to external suppliers of maintaining and expanding trade with the Community.

Mr. Campbell referred to the rôle which world-wide commodity agreements might perhaps play and to the hope expressed by the representative of the Community that the fact of the common agricultural policy coming into force and the apprehensions of exporting countries about certain features of the common agricultural policy might lead to more positive action to overcome what was described as anarchy or depression to be found in the world market. He did not think, however, that efforts to get world-wide commodity agreements and the wish or hope that such remedies might be found was enough in tackling the problem of agriculture, of which the common agricultural policy was a part. He believed that GATT was to have a rôle in this respect and that there had to be found ways within GATT of getting at the problems of agriculture. His delegation therefore regarded as highly important the preparedness expressed by the Community to enter into negotiations on a reciprocal basis as regards the general price policy of the Community. Mr. Campbell finally suggested that the report of Committee II should be made available on as wide a scale as possible.

Mr. WARREN (Canada) also expressed appreciation to the representatives of the Community for the explanations which had been given. Because of the complexity of the new common agricultural policy much remained to be clarified and experience would have to be gained to enable a full assessment of the significance of the implications of the new system to international trade in agricultural products. However, enough was known already to give rise to considerable concern on the part of outside countries.

Mr. Warren noted that the Committee had not addressed itself to the compatibility with the GATT of the common agricultural policy. He expressed the hope that, when all the regulations to be introduced by the Community had been examined by the Committee, the CONTRACTING PARTIES would be given a further opportunity to make their assessment in the light of the cumulative impact of the regulations as they affected the trade of third countries.

Mr. Warren stated that the report made clear the apprehensions of the principal exporting countries regarding the adverse effect of the common agricultural policy system on their traditional export trade. The report also recorded the belief of the Community that the levy system was liberal and therefore perhaps less restrictive than the measures hitherto imposed. He

stated that the view of the other countries was different but recognized that lack of experience provided little factual evidence to support these views. In this respect he was very interested in the United States' experience in relation to poultry in the German market. He referred, for example, to the case of wheat where bound tariffs had existed in the order of 50 per cent ad valorem in France and Italy, 20 per cent in Germany and very liberal terms of access to the Benelux market, while the import levy at present would represent a mark-up in the c.i.f. price of No. 2 Manitoba at North Sea ports, ranging from 48 per cent in the Netherlands to 84 per cent in the Federal Republic of Germany. There was very little that could substantiate the view that the new levy system would permit the maintenance of adequate terms of access and an equitable opportunity to compete with EEC producers for consumers' choice and a share in the natural growth of the market in the Community. He valued the assurances which had been given by the Community but he urged also that the Community take most seriously into account the apprehensions and points which had been brought out in the report. He stated that these apprehensions were very real for efficient producing countries which had to depend upon the commercial exports of agricultural commodities. These preoccupations were increased by the fact that, by its size, the EEC through its common agricultural policy would have a monopolistic effect on trade in important agricultural products. This effect would be determined mainly by internal conditions of the Community and the system would not be responsive to world market price influences from outside.

In referring to some details of the report, Mr. Warren emphasized the possible distortion of world market prices which could result from any response by third countries to declines in the internal price from the target price levels to those of the intervention price. He further expressed concern about the measure of protection afforded to wheat flour which was such as to preclude effectively any real flour trade with the Six or the enlarged Community. He further expressed concern about the surpluses which could be engendered in the Community by high price supports. This would not only threaten displacement of traditional exports to the Community but, with the aid of the refund system, the Community could undercut the world market price and threaten displacement of traditional exports in markets outside the Community. The increased measure of protection afforded to Community flour exports and the possibilities which are inherent in the refund system could further aggravate the situation.

Mr. Warren attached importance to the Community's assurances that it was intended to move in the direction of structural reform in agriculture and to increased efficiencies in Europe. One way of ensuring that efficiencies were brought about would be to ensure that the level of support prices was related to efficient production; a proper standard of comparison would be conditions in efficiently producing countries throughout the world. He further welcomed the assurance that safeguard measures would be applied by the Community only in exceptional circumstances and in conformity with the rules of the

General Agreement. He was appreciative of the willingness of the Community to consult third countries regarding any difficulties arising from the implementation of the regulations and took note of the Community's readiness to be examined in the same manner on regulations yet to be formulated and on any significant changes in the regulations already examined. The Community's offer to enter into consultation or negotiation on a basis of reciprocity could be one of the new elements important for trade in agricultural products in the period of negotiations which was before the CONTRACTING PARTIES.

Mr. MIGONE (Argentina) said that the Committee did not have the fundamental basic data to undertake a judgment on the scope and impact of the common agricultural policy and its probable effect on international trade in the commodities concerned. In particular, the Committee lacked knowledge of the final goal insofar as cereal prices were concerned and of the criteria for the approximation of national prices to a uniform level throughout the Community. In view of the interrelationship of the various regulations, it was necessary, before expressing a final opinion concerning the common agricultural policy, to know the organization of the markets which still had to be established in respect of other important agricultural products, in particular, beef and dairy products.

Mr. Migone noted the point of view expressed by the representatives of the Community to the effect that the techniques of the new system were neutral and were compatible with the provisions of the General Agreement. He pointed out that his delegation could not agree with this categorical statement. He pointed out that the mechanism which had been adopted replaced a long series of measures and restrictions which were of a non-tariff character and had been adopted by the member States at times when they had difficulties. These difficulties had since been overcome and many of the non-tariff measures were no longer in conformity with the provisions of the General Agreement. In particular, the system of variable levies, in replacement of customs tariffs, would, according to certain interpretations, be in contradiction with the principles of GATT. The generalization of a system of export subsidies for all agricultural products represented the institutionalization of a practice which was not a fair one and which was capable of creating serious disturbances in international markets and hence was in conflict with the objectives of the General Agreement.

Mr. Migone said that his delegation felt, because of the complex nature, the structure and discretionary elements of the regulations, a very deep-seated concern at the probable short-term impact of the common agricultural policy. He pointed out that the regulations could afford a stimulus to agricultural production in the Community at high cost and to the detriment of more efficiently producing exporting countries. In the second place he mentioned the limitation of domestic consumption because of high consumer prices and the relative increase in self-sufficiency of the Community. In the third place, he mentioned the

paramount importance of this policy in world trade in agricultural commodities, which could become more aggravated by the possible accession of the United Kingdom, the only large market which practised a liberal import policy in this sector. In the fourth place, he mentioned the reduction of demand and the appearance of new depressive effects upon the already weakened world prices. These problems, in his view, would have a multiplying effect upon the developing countries in view of the fact that their exports were often concentrated on a single or a few limited commodities. Moreover, developing countries had difficulties in bringing about a fundamental change in this situation and were furthermore suffering from balance-of-payments difficulties.

Mr. Migone welcomed the statement made by the representative of the Community to the effect that the Community would take into account the observations made in the discussion, when implementing the provisions of the common agricultural policy and in laying down new regulations. He also welcomed the undertaking to supply the Committee with necessary information so that it could follow closely the development of the common agricultural policy. He finally expressed his appreciation for the constructive offer made by the Community to undertake multilateral or bilateral consultations with the countries concerned which were in danger of suffering from difficulties in their trade with the Community because of the impact of the common agricultural policy.

Mr. DATSON (New Zealand) stated that the report of the Committee was evidence of the value of the continued work of Committee II and welcomed the indication that also the United States would be in a position to discuss certain recent changes in its agricultural legislation. The report brought out the concern felt by agricultural exporting third countries but a proper and total assessment of the effect of the new regulations could not be made at this moment. The key to a final judgment of the regulations would be the level at which prices would be harmonized and the trend of price approximation was not yet clear. Furthermore, there were many discretionary elements in the regulations and the regulations had not been in force long enough to show how these elements were going to be used by the Community and by member States. He welcomed the assurance of the representative of the Community that the Committee would have the opportunity to examine the other regulations which were being drawn up. He expressed the hope that the Committee would have the opportunity to assess the effects of the common agricultural policy as a whole on international trade. He felt that it was most appropriate to have this report at a time when GATT, as he hoped, would make a new forward movement in world trade in agricultural products.

Mr. MATHUR (India) said that his country, although not being an important exporter of agricultural products to the Community, had been concerned by some aspects of the common agricultural policy. While he could see justification for controlling the price at which agricultural products from third countries were allowed to enter the member States of the Community, with a view to ensuring that returns to domestic producers were stabilized, he expressed his concern that this involved the extension of the Community's levy system to other products which

were not produced within the Community and which until now had been free from the type of restrictions applied in the agricultural field. He referred to manioc meal as an example, which accounted for about 5 per cent of India's total exports to the Community. For this product, a tariff of 4 per cent in his country's principal market had been replaced by a levy with an ad valorem incidence of approximately 30 per cent. He felt that this levy needlessly restricted trading opportunities of his country without serving any legitimate domestic need for protection and expressed the hope that the Community would explore every possibility of ensuring that the system was not needlessly extended to other sectors of trade.

Mr. POPOVIC (Yugoslavia) said that agricultural products represented 50 per cent of exports from his country to the EEC. For certain products the levy on traditional exports from his country was much higher than the duties hitherto existing. This situation gave rise to concern in respect of the agricultural policy of the Community. He said that his delegation, like the members of the Committee, had not sufficient experience with the new system and he supported the view expressed in the report that it was not possible at this stage to make a final and complete analysis of the impact of the common agricultural policy. With this reservation he could share certain views expressed in the report by agricultural exporting countries on the effects of a high level of protection and on the possibility of having negotiations with the Community in order to provide third countries with acceptable conditions of access to the Community market. In his view, acceptable conditions of access to the Community were most important. He expressed the hope that the Community would take into account the points stated by agricultural exporting countries. The problem could, in his view, be solved in a way profitable for international trade in agricultural products and in line with the spirit of the General Agreement. In this respect, he welcomed the recognition by the Community of the responsibilities placed on it by its predominant position in world trade in agricultural products. He suggested that the attention of Ministers at their next meeting be drawn to this report.

Mr. BARBOSA DA SILVA (Brazil) shared the concern expressed about the protective character of the common agricultural policy system. The system was a most flexible and effective instrument for a full control of access to the markets in the Community as regards the products concerned. He stated that it was too early to discuss the compatibility with the principles and objectives of the General Agreement of some consequences of the common agricultural policy, but he felt that, although the instrument in itself could be neutral, the way in which it was applied could have consequences contrary to the principles of the General Agreement. He hoped that through multilateral and bilateral consultations the Community would be able to reduce the impact of its policies on international trade.

Mr. Barbosa da Silva expressed concern on the possibility that the refund system would generate higher levels of agricultural surpluses, grown under less efficient conditions and resulting from high internal prices. He felt that with the existence of the present system, it would often be difficult not to yield to internal pressures aiming at a full use of the instruments. He expressed the **hope** that the common agricultural policy would only be applied to provide a minimum of protection to the less-developed sectors of agriculture in the Community. He felt that some fears would be allayed if the Community could accept the idea that activities of low productivity in industrialized countries would be gradually contracted to the benefit of more efficient sectors, so that a chance be given to efficient producers in third countries who had no alternatives of production.

Mr. BOSCH (Uruguay) stated that the apprehensions of his delegation resulted from the complex nature of the regulations. The common agricultural policy was directed towards the fulfilment of Article 39 of the Treaty of Rome, which mentioned as objectives an increase in agricultural production, a fair standard of living for the agricultural population, stabilization of the markets, and a guarantee of regular supplies at reasonable prices to the consumer. He felt that the discretionary power in the application of the price policy of the Community should be used in order to serve these purposes of the Rome Treaty. On the other hand, such discretionary power could be subject to internal pressures. He hoped that the Community could bring into line the protection of its own interests with the interests of agricultural exporting third countries. He hoped that the Community, which was aware of its responsibilities, would work out some way of facilitating a compromise of these two opposing interests. He expressed his doubt about the neutrality of the system and said that this depended on the way the system was implemented. He also hoped that the regulations would be implemented in a constructive way.

Mr. HIJZEN (Commission of the EEC) expressed his appreciation for the work undertaken by the Committee. He reaffirmed that the Community would take into account the various remarks made by third countries. The regulations had not been established once for all and would continuously be kept under review in the light of experience.

Speaking on the point of compatibility with the General Agreement of the agricultural regulations, Mr. Hijzen welcomed the fact that Committee II had not entered into juridical discussions but had restricted itself to the much more important economic and material problems. He did not agree with the statements made that the levy system was not compatible with the General Agreement. On the contrary, there was no Article in the General Agreement that would run counter to such a procedure and he said that the Community was convinced that it was acting economically and legally in conformity with the General Agreement.

Mr. Hijzen further did not agree with the statement made that the question of compatibility of the system could only be examined after the effects were known. He considered it extremely dangerous if the legality of measures were judged according to their effects. These were problems of a different nature which should be clearly kept apart in order not to confuse the discussion.

Mr. Hijzen gave the assurance that the comments made would be faithfully reported to the authorities concerned, who would attach great importance to these remarks in further working out the common agricultural policy.

The CHAIRMAN, in summing up the discussion, thanked the representatives of the Community for their assistance to the Committee. Despite the assurances that had been given by the Community, there remained a considerable feeling of uncertainty among many contracting parties; in some cases, real fears had been expressed as to the effects of the common agricultural policy on trade, which was of major importance to them. The concern was centred on the possibility that the common agricultural policy might lead to such increased protection as would substantially reduce traditional exports to the EEC countries; but concern was also expressed that the system could lead to such an increase in production as would result in additional quantities of agricultural products flowing on to already depressed world markets.

The Chairman welcomed the fact that there was unanimity in the Committee with the Community that, in the pricing policy of the Community, there was the key to the effect of the common agricultural policy on world trade. The CONTRACTING PARTIES should welcome not only the recognition of this fact by the Community but also the assurance that the Community was prepared on the basis of reciprocity to enter into consultations or into negotiations as regards the general price policy. The CONTRACTING PARTIES would also welcome the assurance of the Community that regulations on other products as they come into force and, in the same manner, significant changes in the regulations already examined, would be placed before the Committee for examination.

The report was adopted. The Chairman proposed that the report of Committee II (L/1910) be de-restricted forthwith, that the suggestion to put the report on the agenda of the ministerial meeting be referred to the Council which would prepare the agenda, and that Israel be invited to join the membership of Committee II.

These proposals were agreed.

(e) Committee III - Reports (L/1732 and Corr.1, L/1768 and Corr.1 and L/1925)

Mr. PHILLIPS (Australia), the Chairman of Committee III, recalled that at the nineteenth session, the CONTRACTING PARTIES had agreed that Committee III was the appropriate subsidiary body to implement the sections of the Conclusions of Ministers referring to the trade of less-developed countries. The Committee had held three series of meetings since that time. At its first, it had prepared its programme of work (L/1732 and Corr.1) and recommended to the Council the establishment of the Special Group on Trade in Tropical Products. At its May meeting, the report on which was contained in document L/1768 and Corr.1, the Committee received notifications of action taken by contracting parties to reduce barriers to the trade of less-developed countries. Amongst other matters it formulated principles and considerations which it wished to place before the Working Party on Tariff Reduction. The Committee met again in October and decided that it would be failing in its charter if it did not advise the CONTRACTING PARTIES of the gap still existing between intent and performance, and decided that it should present a stock-taking report showing the progress made and highlighting what still remained to be done. The meeting was adjourned on 11 October and governments were urged in the Committee's interim report (L/1859) to make a further move forward. The meeting was reconvened on 1 November and held ten meetings during the session. It was strongly recommended that, in planning the future schedule of meetings of Committee III, every effort should be made to avoid a prolonged series of meetings during sessions.

The latest report of the Committee (L/1925) referred to an examination which the Committee had made of the Second Five-Year Development Plan of Pakistan, the report of which was contained in L/1924. The Committee considered that this had been a most rewarding exercise which highlighted the immensity of the task faced by Pakistan and provided the Committee with a better appreciation of the country's continuing dependence on substantial aid and the need to have increased access to expanding outlets for its growing range of export commodities. The Committee's work on the examination of development plans had caused the Committee to ask itself whether there was not a specific and constructive new rôle which the GATT and possibly Committee III could play in facilitating the deployment of investment funds in such a way as to maximize export potential.

Apart from the examination of the Pakistan Plan, the Committee reviewed the progress made in the implementation of the Conclusions of Ministers. The Committee's Report also contained a summary of discussions on a programme of action proposed and sponsored by eighteen GATT countries. Cambodia and Tunisia wished to be associated with this proposal as co-sponsors. A programme had been tabled during the recent meetings and the Committee had only been able to react to it in a preliminary way. It had, however, been decided that the CONTRACTING PARTIES should be requested to recommend that the Council give particular attention to the report in drawing up the agenda for the ministerial meeting. Attention was drawn especially to paragraphs 20, 24, 27, 30, 35, 38 and 39 of document L/1925.

Mr. Phillips concluded by pointing out that the latest report of Committee III also considered the enlargement of the scope of the Committee's work, production and marketing techniques and export promotion. Attention was drawn to paragraphs 49 and 50 in this part of the Committee's latest report.

Mr. MATHUR (India) drew attention to the opening paragraph of the latest report of the Committee, which referred to the "gap still existing between intent and performance". The less-developed countries had waited for quite some time for the formulation of specific programmes of action for the progressive reduction of barriers to the exports of less-developed countries to which the Conclusions of Ministers had referred. No such programmes had been established in the course of the year and less-developed countries had thought it essential to submit a programme of action for the consideration of the CONTRACTING PARTIES. A great deal of thought had been given to the formulation of this programme and the sponsors had attempted to draw up proposals in a way which would permit action to be taken in the coming months and years. He said that his delegation attached importance to the need for ensuring that reductions in the duties on sophisticated products traded between the highly industrialized countries were matched by corresponding reductions and elimination of duties on the semi-processed and processed products of particular interest to the less-developed countries. It was recognized that it might not be possible for industrialized countries to take a firm view on many of the points in the programme of action during the present session. If a new orientation in the trading relationships between the less-developed and industrialized countries was to be brought about during the Development Decade, there had to be a move forward in the direction indicated in this programme. If such a move was not forthcoming, disillusionment was bound to grow as would the forces pulling countries in the direction of seeking solutions elsewhere. It was the hope of his delegation that an imaginative response to the suggestions that had been made would not be lacking.

Mr. WEISS (United States) emphasized the importance attached to the work of Committee III by his Government and the urgency which it saw in the achievement of a more rapid rate of progress in translating the Committee's findings and their recommendations into concrete results. Expanding market opportunities were not the only thing that could or must be done to help the less-developed countries to maintain and develop their economies. The success, however, of efforts on other fronts - including efforts to stabilize commodity markets and to stimulate economic growth through foreign aid - depended on whether progress was made concurrently in broadening the market opportunities open to these countries, in both their traditional and new export products. His Government was gratified that the Committee had found it possible, at such short notice, to develop a significant area of agreement as to how it might be possible realistically and constructively to deal with each point in the programme of action which had been submitted to the Committee. His delegation hoped that all contracting parties would give close attention to these proposals and to the clarification and evaluation of them which the Committee's report provided, and also that the other groups in the GATT, to which particular points were referred by the Committee, would give full heed to the requests made of them. His delegation had been encouraged that so much of the programme of action could be accommodated in some manner within the context of the proposed new round of tariff negotiations.

His delegation was also glad to see that the proposals for strengthening the Committee's work had been forthcoming at its last meeting. The experience of the Committee in examining India's and now Pakistan's development plans in relation to trade suggested that this type of work might become one of the more valuable of the Committee's activities, bringing out a wide range of information which would help governments and agencies in their efforts to assist particular countries, and providing a useful testing ground for some of the general notions which governments entertained regarding the needs of less-developed countries.

Mr. BAREOSA DA SILVA (Brazil) said that the report of Committee III before the CONTRACTING PARTIES was an informative, though somewhat discouraging document. This report had brought out that the progress in the removal of barriers to trade had been slow, falling short of the expectations resulting from the Declaration of Ministers, and that there was a gap still existing between intentions as expressed in the ministerial meeting, and actual performance. But most of all the report made clear that there was no evidence that programmes or target dates for the removal of remaining barriers were forthcoming from the industrialized countries. Since the meeting of Ministers the position taken by the representatives of most industrialized countries applying restrictions to trade had been quite negative. No progress in principle, had been made on the Declaration of Ministers; even references to the Declaration had resulted in a discouraging show of opposition to any language that might possibly seem to improve on it. There had been an endless repetition of the contention that all sorts of difficulties prevented action, whenever the need for such action was accepted. There were legal difficulties, financial difficulties, social difficulties and economic difficulties, and of course, there were also political difficulties. There had been no convincing arguments that these difficulties were unsurmountable if there was a will to act in the short term. The reasons for many of the difficulties mentioned were far from clear and it was very difficult for the less-developed countries to understand how the industrialized, highly developed countries with economies that operate with an enviable degree of precision could achieve technological achievements as well as far reaching economic and political reshuffles requiring unbelievably precise planning and yet were still unable to establish, with any degree of precision, a target date for the removal of restrictions or a programme covering the progressive lowering of barriers. Apparently such matters had not received the priority that they deserved. The Brazilian delegation did not believe that the implementation of

this fundamental part of the Ministers' Declaration should present insuperable difficulties, defying such brains as have created, for instance, the European Economic Community and other highly complex institutions.

As no programme of action had materialized, eighteen less-developed countries had proposed a programme of action in document COM.III/95. The Brazilian delegation fully subscribed to all the considerations and proposals contained in this document. The programme in document COM.III/95 was more than a stand taken for bargaining purposes. In the fields contemplated, it contained the measure of the hopes of the less-developed countries. It was not meant to be inflexible. The measures it had suggested, the programme it outlined and the dates it contained established a set of values and priorities. It was obvious that it was not up to the less-developed countries to say how and when developed countries were to take any particular measure, even if it could be assumed that less-developed countries had a better knowledge of facts affecting decisions involving their welfare. They could, however, invite serious consideration of certain aspects of their problems and accordingly suggest what they thought was necessary, possible, practical and urgent. If this suggested programme could not be accepted in whole or in part, it was only fair for the developed countries to say why it was not acceptable and to provide the less-developed countries with some alternative, a counter proposal, a programme, a target date; at least something tangible in order to provide a basis for the planning of developments. The programme of action contained in document COM.III/95 was studied only superficially by Committee III. In most cases, representatives, appeared to be without instructions. The discussion in the Committee, therefore, could only be regarded as a preliminary consideration of some of its aspects. The less-developed countries were more convinced than ever that the purposes of their suggested programme and its formulation stood unchanged and deserved urgent consideration at high levels. Committee III had decided to recommend study of this document by all contracting parties and consideration by the Council of the inclusion of this proposal as an item in the agenda of the next ministerial meeting. It was hoped that this consideration would lead to acceptance of the proposals or to constructive alternative ones, which could result in positive decisions at ministerial level. The last ministerial meeting had led to great expectations on the part of less-developed countries, and it was hoped that the next would prove that these expectations were not unfounded. Economic development was furthered by planning, but such plans could not be drafted with any degree of accuracy, when export income fluctuated violently, terms of trade deteriorated and possibilities for increasing exports were limited by old and new barriers. However generous the industrialized countries might have been with respect to aid, this could not compensate for decreases in the export earnings of the less-developed countries. The generosity in aid was genuine and reflected the awareness of the difficulties that less-developed countries had to face. Unfortunately, it was not reflected in a corresponding attitude on the part of the governmental sectors which decided on trade, as these were far more subject to economical and social pressures. The Brazilian delegation hoped that the constructive attitude shown in the treatment of problems pertaining to aid, would be paralleled by decisions on trade liberalization, as trade and aid were from the point of view of the less-developed countries, different aspects of a single problem.

Mr. HAKIM (Indonesian) said that the maintenance and expansion of the export earnings of less-developed countries was the central problem facing the CONTRACTING PARTIES. There was a growing awareness that satisfactory solutions must be found soon. Referring to the latest report of Committee III, he said that his delegation fully appreciated the serious efforts made by the members of the Committee to tackle this problem. But the Committee itself had been unable to draft a programme of action and it had been left to the less-developed countries to submit such a programme to the Committee. This programme had not met wholehearted acceptance in the Committee, which was not much nearer to the implementation of the Conclusions of Ministers than it had been at the beginning of the year. The developed countries had a clear responsibility to assist the less-developed countries by removing restrictions on their exports and by ensuring the most favourable possible conditions of access to markets. In view of this, Committee III had the urgent task of arriving at clearcut recommendations of how and when these objectives could be realized. He urged the developed countries to undertake the elimination of trade barriers and the reduction of internal charges and revenue duties vis-à-vis the less-developed countries. Discrimination should also be eliminated. Only when the proposals embodied in the programme of action submitted to Committee III had been universally accepted could it be hoped that a widening of the gap between the developed and less-developed countries could be halted and gradually narrowed. The less-developed countries themselves realized that a liberalization of international trade was not the only problem to be solved but that these countries would also need to diversify their economies and review their patterns of trade. He concluded by saying that his Government had confidence in the GATT but expressed the hope that this would not be put to another test as it had been in the recent past.

(Discussion to be continued).

The meeting adjourned at 1 pm.