

GENERAL AGREEMENT ON  
TARIFFS AND TRADE

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Multilateral Trade Negotiations

Group "Agriculture"

SUMMARY OF TARIFF AND NON-TARIFF MEASURES  
NOTIFIED UNDER THE PROCEDURES OF MTN/AG/4

Addendum

This addendum is being circulated containing the textual portions of the notifications received from the European Communities concerning Argentina, Australia, Brazil, Canada, Japan, New Zealand, South Africa and the United States.

ARGENTINA

At its meeting on 16 December, Group "Agriculture" agreed to undertake a process of information, examination and dialogue with respect to all tariff and non-tariff measures affecting agricultural products other than those covered by the product Sub-Groups, the countries concerned would notify to the secretariat any tariff or non-tariff measures affecting the above products that were of direct interest for their trade, with a view to entering into bilateral or plurilateral consultations. In accordance with that decision, the European Economic Community wishes to communicate the following.

The Community notes that Argentina, while being a developing country, is a very efficient producer of agricultural products and a substantial exporter of a number of products that are important for world market equilibrium. The Community wishes to reaffirm, as it has already underlined on numerous occasions in the work done in GATT in this area, that exporting countries and importing countries alike have their share of responsibility in seeking to expand agricultural trade.

Given the changes - some of them important - that have been made in Argentina's legislation and regulations, it is difficult fully to comprehend the trade régime and, in these circumstances, the Community has some difficulty in presenting precise notifications about the measures applied. Nevertheless, the Community wishes to enter into consultations with Argentina on all the export and import measures in force, and in this connexion presents the following general remarks:

- the Community notes that the policy pursued in regard to exports is such that Argentina is in a position to adjust export conditions to those of the world market;
- the Community finds that on the import side, even if Argentina cannot be a major importer, it should be feasible for some trade, in particular in terms of quality, to be carried out in foreseeable conditions, whereas even the normal régime does not seem to allow this on a regular basis.

AUSTRALIA

At its meeting on 16 December, Group "Agriculture" agreed to undertake a process of information, examination and dialogue with respect to all tariff and non-tariff measures affecting agricultural products other than those covered by the product Sub-Groups; the countries concerned would notify to the secretariat any tariff or non-tariff measures affecting the above products that were of direct interest for their trade, with a view to entering into bilateral or plurilateral consultations. In accordance with that decision, the European Economic Community wishes to communicate the notifications annexed hereto in respect of Australia; these are not necessarily exhaustive.

In this connexion, the Community wishes to reaffirm, as it has already underlined on numerous occasions in the work done in GATT in this area, that exporting countries and importing countries alike have their share of responsibility in seeking to extend agricultural trade.

The Community notes that because of prohibitions or strict limitations on imports, based mainly but not solely on provisions in regard to sanitary and phytosanitary considerations, trade opportunities are very limited whereas Australia's competitive position in regard to agricultural production is particularly favourable and does not seem to need such stringent protection.

Furthermore, despite this competitive position, in a number of sectors that are important for disposal of production the systems established allow Australia to practice an export policy that is completely keyed to conditions in foreign markets, regardless of those prevailing in the domestic market.

sanitary and phytosanitary measures

While a country's right to protect animal and plant health is to be respected and the special situation of Australia in this regard is appreciated, the large number of products subject to sanitary and phytosanitary measures (virtually all agricultural products) and the way in which these measures are administered by Australia, show that the measures constitute an instrument of protection going beyond the specific objective. Given that, in one and the same sector, certain products can be imported with a certificate whereas others are entirely prohibited, one may think that the measures are established also according to whether or not the import of a product into Australia is desired because of the competition with Australian production that is considered permissible.

Furthermore, the certificates and quarantine regulations as a whole are applied very strictly.

Import prohibition

Imports of sugar, syrup and molasses, including purified sugars and molasses syrups, are forbidden in Australia.

There are some products, such as certain specialities, that would not compete with Australian products from the price aspect and should be permitted for import into Australia.

Protection of domestic production by system of compulsory mixing

A system limiting margarine production is in effect in order to protect butter. A system of compulsory mixing is applied for tobacco.

These systems have the effect of protecting domestic production of the products concerned.

Labelling - packaging

The requirements concerning the product description and marking of country of origin are extremely complex and detailed. In the event of non-compliance, the goods are not admitted for import.

Although the objective of protecting the consumer's interests is legitimate, one may wonder whether the requirements do not go beyond reasonable information needs.

In addition, packaging has to be consistent with a certain weight range and this requirement causes difficulty for exporters.

### Rules concerning product composition and additives

The case of margarine is a typical instance of discrimination between domestic and imported products. Imported margarine has to be coloured pink. The choice of colour virtually prohibits any import although other product identification methods are used at international level.

### Tariff protection

For some agricultural products, tariff protection in Australia is very high as compared with other agricultural producing countries.

This concerns in particular fruit and vegetables, fresh, dried or preserved, products of the foodstuff industry (confectionery, chocolate products, fine bakers' wares, macaroni, spaghetti etc., sauces, condiments, soups), certain meat preparations (e.g. poultry livers, canned hams) as well as certain vegetable fats and certain fish (trout, preserves).

### Export policy

Australian exporters of certain products, for example, apples and pears, preserved fruit and eggs, benefit from organizational arrangements in the form of Boards or other bodies which certainly have an effect on Australian exports. In addition, they allow a price policy to be practised which is keyed to the various export markets, and it is difficult to determine whether the prices quoted correspond to domestic prices and producer prices. As a result, the competitive capacity of Australian exports can be indirectly increased in a way which is artificial but not transparent, whereas other exporters can be criticized or even penalized for practices they use which, being direct, are easily discernible.

BRAZIL

At its meeting on 16 December, Group "Agriculture" agreed to undertake a process of information, examination and dialogue with respect to all tariff and non-tariff measures affecting agricultural products other than those covered by the product Sub-Groups, the countries concerned would notify to the secretariat any tariff or non-tariff measures affecting the above products that were of direct interest for their trade, with a view to entering into bilateral or plurilateral consultations. In accordance with that decision, the European Economic Community wishes to communicate the notifications annexed hereto in respect of Brazil; these are not necessarily exhaustive.

The Community, while noting that Brazil is a developing country, finds that it is a leading or very significant exporter of some major agricultural products, and wishes to reaffirm, as it has already underlined on numerous occasions in the work done in GATT in this area, that exporting and importing countries alike have their share of responsibility in seeking to expand agricultural trade.

The Community finds that the export measures applied by Brazil are such, in regard to both prices and quantities, that they can discourage importers in other countries because of uncertain prospects as to supply: availabilities are sometimes too small and variable, or on excessively competitive terms.

Furthermore, on the import side, apart from the fact that the normal level of protection seems very high, even in the case of products for which domestic industries are competitive, the various systems in force are very complex and uncertain, thereby making it difficult to establish regular trade flows.

### Export policy

The policy followed by Brazil in respect of several major agricultural products of which Brazil is a leading or very significant exporter to the world market including, in many cases, an encouragement to export the processed product and practically a prohibition on export of the product in the crude state. It should be noted in this respect that export incentives are often such that the price of the finished product is appreciably less than the normal price of the latter. The method for computing fiscal refunds upon export and the basis for the rates of the taxes refunded partly account for this phenomenon. In addition, exports of many agricultural products are the object of unforeseeable decisions by the authorities, which may prohibit or restrict them at any time.

For instance, after operating for a long period in the maize sector, this policy is now being applied in the field of soya, a product for which Brazil plays an increasingly significant rôle in the world market. This policy discourages importers in countries whose industries are particularly threatened, because, on the one hand, they cannot secure regular raw material supplies and, on the other, exports of processed products compete with their own products at abnormally low prices.

Similar measures are being maintained in the cocoa butter and soluble coffee sectors.

### Quantitative restrictions

The majority of products are subject to import licensing. Licences are issued by the administration on a discretionary basis and are subject to an ad valorem tax. In addition, the issuing of licences may be temporarily suspended at any time. Exporters therefore have no advance knowledge of what import possibilities will be.

The way in which this system is implemented does not, due to its lack of transparency, allow free competition between the various suppliers and may give rise to discrimination. This system is a further hindrance to trade which goes beyond what may be necessary in view of the requirements for the general economic equilibrium of this country.

In addition, there is a continuing total prohibition on imports of wine in containers of more than one litre.

### Frontier levies

The duty rates in the Brazilian tariff are, on the whole, extremely high and in the case of certain products, appear to confer excess protection on domestic productions which are already largely competitive (biscuits, confectionery).

Agricultural products are subject to requirements applying to all imports, for economic reasons, such as prior deposit and the additional tax on high tariff items. Agricultural products are also subject to a 10 per cent merchant marine improvement tax.

The cumulation of these taxes on the products to which they apply yield levies of the order of 400 or 500 per cent and amounts to a de facto prohibition.

Sanitary and phytosanitary measures

The operation of sanitary and phytosanitary measures hinders exports of agricultural products to Brazil.

Imports of livestock products and plants is subject to a prior authorization issued by the Ministry for Agriculture. The legislation provides that such authorization is issued only to the extent that it is deemed to be in the interest of domestic agriculture from the sanitary and economic points of view.

These measures afford a protection in favour of domestic production which goes beyond their declared objective.

CANADA

At its meeting on 16 December, Group "Agriculture" agreed to undertake a process of information, examination and dialogue with respect to all tariff and non-tariff measures affecting agricultural products other than those covered by the product Sub-Groups; the countries concerned would notify to the secretariat any tariff or non-tariff measures affecting the above products that were of direct interest for their trade, with a view to entering into bilateral or plurilateral consultations. In accordance with that decision, the European Economic Community wishes to communicate the notifications annexed hereto in respect of Canada; these are not necessarily exhaustive.

In this connexion, the Community wishes to reaffirm, as it has already underlined on numerous occasions in the work done in GATT in this area, that exporting countries and importing countries alike have their share of responsibility in seeking to expand agricultural trade.

As regards imports, it must be noted that for certain product sectors which compete with Canadian goods and for which Canada should normally be an importer - for example for qualitative reasons - the policy is such that imports are very limited owing to protectionist and discriminatory methods or to requirements in the matter of standards.

### Quantitative restrictions

One product (margarine) is subject to an import prohibition.

Quantitative restrictions are imposed on other products such as starches and eggs. In addition, it is possible under existing legislation to apply such measures to imports of poultry.

### State trading

The entire sector of beers, wines, vermouths and spirits is reserved to State trading in each Province and this greatly affects imports of such products into Canada. The monopoly which holds the exclusive right to import and sell on the domestic market is not only the complete master of purchases abroad but in addition employs sales practices on the domestic market which are highly discriminatory, for example as between imported and domestic products, in the fixing of mark-ups, and in the selection of the products and brands that are sold.

### Sanitary and phytosanitary restrictions

There are sanitary restrictions which prohibit the import from certain countries of meat other than cooked or canned meat. Certificates issued at the discretion of the Canadian administration are required for the import of live animals.

A similar situation (prior certificate) exists for bulbs and tubers, and for trees, shrubs and roots. Such provisions constitute substantial interference with trade.

### Labelling and appellations of origin

Products of the food industry (canned meat, fruits and vegetables, confectionery and bakery products, condiments) are subject to very complex marking, packaging and labelling regulations. For some of these products there are also ingredients standards, as well as verifications concerned with additives. All these regulations increase exporters' costs.

With a view to protecting its consumers against misleading designations that may be prejudicial to their interests, Canada has planned to amend, but has not yet done so, the existing law on labelling and packaging in order to prohibit the use of inaccurate indications relating to the origin of products. Present legislation tolerates a practice liable to damage countries whose appellation has been usurped by other exporting countries and is protected by international agreements.

Export measures

The existence of marketing boards for certain products makes possible, where necessary, a certain degree of compensation between the domestic market and the export market, but this is relatively limited in cases where import policy is not highly restrictive.

JAPAN

At its meeting on 16 December, Group "Agriculture" agreed to undertake a process of information, examination and dialogue with respect to all tariff and non-tariff measures affecting agricultural products other than those covered by the product Sub-Groups; the countries concerned would notify to the secretariat any tariff or non-tariff measures affecting the above products that were of direct interest for their trade, with a view to entering into bilateral or plurilateral consultations. In accordance with that decision, the European Economic Community wishes to communicate the notifications hereunder in respect of Japan; these are not necessarily exhaustive.

Japan has a special responsibility in the expansion of world trade, in view of the important rôle it plays at world level as an importer of agricultural products.

The Community notes that Japan is applying tariff and non-tariff measures to the import of agricultural products which by their often discretionary procedures of application create uncertainties and serious obstacles to trade.

### Quantitative restrictions

The Import Quota System (IQ) is applied to some thirty agricultural products. It causes difficulties for foreign exporters in particular because of its discretionary administration, characterized by the failure to publish quantities or amounts at the time the quotas are opened. Such administration constitutes a factor of uncertainty and makes impossible any sales programming for the products concerned on the Japanese market.

Furthermore, the shortness of the period during which the quota is opened - it lasts a mere two or three weeks - and the limitation of the length of time for which the import licence is valid pose problems, particularly for distant exporters.

In addition, the preference given to traditional importers in the issue of licences handicaps newcomers wishing to enter the Japanese market, for only a relatively small number of importers, long established in the country, who have succeeded in creating sales channels over the years, can hope to be considered when licences are granted.

### Tariff protection

For certain agricultural sectors, tariff protection in Japan is very high as compared with that of other important importing countries.

The products concerned are inter alia dried leguminous vegetables, chestnuts, tea, margarine, confectionery and chocolate, dried and prepared mustard, beverages (including alcoholic beverages) and manufactured tobacco products (cigars and cigarettes).

### Fiscal systems applied to imports of alcoholic beverages

#### (a) Domestic tax on spirits

In addition to the very high customs protection referred to in the section on "Tariff Protection" (Annex I(b)), Japan applies a system of progressive domestic taxation (commodity tax) which is very heavy and particularly unfavourable to quality products, which are largely imported. It is a system which considerably hampers imports.

#### (b) Tax on wines

A similar system of taxation exists for wines which interferes in particular with imports of bottled quality wines.

Import and distribution system for tobacco and cigars (monopoly)

The importation of leaf tobacco and manufactured tobacco products is the exclusive responsibility of the Japanese Office of Monopolies, and this results in operations which are not consistent with normal market conditions of supply and demand.

Retail prices are fixed by the monopoly so that the prices of imported products are generally established at a much higher level than those of domestic products. A certain differentiation also exists in the fixing of sales prices as between certain foreign cigarettes. For example, "English" cigarettes are generally dearer than comparable "American" cigarettes.

Import credit restrictions

The system of import credit in Japan makes a distinction between credit for a maximum period of four months and credit for a longer term.

As to the first category, credit is governed by the "standard method of settlement". Although this method does not require any special State authorization, it entails certain rigidities which considerably hamper trade. For example, it prevents payment before receipt of loading documents as well as payment by instalments even during the authorized credit period.

For medium and long-term credit beyond four months, the approval of MITI is required. This system of approval of credit subjects all imports, whether liberalized or not, to the discretionary power of the Japanese administration. Such control of import credit terms gives rise to restrictions in the trade that is normally conducted on the basis of long or medium-term credit and provides MITI with an effective means of impeding imports.

Standards (labelling, packaging, ingredients, additives) sanitary and phytosanitary regulations

While the right of a country to protect the health of its people and its property is to be respected, certain measures established for this purpose by Japan may be regarded as constituting, by the way in which they are applied, an obstacle to trade going beyond their specific objective.

They sometimes give rise to unjustified differences in treatment between domestic production and imported goods, as well as between different exporters.

This can be demonstrated by the following examples:

- Packaging and labelling

All packages (including the smallest quantity sold at retail) must bear an indication of its date of arrival in Japan, in addition to the ingredients, additives and origin of the product. This requires unwrapping goods at dock-side in order to date them and constitutes, in view of the additional cost of such an operation (hiring of auxiliary workers), a very bothersome obstacle to exports to Japan.

Packing materials in direct contact with consumer products are rather restricted. Thus, Japanese regulations prohibit the utilization of sorbic acid for paper used for food packaging, although this method is permitted everywhere else. The same is true of packing material commonly permitted in Europe for the packaging of confectionery goods but prohibited in Japan, and this requires exporters to use more expensive methods.

Sanitary regulations in Japan require the use of a special hermetic sealing device for the packing of fruit juices and concentrates in order to prevent them from spoiling. This special device consists of both a cap and a screw top. Since this double method of sealing is not required in Europe, such products exported to Japan have a high cost of production and cannot compete with domestic products.

Japanese regulations require, for imports of alcohol and liqueurs, that the imported cases be opened so that a label marked "liquor tax paid" may be applied to each bottle after the tax is paid.

Labels of farinaceous foods must contain cooking instructions.

- Additives

Japanese regulations permit 374 additives, which are grouped into eighteen different categories and published in a positive list, unlike other countries which publish a list of the chemical products prohibited in food.

A procedure exists for the inclusion of new additives. It is a long and costly procedure depending on the type of product and the testing required. What is more, relaxation of the basic law can only be sought by domestic manufacturers.

Benzoic acid and sorbic acid, which are widely used in Europe for the preservation of certain products, may be used in Japan subject to certain limitations. According to European exporters, the quantity allowed does not make for good preservation.

The quantity of  $SO^2$  authorized in ciders and fruit juices is only 30 ppm, whereas a level of 200 ppm is allowed the world over. This very restrictive limitation constitutes an obstacle to trade.

The import of apples treated with preservatives is prohibited.

#### Protection of registered marks and appellations

Although Japan is a signatory of the Paris (1883) and Lisbon (1965) agreements relating to the protection of registered marks and appellations, it has not ratified the Madrid Convention (1973). This causes great difficulties in the matter of marks and designations, which have only doubtful protection in Japan.

For example, Japan tolerates the use of the protected term "champagne" for domestic products, since the word "champagne" is popularly used to designate certain sparkling wines regardless of origin.

Observance of existing international rules and standards and international co-operation for the protection of registered marks and appellations are of great importance for doing away with unfair competition.

#### Restrictions on the importation of goods and equipment for fairs, exhibitions, etc.

Although Japan has been a party, since 1 November 1973, to the Customs Convention relating to the temporary admission of goods (ATA carnet), importation for fairs, exhibitions, etc., and the temporary importation of professional equipment, importers participating in food fairs and exhibitions are still finding it very difficult to bring samples into Japan.

This constitutes a most troublesome obstacle for foreign exporters of food products who wish to put new products on the Japanese market and it prevents Japanese buyers from becoming familiar with the new products. It thereby prevents a wider diversification of imports.

NEW ZEALAND

At its meeting of 16 December, Group "Agriculture" agreed to undertake a process of information, examination and dialogue with respect to all tariff and non-tariff measures affecting agricultural products other than those covered by the product Sub-Groups; the countries concerned would notify to the secretariat any tariff or non-tariff measures affecting the above products that were of direct interest for their trade, with a view to entering into bilateral or plurilateral consultations. In accordance with that decision, the European Economic Community wishes to communicate the notifications annexed hereto in respect of New Zealand; these are not necessarily exhaustive.

Owing to the high standard of living of its population, New Zealand could be a relatively important market, at least as regards certain products of the quality trade. What is more, the structure of such exports, which centre on certain products for which the world market is relatively narrow, is such that New Zealand plays a significant rôle on the market for those products.

It must be noted, however, that quantitative restrictions and sanitary and phytosanitary measures constitute an obstacle to the imports which New Zealand should be able to absorb since it enjoys natural conditions which give it a particularly favourable competitive position.

It must also be noted that, in certain sectors, there are export organizations which make possible prices adjusted to the export markets that are unrelated to domestic prices.

### Quantitative restrictions

New Zealand makes very wide use of systems of quantitative restrictions which subject to very strict control almost the whole of agricultural trade.

Although this system was historically instituted in New Zealand for reasons of general economic equilibrium, New Zealand itself made it known in 1973 that it no longer intended to invoke GATT provisions linking the system to its balance-of-payments situation.

In that connexion, it affirmed its intention to review its import system.

It must be noted that as regards the agricultural sector, there are systems of State trading and a system of compulsory mixing (tobacco) which seem to be designed to protect domestic industries.

It may be stated that the present system is very restrictive and constitutes a very effective means of protecting domestic production which, in its application, embraces such products as those of the food industries. Certain licensing systems are very restrictive with respect to the quantities authorized; these are determined at the discretion of the administration or according to outdated bases of reference, which, because of rising prices, result in ever smaller volumes.

This system particularly hampers the exports of food industry products and alcoholic beverages.

### Sanitary and phytosanitary measures

While the right of a country to protect animal and plant health is to be respected and while it is known that a rather special situation exists in that regard in the case of New Zealand, it must be asked whether the measures taken in that field are not protective measures which go beyond their specific objective.

In spite of recent developments towards the introduction of new legislation, many import prohibitions which affect in particular most animals and animal products and certain plants may be noted.

What is more, quarantining and the formalities required for certain products are such as to make imports an uncertain venture owing to the considerable limitation of the volume that can be attained (plants, bulbs, seeds).

Considering the whole of these prohibitions and quantitative restrictions, it must be stated that nearly all agricultural products are thus subject to quantitative or sanitary controls.

#### Tariff measures

For many products, the tariff has a very high protective incidence and provides considerable effective protection, in particular to the processing industries. This applies especially to the sector of alcoholic beverages (wines and spirits) and to food industry products (biscuits, chocolates, confectionery, soups and sauces). This is often over and above already very strict licensing systems.

#### Export policy

Marketing organizations operating in certain product sectors (apples and pears; mutton) make it possible to export at price levels which are independent of the prices that have to be paid to producers, since the latter can benefit from supplementary payments that are added to the amounts received from export. In certain cases these supplementary payments come from Government funds.

SOUTH AFRICA

At its meeting on 16 December, Group "Agriculture" agreed to undertake a process of information, examination and dialogue with respect to all tariff and non-tariff measures affecting agricultural products other than those covered by the product Sub-Groups; the countries concerned would notify to the secretariat any tariff or non-tariff measures affecting the above products that were of particular interest for their trade with a view to entering into bilateral or plurilateral consultations. In accordance with that decision, the European Economic Community wishes to communicate the notifications annexed hereto in respect of South Africa; these are not necessarily exhaustive.

In this connexion, the Community wishes to reaffirm, as it has already underlined on numerous occasions in the work done in GATT in this area, that exporting and importing countries alike have their share of responsibility in seeking to expand agricultural trade.

It may be noted that South Africa, which should be able to participate in the quality trade, retains a system that protects imports by means of quantitative restrictions, and that this system is implemented in a way that constitutes additional protection. As a result, agricultural imports are at an extremely low level, whereas any improvement in the situation could not affect South Africa's economy in general and this country is in a favourable competitive situation.

It should be pointed out, furthermore, that despite this situation, the export policy for many products is such that prices in the world market can be independent of those obtained in the domestic market.

### Quantitative restrictions - State trading

In South Africa, practically all products of the agricultural sector are subject to import quotas or State-trading systems. Some licensing systems are administered on the basis of quotas opened periodically in a discretionary way. For others, bilateral quotas are fixed. Lastly, certain products may be imported only under import permits delivered case by case. In addition, State-trading systems are in effect for a number of products of which the State-trading enterprise is the sole importer.

In the aggregate, these mechanisms allow virtually no trade in predetermined and stable conditions. The licensing system is administered in such a way that at the beginning of the year the exporter does not know what quantities he will eventually be able to export. The administrative formalities for licence applications are extremely complicated and costly, while the exporter has no assurance of receiving a permit.

### Sanitary and phytosanitary measures

In the field of public health, the legislative provisions applied by South Africa have the effect of prohibiting imports entirely.

The phytosanitary provisions have the same effect for certain products. Ministerial permits are granted for a few products that could be imported freely because the phytosanitary measures applied by the exporting countries can afford all necessary guarantees concerning absence of the diseases considered.

### Standards, packaging, labelling

For products of the food industries there are detailed standards concerning the weight range of packaging as well as the volume of bottles, the labelling and composition of products and permitted additives. These measures make trade still more difficult.

### Export measures

There are marketing organizations for numerous products (fruit and vegetables, vegetable seeds and oils, wines, tobacco). Because of the funds that they are legally empowered to collect, these organizations can practise price policies on export markets that allow them to sell their availabilities regardless of prices in the domestic market.

UNITED STATES

At its meeting on 16 December, Group "Agriculture" agreed to undertake a process of information, examination and dialogue with respect to all tariff and non-tariff measures affecting agricultural products other than those covered by the product Sub-Groups; the countries concerned would notify to the secretariat any tariff or non-tariff measures affecting the above products that were of direct interest for their trade, with a view to entering into bilateral or plurilateral consultations. In accordance with that decision, the European Economic Community wishes to communicate the annexed notifications with respect to the United States; they are not necessarily exhaustive.

In the course of the work done in GATT, the Community has underlined on numerous occasions that all countries - exporting and importing countries alike - had their share of responsibility in the expansion of agricultural trade. In the opinion of the Community, the United States has a major rôle to play in the attainment of that objective owing to the position it occupies in world trade in agricultural products both as an exporter and as an importer.

The Community notes, however, that the United States has continued to apply measures limiting the importation of agricultural products and has even introduced new measures further limiting access to the United States market. Such measures not only have unfavourable effects for the countries which, in one way or another, are traditionally exporters to the United States, but they also exert pressure on other import markets, since the exporting countries are compelled to find new outlets. What is more, through the policy which the United States follows in its own exports, exporting countries are penalized, or exposed to the threat of penalization, by the United States in a manner not consistent with the provisions of GATT, whereas, at the same time, the United States itself employs measures which influence its exports.

## Quantitative restrictions

### Quantitative restrictions under Section 22

The legislation known as "Section 22 of the Agricultural Adjustment Act" was presented to GATT in 1955 as coercive and liable to lead, in certain cases, to the adoption of measures not consistent with United States undertakings under the General Agreement (application of quantitative restrictions). At that time, the United States Government gave an assurance that it would end those restrictions as soon as they were no longer necessary.

In those circumstances, the CONTRACTING PARTIES granted the United States a temporary waiver, which was and continues to be used to justify, in terms of the rules of GATT, the application of quantitative restrictions. Since then, the list of products subject to quota has been reduced in certain cases, but the United States administration can reintroduce these quantitative restrictions at any time. In addition, it may extend the list of such products.

After twenty years it would seem appropriate to raise the question of changes in this situation and to see to what extent it would be possible to consider permanent elimination of the quantitative restrictions, thereby terminating the waiver.

The continued recourse to this waiver, which was obtained without any counterpart, is causing an imbalance between the rights and obligations of the various trade partners under the General Agreement.

### Tariff protection

For certain sectors, tariff protection in the United States is very high as compared with that of other major countries.

This is true of oleaginous products (seeds, oils and oilcake). In this regard it may be noted that the United States is the only country among the major developed importing countries which uses tariff protection in respect of oilseeds and oilcake. Other products for which tariff protection is high are certain fresh, dried, candied and canned fruits as well as certain fruit juices (in particular concentrates) some vegetables, spirits (especially cognac), wines, canned sardines and tuna, potato starches and certain types of leaf tobacco.

"Proof gallon" and "volume gallon" excise tax system

In the United States, spirits at a strength greater than 100 proof (50 G.L.) are taxed on a "proof gallon" basis whilst spirits of below that strength are taxed on a "volume gallon" basis. While this method of taxation applies to domestic and imported spirits alike, in practice it has an unfavourable impact on spirits imported in bottles, since, for domestic products, dilution to the consumption level (with distilled water) takes place only after taxation. This system gives additional protection to domestic producers of spirits to an extent equal to the excise tax and customs duty paid on the distilled water content in spirits imported in bottles.

The Community considers that this system results in an additional taxation of imported spirits as compared with similar domestic products, contrary to the provisions of Article III of GATT. In addition, it has an influence on the overall taxation of imports, not only in respect of the indirect duty, but also in respect of the customs duty and the customs valuation.

The distinction between the "volume gallon" and the "proof gallon" hampers the marketing of spirits imported in bottles in the United States and limits the value of tariff concessions. What is more, the system also has the effect of protecting the bottling industry in the United States and making the presentation of imported products in bottles more costly.

Countervailing duties

Legislation concerning countervailing duties (Sections 303 and 516 of the Tariff Act 1930, as amended by Section 331 of the Trade Act of 1974) provides for the introduction of countervailing duties without any regard for the notion of injury. Instead of bringing the old legislation into line with the generally recognized rules of GATT, as its trading partners were reasonably entitled to expect, the United States, in adopting the Trade Act of 1974, strengthened, by Section 331, the procedure for applying the old law. The continued invoking of the Protocol of Provisional Application creates an imbalance in the rights and obligations of the various trade partners under the General Agreement.

This legislation is unquestionably inconsistent with Article VI of GATT, which prohibits the levying of a countervailing duty unless the contracting party which wishes to impose it determines that the effect of the subsidization is such as to cause or threaten material injury to a domestic industry, although the United States - as it was required to do - has introduced the notion of injury in the case of products of O. duty.

Action under Sections 301 and 302 of the Trade Act of 1974

Sections 301 and 302 make it possible to act against certain trade practices of exporting countries. Such measures can have the effect of preventing an expansion of exports both to the United States market and to the markets of third countries.

These sections are contrary to the spirit and letter of GATT.

In addition, the procedures employed to determine the application of this legislation (investigations, public hearings ...) are such as to constitute a source of continuing uncertainty for exporters.

Sanitary and phytosanitary regulations

Standards (labelling, packaging, ingredients, additives)

While the right of a country to protect the health of its population and property is to be respected, certain measures adopted for that purpose in the United States may be regarded as constituting, by the way in which they are applied, an obstacle to trade going beyond their specific objective.

These measures sometimes result in unjustified differences of treatment as between domestic production and imported products, and as between different exporters. Moreover, the formalities required, the additional inspections, the excessive penalties, etc. ... are a considerable burden for the operations and costs of exporters. For example, the "Plant Quarantine Act" considerably hampers exports to the United States.

Although the United States has stated that certain products consistent with international standards may be distributed in its territory, the fact remains that that decision is not always applied to imported goods. The existence of differences between federal legislation and the legislation of the various States (for example, regulations concerning the size of bottles) constitutes an unjustified obstacle to trade. The pursuit and establishment of international co-operation in this field is an important means for improving conditions of trade.

As to all legislative provisions dealing with sanitary and phytosanitary questions as well as standards (for example, those relating to pesticide residues), the measures adopted should allow exporters reasonable time for compliance before they are applied.

Measures affecting exports

Certain measures provided for by United States legislation constitute a possible continuing means of promoting exports and are hence liable to interfere with sales of products by other exporters.

In this context, mention may be made in particular of the export credit programme of the Commodity Credit Corporation under which exports of agricultural products can be financed on the basis of deferred payment.

Moreover, the provisions of the 1954 act on the development of agricultural trade and assistance to agricultural trade (Public Law 480) make it possible for the United States to dispose of considerable quantities of various agricultural products on the world market at conditions which may be regarded as disguised export assistance having consequences detrimental to other exporting countries.

The sales of certain by-products which may be carried out under this programme make it possible for the main product, manufactured from the same basic product, to enjoy more favourable competitive conditions (for example, vegetable oils/oilcake).