

GENERAL AGREEMENT ON  
TARIFFS AND TRADE

RESTRICTED

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Committee on Trade in Agriculture

DRAFT MINUTES OF THE MEETINGS HELD FROM  
4 TO 13 OCTOBER AND FROM 28 TO 30 NOVEMBER 1983

Addendum

Exercise A (continued)

European Communities

Republic of Korea

Ivory Coast

Egypt

EUROPEAN COMMUNITIES (AG/FOR/EEC/2)

1. In presenting the relevant documentation the representative of the European Communities pointed out that almost all agricultural production in the Community was governed by common agricultural marketing policies. With the entry into force in October 1981 of the sheepmeats regime only two important sectors, potatoes and alcohol, were not yet subject to common marketing arrangements and in these cases commission proposals were currently under consideration by the Council.
  
2. The rules relating to the organization and management in each sector varied according to the specific characteristics of the products concerned but there were four principal types of common marketing organizations in force in the Community. More than 70 per cent of Community agricultural production benefitted from a system of guaranteed markets and prices. This applied in particular to cereals, sugar, dairy products, beef and sheepmeats. For other products market support was in practice founded on more flexible measures such as assistance for storage, les retraits par des groupements des producteurs, or assistance with regard to distillation. This was the case with respect to pigmeat, certain fruits and vegetables and table wines. The second major category or type of market organization involved about 25 per cent of Community production and covered such products, for example, as some fruits and vegetables, flowers, wine other than table wine, eggs and poultry. The mechanisms concerned were based essentially on frontier protection and were aimed at sheltering Community production from fluctuations in international markets through such instruments as tariffs and levies. Thirdly, for the other sectors such as, for example, hard wheat, olive oil, certain oil seeds and tobacco which account for above 2.5 to 3 per cent of Community production, the basic regime was one of complementary aid. In general the products concerned were those in which the Community was in deficit which accordingly allows relatively low consumer prices to be maintained whilst at the same time guaranteeing a certain level of income to producers through complementary aids. Next there was a system of contractual aid based on acreage (aide forfaitaire à l'hectare) for such products as cotton seed, wool, hemp, hops, silk worms and seeds which account for about 0.5 per cent of Community production.
  
3. With regard generally to the Community's agricultural trade regime the representative of the Community observed that the common agricultural policy had been notified and examined in Committee II about 25 years ago and that most GATT contracting parties would be perfectly familiar with the system as it existed. Three principal systems were involved: a system of levies; a system of tariffs which, as in the meat sector, was sometimes associated with levies; and for exports a system of export restitutions. These three mechanisms which applied at the frontier in the Community's trade with third countries had not been changed in any essential way since the Common Agricultural Policy was introduced. As a result of international monetary developments, monetary compensatory amounts had been in existence for a number of years and the Community would be willing to discuss any questions in this regard which might be raised.

4. The Community representative noted that the European Economic Community, which some regarded as a symbol of protectionism in the agricultural field, was by far the largest importer of agricultural products. The Community absorbed more than 25 per cent of total world agricultural imports and it ran a net deficit in its agricultural trade with third countries of US\$ 25 billion. Between 1973 and 1982 the Community's imports of agricultural products had risen from US\$ 27 to 53 billion. Over this period Community imports from developing countries had more than doubled and from the United States, the Community's main supplier, from US\$ 4.6 to 10.8 billion.

5. While the Community was the world's largest importer of agricultural products in terms of both value and volume, it was also the second largest exporter and the second most important supplier of agricultural products to the developing countries. The Community's exports currently totalled US\$ 28 billion compared with US\$ 8 to 9 billion in 1973. The Community's exports over the period 1973-1982 had increased by about US\$ 20 billion which was somewhat less than the increase in its imports. While the United States was the Community's main client and absorbed US\$ 3.6 billion of Community exports, the overall deficits in agricultural trade with the United States was of the order of US\$ 7.3 billion.

6. The representative of the Community pointed out that even if the Community's tariff regime were not without reproach, he considered that the regime nevertheless reflected a just balance between the interests of the Community and those of third countries. The overall picture presented by the Community's regime, taking trade with developing countries as an example, showed that 82 per cent of its imports from developing countries entered the Community at zero tariff rates and that 60 per cent of these imports entered at bound zero rates, free of quantitative restrictions or sanitary and phytosanitary restrictions. Thirty per cent of developing countries' agricultural exports to the Community were subject to relatively low tariffs and a further 7 per cent were subject to levies. The same calculations in respect of trade with the United States yielded even more favourable results with, for example, 66 per cent of imports from that country entering the Community at zero bound rates.

7. The representative of the Community noted that he was not aware that there was any country with which the Community had declined to discuss and even endeavour to seek solutions to particular problems encountered regarding imports into the Community. The Community was currently engaged in endeavour aimed at adapting its agricultural policy to the fundamental changes which had taken place throughout the 1970's. This endeavour had been under way in the Commission and the Council since October 1981 and it was hoped that this process would gather momentum in the near future. Efforts would be required on the part of Community producers and consumers. The Commission for its part considered that it was no longer reasonable to provide unlimited price and intervention guarantees in a situation in which internal and external outlets were compromised, at least for the coming years. It was also considered that the annual pricing policy should as well take account of the situation in these markets, of the budgetary position of the Community, and of other economic factors and not just the evolution of agricultural producers' incomes as had tended to be the case in the past.

8. The representative of the Community stated that the Community's trading partners' would understand that the efforts to be undertaken by the Community internally could not be undertaken unless parallel action were to be taken with respect to the Community's import policy. The representative of the Community announced that the Community was obliged in the framework of the reform it was undertaking to re-examine the regimes applicable to various products in order to adapt them to the market situation. This re-examination related not only to the regimes applicable internally but also, since this implied in the view of the Commission possible changes with respect to the commitments undertaken by the Community in the framework of the GATT, the regimes applicable to imports. The representative stated that the Community was ready to begin a dialogue with its trading partners on the reforms under way in the Community's agricultural policy.

9. With regard to the Community's notification the representative noted that while the document was not as perfect as some others, the model established by the secretariat had been carefully followed. A certain number of additional abbreviations had been introduced in order to define more precisely certain specific instruments and measures resulting from the Community's agricultural policies. The inventory covered all the agricultural products included in CCCN Chapters 1 to 24 but, for the sake of comparability with other notifications, not those agricultural products, such as wool, hemp, silk or cotton, which lay outside CCCN Chapters 1 to 24. There would be no objection to such products being discussed or, if necessary, to a complementary document being prepared. The Community notification moreover included all "Community" instruments and measures resulting from the Common External Tariff, from the Common Agricultural Policy, from the GSP, from agreements concluded with third countries, including agreements relating to concerted disciplines and voluntary restraints. Quantitative restrictions maintained by individual member States were likewise included.

10. The Community had also notified all measures it was aware of which were capable of having a direct or indirect impact on trade, including in particular all forms of income or price support or protection as required in any case under Article XVI. Finally, the Community had endeavoured to indicate in column 16 for each measure a reference to the provisions of the General Agreement and had also endeavoured to classify the measures in accordance with one or other of the six categories established by the secretariat. In general, if there were errors or omissions these had been inadvertent and the Community would be prepared to make any necessary modifications as appropriate.

11. The representative of Japan expressed his delegation's interest in the agricultural policy of the EEC and its concern about one of the measures in column 2 of the Community's notification as well as import levies in column 8. However, as these measures would no doubt be commented on by other delegations, the representative indicated that the particular measures on which clarification was requested concerned the import restrictions noted as EX in column 10. The representative asked whether these restrictions were applied by the Community itself or by member states and also how they were implemented.

12. The Community representative thanked the delegation of Japan for the interest it had expressed in this matter. The restrictions currently applied, and which were noted in column 10, were maintained by member states by virtue of a Community regulation under which member states are authorized to apply quantitative restrictions in respect of a certain number of products. There were no longer any quantitative restrictions applied by the Community itself in the context of the Common Agricultural Policy in the sense mentioned by Japan. Such quantitative restrictions as had existed were abolished with the introduction of each common policy and replaced by tariffs, levies or other instruments. The quantitative restrictions authorized under the Community regulation referred to, were applied individually by each member state. The Community regulation requires also that these restrictions be published each year.

13. The representative of Japan asked whether in these circumstances the quantitative restrictions were implemented through quotas or a discretionary licensing system.

14. The Community representative explained that the administration of these residual quantitative restrictions varied from one member state to another, and there were some member states which did not, for example vis à vis Japan, have residual restrictions on agricultural products. There was therefore no uniform administration of these quantitative restrictions at the Community level. Each member state concerned applied its own particular procedures but was nevertheless obliged to respect the relevant GATT provisions and in particular the provisions of the Code on Import Licensing Procedures. The representative noted that any problems in this area, such as those raised by Japan, could be examined in the framework of the Code but that such an examination would not preclude examination within the Committee on Trade in Agriculture.

15. The representative of Switzerland, referring to the figures quoted by the representative of the EEC regarding the proportion of Community production covered by the various common marketing arrangements, sought clarification as to whether the overall figure was therefore about 90 per cent and also whether this meant that the products concerned were subject at the frontier to measures other than tariffs. In this general connection, the representative of Switzerland mentioned that the precise significance of the fact that 62 per cent of Community imports entered at bound zero rates and another 30 per cent at relatively low tariffs, 92 per cent in total, was not quite clear. The representative asked whether this figure of 92 per cent also involved products subject to common marketing arrangements or whether the 92 per cent only represented a minor residue of overall agricultural products? The point was of some interest if in the case of common marketing arrangements the majority of agricultural imports could only be imported under more difficult conditions. The representative noted that, as the representative of Canada had suggested at an earlier stage, it was important to know what proportion of trade in agriculture in each country was affected by measures and that this was something which might be examined further.

16. The Community representative replied that, if there were an interest in doing it and the exercise were to be undertaken jointly, there would be no major objection to an assessment being made of how each country was affected by the import régimes which were applied. As a general remark the representative observed that those who complained most about the Common Agricultural Policy were the least affected by its most baneful effects. In any particular case the precise effects would depend on the nature of the trade involved. In the case of Argentina, for example, as an exporter of cereals, it encountered the full effect of the levy, as an exporter of bovine meat it suffered the full effect of the Community's bovine meat régime, as an exporter of soya, Argentina was not subject to the Community régime in the form of levies. Accordingly it was not possible to have an exact photograph of the situation. It would be necessary therefore to look at the situation in terms of the individual country and the régime concerned. This exercise could be carried out for the major trading partners as well as for groups of countries, particularly for the developing countries. Whether such an exercise should be undertaken would depend on whether it was considered to be worthwhile or not.

17. With regard to the first question raised by the representative of Switzerland the representative of the Community stressed that the Common Agricultural Policy could only apply to the products listed in Annex II to the Treaty of Rome and also to a certain number of products outside this Annex, namely, certain products of the agricultural foodstuff industries. The question posed was rather complicated. As indicated, with the exception of potatoes and alcohol, the quasi totality of Community production was covered by a common organization of the market. The figures quoted (70 per cent, 25 per cent, 2.5 per cent and 0.5 per cent) related not to trade but to Community production. But as an example related to trade, the common organization concerning fats and oils in the case of olive oil involved a levy régime for imports and an export restitution or subsidy régime for exports. On the other hand, although the common organization for fats and oils also applied to soya, this product entered the Community at a zero rate of duty. This was also the case for corn gluten feed. Another example was manioc. This product was covered by common marketing arrangements. A levy régime applied to manioc imports, but this however was limited to the level of the 6 per cent bound duty rate in the context of a levy free quota (un contingent prélevementaire).

18. The representative of Canada observed that some of the country notifications had made it possible to obtain an overall grasp of the policies applied. The representative noted that on the basis of the Community's notification it was obviously impossible to get a grasp of the Common Agricultural Policy and agriculture in Europe. By and large, however, the Community's system was very transparent and all those countries which attached importance to the EEC market had a pretty good idea of how extraordinarily complex the system was.

19. As a general comment the Canadian representative indicated that what was important was not so much the technique of support but the level of support afforded to a country's agriculture and the impact this had on production. In this context, the representative requested that, while it was not obliged to do so, the Community might provide some idea not only of the level of Community or Commission support to agriculture, in relation for example to total cash receipts, but also the support provided by individual member states.

20. With regard to the proposals under consideration for reform of the Community's agricultural policies, the representative of Canada expressed the hope that in taking account of the realities of European agriculture, the Community would do so in a way that minimised disruption to the interests of third countries, rather than assuming that, because there had to be an adjustment within European agriculture, the adjustment had to be borne, if not proportionately at least in part, by countries outside the Community. The representative noted that this was particularly relevant in the case of the proposed consumption tax on vegetable oils.

21. In order to better understand the Community notification generally, the representative of Canada raised certain points with reference to CCCN 10.01, wheat. The representative indicated that it was commendable that the Community had been scrupulously honest in noting tied aid under subsidies. Some other countries had not done so.

22. The representative drew attention to the fact that with regard to subsidies a reference was made in column 16 to Article XVI and to the notation "a" and enquired whether it was correct to assume that this meant that the Community export restitution system was considered to be in conformity with the present provisions of the GATT. In column 16 of the Community notification reference was also made to Article XXIV and to the notation "d". It was not clear what this meant since Article XXIV, like Article XXVIII, was a process. The representative suggested that perhaps what was being attempted was a rationalization of the variable import levy system, and that in terms of the secretariat classification, rather than invoking a GATT Article relating to a process, a reference to notation "e", measures not explicitly provided for in the General Agreement, would have been more appropriate.

23. The Community representative stated that the overall cost of the Common Agricultural Policy was provided in the framework of notifications under Article XVI:1. The most recent notification, dated 27 June 1983, was to be found in document L/5449. This document set out the exact amount of the subsidies provided by the Community which amounted roughly to about ECU 12 billion at present.

24. With regard to the Community notification generally, the representative noted that it would be appropriate, following the example set by the Canadian notification, that the measures contained in column 2 should also be included in column 14, since the measures in question affected imports as well as exports. With regard to Article XVI, reference had been made to this Article and to notation "a" on the basis that it was in conformity with the Community's obligations under Article XVI that these measures were applied and hence the reference to notation "a".

25. The representative noted that the point raised by Canada with regard to the Community's system of variable levies was an important one in the case of the Community. When the Community was established a major negotiation under Article XXIV(5) was undertaken, followed by Article XXIV(6) negotiations. In the course of these negotiations, the Common Agricultural Policy had been sold and paid for.

26. In the case of the Common Policy for cereals, and taking wheat as an example, a range of measures had previously been applied by member states, including quantitative restrictions, bound duty rates, mixing regulations, etc. In the framework of the Article XXIV negotiations these measures were abolished and replaced by a system of levies. The Community had paid under Article XXIV(6) for its action in deconsolidating the bound duty rates which had existed in certain member states. In the case of the United States, payment had involved the granting of concessions on soya for example. As a result the levy was introduced on the basis of Article XXIV in the framework of negotiations undertaken under that Article. Accordingly it was for these reasons that, quite normally, the measure had been justified or referred to in the notification format under notation "d". The representative indicated that reference might also perhaps be made to notation "e" but as reference had been made to the existence of levies in the column concerning levies, it appeared not to be necessary to make a further reference and in any event, specific reference had been made to the framework within which levies had been established, namely Article XXIV.

27. The representative of Chile said that his country had always been impressed by the breadth, range and variety of the measures under the Common Agricultural Policy and the different purposes which these instruments served. At the same time, however, in one way or another, these instruments had a considerable impact on trade and were therefore of interest to contracting parties. The representative noted that when talking about the global cost of the Community system, it was necessary to take account not only of budgetary costs, but also of the costs exported to third countries. Chile had often had experience of having Community problems imported into its country.

28. With regard to the Community notification, the representative of Chile observed that compensatory taxes were referred to as being justified under Article XXIV in conjunction with notation "d" in most cases, but in other cases under Article XIX in conjunction with notation "f" and sometimes without any specific reference to GATT provisions. The representative shared the views expressed by the representative of Canada regarding the Article XXIV classification of levies. Additional information was sought on the currency measures notified as "CURR", in column 14 for example, as regards their relationship with GATT provisions and their effect on trade, and on the abbreviation "IC" where it appeared for example, in relation to CCCN 21.06. Additional information was also sought on supplementary charges notified under the abbreviation "SUPA" in the case of CCCN 04.05 with regard both to their justification and classification. References occurred also to the abbreviation "c", certificates, under a number of CCCN headings together with references to the Agreement on Import

Licensing Procedures. It was considered that some further explanation was required since the Agreement in question related to procedural matters and thus did not provide a basis for the justification of certificates or licences as such. The representative noted that for CCCN 10.01 the abbreviation had been employed in both columns 8 and 9 and queried the purpose of reference to this abbreviation in column 9. Other points raised by the representative were: the justification for import charges, "MLV", under Article XXIV; and, the absence of a reference under CCCN 02.01 to sheepmeat quotas, in respect of Chile and Spain, in addition to the reference made to voluntary import restraints.

29. Finally in this connection the representative congratulated the Community for having frankly and usefully classified in at least 25 cases import restrictions under "c", thus indicating that the measures in question were either not justified under, or contrary to, the provisions of the General Agreement. The representative described this matter as being one of the more general problems the Committee would need to study in depth in the course of its work. The issues involved together with the general issue of measures resulting from particular interpretations of the General Agreement, to which many references appeared in the Community notification under the abbreviation "d", were indicative of the serious nature of the problems to which the Committee would have to revert.

30. As a general observation the Community representative pointed out that while the costs notified under Article XVI:1 did not take account of the costs borne by others as a result of the Community's exports, it would be necessary to calculate as well the costs borne by the Community as a result of imports. Given that the Community imported more than it exported, the representative expressed the belief that any such calculation would be very much in the Community's favour.

31. With regard to compensatory taxes and the reference to Article XIX, the representative stated that in the case of CCCN 08.04, dried raisins, Article XIX had been formally invoked by the Community and a régime was consequently in force, and this had been more or less negotiated with third countries, under which compensatory taxes were applicable in the event that a minimum price was not respected. The measure had also been classified under "f" because it was not quite covered under the other classifications established by the secretariat. There were also other compensatory measures relating to certain common marketing arrangements and these had been referenced as required. The representative stated that he was unable however to identify products for which no justification had been made. In the case of CCCN 08.06, for example, reference had been made to Article XXIV.

32. With regard to the products for which common marketing arrangements existed, the representative stated that for both imports and exports there was a régime of certificates. In principle, and except in certain circumstances to be mentioned, these certificates were granted on demand for imports and exports. Associated with this régime of import and export certificates, which enabled the Community to monitor its trade, was an obligation in most cases to establish a security deposit. The purpose of these deposits was to guarantee that certificates obtained

without being used, since this could otherwise lead to a situation which could lead the Community to take measures it would rather not take. Thus the requirement for security deposits was to ensure that the intended transactions for both imports and exports were in fact realised and import deposits were reimbursed when transactions were carried out. In certain circumstances the regulations relating to the common organization of the market provided for the suspension of import and export certificates. The conditions governing the suspension of certificates were set out in Community regulations and notably in the case of imports, were in full conformity with the Community's obligations. The invocation of these regulations would, in principle, involve a situation where Article XIX was invoked or where there was an intention to do so. In this context the representative mentioned that a panel had considered the question of import certificates some years ago but the conclusions reached had suited everyone and threatened nobody. Accordingly the legal position vis à vis GATT was not in any event very clear.

33. With regard to voluntary restraint agreements, the position was that the Community had several such agreements, both voluntary and obligatory. In the apple sector, for example, Chile had sometimes accepted such agreements; on other occasions it had not. In the former case the agreements were voluntary, in the latter they were obligatory. The representative expressed the view that everyone had come to live quite well with voluntary restraint agreements in the agriculture sector. There had for example not been particular criticism of the Canadian voluntary restraints on bovine meat. The representative said the question of voluntary restraint agreements was one of a number of subjects for further consideration in the Committee.

34. The representative said that where necessary reference had been made in the Community notification to monetary compensation amounts, with the abbreviation "CURR" and "f" being employed for this purpose. The representative expressed the view that such measures could be fully or partly in conformity with GATT under Article XX(d) but that this was another subject that could be reverted to in due course.

35. With regard to the more general question of measures in respect of which reference was made to Article XXIV in the Community notification, the representative reiterated the point that certain regulations and instruments of the common organization of the Community market had, so to speak, been sold in exchange for concessions in negotiations under Article XXIV(6). There was thus a juridical basis for the measures concerned. The representative cautioned against the adoption of positions by others that could compromise these concessions. The representative also noted that although Australia had not yet formally recognized the Community, this had nevertheless not prevented acceptance by Australia of the concessions granted by the Community in the framework of Article XXIV(6).

36. The representative of Australia referred to the absence of any mention of sanitary and phytosanitary measures in the Community notification and referred to the existence of such measures in some Community member states and to the third country veterinary directive applicable to CCCN 02.01. Under CCCN 03.03 Italy prohibited imports of frozen oysters. There were also Italian requirements regarding certification for honey and phytosanitary regulations applied in Italy to apples and pears. This listing was by no means exhaustive. While the Community representative had explained that only Community regulations had been notified, the representative of Australia suggested that as the objective was to develop true transparency, and if there were to be a discussion of sanitary and phytosanitary measures in the Committee, it would be desirable that such measures be notified.

37. Another measure of interest to Australia that had not been notified was the Community requirement for analysis certificates issued by recognized laboratories in respect of wine (CCCN 22.05) imported in quantities in excess of 60 litres. This requirement had a considerable impact on Australia's exports of wine as the analysis cost about \$110. This matter had been discussed in the context of the Tokyo Round proposals for joint disciplines on wine.

38. The representative of Australia noted that Canada and others had raised questions concerning the impact of measures and their comparative effects on trade. The representative indicated calculations of the impact of the Community régime in a number of areas had recently been made in Australia and that copies of the paper concerned were available. The paper was fairly exhaustive and, for example, illustrated what would happen with even a small liberalization of the Community régime. With regard to ad valorem equivalents of European import barriers, the calculations indicated, and the EEC was not the worst of the European countries studied, that the ad valorem equivalents of the Community's régime on beef and veal was 98 per cent, on butter 301 per cent, on skim milk powder 376 per cent, on wheat 94 per cent, on barley 85 per cent, on maize 89 per cent, and on sugar 110 per cent. In each of these cases, the corresponding ad valorem equivalents for Australia were 1 per cent or zero.

39. Concerning variable levies and their justification, the representative of Australia noted that whereas Austria apparently saw the upper limit of a variable levy being determined by their GATT tariff bindings, the Community adopted the view that the GATT binding is not in any way related to the variable levy. If the positions described had been correctly understood the different treatment for variable levies within the Community derived from the fact that the Community has an Article XXIV arrangement, whereas Austria was an individual country without an Article XXIV arrangement. The representative expressed the view that while there might be other interpretations of the way variable levies operate, the more likely explanation was that these things occurred through historical accident and that the rationalizations came afterwards.

40. With regard to the proposals for reform of the CAP, the representative of Australia asked whether the Community had considered different measures for the reform of the CAP from the point of view of their impact on third countries. The representative of the Community had indicated that other countries should wait and see what reforms emerged, one of the implications being that there would be a régime that was more favourable to third countries than the present one. The representative said that it was recognized that the Community's eventual participation in the work of the Committee would be dependent to some extent on what reforms emerged. At the same time, however, the hope was expressed that considerations within the Committee would find their way into the Community's considerations relating to the reform of the CAP. In this context, the representative of Australia drew attention to the fact that some of the programmes in the study carried out in Australia had shown that if the real rate of income return in the Community were to grow at the same rate as in Australia and the United States, that is, a 2.5 per cent decline in real farm incomes over the next few years, the increase in world grains trade would be somewhere in the vicinity of 12 million tonnes.

41. Finally the representative of Australia asked whether the Community could provide data on the way levels of assistance to its agricultural sector had changed over the last five or ten years, as it appeared that there had been distinct changes in the way levels of assistance had been applied. This information would be helpful in assessing the Community régime at a later stage and would also help to make what was a rather opaque document a little more transparent.

42. Summing up the points made, the representative of Australia concluded that, if sanitary and phytosanitary measures, labelling and other regulations were to be examined in the Committee, it would be necessary, as others had also noted, to go beyond measures at the federal level. Secondly, there were clearly different rationalizations as between various countries regarding the same sorts of measures. This was something which the Committee would need to resolve. Thirdly, as Canada had pointed out, it would be necessary to go behind the curtain of particular notifications and look at the trade effects. This was one of the things the Committee should proceed to do at one of its future meetings.

43. The Chairman agreed that there was quite a lot of material to be discussed more fundamentally later on but that at the present stage these questions should not be gone into too deeply.

44. The representative of the EEC pointed out that there was something of a methodological error in the way in which sanitary and phytosanitary measures had been approached, since such measures were only notifiable to the extent that they were the subject of a complaint by a third country claiming to be affected. It was for this reason that there was only one instance where such measures were included in the Community notification. There existed with respect to almost all products, both at the Community and perhaps at the member state levels, measures relating to sanitary and phytosanitary questions and to packaging and

labelling requirements etc. The subject was one which the Committee should take up as such in order to see whether there was an interest in completing the documentation. The general issues involved had very properly been raised by the Australian delegation and if the Committee were to take up the whole subject, it would be appropriate in the Community's view that measures at both the Community and national levels should be included.

45. On the question of the GATT justification for sanitary and phytosanitary measures the representative of the Community suggested that it was not disputed that the relevant GATT provision was Article XX. Certain countries also made reference to the Code on Technical Barriers to Trade but it was also well known what difficulties had been encountered in this regard in the Tokyo Round. The Code was a first step but in practice, the matter had not been advanced very far. The representative agreed that the whole subject was one that could appropriately be taken up by the Committee with the main question being the impact these measures had on trade.

46. With regard to the requirement for analysis certificates the representative of the Community indicated that he understood that the problems regarding exports of Australian wine to the Community, had been settled following recent negotiations. The particular issue raised by Australia had been noted and the Community could perhaps reply bilaterally in due course.

47. Concerning the general question of undertaking an analysis of the impact on trade of the measures notified, the representative of the Community noted that the question was not new. The impact of measures on trade continued to be as always a matter for debate generally within GATT. Particularly in the context of Community enlargements, there had always been opportunities in Article XXIV(5) negotiations to discuss the impact of measures applied by the Community or which were to be applied by new member states. The impact of certain trade measures was a question which had been posed in the GATT but which had never been resolved. The divergencies of interpretation regarding the substance of the provisions of Article XXIV(5) had also been raised in the secretariat document entitled "Agriculture in the GATT". Nevertheless the Community would not refuse to participate in a discussion on the question of the impact of trade measures if such an exercise were to be of interest for the work of the Committee. From the Community's point of view the foremost effect to be considered was the evolution of imports into the Community. Such imports have developed favourably for third countries. If the proposal was that the Community should table a document showing the development of imports and exports globally and for each product sector, this was already available and there would be no difficulties in making copies available to the secretariat.

48. With regard to ad valorem equivalents, the representative of the Community said that the matter was one that had been debated without any solution having been achieved. The divergences of view on this question were total, particularly as between Australia and the Community. If the suggested exercise were to be undertaken the Community would participate

but whether there was any value in such a problematical exercise was open to doubt. Since quantitative restrictions would have to be included as well as levies, how for example would the ad valorem equivalent of an import prohibition be calculated? In the view of the Community any such exercise should be undertaken from the point of view of the evolution of exports and imports. The representative of the Community noted in this regard that it might be necessary as well to enter into a clarification in particular of Article XXIV(5).

49. With regard to the link between the levy and bindings, the representative of the Community explained that where a levy was applicable to a product in respect of which the duty rate was bound, the maximum amount of the levy was equivalent of the bound duty rate. In the case of manioc, for example, the bound duty was 6 per cent and this constituted a maximum upper limit for the levy. In the context of the voluntary restraint agreement on sheepmeat, for example, the levy was applied at a rate lower than the bound rate. In fact, the levy was the equivalent of a duty rate of 10 per cent.

50. With regard to CAP reform proposals, the representative of the Community confirmed the suggestion made at the outset that the Committee might serve as a forum for an objective consultation on the proposals in question. Such an exercise might be useful in allaying the apprehensions of certain contracting parties regarding the reforms proposed and their impact on trade. Such an exercise might also be useful in the sense that the reactions of third countries would have some bearing on the acceptance by member states of the proposed reforms. In any event what might be possible would be for the Commission proposals to be distributed to the Committee in order to facilitate a better understanding of what was proposed through objective and calm discussion in the Committee. A discussion along these lines would also be of assistance to the Community. The experience and views of other countries, for example the experience of Canada in relation to Article XI, might perhaps provide the Community with a certain number of ideas.

51. With regard to the question of the evolution of Community spending in the agriculture sector, the representative suggested that an answer to the question posed by the Australian delegation could be found in the Community notification under Article XVI(1), copies of which could be made available to the Committee.

52. The Chairman observed that the Committee should concentrate on the reality of the situation in terms of measures currently applied rather than on what might be the position in future, since this could involve an interminable discussion.

53. The representative of the United States commented that while the EEC was the world's largest importer of agricultural products, it had at the same time, the world's most complex system of regulations to ensure that imported products were not offered on the domestic market at prices competitive with domestic products. The system extended to 91 per cent of the value of Community agricultural production and this network of regulations seriously compromised the ability of the Community to participate in further trade liberalization.

54. The representative of the United States recalled that the Community had commented on the scarcity of tariff bindings in the schedules of various participants. In the case of the Community itself, while bindings were to be found in CCCN Chapters 1 to 24 and some at very low rates, the most significant commodities remained unbound. If one wanted to ship shellac, gums, resins or vegetable materials for padding or stuffing, the EEC market was very open. But if one wanted to ship grains, meat, milk, butter, fruit and vegetables or processed products of almost any kind this could only be done with the greatest difficulty. Many of these products were covered by prohibitively high variable levies whose ad valorem equivalent was generally in excess of 100 per cent and which provided a secure protective barrier behind which EEC farmers could expand production at will. Other products were covered by a stupefying maze of variable components: additional duties, compensatory changes, reference prices, minimum import prices, special preferences and monetary compensation amounts. The EEC had introduced these measures to protect virtually every sector of the farm economy where significant Community production existed. Trade in commodities covered by such measures was therefore anything but certain and secure.

55. The representative noted that the United States had been able to maintain a favourable trade balance with the EEC but that this was obviously due to geographical advantages and the success achieved in maintaining duty binding on such products as oilseeds and non grain feed ingredients. However, EEC bindings in both these areas were threatened by recent Commission proposals. These proposals would have an immediate impact on third country exports to the EEC while the Commission proposal for internal reforms were vague and would only have an impact over time, if at all.

56. The representative noted that in general terms GATT provided for equal MFN treatment under Article I, for the negotiation of concessions under Article II and for the treatment of imported products in the domestic market no less favourable than the national products under Article III. The EEC however, had organized its agricultural market to ensure that there would always be a preference for domestic products over imported products. While the EEC was not alone in the need to liberalize its import régime, if the work of the Committee was to be successful and agricultural trade liberalized, the Community would have to consider changes that made the reduction of the barriers mentioned possible.

57. The representative of the United States noted that the EEC export policy could best be seen as an outgrowth of its domestic policy. At least in the eyes of EEC officials the extensive use of export subsidies was necessitated by the development of large surpluses in several important sectors. It was no secret that the emergence of the Community as a net exporter in such sectors had been the cause of considerable concern to the US and other traditional exporters. Moreover the Community move to self-sufficiency on the basis of import restrictions and high internal support prices reduced the EC market opportunities for traditional third country suppliers. The move beyond self-sufficiency had resulted in the entrance of the EEC into markets as a major competitor to traditional exporters. On present trends, it was even possible, if not probable, that the EEC would soon overtake the United States as the world's largest exporter of agricultural products.

58. The representative of the United States expressed the view that this expansion of Community exports would have been impossible without the generous use of export subsidies. Whereas at the start of the 1970s the EEC had been a large net importer of grains, it was now anticipated that Community grain exports in 1983/84 would exceed its imports by 11.5 million tonnes. In poultry, the EEC had moved from being the world's largest importer to being the world's largest exporter. In beef and veal, the EEC, once a net importer, became in 1980/81 the world's second largest exporter. Moreover the EEC had also become the world's largest exporter of sugar, dairy products, wheat flour, pork and eggs. These developments affected nearly every participant in the Committee and, in the opinion of the delegation of the United States, they also underlined the urgency of the work of the Committee.

59. The representative of the United States, in referring to specific aspects of the Community notification, mentioned that the following measures were either absent from or not adequately covered: the omission of subsidized non-commercial credit extended by member state governments and agencies under column 13; the absence of any reference to the Community minimum import price system for wine and the import charge levied on United States wine exports to the Community as a result of the legal inability of the United States to meet EEC regulatory requirements.

60. The representative of the United States offered the following suggestions for improving the clarity and transparency of the Community notification: that the abbreviation "XS" should be used rather than "ER" and denote what Community officials call export refunds; that the requirement for import certificates should be recorded, using the appropriate secretariat abbreviation, in column 10; that reference prices for fruit and vegetables should be recorded as "MP", minimum prices, since the use of euphemism, whatever advantages it might have in intra EEC political discussions, were not helpful in the context of the work of the Committee; that, as suggested by other countries, variable levies should be classified under "e"; and finally, that putting tied aid in column 4, other forms of assistance, appeared to be more appropriate, unless the EEC had particular reasons for doing so, rather than in column 2 "subsidies".

61. In conclusion, the representative of the United States stated that his delegation could not agree that the items covered by the CAP had been bought and paid for. The Article XXIV(6) negotiations were, for the United States, settled in two parts. Items of interest to the United States and not included under the CAP at the time of the negotiations were part of a reciprocal agreement. Those items which were included under the CAP of interest to the United States were left to future negotiations under the so-called Standstill Agreement, and these negotiations had yet to take place. As an historical footnote the representative noted that, prior to the formation of the EEC, United States trade concessions with the original six Member States covered some US\$ 643 million on a 1958 basis. After the negotiations, concessions only covered US\$ 522 million on a 1958 basis, although this figure was somewhat inflated since it covered some concessions bought and paid for in the Dillon Round. The amount of trade left open for future negotiation was US\$ 159 million with the items covered under the Standstill Agreement, being corn, sorghum, wheat, rice and poultry.

62. The representative of the Community stated that several of the products mentioned by the United States representative in the first part of his presentation were bound and that, for example in the case of dried raisins, discussions were currently under way with regard to the extension of the binding to include the tenth member state of the Community. The representative added that so far as fruit and vegetables were concerned these were in almost all cases subject to bindings.

63. With regard to individual member state measures, the representative of the Community stated that there would be no difficulty in eventually completing the Community documents, provided that this was carried out on a reciprocal basis for countries with federal structures. In the case of credits, this general subject could be discussed in the context of Exercise B. It was not denied that such credits existed at the national level. However, it was also relevant to note that other forms of assistance of whatever form had to be discussed as well, at least in the initial stages. It could perhaps be decided to discuss only non-commercial credit but this would necessarily involve some definition of the distinction between commercial and non-commercial credits. However the Community was open minded on this general subject.

64. On the question raised with regard to wine, the representative of the Community stated that most of the issues involved in the wine sector as between the Community and the United States had been settled on a reciprocal basis. However, if perchance a particular subject had been overlooked, the Community would be prepared, on the basis of reciprocity, to examine the matter. The representative added that so far as he was aware there were no levies on wine. Compensatory taxes existed for certain wines where minimum prices were not respected as indicated in the notification.

65. With regard to the use of the abbreviation "XS" as opposed to "ER", the Community had a preference for its own vocabulary but if all that was required to resolve the substantive issues between the Community and the United States was a change of terminology the representative said he would certainly take the matter up with his authorities.

66. The representative of the Community said that licences as they existed in the United States did not exist in the Community. The Community had import and export certificates and in each case, as appropriate, they were mentioned in the notification. If, as elsewhere, the problem was one of presentation the Community was prepared to examine the matter but this could not be taken to imply that such certificates could be considered as licences such as they existed in other countries, or for that matter, at the member state level in certain cases. The certificates were not considered to be obstacles to trade but they had nevertheless been noted in column 14 as measures affecting imports. Reference prices had been notified in column 2 but as noted earlier should also be notified in column 14.

67. On the question of levies the representative of the Community stated that the measure was not covered by any GATT provision. From the terminology or jargon employed in the General Agreement it was apparent that the levy was not a measure foreseen by the GATT. When the Community unbound its tariffs on a number of products and replaced these measures with levies, it had paid for its freedom to unbind by paying with other concessions. The representative stressed that if certain countries were to repudiate the rights of the Community in this matter, the Community would have to go back on the concessions that it had granted, because there was a fundamental rule in GATT with regard to balance. For the Community the situation was clear. It had paid for its freedom to introduce an instrument which was regarded as best fitted to the situation of the European Economic Community. If by chance, one wanted to attempt to adopt rules for this measure, which was not foreseen in the GATT, then it would be necessary, given the need to maintain a balance, to establish rules in the case of unbound tariffs as well. The issue was therefore less straightforward than it might appear, but if an attempt was going to be made along these lines, one could also look at how one might try to formulate rules for the EEC levy. In the same vein, it would be appropriate to look also at how controls on quantitative restrictions could be regulated. Up to a point this had been done but there had been no attempt in GATT to make rules in respect of non-bound tariffs. The idea of doing so was somewhat paradoxical, since in the case of a non-bound item like wheat, for example, the Community was at liberty to act as it saw fit. It could, for example, have instead imposed a tariff at 120 per cent, or at whatever level the ad valorem equivalent of the levy might be considered to be.

68. The representative confirmed that the Community nevertheless had an open mind on all these questions and on what it might be possible to do in GATT, provided the need for balance was respected and all other relevant measures affecting imports and exports were included. The representative noted, however, that if certain calculations were to be undertaken or attempted with regard to what had been paid and the related gains and losses, it might be necessary to make other calculations as well. In the case of corn gluten for example, the Community had paid the concession at US\$ 28 million at a time when this product was mainly of interest to the pharmaceutical sector. Corn gluten had since come to be used as an animal feed and Community imports from the United States were of the order of US\$ 450 million. As counter payment the Community for its part had received very little in return. The representative added that an exercise along these lines would be at odds with objectives of GATT which in this context involved making concessions at a given point in time and taking the risk. There were, however, certain nuances in this regard in Article XXVIII and there was also the question of the extent to which the benefits of existing bindings could be claimed for new products.

69. With regard to the question of Community preference raised by the United States, the representative strongly urged the United States authorities to re-read paragraph 4 of Article XXIV which afforded the Community the right to maintain such a preference, it being recognized in the same paragraph that the purpose of a customs union or free trade should be not to raise barriers to the trade of other contracting parties.

70. The representative of the Community stated in conclusion that it was necessary that the Committee should embark calmly on an objective discussion of the issues and measures, to see what their impact was and their repercussions. For its part the Community was open to discussion on all the problems involved.

71. The representative of the United States noted as a point of interest that so far as national measures in the United States were concerned, the authority to regulate inter-state and foreign trade lay with the Central Government. The representative indicated that his delegation intended to cross notify on a number of national measures which it was considered should be included in the Community notification. As to the manner in which variable levies should be categorized, the representative stated that the United States did not agree with the Community that the levy had been bought and paid for. In the view of the United States, the levy should be classified under "e". The representative also noted that the exchange of letters on wine between the United States and the EEC only covered marketing, labelling and sanitary measures. The problem of minimum prices in respect of wine was not addressed and related charges continued to apply to imports of wine from the United States.

72. The representative of the Community noted that in a multilateral context such as the Committee, it would be preferable not to embark on bilateral relations with respect to levies between the United States and the EEC. The levy was not a measure foreseen by the General Agreement and accordingly, as had been said in relation to a question raised by Canada, the Community would have no difficulty if a reference to notation "e" were also to be made in the case of variable levies.

73. The Chairman noted that Article XXIV and related issues were amongst the major issues for future discussion by the Committee.

74. The representative of New Zealand said that the Community's notification was a useful contribution to the work of the Committee and that it would be helpful to have subsidies included in the appropriate columns relating to imports as well as exports. However, the representative expressed some reservations concerning the omission of references to sanitary and phytosanitary measures. As a rule, if sanitary or phytosanitary measures were in fact applicable to particular products they should in each case be mentioned. Such an approach was no different from that applied to tariffs or other measures. As a general point the representative noted that the entry into force of the third country veterinary directive had faced New Zealand with very large additional expenditures and that some of the requirements were more justifiable than others. These expenditures constituted in effect a charge on imports and as such should be notified.

75. The representative said that measures at the national level should be notified. In noting that the Community had indicated its willingness to do so on a reciprocal basis, the representative expressed the view that other countries should do so anyway for the sake of completeness of the Committee's documentation. In this regard the representative of New Zealand observed that understandably there were more vestiges of

individual national requirements in the case of the Community than might be found in the case of sovereign states. The main point in all this was that it would be helpful for the Committee's work if these measures could be notified. In this regard the representative pointed out that document AG/DOC/2/EEC/1 contained several references to such measures.

76. The representative of New Zealand noted that one of the measures to which little reference had been made in the case of the Community was state trading, a subject which was rather more neutral than some others. Some examples e.g., state trading in Community member states were potatoes and vegetables in the United Kingdom, certain alcohols in France and Germany, manufactured tobacco in France and Italy, and apparently dairy products in some member states.

77. The representative of New Zealand suggested that the Community notification might be modified to take account of the following points: the voluntary restraint agreement on sheepmeat should also be indicated under CCCN 01.04, as live sheep for slaughter were included in calculating the voluntary restraint level; under CCCN 08.06, apples, there should be at least a footnote indicating that, even though not consistently in operation, voluntary restraints were applicable; import requirements for prepared meats and offals applied by France in respect of New Caledonia which had been cross notified some time ago, might also be included; in the case of France, the Netherlands, Belgium and Luxembourg there was a prohibition on imports of meat cuts of less than 3 kg., which was implemented some years ago in relation to beef cuts but which made it virtually impossible to import smaller sized standard cuts of lamb.

78. The representative of the Community said that the practice adopted by some notifying countries in referring to sanitary and phytosanitary measures under virtually every heading was, on reflection, not necessarily appropriate. Unless and until third countries complained of a particular measure, it was to be assumed that in itself the existence of a sanitary or phytosanitary measure did not have an adverse effect on trade. Hence the rule that such measures should be included in the documentation on the basis of counter-notifications. The representative suggested that in these circumstances the Committee should look at updating the inventory of sanitary and phyto-sanitary measures.

79. With regard to state trading the representative recognized that such practices existed within the Community at the member state level and that, as with the problems in the area of Articles XI, XXIV and levies, this was another matter that the Committee might take up. The representative agreed that the Community notification could be completed with respect to the point made about voluntary arrangements for sheepmeats.

80. In the case of temporary voluntary restraints on apples, the representative said that the suggestion for a footnote involved a problem of methodology, because every country could resort to temporary measures by making use of Article XIX. In the case of temporary measures on apples concerted with the supplying countries, the action taken was based on Article XI, although it would have been less

expensive for the Community had it used Article XIX. The basic question was whether temporary measures whether based on Article XI or Article XIX, should be included in the catalogue. Countries could include temporary measures if they wished to do so but if the documentation were at some future stage to be used in a definitive manner, such measures should perhaps be omitted. The Community, however, had an open mind on the issue.

81. The representative of New Zealand suggested that the measures in question had been resorted to sufficiently frequently to amount to virtually a standard requirement of the trade in apples with the Community and might accordingly be footnoted.

82. The representative of Canada said that at the present stage of the work of the Committee it was helpful to highlight important issues for future consideration. The representative said that he could agree with a great deal of what had been said by the Community representative about the variable levy and theoretical alternative, in the case of an unbound item, of imposing a very high tariff. It was an important point whether given the peculiarities of agriculture, the contracting parties could afford to have large areas of trade, whether subject to levies or high unbound tariffs, not covered by international disciplines. The question raised by the Community representative in this regard was a very fundamental question that the Committee was going to have to address.

83. The representative expressed his concurrence with regard to what the New Zealand and Community delegations had said about the notification of nation measures, whether they were applied at national or some other level. The representative cited an example including measures on meat cuts which had had the effect, inadvertently, of making it impossible to import certain cuts of lamb. The measures though desirable from a veterinary viewpoint, had not as a practical matter been essential and this illustrated more generally that sanitary and phyto-sanitary measures can and do have unnecessary or unjustifiable trade effects.

84. The representative of the Community said that one task for consideration in the Committee was to see whether the procedures for notification and consultation under the Code on Technical Barriers of Trade were working or not and perhaps to see whether in the sphere of agriculture it might not be possible to improve existing procedures, as well as those of the Code.

85. The representative of the Community agreed that as the levy was to a certain extent equivalent to an unbound tariff, what would be involved in any discussion of possible rules in this area would, in effect, be the binding of what is unbound. But as already noted any such exercise could not be limited to levies. Unbound tariffs and unbound quotas, such as those covered by the United States agricultural waiver, would also need to be taken up. The representative noted that these were all matters on which there would need to be broader reflection in the Committee.

86. The representative of Australia observed that he was sure his authorities would be prepared to bind all their tariffs at zero if the Community were prepared to bind its levies at zero.

87. The representative of Hungary noted that for CCCN 07.02, 18.06, 21.07 and 24.02 in column 10, no mention was made of certain restriction affecting Hungary although reference was to be found to those measures in AG/DOC/2/EEC/1 and L/5200/Add.3. The representative referred to paragraph 4(a) of Hungary's Protocol of Accession and asked that appropriate reference be made in column 15. The representative indicated that there were about 18 tariff lines where reference to the earlier documentation should be made.

88. The representative of Hungary mentioned that an EEC requirement dating from 1979, which excluded wine with an alcohol content in excess of 15 degrees from the definition of natural wine, had the effect with respect to certain high quality Hungarian tokai wines, of making it impossible to export to the Community. The representative requested that appropriate reference to this measure be included in column 12. Problems were also created by a more recent Community measure under Regulation 997/81, which prevented reference being made on a wine label to the effect that the wine was late-harvested. The representative sought an explanation as to why in respect of dried banana imports from a group of countries including Hungary, and in the case of Italy, imports of dried bananas from Hungary and only from Hungary, were not permitted.

89. The representative of the Community said that the various restrictions on imports mentioned at the outset of the representative of Hungary's comments would be checked and corrections made as appropriate in due course. The representative of the Community noted on the question of packaging and labelling requirements for wine, that columns 11 and 12 had been completed on the basis of reverse notification by third countries, and that so far no notification concerning the measures in question had apparently been made by Hungary. The representative noted that the general question of reverse notifications needed to be looked at in the context of the basic inventory of such measures. This inventory was open on a permanent basis and Hungary could notify and the Community respond. The same comments were relevant also to the other measure affecting wine that was raised. The question concerning dried bananas would be looked into.

90. The representative of Japan recalled that his delegation had sought clarification about the restrictions denoted as "MR" in column 10 applied by some member states and expressed the hope that it would be possible for more detailed information to be submitted by the Community. The representative also requested a response on the question of discriminatory import restrictions maintained against Japan.

91. The representative of the Community noted that full details of such restrictions as existed were contained in document AG/DOC/2/EEC/1, including the comments of the countries affected by and applying the restrictions. The representative suggested, however, that if there were a particular question which Japan wished to raise, bilaterally, the Community would be disposed to look at any such point.

92. The representative of Pakistan mentioned that in columns 8 and 9 the notation "OPEX" was used in relation to rice and asked whether a reference could be made in column 15 to the documents where additional information on these preferences could be found. In relation to subsidies the representative noted that the range of measures applied by the Community, export refunds, tied aid and intervention systems was rather striking. The representative said that although variable levies were mentioned in columns 8 and 9 there was no corresponding reference in column 10. It was considered that such a reference would be appropriate given that variable levies had the net effect of a minimum price.

93. The representative of the Community replied that preferences with respect to levies on rice were accorded under the Lome Convention and under trade co-operation agreements as in the case of Egypt. These agreements had been notified in GATT and had been the subject of working parties. The representative indicated that information concerning the Lome Convention and the agreements of the type entered into with Egypt could be provided.

94. As to the range of subsidy practices notified, the representative said that, as others had also done, the Community had endeavoured to include all measures embraced by the broad terms of Article XVI(1) rather than the narrower concept of a subsidy which prevailed in discussions on export subsidy practices.

95. Regarding the suggestion that a variable levy could have effects similar to that of a minimum price, the representative of the Community agreed that levies could be viewed in this light, since in reality the levy was based on a threshold price below which imports could not enter the Community market. The representative observed that, whether the levy was viewed as a minimum price, or a quantitative restriction, or a tariff etc, what was important was the effect the measure had had on trade. The representative noted that in relation to certain types of rice there was a long standing problem concerning the operation and calculation of the levy. The issues had been discussed bilaterally and it would be necessary at some stage, when other conditions made this possible, to examine how the problem might be settled.

96. In response to a question by the representative of Pakistan concerning rice exports and credits, the Community representative said that the Community exported rice commercially, in which case export restrictions were applicable, and as food aid. The Community obligations with respect to food aid exports were based on the International Wheat Agreement and the Food Aid Convention under which members were able to provide aid in the form of wheat or secondary cereals or rice. The Community thus exported rice as food aid to those recipient countries whose dietary preferences were for rice. This aid, about 1.7 million tonnes, was provided in grant form.

97. The representative of Pakistan sought confirmation that rice exported by the Community as food aid was produced within the Community itself rather than being re-exported.

98. The representative of the Community said that this question was rather complicated, since when the Food Aid Convention was originally negotiated, there had been an expectation that the traditional importing member countries would meet their obligations through purchases from the traditional exporters. Although certain countries followed this practice, Community produced products were exported as Community food aid. In the case of rice the Community was both an importer and an exporter, with Italy being the main producer. In general where rice was exported as food aid this was sourced within the Community. Nevertheless there were occasions where the urgency of the situation in the recipient country required that the rice provided as food aid should be sourced from another country, usually a neighbouring country such as Thailand in the case of a recent transaction for Vietnam. It was also possible that processed products exported by the Community as food aid might contain rice imported by certain member states from third countries.

99. The Chairman thanked the representative of the Community for his presentation and replies to questions and noted that it was again apparent that among the many issues for future discussion in the Committee, would be those related to Article XXIV and that the Committee would also have to revert to the problems associated with variable levies and other measures.

REPUBLIC OF KOREA (AG/FOR/KOR/1)

1. While introducing the documentation concerning his country, the representative of the Republic of Korea briefly explained the special characteristics and problems of agriculture in his country such as the geographical and climatic conditions, rapid structural transformation as a result of the economic development plans and efforts of the Government to sustain agriculture as a source of basic foodgrains. Even though the role of agriculture as a source of incomes and employment had progressively declined, the Government had endeavoured to improve farming structure and to achieve self-sufficiency which had come down to 53 per cent in 1982 against 81 per cent in 1970. To cope with the entire food requirements of an expanding population, therefore, the Government had to increase imports of agricultural products considerably over the years. In 1982 these imports amounted to as much as \$1,976 million, which ostensibly put enormous strains on country's balance of payments position. In order to alleviate the adverse balance of payments situation and to protect domestic agriculture the Government took upon itself a more active role, especially in arranging essential food imports. As a result, roughly 40 per cent of the agricultural imports were now subject to the recommendation of the competent ministries of the Korean Government. The Government also operated a price stabilization fund to smooth out supply and demand fluctuations and increased farm product prices to increase rural incomes.

2. Specifically commenting on the notification of his country he indicated that his Government did not grant or maintain subsidies or any other export assistance measures for agricultural products. As mentioned before, the domestic price support measures and the Stabilization Programme were entirely geared to eliminating fluctuations in domestic price levels and to ensure adequate supplies, without influencing international trade. The Government was, in particular, concerned to ensure stability in the prices of certain basic agricultural products such as red pepper, garlic, onions, rice, barley, wheat, bone-in beef, pork and chicken. Measures affecting imports included discretionary licensing, global and tariff quota, sanitary and phytosanitary regulations, State trading and other import control measures. He was optimistic that trade in agricultural products would further be liberalized.

3. The representative of the United States expressed his appreciation for Korea's policies of import liberalization commensurate with the development of its economy. He observed that Korea's national tariff levels were generally lower than those of other semi-industrialized countries. In addition, Korea had eliminated its import deposit requirement in 1982 and had liberalized import licensing requirements for specific commodities. Despite all that, the access to the Korean market was still restricted because of the operation of an extensive licensing system which required a case-by-case review for imports of many agricultural commodities. He specifically observed that Korea had invoked Article XVIII:B as justification for its discretionary licensing. However, the same article also called for the progressive

relaxation of policies instituted for balance of payments reasons. He further noted that a flexible tariff quota system for wheat, corn, soyabean, tallow and palm oil was operated, under which tariffs were adjusted from time to time in the light of domestic supply and demand conditions as well as foreign exchange constraints. The use of flexible tariff system, in his view, should be indicated under column 8. In this connection he also enquired whether any of the above-mentioned commodities were likely to be removed from the operation of that system. Lastly, he referred to the phytosanitary restrictions which Korea maintained on a number of agricultural products. This included a prohibition on potatoes, tomatoes and other vegetables imported from North America, bananas from Hawaii and unhulled rice imported from countries other than Japan and Taiwan. In the same context he asked whether Korea had revised and enacted its chemical laws. Since the United States was interested in the market potential for fresh fruits and vegetables as licensing requirements were liberalized, he wished to know what type of health and sanitary regulations were in force for such imports from North America. He also wanted to know whether Korea had any codling moth restrictions on stone fruit. He specifically enquired whether Korea could accept imports of apples from the US if necessary certificates to that effect were provided for exports from certain districts of the United States free of codling moth. He also wanted to know the current health and sanitary import regulations concerning rice and cotton seed.

4. The Korean delegate replied that his country had indeed moved towards progressive liberalization of agricultural trade as was required under the discipline of Article XVIII:B. Further relaxation in discretionary licensing and other import control measures could very well be anticipated in the coming years. He would, nevertheless, refer the matter to his authorities for further clarification and details. Concerning the second question on tariff quotas he admitted that the system was operated for several commodities for which tariffs were reviewed twice a year in the light of domestic supply and demand conditions. He was not, however, in a position to provide more detail, except to observe that the system operated to the advantage of exporters. In the case of tapioca chips, for example, the tariff rate was 40 per cent, but under the tariff quota system the rate applied was 20 per cent for an import ceiling of 150,000 tons during the six month period from July to December 1983. Similarly, a reduced tariff rate of 3.5 per cent, instead of 5 per cent, was applied for an import ceiling of 1.1 million tons of wheat. He was therefore convinced that if the system of tariff quotas for agricultural imports were to be scrapped the exporters would stand to lose. As to the comment that flexible tariff rate should be noted in column 8 of the format, he had no definite views and was prepared to refer the matter to his authorities for reflection. In regard to the last question on sanitary and phytosanitary regulations and chemicals laws enacted in 1981 he was not in a position to give the necessary details, but would refer the matter to his authorities for an answer.

5. The representative of New Zealand noted with satisfaction the commitment of Korea regarding the gradual liberalization of agricultural trade which obviously had not kept pace with trade liberalization in other sectors. He then made some specific comments on the Korean notification. At the outset, he took issue with the contention that the various export financing schemes and the domestic price support measures, as spelled out in GATT document L/5102/Add.17 and elsewhere, had no effect on international trade. As an exporter of pork and beef, his country would be interested in seeking further clarification of the operation of these measures. The difficulties were further compounded when imports of other products of export interest to New Zealand such as mutton, lamb, butter, whole milk powder and cheese were completely prohibited in Korea. Imports of dairy products were banned with the exception of lactose used in animal feed, while a number of tariff items which were liberally licensed before had been put under discretionary licensing. In addition, Korea had a host of other taxes on imports. He illustrated his point by the example of ice cream, which was an unrestricted item, but still had a tariff rate of 85 per cent, 2.5 per cent sales tax and a 10 per cent value added tax and 10 per cent consumption tax, which were all compounded on the CIF landed cost. He further observed that in document L/5436 (paragraph 6) Korea had claimed that there was no quota system which, however, did not appear to be true. Imports of a number of products like beef tallow and pork had a tariff quota under which exporters no doubt enjoyed a reduced tariff rate up to a given level of exports but which effectively restricted their total exports. More information was therefore required on this system. Furthermore, although honey was a prohibited item, its sales for the hotel business were permitted which indicated that imports up to a certain level were allowed. This required some explanation. Similarly more information was needed on the special quota for fish. Finally, he shared the view expressed by the United States that Korea should not make its agriculture efficient by restricting imports under the shelter of Article XVIII:B, it should rather concentrate on other sectors where it had an undoubted comparative advantage.

6. The representative of Korea admitted that there was an export financing system, but his country had unified the bank lending rate at 10 per cent with effect from June 1982. This meant that exporters as well as domestic borrowers now paid the same interest and no preferential treatment was accorded to exporters. In regard to the imports of cheese, mutton, butter etc. he admitted that certain import control measures were applied, but this was more due to the reason that, unlike Europeans, Koreans were not keen consumers of these items and the liberalization of imports was not likely to influence the over-all intake. He also confirmed that certain items which were previously under "LL" system had now moved under "DL" system for administrative reasons. He sympathised with the view expressed that ice cream was subject to a very high duty rate. This was, however, a temporary measure for only six months and he was prepared to suggest to his Government to reconsider tariff rates not only on ice cream but also on some other products subject to high duty rates. He agreed that quotas

and tariff quotas were used for certain agricultural products, the details of which could only be provided at a later stage. In regard to honey he remarked that imports were not prohibited, but were subject to discretionary licensing and as such New Zealand could also share in the exports. He had no detailed information on the special fish quotas, but would be in a position to provide it to the Committee later. Lastly, he observed that if the principle of comparative advantage was rigorously pursued his country would have to scrap up all agricultural production, which it could not afford in view of its geo-political and economic conditions. His country was, nevertheless, committed to further liberalize agricultural trade.

7. The Canadian delegate also noted with satisfaction Korea's intention to further liberalize agricultural trade. As an important potential market for agricultural products, such a move offered good opportunities to several exporting countries, including Canada. He shared the concern expressed by New Zealand that Korea's marketing and price stabilization programmes did have an influence on agricultural trade and were not entirely neutral. His delegation was particularly interested in knowing the nature and scope of "OFMC" (other import control measures), especially in relation to cereals. Korea also had a wide range of tariffs on barley between 5 and 40 per cent, and he would like to know which type of barley was subject to such a high rate of duty. He also found Korea's health and sanitary regulations very detailed and cumbersome, and was of the opinion that they adversely affected exports of meat, meat products and fruits to that market. Since all the necessary details concerning these regulations could not be condensed into the format, it would be helpful if the Korean authorities provided this information in some other form.

8. In reply the Korean delegate re-assured that domestic support and stabilization programmes were totally geared to eliminating fluctuations in domestic supply and demand and could not in any way affect international trade. He would, nevertheless, convey the concern expressed on this account to his authorities. In respect of "OFMC" he mentioned that, in addition to a global quota, the imports of cereals were subject to the recommendation and control of the Ministry of Agriculture in accordance with the annual plan for supplies of foodgrains. Finally, a 40 per cent tariff was imposed on barley used for the manufacture of beer.

9. The representative of Thailand asked what specific import control measures were used for imports of maize and rice and what were the quota levels for imports of fresh manioc and soyabean.

10. The Korean delegate repeated what he had said earlier that the Ministry of Agriculture regulated and controlled imports of 14 cereals, including those of rice, barley, wheat, wheat flour etc., in accordance with the annual plan for supplies of foodgrains. "Other import control measures" concerning soyabean and manioc were the discretionary licensing and in the case of manioc a tariff quota also under which, instead of the basic tariff rate of 40 per cent a 20 per cent tariff was applied up to a ceiling of 150,000 tons of imports.

11. The representative of Australia in principle endorsed the comments made by New Zealand that Korea should aim at efficiency rather than self-sufficiency in the agricultural sector. He was, however, sceptical at the Korean remark that trade was being liberalized "gradually". He found that imports of most of the agricultural commodities were conditional on the recommendation of the Minister for Agriculture or of an industrial body and that such recommendations were never given except for meat, grains and sugar. He was particularly interested in knowing what revisions were being made to Korean food and agricultural policies as part of the revision of the on-going Five-Year Plan. He further asked whether Korea had signed any long-term contracts with any rice exporting countries and whether 100 per cent self-sufficiency was still the target of the Korean Government while importing only in years of severe crop failures. He also wanted to know whether Korea had the intention of diversifying its sources of supply of wheat from other than the United States and what prospects could be expected for beef exports in the face of a very restrictive import quota regime at present.

12. The Korean delegate reiterated that discretionary licensing applied only to 79 CCCN headings at the four-digit level, while 87 headings were still free from such requirements. He was, however, not in a position to indicate if the Korean agricultural policy was likely to be revised, but he undertook to refer the question to his authorities for a clarification. With regard to the question whether his country had signed any long-term contracts with the rice exporting countries he categorically denied that no such contracts had been negotiated in view of the good rice crops over the last few years. He, however, confirmed that the Korean Government was quite keen on achieving 100 per cent self-sufficiency in the production of rice for reasons of national security and adequate reserves. As far as wheat imports were concerned, the United States had been a traditional source of such imports for a long time which, however, did not mean that Korean market was closed to other suppliers. Statistics showed that Korea imported \$3 million of wheat last year from Australia which, however, was only 1 per cent of total imports. In reply to the last question whether beef quota would be enlarged he said that it would depend on an increase in the demand for beef and an expansion in the general purchasing power. Korea had shown a substantial increase over the past few years as imports of beef had expanded from 24,000 tons in 1981 to 41,000 tons in 1982 and an estimated 45,000 tons in 1983.

13. The Community representative reiterated that domestic agricultural price support measures had a positive effect on international trade and therefore some notation under columns 2 and 14 should have been given. It was not comprehensible how under the Foodgrain Management Law of 1963 the Korean authorities could regulate supply and demand for foodgrains without interfering with imports. He further noted that the justification for "discretionary licensing" had been given with reference to Article XVIII:B which clearly implied balance of payments difficulties. However, this was not true in the case of Korea where restrictions were applied selectively to protect agriculture. On the export side also, restrictions were imposed with reference to Article XI:2(a), which clearly prescribed that the measure would be used

only temporarily to prevent or relieve critical shortages of foodstuffs of other products essential to the exporting country. In the case of Korea these temporary measures had already continued for a number of years and still without indication when these would be terminated. He also observed that almost 40 per cent of agricultural imports were handled by the State agencies. The Korean authorities regulated imports of some other agricultural products under "OFMC", which was clearly State trading and should have been noted as such in column 13 instead of column 14. He, finally, addressed one question to the Secretariat concerning the difference between "automatic licensing" (AL) and "liberal licensing" (LL) which appeared in several notifications with different connotations to different countries.

14. The representative of Korea re-affirmed that the domestic price support measures had no effect on international trade, for which reason columns 2 and 14 had been left blank. If at all, these measures could influence the level of imports rather than exports. The main thrust of Korean development was the expansion of the manufacturing sector and the Korean Government had no intention whatsoever to be in competition with other exporters of agricultural products. The price support measures were designed solely to stabilize domestic market. As regards discretionary licensing he emphasized once again that his country was in the early stages of development and as such justified its balance of payments problems under Article XVIII:B in the Committee on Balance of Payments. He also wanted to make it clear that State trading was confined to only a few basic products as shown in the notification and that discretionary licensing covered 40 per cent of the agricultural imports which did not necessarily suggest that State trading agencies were involved. He also did not agree with the EEC that the notation "OFMC" should be shown as "ST" in column 13, as the State trading agencies had nothing to do with these measures.

15. The Chairman thanked the representative of the Republic of Korea for the notification and for the explanation given. He noted that the discussion had revealed that it might be appropriate for the Committee to revert to a discussion of Articles XI and XVIII at some later stage.

IVORY COAST (AG/FOR/CIV/1)

1. In introducing the documentation for the Ivory Coast Ambassador Traore said that, as a basically agricultural country, the economy of the Ivory Coast had shown remarkable growth since it became independent in 1960. Indeed, although subject to widely fluctuating prices for its products in international markets, economic growth had been achieved through increased diversification and strong growth of the foreign trade sector, particularly marked in 1976, but, albeit somewhat less, also in 1977 and 1978. Looking at results achieved under the First Five-Year Economic Development Plan (1961-65), exports increased at an annual average of 14 per cent and imports by 12.5 per cent. Under the Second Plan (1966-70) the annual growth figures were 11.6 per cent for exports and 8.2 per cent for imports. Under the Third Plan (1971-75) the annual growth rates were 14.6 per cent for exports and 16.75 per cent for imports. While it can be said that all sectors of the economy contributed to, and participated in, rapid economic growth, the main contribution to growth was made by exports, reflecting the efforts made by the Centre Ivoirien du Commerce Extérieur to promote exports and by the efforts made by the Government or Government sponsored organizations for channelling exportable products into export markets, with production of the three principal export commodities (cocoa, coffee and timber and wood semi-manufactures and manufactures) consequently showing the major growth.

2. An abundant labour force, the availability of large land areas suitable for cultivation, and the expansion of forestry-industry-facilities were the basic elements which made the rapid growth of exports of agricultural and silvicultural products possible. The Government encouraged this export-oriented production growth inter alia by protecting producers to some extent from excessive price fluctuations for their products in international markets by means of a price stabilisation scheme and price guarantees operated through the state-owned "Caisse de Stabilisation et de Soutien des Prix des Produits Agricoles". Further, the Government had taken measures to launch new export products such as palm oil, natural rubber, pineapple and coconuts. More recently the Government had launched a large scale programme for the development of cotton and rice production and for the expansion of sugar-cane plantations and refining capacity, partly with a view to exporting sugar. As far as the transformation industry was concerned, this is one of the most dynamic sectors of the economy. In the context of the 1976-80 Five-Year Plan the primary objective of public investment outlays had been the promotion of regional balance and social justice, rather than maximum growth. The integrated agro-industrial enterprises in the North of the Ivory-Coast provided a good illustration of the pursuit of this policy objective. These enterprises, or agro-industrial programmes, benefited from almost one-half of all public expenditure for the agricultural sector and were largely responsible for the overall development of State investment expenditures. In effect, the overall deficit on the investment account grew from 43.000 million CFA (e.g. 5 per cent of GDP) in 1975 to 111.000 million CFA (e.g. 7 per cent of GDP) in 1977. To finance these

deficits, the Government relied on external borrowing, with the result that the foreign debt tripled within a four-year period. As a consequence of the increase of the Government guaranteed foreign debt (816.000 million CFA in 1977) and further reliance on foreign financing, interest payments on externally incurred obligations, both the State budget and the balance-of-payments have come under increasing pressure. The Government was very conscious of the resulting problems and is therefore exercising the necessary restraint as regards development expenditures and has tightened controls on both expenditures and foreign borrowing by public enterprises and, consequently, slowed growth in public sector investment.

3. The period 1976-80 was nevertheless one of rapid economic growth of the Ivorien Economy, thanks to high and sustained internal demand and to large-scale public investment programmes and through a high level of exports, the three traditional elements of economic growth in the Ivory Coast. As a result, the primary sector of the economy benefited from about 1/3 of all public investment, thus permitting further progress towards three major objectives (i) reduction in regional imbalances, (ii) improvement of conditions for the rural population and (iii) diversification of production. The secondary sector of the economy experienced during this period a growth of more than 12 per cent per year, thanks to the investments made in the industries transforming indigenous raw materials, oleaginous fruits and oilseeds, husking and processing of coffee, cocoa processing, canning of fish, sugar processing and refining, cotton ginning, -spinning and-weaving.

4. The present Five-Year Plan continued on the path of the earlier Five-Year Plans, in conformity with the general policy objectives decided upon by President Houphouet-Boigny and the resolutions adopted by the 7th Congress of the Parti Démocratique de Côte d'Ivoire (PDCI-RDA). The overall policy objective assigned a high priority to economic and social development in the context of a society which guarantees individual and collective progress and the pursuit of happiness for all Ivoiriens. With this in mind, three major objectives have been decided upon (i) continuation of the efforts undertaken to ensure economic growth, (ii) increasing indigenous participation in all economic activities, (iii) measures for promoting collective and individual possibilities for growth and prosperity of all Ivoiriens. Among the options for achieving these objectives, the following four options chosen are of particular importance, (c) continuation of the liberal policy adopted, (ii) continuation of the policy of integration in the international economy, (iii) continuation of efforts to achieve better balance between all regions of the Ivory Coast and (iv) increased regional cooperation with neighbouring countries.

5. Concluding his statement, the representative of the Ivory Coast said that, notwithstanding a reduction by more than one-half of the Ivory Coast's export earnings over the course of the last few years, the country was resisting this kind of adversity better than many other countries. The Ivory Coast continued to be confident, given the remarkable infrastructure it has developed, that, when world economic recovery will come, the Ivory Coast will participate in that recovery.

6. The representative of the United States expressed his appreciation of the statement made and of the additional detailed information accompanying the format. There were, however, a few points which required clarification. For instance, it was the understanding of his delegation that not only wheat flour imports were prohibited but that imports of wheat were also prohibited as of Jan. 1982. If such a prohibition existed it should be noted in the format, together with its justification - for instance Art. XVIII, if this was a balance-of-payments measure. Likewise, details of the measure should be notified to the secretariat. Further, while the accompanying notes explained that rice was under annual quota, the nature of the restrictions was not as clearly evident from the format itself. Also, as regards livestock and seeds, it appeared that imports of these items were prohibited. Finally, it would be interesting to have more information on how the different subsidy measures worked and the exact form they took.

7. The representative of the Ivory Coast explained that imports of wheat flour were, in fact, prohibited and the rationale for this was probably that of aiding the development of the domestic milling industry. As far as wheat was concerned, imports did require authorization from the Minister of Commerce. In regard to rice, while it was true that annual import volumes were determined on the basis of the difference between domestic production and domestic needs, the actual administration of the measure was through the issuance of licences granted to interested importers. She had, however, taken note of the point made and the insertion of another symbol against rice in column 10 of the format could be considered in any revision. As regards the notation of "LL" in the format, this referred to a mere administrative formality, primarily for statistical purposes. In regard to livestock and seed imports, particularly given some of the ongoing development programmes, described in the notes, she doubted very much that these items were under import prohibition. What was involved, to the best of her knowledge, was a control for sanitary and phytosanitary purposes. Regarding subsidy measures, she referred to what had been said when introducing the documentation. As he had pointed out, the Government had taken various measures to promote production and export of certain key commodities, notably cocoa, of which the Ivory Coast is the worlds leading exporter, and of coffee and palmoil, in both of which the Ivory Coast is the third largest exporter, and he had also mentioned other commodities, for instance pineapple, which had benefited from Government support in export promotion. As regards actual outlays on behalf of the different products it would be difficult to quantify and allocate amongst products the cost of support measures which are largely of a general nature, such as training schemes and extension and field demonstration facilities, infrastructure developments etc. - and which were generally part of the State budget, with expenditures undertaken in accordance with overall policies. Just to mention a figure, in a recent budget, overall outlays for rural support and development had been of the order of 65.000 million CFA. In any event, these measures should not be seen in the narrow terms of Article XVI - but should also be viewed in the context of the overall objectives and facilities provided for under Art. XXXVI and Art. XVIII.

8. The representative of the United States thanked for the explanations provided and stated that he had not implied to question the justification of various development assistance measures but to suggest greater transparency, by inscribing subsidy measures not only in the notes but in the format itself. Also he would look forward to more ample details on the import treatment for wheat.

9. The Community representative expressed his appreciation for the very complete notification by the Ivory Coast and the excellent description of the Ivory Coasts' agriculture given in the accompanying notes. Also it was appreciated that it was recognized that agricultural development assistance measures could have an influence on either exports or imports, or both. What was still lacking was a clear reflection of that recognition in the format itself, in the form of inscriptions of the appropriate symbols in columns 2 and 14. Further, from para. 41 of the explanatory notes it appeared that there were, in fact, annual foreign exchange allocations for imports, while the inscriptions in column 10 referred to measures in force as "L" and "LL". Also, there seemed to be some incompatibility between the import system described in para. 48 and the invocation of Article VIII:4 - which related to import formalities - and, since Article VIII:4 applied not only to agricultural products, the use of the classifying criterion (a) for purposes of column 16 seemed questionable.

10. The representative of the Ivory Coast explained that they had tried to meet the information requirement of the Committee by providing a very complete description of the Ivory Coasts' agriculture, covering the situation and developments for all of the major products consumed domestically and all the major agricultural exports. Moreover, wherever assistance measures were product- or product-sector-specific this had been indicated in column 4, when the measures concerned export items, or in column 14, where measures might affect imports. The inscriptions were then cross-referenced to the relevant paragraphs in the accompanying notes and a reference was also given to the relevant GATT Articles, as described in para. 44 of the document. As far as the system of import licensing was concerned all imports payable in the national currency - and it was relevant to note that the Ivory Coast was a member of the Franc zone - were liberally licensed. The licensing requirement being a mere formality they had been referenced to Article VIII:4. As regards the classification symbol for column 16, it was true that Article VIII:4 did not relate specifically to agriculture but this was, perhaps, not a major problem, since, as could be seen from the format, the Ivory Coast had inscribed against Article VIII:4 not only (a) in column 16 but also (f). Finally, it was true that, as a developing country, the Ivory Coast had to exercise some control over its foreign exchange resources and also to safeguard the development of its infant industries. In regard to imports from some of the low cost exporters, in respect of which serious imbalances in the trade account occurred, there had to be some recourse to exchange allocations.

EGYPT (AG/FOR/EGY/1)

1. In his opening statement, the representative of Egypt described the role of agriculture in Egyptian economy as very significant. It accounted for 20 per cent of the GNP and 40 per cent of the employment in 1981-82. Due to structural and other reasons the growth in this sector had been relatively slow in the 1970's at about 2 per cent per annum. Even though the Egyptian soil was highly fertile and the average crop yields were relatively higher than the world average, overall production could not sustain the increasing population. Migration of population from the rural to urban areas and to other countries and limited area for cultivation kept the production at low levels. Egypt's agricultural sector, having shown a trade surplus of about \$300 million in 1970, recorded a deficit of \$800 million in 1977 and \$2.7 billion in 1981-82. Larger quantities of foodstuffs, such as wheat, wheat flour, meat, sugar, dairy products, coffee, tea and some other items had to be imported from abroad to meet the total domestic requirements.

2. Explaining the salient features of the trade regime affecting agriculture, the Egyptian delegate mentioned that while a larger proportion of agricultural imports were duty-free, a sizeable proportion entered at rather low duty rates. Higher tariff rates were imposed on certain non-essential and luxury goods in order to discourage demand and to save the scarce foreign exchange for more essential imports. Certain items were importable only by the public sector enterprises so as to ensure that essential foodstuffs were available to people at reasonable prices. As indicated in the notification, licensing was applied to imports in a non-discriminatory way and on a commodity rather than on a country basis. Priority was given to essential requirements of food, raw materials and other goods, keeping in view the total availability of foreign exchange. Sanitary and phyto-sanitary regulations were also applied, as in other countries, to protect human, animal and plant health. These were however, not quantitative in nature. Finally, he said that the notification was provisional pending further amendment.

3. The representative of Switzerland made a general remark regarding the notification that no information had been provided on subsidies and other export assistance measures in column 2 to 7. Even if it were assumed that Egypt was not a significant exporter, it did export certain products. His own country was not an important exporter of agricultural products, but still had notified all the measures affecting such exports. In common with the observation made by the representatives of the EEC, Canada and New Zealand in respect of the Korean notification, he also felt that certain import policies had an influence on exports, which should have been indicated in column 14 for transparency and a more complete picture.

4. The representative of Egypt replied that his country did not grant any subsidies to any of the agricultural exports. He also mentioned that column 14 of the notification was left blank because Egypt did not apply any import restrictions.

5. The representative of the United States appreciated Egypt's balance of payments difficulties as in many other developing countries, but he found the severity of the restrictive measures out of proportion with the difficulties experienced by Egypt. Egypt had also not submitted much documentation to the GATT on its economic problems which had made an assessment of the situation more difficult. Referring to some specific bilateral problems he recalled that in July 1983 the Egyptian Government had announced its intention of banning the imports of frozen chicken, live cattle, tomato paste and favabeans for 12 months and the ban was expected to continue for 5 years. He wished to know what other bans were in effect and whether these were applicable to all countries. If these bans were justified on the grounds of balance of payments difficulties, why Egypt had not notified them to the GATT and whether under the provisions of Article XVIII:B Egypt had taken necessary steps progressively to liberalize trade. Furthermore Egypt had undertaken during the Tokyo Round to bind duty rate on poultry at 8 per cent. A ban on imports of poultry meant an impairment of a concession bound under the GATT. It was also his understanding that Egypt had banned imports of all fresh fruits except those coming from the Arab League countries. If this was true, he would like to know what other preferential arrangements Egypt had with the Arab League. Such preferences should have been shown in the notification. It could also be noted from the IMF Report that foreign exchange was not allocated for imports of non-essential products or goods that could be locally produced. He would like to know what agricultural products were affected by this policy and whether these policies had been notified to the GATT. Furthermore, many agricultural products, especially the bulk commodities, were imported exclusively by State agencies. He enquired whether poultry and dairy products were also being currently imported by State agencies. If that was the case, it should be duly noted in the format. He also observed that private importers were obliged to buy foreign exchange at a premium, which tended to discourage imports by them. He asked whether the Egyptian Government had the intention of adopting a single exchange rate for the private and State sectors in the future. If this was not the case, then the dual exchange rate should have been indicated in the relevant column of the format and Egypt should justify this measure under the GATT. He also observed that private importers were subjected to prior import deposit requirements of between 25 per cent to 100 per cent, which served as a deterrent to imports in the private sector. He enquired which of the agricultural products were subject to such import deposit requirements and whether the requirement should not have been indicated with a notation "PRDEP" in column 9 of the format. Similarly, the share of agricultural imports in the annual foreign exchange allocations should be indicated with the notation "CURR" in column 14. Lastly, he wanted to find out whether the domestic produce of poultry and beef were tested for the level of "salmonella" under the sanitary regulations, just as it was done in the case of imports from other countries. If there were no such tests for domestic products, then what was the reason for the discrimination. He wanted to know the maximum acceptable level of "salmonella" for imported poultry and beef.

6. The representative of Egypt said that the notification was provisional and some corrections and amendments would be forthcoming. Certain questions, however, had to be referred back to his authorities for detailed observations. He was, nevertheless, willing to answer some of the questions. As regards the banning of some imports, he was not aware of any such restrictions which, if applied, his country, in any case, would have done indiscriminately and would have certainly notified to the GATT. The foreign exchange allocations for imports were made to different sectors of the economy in accordance with their lists of priorities, in which essential foodstuffs naturally received higher priority. As regards the question whether poultry was imported only by State agencies his reply was that these imports were made by both private and State enterprises. As to the question of dual exchange rates, he was of the view that it was more in the purview of the IMF than in the Committee on Trade in Agriculture. He was, however, prepared to provide more information if so required. He further mentioned that it was rather difficult to give a precise indication of the amount of foreign exchange that would be made available for agricultural imports next year. However, he made it clear that imports of such products were steadily increasing. Finally, he suggested that the Committee should not be bogged down with the question of the number of measures existing in each country but should rather consider the effect of such measures on the overall trade. In the case of Egypt, the trade had shown an increase over the years parallel to the overall availability of foreign exchange, thus establishing that the import regime was fairly liberal.

7. The Community representative made a general remark that in the examination of notifications by several developing countries the Committee frequently had to address itself to GATT Articles XII, XVIII, XV and XVII dealing respectively with the balance of payments and exchange control problems and State trading agencies. Looking at the introductory paragraphs in the Egyptian notification, a specific impression obtained was that the Government controlled and regulated the bulk of the foreign trade through its numerous public sector enterprises. Not only the public sector imports but the private sector imports, in principle, also appeared to involve approval of the commercial agencies/Import Rationalization Committee. He contended that Egypt's economy was largely managed by the Government and this should be reflected in column 13 of the format. He also pointed out the excessively high tariffs for certain items, i.e. 600 per cent to 3000 per cent, which singled out Egypt for prohibitive tariffs. He further observed that Egypt had not provided any information on subsidies and other export assistance measures in columns 2 to 7, and had not indicated State trading for rice (10.06) in column 13. The EEC had a specific problem with Egypt regarding exports of cheddar cheeses (04.04) for which only a tariff rate of 5 per cent had been indicated but, in practice, negotiations also had to be conducted with the Government for exports of certain types of cheeses. Finally, the dual exchange rate followed by Egypt should have also figured in column 14 as a restrictive measure.

8. The Egyptian delegate replied that State trading was used as a tool to ensure constant supplies of food at reasonable prices. Only the Government sector could afford to provide essential foodstuffs at less than their import prices. Regarding imports of cheese he mentioned that the bulk was imported by the public sector so as to make it available to the people at less than normal market prices. But a part of it was also being imported by the private sector. He further observed that there was some misconception about State trading in his country. It was a mere formality that foreign suppliers were required to be represented inside Egypt by an Egyptian agent under the system of commercial agencies. He also remarked that tariffs were extremely high on wines and liquors because of the religious considerations, and other import restrictions were justified under Article XVIII:B because unlimited access to the market could not be guaranteed without the means to pay for all imports. In reply to the last question he referred again to his earlier remarks concerning the dual exchange rate system.

9. The representative of Canada also emphasized the need for more detailed information on export measures and the scope of State trading operations in Egypt. As an exporter of seeds and seed potatoes his country was interested in obtaining more details on the phyto-sanitary regulations for these products.

10. The representative of Egypt replied that the required information on phyto-sanitary measures would soon be provided and also reassured that Egyptian notification would be amended and completed in the light of the discussions that took place in the Committee.

11. The Chairman thanked the representative of Egypt for the notification and the explanations provided. He felt that it might be appropriate for the Committee to revert to the application of balance-of-payment restrictions and the reference made to Article XVIII.