

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)

India
Indonesia
Israel
Jamaica
Japan
Kenya
Malaysia

INDIA (AG/FOR/IND/1)

1. In introducing the documentation for India, AG/FOR/IND/1, the representative of India expressed regret for the late submission of the data, due to technical reasons beyond the control of the delegation and expressed appreciation for the assistance by the secretariat for processing the documentation in time for consideration by the Committee.

2. He described the salient features of India's economy and explained how the different geographical, climatic, demographic, economic and institutional factors influenced and, to some extent, determined Indian agricultural policy objectives and the measures adopted in pursuit of these objectives. In particular, he pointed out that, whilst under the Indian Constitution many important functions and responsibilities are clearly vested in the Central Government, other important responsibilities, such as agricultural development issues, and various socio-economic development measures, are largely vested in the State Governments and regulatory bodies, though shared in various ways with the Central Government. It was for that reason that it had been extremely difficult to provide the highly schematized information of the type requested for in the format.

3. He stated that the primary and almost exclusive thrust of the Government of India's policy in regard to agriculture could be characterized as intended to feed a large and growing population by providing an appropriate framework of socio-economic development measures. What was important to bear in mind was that the bulk of India's agricultural production is geared to meet domestic food requirements and the raw-material needs of its industry. Until recently, most of the agricultural produce harvested in the country was largely for immediate local consumption only, with the result that there could be shortages, even famine, in one part of the country and relative surplus in another. Whilst the appropriate policy-mix had certainly yielded results in linking local production to regional markets and these, in turn, to a national distribution network, the foreign trade element in agriculture still did not pose itself, even as a question, except in a few cases.

4. He explained that the most important sectors of Indian agriculture were cereals, oilseeds, sugar, cotton and jute (though the latter two were outside the scope of the Committee's consideration), fruits, vegetables, tea, coffee, spices and tobacco, as well as certain animal products and, for the coastal areas, fishery products.

5. Highlighting some of the more detailed data contained in AG/FOR/IND/1, he stated that within the agricultural sector the foodgrain crop, consisting principally of rice and wheat, was, by far, the most important, in terms of monetary value, accounting for 60 per cent of the gross value of agricultural output, 80 per cent of the area cultivated, and the most important in terms of the total area under irrigation and significance to the economy. During the 1950s and 1960s, India had consistently been an importer of foodgrains. During the 1970s, however, the "green revolution" began to take effect, with overall foodgrain production expanding at an annual rate of 2.7 per cent. By 1978/79, the foodgrain crop amounted to about 132 million tons and

foodgrain reserves stood at 20 million tons. A severe drought in the following year reduced the harvest to 109 million tons and reserves fell to less than 12 million tons, i.e., well below the so-called "safe level", necessitating imports of about 5 million tons. Various measures taken over the last few years, and particularly the increased availability of electricity and diesel power for pumps, had resulted in much greater resilience in agricultural production in 1982, another year of drought, but imports of foodgrains had continued. For 1983, he was happy to announce that India had been able to produce a bumper crop of about 143 million tons of foodgrains.

6. To place the 1983 level of foodgrain production in perspective, he explained that although India had come a long way in raising output, it still had to go a long way to achieve the transition from marginal self-sufficiency in foodgrain production to food-security for its growing population. Whilst the progress made so far reflected deliberate government policy to encourage production through development of the infrastructure, provision of adequate fertilizer supplies and, last but not least, through production incentives to farmers, the salient feature of the Indian policy measures was the consumer subsidy for foodgrain, operated inter alia through a Government-determined procurement price. Unfortunately, the format itself did not provide for the inscription of sufficient details for describing these measures, but an understanding of the operation of Indian policy measures could be obtained from a reading of the introductory and explanatory notes to the format. Just to put India's achievements and needs once more in the proper perspective, it had to be remembered that a population of more than 700 million, as in India, needed, from a nutritional point of view, 240 million tons of foodgrains rather than 140 million tons; and yet, even the latter figure had to be seen in the context of the prevailing ability of the common man's purchasing power.

7. In concluding his introductory remarks the representative of India referred the Committee, in respect of other sectors of Indian agriculture, to the more detailed data provided in AG/FOR/IND/1. However, even these additional details could not adequately describe all of the elements of Indian agriculture, in a land stretching over more than 3.2 million square kilometres, comprising not only large desert areas, but also tropical jungles, some of the earth's greatest rivers, a large and growing area of irrigated land; but the bulk of the agricultural level now, and forever, still dependent on rainfed cultivation only - with all that it implied, disastrous flooding at times and long spells of drought at other times, in view of the impact of seasonal and cyclical, yet nevertheless, not entirely predictable, variations in the weather in the Indian sub-continent. Given the great geographic diversity of the environment in India for agriculture, and the consequent diversity of the measures necessary to cope with the different problems, and for realizing India's agricultural potential, the best way to proceed with the examination would be by a question and answer process, as had been adopted with respect to other countries, and he said he would, of course, be prepared to do his best to answer any questions that might be put to him at this session of the Committee, or - if so desired - later, bilaterally.

8. The representative of the United States thanked India for the submission made. As regards the substance of India's agricultural policy objectives and measures he noted that these had reduced agricultural imports through a combination of restrictive import policies and domestic policies which encourage production of certain commodities. These measures, sometimes combined with export subsidies, on selected agricultural products, had led to the isolation of Indian agriculture from the forces of the international market. On the import side India had imposed bans on imports of a number of commodities, including beef, tallow, milk powder, tobacco and certain other items. Imports of other items such as livestock and almonds, were severely restricted. Moreover, India maintained stringent licensing requirements on a large number of items. India also imposed high tariffs on imports of certain commodities, for instance - on an item of particular interest to the United States - almonds, for which the import duty was 150 per cent. More generally, it could be said that India made use of a comprehensive licensing system to control imports. While some agricultural imports were subject to Open General Licence, or automatic licensing, there were other items for which licences were granted only on a discretionary basis. This was not entirely evident from the symbol "R" inscribed in the format against many headings. In fact, imports of some of the items were virtually prohibited and that should be noted with the proper symbol in the format. While some of the measures used were referred to and described in the explanatory notes, it was not entirely clear on what basis licences were being issued and also what was the interrelationship of the issue of licences and State-trading for certain items. Similarly, where subsidy measures were in force - and most support prices had recently even been increased - this should be noted not only in the explanatory notes but in the format itself. Also, given the fact that for many of the restrictions Article XVIII was invoked, what action did the Indian authorities envisage to relax these restrictions as required by the provisions of Article XVIII? Finally, there remained also the question of severe restrictions on such items as livestock and seeds.

9. The representative of India said that India was, of course, mindful of its GATT obligations. Thus, in relation to the point made on obligations under Article XVIII, he was happy to recall that relevant details of the measures had been provided by India, circulated in document BOP/225, and that moreover at the last consultation with India in the Committee on Balance-of-Payments Import Restrictions, held in June 1982, India had been complimented by the representative of the United States in that Committee on the significant liberalization of India's import regime carried out over the last two or three years. As regards some of the specific points made on import bans there appeared to be some differences of perception. For example in regard to tallow the recent Import Trade Control Order (27/83) spelled out that only imports of beef-, buffalo- and pig-tallow were prohibited. This was done to make absolutely certain that these tallows could not be imported by unscrupulous people, by utilizing what had been termed as a loophole in the import procedure, and then be mixed fraudulently, with other ingredients used in making vanaspati - a widely used cooking medium in India. There was no need to belabour the reasons for this ban, but - at the same time - it was important to bear in mind that

imports of other tallow were permitted and imports of such other tallows would continue. As regards milk powder there was no ban as such, but only restrictions and the reasons for their maintenance and their operation had been indicated in the format by cross-references to paragraphs 19 and 29 of the accompanying notes. With respect to import duties on almonds he explained that, in fact, the United States had raised with India a question of valuation for duty purposes of imports. The Indian authorities had reviewed the valuation practice and criteria for this product and had then acted, a few months ago, to redress and correct the problem pointed out to them by the United States. This problem having been overcome, imports from the United States have gone up considerably. Whilst the duty remains high, this was not a protective duty, but a duty applied for revenue purposes. As regards import licensing and restrictions on almonds the measures applied were non-discriminatory, were in strict conformity not only with the GATT, but also with the Import Licensing Code. While it might be considered regrettable by some, it had to be noted that, as a poor and developing country, India had to restrict imports of certain items - and almonds were one of these, a low priority item, by any reckoning - India did import a great variety of products from the United States, mainly capital goods, and, overall, the value of Indian payments for imports from the United States was double that of its earnings from its exports to the United States. As regards subsidy notifications, India had never denied that it operated certain subsidy measures and this was, in fact, reflected in the format by reference to paragraphs 20-23 of the explanatory notes. What had to be remembered was that, basically, the name of the game was to combat poverty, not to encourage export production. While there were a few items that were exported on and off, the basic aim was to feed the population. What were these measures? - rural electrification, expenditure on irrigation systems, a subsidy on fertilizer and its transport and distribution, expenditure on dairy and animal husbandry schemes and expenditure for various anti-poverty programmes, including those for the "Small Farmers Development Agency" and the "Scheme for Marginal Farmers and Landless Labourers". As regards the point relating to State Trading, he drew attention to the explanations provided in paragraphs 32-35 of the explanatory notes, pointing out that only rice, wheat, maize, sorghum and pulse imports were a State monopoly. While certain other items were subject to a so-called "canalizing" procedure, the rationale of which had been described in the explanatory notes, the corporations or agencies concerned had no monopoly rights as regards imports and all purchases by the public sector agencies were guided by normal commercial considerations, are non-discriminatory in nature and State Trading was not used as a measure to restrict imports.

10. The representative of the United States expressed his thanks for the explanations given and also expressed the hope that in a revision of the format, the points made by him would be appropriately reflected and that the relevant additional symbols would be inscribed in the revised format.

11. The Community representative said that, in view of the fact that the AG/FOR/- document on India had only been distributed a few hours earlier, he would limit himself to some general comments and a few specific questions. From a first reading of the notes accompanying the format, it was clear that India's problems with regard to agriculture were significantly different from those confronting many of the developed countries, which had been discussed earlier. While for the latter, there often arose the question of avoiding surplus production, in the case of India, the main problem was to produce enough food for feeding its large and growing population. Differences such as these, and others arising in the context of development, should be clearly born in mind when the Committee arrives at its next stage of work when it examines problems of a more general nature. As regards specific points, he enquired about the difference in actual import treatment of products categorized by the symbol "R" in column 10 as compared with those for which the symbol "L" was inscribed in the same column, noting in this context that for both symbols Article XVIII:B had been invoked. Also, the way he read the information provided, State Trading should probably be indicated in the format in respect of various headings. In relation to tariffs he noted that no classification criteria had been provided in column 16 for unbound positions.

12. Replying first to the last point made, the representative of India said that the fact of a position being bound or unbound was very much a reflection of negotiating results and absence of bindings on items of special interest to one or other country might simply indicate that in the past, the position had not been the subject of negotiation or that no satisfactory concession could be offered to India in compensation. As regards positions for which India had given GATT tariff concessions, he drew attention to paragraphs 36 and 37 in the explanatory notes which indicated that, as a result of the changeover in 1976 from the previous Tariff Schedule (based on the League of Nations Nomenclature) to the Brussels (or now CCCN) Nomenclature and of certain tariff increases effected in connection therewith - some tariff sub-positions were still the subject of renegotiation in accordance with Article XXVIII. In relation to symbols "L" and "R" used for import licensing or restrictions, he invited attention to paragraph 27 in which it was explained that various items were importable under Open General licence, or benefit from a special replenishment procedure, or for which licensing (such as for live animals, seeds, etc.) was specifically provided for, were identified in the format by "L". Given the fact that some of the measures were applied for sanitary or phytosanitary reasons and others, also denoted with an "L", for other reasons, his delegation had taken note of the questions and they were prepared to consider in any revision of the format whether perhaps other symbols should be inscribed in one or the other column of the format.

13. The representative of Australia expressed his appreciation of the explanations given by the representative of India, touching inter alia also on some points, such as tallow imports, which he had intended to raise. He noted the points made in relation to the special situation of a large and populous country desirous to feed its population. Yet one of the elements which had so far not received sufficient attention in the Committee, and the secretariat should perhaps in future look into

this matter, was the quantification of the trade effects of various subsidy measures. On more specific points, he noted that cereal imports in India are the responsibility of the Food Corporation and asked what the exact responsibilities of the Corporation were, how the level of imports to be made was determined and how the sourcing of imports was determined.

14. The representative of India explained that in a country as large and as poor as India there was really no substitute for the Government to act as an importer of foodgrains through State agencies, not only the Food Corporation of India, and to ensure through the public-distribution system that sufficient foodgrains were available in all parts of the country. As regards the level of these import needs it depended, in the first instance, on the level of production as compared with the needs. However, as production was entirely in private hands, it often happened that even when relatively large crops were harvested, sales by farmers to the public agencies at the Government-determined procurement price were not sufficient, so that even in good harvest years, the Government had to go into the international market to procure sufficient quantities of foodgrains for the proper operation of the public distribution system - which could be considered a form of consumer-subsidy. Normally, supply missions would be sent out to purchase, and these purchases would be guided by normal commercial considerations and would be entirely non-discriminatory. This applied to imports on commercial terms. Imports on concessional terms were, of course, a different matter, but, then, India had not benefited for some time from concessional supplies of foodgrains.

15. The representative of New Zealand expressed his appreciation of the information submitted by India and also for the helpful explanations and comments provided and the willingness of India to enter into a dialogue in respect of the operation of the various measures. Given the fact that the information had become available somewhat late, his delegation might, in fact, wish to come back at a later occasion to one or the other point.

16. The Chairman thanked the representative of India for the notification and for the explanations given, and appreciated the willingness of India to provide further explanations, if so desired.

INDONESIA (AG/FOR/IDN/1)

1. Introducing the documentation for his country the representative of Indonesia made a general remark that economic development in his country was based on the five-year plans, which for the first time was launched in 1967. Agriculture occupied the center stage of all economic development plans since a large proportion of people were engaged in this sector. The major goals set for this sector were an increase in food production, an increase in exports of agricultural products, an increase in farmers income and a more realistic balance between the growth of agricultural and industrial sectors. Appropriate policy measures were adopted to achieve these diverse but interlinked goals. The commercial policy, in particular, was geared to obtaining the optimum use of natural resources and the provision of wider job opportunities.

2. Commenting on the notification itself he mentioned that Indonesia did not have any subsidies or other export assistance measures. In order to prevent or relieve critical shortages of foodstuffs or other essential products, however, the Government imposed a tax on the exports of some of these products. This also provided the essential revenues for the Government. On the import side, tariffs were generally low and about 12 items were bound under the GATT. Preferential duty rates had been adopted for certain products imported from ASEAN countries. Other measures affecting imports of agricultural products included an internal sales tax, sanitary and phytosanitary regulations, licensing, global quota and State trading.

3. The United States delegate pointed out that Indonesia's agricultural policies, as in many other countries, were geared towards domestic self-sufficiency. The State maintained a high degree of control over agricultural imports and had recently restricted the imports of fruits, vegetables and other commodities. He had a number of questions which required some clarification. First, in 1982 Indonesia's national procurement agency (BULOG) had assumed control of all corn and soyabean meal imports. After this action, BULOG was now responsible for the imports of all bulk commodities. The notation "ST" should therefore be indicated in column 13 for all appropriate commodities. Second, the Indonesian Government announced in December 1982 certain import restrictions in the form of either bans or quotas on a number of agricultural products including soyabeans, soyabean meal, apples, grapes, oranges, bananas, coconuts, cashew nuts, pineapples, green beans, grape juice, certain canned fruits and processed meats. He suggested that for all such commodities the notation "Q" (quota) or "P" (prohibition) should be noted in column 10 of the format. Third Indonesia had made certain concessions on tariffs in the Tokyo Round, which should appropriately be reflected in column 8. Thus, bindings on citrus products (excluding oranges) and grapes should be indicated. Four, Indonesia instituted a counter trade purchase policy in January 1982, under which foreign exporters purchased an amount of specified Indonesian products equivalent in value to the exporters' sales to that country. His Government was interested to know whether this policy was applied to all foreign exporters and whether it covered any of the agricultural products. If that was the case, it should be appropriately

noted under column 7 or 14 relating to other forms of assistance. Five, imports of a number of commodities like rice, refined sugar, wheat flour, raw dairy products and some vegetable products were allowed to a relatively small number of licensed Indonesian importers. This should be reflected in the notification as "DL" (discretionary licensing) for these items. Commodities which were not subject to discretionary licensing should be indicated with the notation "LL" (liberal licensing). Six, his Government also believed that Indonesian Government provided price supports for a number of domestically produced agricultural commodities, which should be noted under column 14 as appropriate. Finally, he enquired whether all labels of processed food and beverages still required a Department of Health registration number, and whether fees for obtaining such registration numbers were the same for domestic and imported goods.

4. The Indonesian delegate acknowledged that his country's agricultural policy was geared to achieve self-sufficiency. As regards the comment that Indonesia's national procurement agency (BULOG) was responsible for imports of all bulk commodities, he referred to the format which clearly showed that State trading existed only for CCCN headings 08.05, 10.01, 10.06, 15.07 and 17.01, and for which "ST" had been noted in the relevant column. Regarding the second question he denied that any bans were applied to agricultural imports; the Government regulated imports through licensing, which had been indicated in the notification with the symbol "L" under column 10 for the appropriate commodities. On the third question he said that Indonesia maintained restrictions on citrus products and grapes under Article XVIII and the Ministerial Declaration. Referring to the counter-trade policy followed by his Government he made it clear that it was not discriminatory and that it covered all exportable goods, agricultural and industrial products. Both the Government and the private sector could engage in such bilateral transactions, without in any way conflicting with the existing trading systems. He however, emphasized that counter-trading was necessary to meet an abnormal economic situation. It had been evolved as an instrument to combat the prevailing recessionary conditions. Instead of reducing imports through restrictions his Government had made it an obligation for foreign suppliers to buy Indonesian goods in return for their exports. There was no State assistance involved in this, it merely showed a more pragmatic national response to a hopeless world trade situation. On the question that imports of a number of agricultural products were restricted to a small number of registered importers, he affirmed that this was the case in order to maintain an effective watch over the imports. There were, however, certain products, such as milk and milk products and honey, for which no licences were required. Regarding the question of price supports for domestic producers, he made it clear that no such price supports were provided to domestic farmers. The Government's role was limited to ensuring that adequate supplies were available at reasonable prices to the consumers. Concerning the last question he confirmed the understanding of the US delegate that the Department of Health registration number was obligatory on all labels for both domestic and imported products, and that fees were the same for this purpose.

5. The Community spokesman addressed himself to the question of the invocation of Article III for the import taxes ranging between 5 per cent and 20 per cent. He enquired whether the tax was levied in a non-discriminatory way on both domestic and imported products. He also noted that Article XVIII:B had been indicated for the import restrictions, but this contradicted the assertion in the general introduction that Indonesia had formally ceased to invoke this Article in 1979. He therefore suggested that the symbol (c) would be more appropriate since these restrictions were the result of a lack of observance or application of certain provisions of the General Agreement. Similarly, a large number of agricultural imports entered Indonesia at unbound duty rates which should be properly noted under the same symbol (c), implying a limited use of Article II.

6. The Indonesian delegate confirmed that import taxes under Article III were applied in a non-discriminatory way on domestic as well as imported goods and that the main purpose of this tax was revenues for the Government. Regarding the invocation of Article XVIII:B for import restrictions, he mentioned that the purpose was to implement their programme of economic development. In any case he had taken note of the EEC suggestion and would pursue the matter with the secretariat. With regard to the limited use of Article II for GATT bindings he repeated that only seven items were partially bound and that had been appropriately shown in the format.

7. The representative of Chile observed that an internal tax was not a levy and should therefore be indicated in column 14 as "NTX" under Article III, applicable to domestic as well as imported products. He also thought that it was not correct to invoke Article XVIII:B since Indonesia was not confronted with the balance of payments difficulties, they were restricting imports in order to promote development which somehow could be justified under the same GATT Article, but under a different section. With regard to the issue of counter-trade, he reckoned that about 20 per cent of the international trade was in this form and therefore the operations could not possibly be ignored. Indonesia should provide more detailed information in its notification on counter-trade transactions, especially because they were an important element in the Government programme and in that sense also involved some kind of Government assistance. In any case, the question merited a more exhaustive discussion, which could only be done if more details were provided.

8. The representative of Indonesia agreed that the internal tax under Article III should have been indicated as "NTX" in column 14 and also accepted the suggestion that import restrictions, which were not for balance of payments reasons but for development purposes, should be justified under Article XVIII:C instead of Article XVIII:B. Regarding the question of counter-trade, however, he took note of the general comments made without further elaborating his views. He nevertheless made the point that several Western European countries also took recourse to counter-trade practices when it was in their interest.

9. The representative of New Zealand felt that the notification was deficient in many ways and therefore required a fresh look by Indonesia. The comments made by the United States and the EEC showed the specific weaknesses and also identified the areas where more information was needed. He specifically wished to know the method used by Indonesia for determining CIF prices on the basis of which import duties were levied. Apparently, prices were determined under an indicative price check system which allowed considerable flexibility. He also pointed out that Indonesia had a licensing system for imports of meat and meat products and dairy products, but the notification failed to indicate that. He further added that imports were permitted only to a small number of registered importers who were given a special permit by the Government for this purpose and since 1968 only Indonesian nationals had been permitted to do so while foreign investors could only import raw materials which they required for their normal operations. Since November 1982 these rules had been further tightened. More information concerning the system would therefore be useful for his country. Like other delegates he also wanted to know to what degree the compulsory linkage between the imports of capital goods and exports of raw materials or food products was pursued by the Indonesian Government in its counter-trade operations. It was well known that all transactions over the value of US\$ 750,000 were subject to such a linkage, but more details were required to be shown in the notification. He specifically mentioned that numerous restrictions had not been shown in the notification. The Government gave rebates on export duties on certain products which had not been indicated. Licensing had been shown to exist for imports of fruits and alcoholic beverages, but in effect, no such licences had been issued and his country, in particular, had problems in exporting jams and fresh fruits (apples) to Indonesia. He suggested that Decree 505 KP.XII of December 1982 and Decree 161 KP-I-83 relating to import and export régimes should have been more particularly notified for more transparency.

10. In reply, the representative of Indonesia said that the level of import duties was decided strictly on the basis of the actual price paid by the importer. Commercial representatives abroad or other official sources were needed to check those prices. Regarding import licensing, he informed that while the foreign companies under the Foreign Investment Law had the freedom to import all their requirements of raw materials and primary goods but, for the importation of some agricultural products only the officially registered importers licensed by the Government to conduct this business were permitted. As regards the compulsory linkage between imports and exports in counter-trade transactions, he repeated what he had said earlier, with the additional remark that foreign suppliers were subjected to a fine if they defaulted in their written undertakings. The amount of the fine would be communicated through the Secretariat. Answering the last question, he confirmed that there was a Decree of the Minister of Trade and Co-operatives which controlled some agricultural products through licensing. This, however, did not imply that imports were subject to a quota or were otherwise restricted. This notification was being processed by his Government and would soon be submitted to the appropriate organs of GATT.

11. The Chairman thanked the representative of Indonesia for the notification and the answers to the questions made.

ISRAEL (AG/FOR/ISR/1)

1. The representative of Israel in introducing the notification for his country, recalled that the basic purpose of the Zionist Movement for the establishment of the State of Israel was the ideal to return to the soil, a right of which his people had been deprived. The creation of an agriculture in Israel was then a part of the ideology and had resulted in a special standing of agriculture, notably with respect to social aspects.

2. He also mentioned some special characteristics of Israeli agriculture, namely the shortage of water, the poor soil, the domination of cooperative organizations and the intention to promote a viable and competitive agricultural sector. The quality of the soil and the arid or semi-arid climate necessitated a system of water preservation and irrigation. Of the 382,000 hectare area cultivated, about one half was irrigated, and both the area and the water supply were limited with only small possibilities for change. Rural settlement covered one half of the population; 6 per cent of the total population was engaged in agriculture and this sector accounted for 6.3 per cent of the gross material product. A large part of the agriculture was organized in cooperatives, and efforts were made to encourage the sector to be outward-looking and apply modern methods. Crops constituted two thirds of the value, while livestock, mainly poultry and fish, constituted one third. Animal production, wheat, barley and feed were mainly produced for the domestic market, while production for export was limited to citrus, cotton, vegetables, fruit and flowers.

3. Governmental support mainly consisted of financing scientific research and extension services. Agricultural cooperatives were supported to a limited extent, for instance, in their efforts to diversify markets. In order to alleviate short-term disturbances in the domestic market and to ensure stable supplies, the Government cooperated with producers' organizations in guaranteeing minimum prices on certain products. Consumers' subsidies were paid on basic food such as bread, edible oils, eggs and poultry meat, in conjunction with quality and a price control necessary to control inflation.

4. The agricultural sector was paying an important rôle in the country's trade with both exports and imports of agricultural products, rapidly approaching 1 billion US dollars. In 1982, there was, however, an agricultural trade deficit of 67.7 million US dollars. The balance-of-payment situation of Israel had remained difficult for years, and in 1982, the trade deficit had amounted to 3 billion US dollars.

5. Finally, he wanted to complete and correct the Israeli submission. An import deposit scheme (L/5506) had not been indicated as it had been expected to be terminated. However, it had recently been further extended. A value added tax system was applied in Israel, but this did not apply to most fresh agricultural products. In the table, only two cases of production control had been indicated, but as this measure was applied to more commodities, the table would have to be completed in this point. The same would apply to domestic support. The indication of state trading for the exports of two items was an error, as state trading was only applied to imports.

6. The Community representative expressed his appreciation for the explanations provided by Israel. He suggested that the table should be completed with respect to both exports and imports, better reflecting the general application of a range of measures; and various support measures should be indicated in columns 2 and 14, making a reference to Article XVI and the classification (a), which seemed to be lacking at present, but might perhaps be justified. Discretionary licensing was a measure frequently applied by Israel, and he noted that as a justification, Article XI was sometimes referred to, although there was not always any indication of restriction of production as required by that Article, and in other cases, no reference to GATT provisions was indicated. He suggested that Israel should try to complete its notification on this point, thus allowing further considerations to be made. He had noted with satisfaction the introduction in column 7 of promotional activities, sponsored by the Government. He invited the United States to do likewise for "the Foreign Agriculture Service Contribution".

7. The Israeli representative did not object to trying to complete the notification as suggested, but noted that some of the measures applied by Israel might not necessarily fall under Article XVI, e.g., consumers' subsidies. With discretionary licensing, it was mentioned that this measure was applied for a variety of purposes and not necessarily to restrict the quantity imported. The measure was used to ensure compliance with sanitary and phytosanitary regulations and to control complementary imports. As to the requirement to restrict production, when Article XI was inserted, it was stressed that a number of institutions was actually controlling production and marketing in Israel, and mentioned the poultry sector as an example.

8. The representative of the Community did not agree with the views expressed by Israel with respect to consumers' subsidies, as such subsidies certainly affected trade. He also suggested that the Committee retain for further consideration the conditions required for justifying the application of discretionary licensing under Article XI, as he found that there often was rather abusive use made of this Article, an Article which did not seem to be suitable for the purposes of developing countries.

9. The representative of Chile enquired why the Enabling Clause had not been referred to in relation to preference granted to imports from developing countries, and the representative of Israel explained that the measures in question predated the adoption of the Enabling Clause. With respect to a comment from Chile about the application of measures for balance-of-payment reasons, the Israeli representative explained that his country had always consulted under Article XVIII, and restrictions applied for balance-of-payment reasons were applied on that basis. The representative of Chile supported the views expressed by the Community about further consideration of Article XI, and referred to the settlement of a previous dispute between his country and the Community about imports of apples into the latter.

10. The representative of the United States noted the major importance of the licensing used by Israel to control imports and shared the request made by others for completion of the notification on this point. He said that during 1982 and 1983, licences had been denied for egg albumen and prunes, and enquired whether other products had been subject to similar treatment and whether the licence approval process was conducted on a non-discriminatory basis. The Israeli representative confirmed that there had been other cases for which licences had not been awarded during the last years, but there had been no discrimination as regards the origin of the products for which licences had not been granted. He also confirmed that for a limited number of products, including raisins, preferential tariff treatment was applied to imports from the Community, in accordance with Protocol 2 of the EC/Israel Economic Cooperation Agreement.

11. The Chairman thanked the representative of Israel for the notification and for the explanations provided.

JAMAICA (AG/FOR/JAM/1)

1. In reviewing the role of agriculture in the economy of her country the representative of Jamaica mentioned that the major export crops were the sugar, bananas, citrus, coffee, cocoa and spices. Certain orchard crops, root crops and vegetables were also produced for local consumption only. Over the years the agricultural production had declined, particularly the export crops, mainly due to the ravages of floods and prolonged drought conditions. Insufficiency of domestic food production had made Jamaica a net importer of food, which in 1981 were valued at \$400 million. In an attempt to boost domestic production, the Government had adopted certain measures which included subsidy assistance schemes, agricultural credit and income tax relief to farmers. These measures had recently been supplemented by a new programme, called Agro 21 to commemorate the 21st anniversary of Jamaica's independence. The programme was designed to modernize the agricultural sector in order to make it more efficient and to increase the foreign exchange earnings. Areas targeted for major expansion were the traditional export crops as well as the non-traditional crops such as winter vegetables for the U.S. and European markets, horticulture, tobacco, orchard crops and aquaculture. In conclusion, she mentioned that her Government had lately decided to reduce subsidies to agriculture and had also taken steps to liberalize import regime with regard to sources of imports and the scope of products. These measures would be notified to the GATT as soon as they were gazetted. She also informed that as member of the Caribbean Economic Community Jamaica had adopted a common external tariff with other member countries of CARICOM.

2. The representative of the United States commended the role of private sector in Jamaica's agriculture, but at the same time he expressed his concern at certain aspects of their agricultural policy which restricted access to that market. He felt that State trading was operated to regulate and restrict imports of a large number of agricultural products. With reference to the recent IMF Report (January 1983) he specifically noted that Jamaica had replaced its existing licensing system by an import permit system under which permits were issued up to a specified quota level for the imports of most agricultural products. The Jamaica Government had used the notation "Q" under column 10 for most of the affected products, but this had not been shown for animal fats (15.01-15.06) and wines (22.06). He also observed that Jamaica had guaranteed minimum prices for sugar which should have been indicated under column 4. He further noted that as a member of the CARICOM, which was a trade union of East Caribbean countries, Jamaica refused to grant licences for imports of certain commodities which originated from non-CARICOM countries as for example, imports of rice were prohibited until supplies from among the Caricom countries were exhausted. He, therefore, suggested that, in addition to the symbol "DL" used in the notification, other measures affecting imports from non-Caricom countries should also be indicated. With reference to the new agricultural programme adopted in October 1983 to revitalize agriculture, he enquired what incentives were intended to be given to expand exports of non-traditional products and what specific products were involved. He finally asked whether the phyto-sanitary certificates were still required for the imports of grains, flour and meal.

3. Replying the Jamaican delegate at the outset wished to clarify that State trading had not been instituted as a trade restrictive measure, but as a means of ensuring reliable supplies of essential food items at the lowest possible prices to consumers. The State trading enterprises, therefore, imported only those items which were categorized as basic or essential. It was also intended that the middle man should in as much as possible be kept out so as to keep prices low for the consumers. With regard to the quota system she said that the measure had been adopted for balance-of-payments reasons to conserve foreign exchange. These quotas were not imposed on volume of imports, but on value. In the specific case of animal fats and wine, the notation "Q" had been deliberately omitted as these commodities were subject to "discretionary licensing", marked in column 10 as "DL". She agreed with the US comment that sugar enjoyed a guaranteed minimum price and as such could be noted under column 4. She, however, pointed out that the guaranteed minimum price for sugar under the Lomé convention of the EEC was currently much below the production costs. She, nevertheless, agreed that it could be indicated in the relevant column since it was a kind of assistance. Regarding the US suggestion that, in addition to "DL" already shown, all other measures affecting imports from non-Caricom countries should also be indicated, she mentioned that no other similar measure was in operation and inasmuch as she knew no other commodity, other than rice, was specifically prohibited from non-Caricom countries. Elaborating on the new agricultural programme referred to by the United States, she mentioned that under the Agro 21 programme the Government intended to encourage joint investment with overseas investors and local private sector the development of agro-industrial projects. Almost 17 projects had so far been identified for development. These projects included winter vegetables, bananas, coffee, cocoa, root crops, tobacco, coconuts, rice, afforestation, citrus, honey, aloe vera, ornamental horticulture, orchard crops (mangoes, avocados, guavas, lychees, papayas etc.), fish shrimp brooding ponds, dairy and beef sectors. In addition, 10 more projects were expected to be added including pineapples, cassavas, ethanol, sunflower/sorghum, high-yielding sugar cane, cotton, corn, macademia nuts, jojoba, winged beans. With regard to the last question whether phyto-sanitary certificates were required for the entry of grains, flour and meal, she confirmed that it was still the case in view of the unfortunate incidence in 1975 when 18 people died as a result of extensive poisoning by contaminated imported flour.

4. The delegate from Canada appreciated the detailed information provided by Jamaica, particularly in relation to the domestic production assistance programmes. Like the United States, his country was also concerned at the operation of the State trading enterprises which from time to time impaired access to Jamaican market for certain products. On the other hand, Canada welcomed the possibility that restrictions on a number of products were in the process of being relaxed and thus looked forward to receiving the details of the proposed measures. Finally, he was keen to know whether the barter arrangements which were negotiated from time to time by the Jamaican authorities were appropriately reflected in the notification.

5. The Jamaican delegate acknowledged that barter arrangements had remained outside the scope of the notification because these were only a recent phenomenon and in any case covered non-agricultural products. She was nevertheless prepared to consult with the Canadian mission with a view to improving their notification in other respects.

6. The representative of the EEC appreciated the exhaustive description of Jamaica's production and other domestic support measures in the general introductory section. He was, however, not sure whether those details had also been reflected in the appropriate columns of the table. He further noted that no justification had been given in respect of the import restrictions indicated under column 10.

7. Answering the first question the representative of Jamaica said that no information had been shown under columns 2 to 5 because the Jamaican Government considered it more appropriate to describe the situation at length in the general introduction. Specific information on other export measures had been provided in columns 6 and 7, with their justification under the GATT in column 16. On the import side, restrictive measures were taken for administrative reasons as well as to conserve the scarce foreign exchange resources for more essential imports. No GATT Article had been shown, but this omission would soon be rectified in consultation with the Secretariat.

8. The Chairman thanked the representative of Jamaica for the notification and the answers given and noted the readiness of Jamaica to provide further details.

JAPAN (AG/FOR/JPN/1)

1. In introducing the documentation for his country the representative for Japan said that Japanese agriculture was playing a very significant role to secure stable supply of essential foods and to maintain employment and income in rural areas, especially in mountain villages in which there was little alternative employment opportunity. Furthermore, agriculture in Japan was playing an important role in the conservation and utilization of land. With Japan being one of the major importing countries of agricultural products in the world, it was an essential task to develop and maintain agriculture, not least in light of the large population and the scarcity of land suitable for farming.

2. Recently, the growth in demand for some agricultural products, such as rice, fruits and dairy products had slowed down or even levelled off. This had resulted in oversupply of the market and had necessitated governmental measures to limit production and encourage diversion of resources to other sectors. In response to strong requests from countries exporting agricultural products Japan had progressively opened up its market to imports and had become one of the major importers, actually depending on imported food for about half of its requirements in terms of calories. The opening up of the market for agricultural products had largely contributed to the expansion in world trade for such products. Japan felt committed to the principle of free trade and imports were made from various countries.

3. The Agricultural Basic Law of 1961 was the basis for agricultural policy in Japan, on which measures have been taken to have a selective expansion of the production, to increase the productivity and to improve the structure of agriculture. At present, three essential tasks were pursued; to ensure stable supplies and food security, to adapt agricultural production to changes in the supply-demand situation for food and to increase the productivity. In order to have stable supplies and food security the Government intended to maintain domestic production at its present level and at the same time ensure stable imports. To get out of the over-supply situation for rice, farmers were encouraged to switch to other crops, while for other sectors such as fresh milk, pigmeat and citrus fruit, the Government intended to limit production. The border measures, or water front measures, at present applied, constituted only a necessary minimum for agricultural and regional policy purposes. The measures corresponded to those applied by other countries.

4. Finally, the representative of Japan drew the attention of the Committee to the rather complete information contained in explanatory notes with regard to legislation and measures concerning marketing standards, packing and labelling and, sanitary and phytosanitary regulations.

5. In reply to some questions raised by the representative of the United States, the representative of Japan confirmed that imports of fresh meat (CCCN 02.01) were subject to a global quota and controlled by the Livestock Industry Promotion Corporation. However, whether this was some sort of state-trading was still under consideration by the

authorities. Concerning Japanese dairy policy, he explained that the situation in the world dairy market necessitated the application of a deficiency payment system for milk and dairy products as well as other measures such as State trading in order to stabilize prices and supplies. To make these measures efficient they had to be supplemented by import quotas on substitutes for dairy products. It was also necessary to apply a system of global quotas for fruit juices (of oranges, grapes, apples and others) and tomato juice, while a production control programme was being tried out for those products. There was no quota or tariff quota for potatoes or sweet potatoes, but imports of potato starches were subject to global quotas in connection with production control and market intervention applied under legislation adopted in 1953. He confirmed that imports of maize were not subject to quantitative measures or mixing regulations. A tariff quota as notified was not to be considered to constitute a quantitative limitation on imports and was applied in a manner consistent with obligations under the GATT. As to whether export performances would influence the allocation of import quotas, with respect to ingredients contained in exported processed food products, the representative of Japan wanted to seek further information before he could give an answer.

6. The representative of Chile expressed his appreciation for a complete and clear notification including the oral and written explanations provided. He made an appeal to Japan, however, that further justification of some of the measures applied should be provided by making reference to specific GATT provisions, in order to enable the Committee to judge whether these measures were justified. The representative of Japan replied that his delegation had tried to follow the guidance provided by the secretariat, and that in a number of cases the measures had been classified as (f) "other measures" without any reference to specific GATT provisions. He stressed however, that in his view this would not imply that such measures were not consistent with obligations under the GATT. He hoped to be able to be more explicit on this point at some later stage. To a question about internal taxes, he confirmed that these were for fiscal purposes only and applied in a non-discriminatory manner in conformity with the provisions of Article III. Differential duties on some livestock products and variable import levies on sugar, usually corresponding to the difference between target prices for domestic produce and import prices (c.i.f.), were applied as part of policies aiming at a stabilization of prices for such products. The representative of Chile expressed some doubts as to the legality of certain phytosanitary regulations applied by Japan, and made reference to certain difficulties Chilean exporters had experienced with respect to table grapes. The Japanese representative merely referred to the explanatory notes in the document and said that his Government had for a year and a half been waiting for a reply from the Government of Chile concerning the phytosanitary situation for Chilean table grapes.

7. The representative of Australia said that Australia occasionally found it difficult to export to Japan because of strict sanitary regulations, which he found to be too severe in view of Australia being immune from most diseases. He inquired whether such regulations would be negotiable in a multilateral context. The Japanese delegate replied that he had no instructions on that matter, but might consider whether

the matter which was highly technical might be reverted to at some later stage. In his view Japanese sanitary regulations were applied in conformity with Article XX(b). The Australian representative shared the view expressed by the United States that the activities of the Livestock Industry Promotion Corporation were in fact state-trading also for beef, and that this should have been indicated. He also supported the view expressed by Chile that it was desirable to have a more specific classification than (f) of some quantitative restrictions notably global quotas. The Japanese representative merely referred to answers he had already given to similar questions.

8. The New Zealand representative shared the concern expressed by Australia with Japanese sanitary and phytosanitary regulations, and he also felt that global quotas should have been classified under another category than (f), for instance (a) or (c), possibly with a reference to Article XI. He equally supported the idea expressed by others that the activities of the Livestock Industry Promotion Corporation in the case of beef ought to have been notified under state-trading. He had noted the explanations already provided, but would pursue some of the points in reverse notifications which his delegation intended to submit. With respect to voluntary export restraints, he told the Committee that New Zealand applied such restraints on exports of margarine and other prepared edible fats (CCCN 15.13) to Japan, an agreement due to expire at the end of the year.

9. In a question from the representative of the Philippines about GSP-rates on fresh bananas, the Japanese representative confirmed that the preferential rate of duty varied over the year, with a lower rate applied from April to September. For packaging regulations of bananas, the Japanese representative referred to the explanatory note.

10. The representative of Kenya noted that phytosanitary regulations were indicated for coffee (CCCN 09.01) while no similar regulations were indicated for tea. The Japanese representative referred to the explanatory notes on phytosanitary regulations and pointed out that only such regulations for which some country had notified an interest had been indicated in column 11 of the format. He also stressed that with the present rate of increase in coffee consumption in Japan the regulations could not possibly constitute a restriction to imports.

11. The Community representative wanted to add his voice to those who had thanked Japan for a fairly complete notification, although he might have liked to see more clarity on certain points. He felt that in some cases another classification than (f) could have been used, and he agreed with other speakers that more references to GATT provisions might have been appropriate. The Japanese representative in reply to this said that he felt the classification (f) to be the appropriate or the only one for a number of measures such as tariff bindings, tariff quotas, GSP-rates and state-trading. With respect to packaging and labelling regulations he agreed that reference could be made to Articles XI:2(b) and XX(b). To a question from the Community representative about a possible discrimination in the calculation of duties and

internal taxes on wine and spirits, the representative of Japan confirmed that the taxes were calculated in a non-discriminatory manner and were charged both on domestic produce and imports. He could agree to a Community suggestion to make reference to Article XX(h) in the case of donations and concessional sales of rice, made according to the obligations of Japan under the Food Aid Convention. Finally, he could not at present give a reply to the Community about possible bilateral agreements with suppliers of tobacco, citrus fruit and fruit juices as bilateral negotiations were not yet concluded.

12. The representative of Hungary expressed concern about the administration of sanitary restrictions by Japan, under which Hungarian exports of frozen, chilled or fresh meat to that market were impossible. The Japanese representative confirmed that procedural possibilities existed under which Hungary could seek to be reclassified and obtain access to the Japanese market for their products.

13. At the end of the examination, the Chilean representative reiterated his serious concern with the lack of specific GATT justification for a number of measures applied by Japan, and mentioned that the amount of quotas were not published. In reply to the latter point, the Japanese representative explained that it was often difficult to assess in advance the supply/demand situation for products subject to discretionary licensing, and quotas could therefore not be calculated.

14. The Chairman thanked the representative of Japan for the notification and the explanations given, and noted that further clarifications would be provided later.

KENYA (AG/FOR/KEN/1)

1. The representative of Kenya reviewed the conditions for agriculture in his country and the role of this sector in the national economy. Agriculture was accounting for 35 per cent of the gross national product, and 85 per cent of the population depended on agriculture for its livelihood. The industrial production was largely based on processing of agricultural products and agricultural exports accounted for more than half of the country's foreign exchange earnings, with coffee, tea, meat and meat products and canned pineapples being the most important export commodities.

2. Agricultural policies were designed to increase production and food supplies to meet the requirements for domestic consumption, processing and exports. Kenya was faced with a persisting balance of payment problem and agricultural policies aimed at helping to improve the situation. Some of the measures listed in the documentation had been taken in order to achieve self-sufficiency in food, others in order to provide assistance to developing domestic industries. He stressed, however, that the notification and classification of measures had been made merely for the purpose of organizing the work of the Committee and was without prejudice as to the legal aspects of the measures notified, (reference made to AG/1 paragraph 5).

3. The representative of Kenya explained that the symbol "DL" in the table was somewhat misleading and that a corrigendum had been issued. In reply to a question from New Zealand, he explained that the licensing system embodied imposition of quotas for allocation of foreign exchange. Furthermore, the system embodied the application of minimum prices. Discretionary licensing was applied in order to secure domestic supplies of essential food in emergency situations caused for instance by drought, and then both for restricting exports and facilitating imports.

4. In reply to a question from the Community representative, he explained that exports of flowers were not benefiting from any form of governmental support for obvious budgetary constraints, even not for transportation although this might have been appropriate.

5. The United States representative wondered whether the activities of marketing boards should have been indicated in the table, for instance as price support. The Kenyan representative explained that they were charged with the collection and storage of essential food supplies and prices were fixed by the Ministry of Agriculture. Although surpluses could be exported, the operation of the boards could not be considered to constitute a form of price support. With respect to the references variably made to Articles XII and XVIII in column 16 of the table, this was related to the justification of the respective measures. The reference to Article XI:2 for licenses on exports indicated that the measure was taken in order to safeguard domestic supplies or in order to ensure that the exported product was of a high quality.

6. The Chairman thanked the representative of Kenya for the notification and the explanations given.

MALAYSIA (AG/FOR/MYS/1)

1. The representative of Malaysia pointed out that of the 163 items listed in the format 70 were free of duties. A number of items were subject to licensing or quotas on grounds of public health or morals or on socio-economic consideration. Imports of meat, for example, were regulated on both sanitary and religious grounds since the official religion of Malaysia was Islam which forbade eating of meat slaughtered in a non-Islamic way. Imports of cabbage heads (07.01), on the other hand, were determined in accordance with the seasonal variations in domestic production; other imports were subject to procedures of automatic licensing. He indicated that in principal import licences or permits were required for meat (02.01), fresh milk and cream (04.01), milk and cream, preserved, concentrated (04.02), trees and plants (06.01-06.04), wheat flour (11.01), sugar (17.01) and mushrooms (20.02). He regretted that items 11.01 and 17.01 could not be notified earlier as subject to licensing, but this omission would be rectified in a subsequent revision of the document. He further explained that under automatic licensing procedures licences were issued as soon as the competent authorities (viz agriculture, health and veterinary departments) had given the necessary clearance for such imports.
2. He wished to clarify that import duties were imposed not only for revenue purposes but also to encourage local processing. Higher import duties on wines, spirits and cigarettes were not only an important source of revenue, but they also involved socio-economic and moral considerations. In contrast, the imports of essential commodities like rice, flour and sugar were free of duty although subject to licensing. His government was committed to a policy of providing essential foodstuffs at reasonable prices to the poorer sections of the population. The government had, therefore, taken upon itself the purchasing, storage and distribution of these essential products. Licensing requirements were, therefore, not quantitative in nature, but merely to ensure that certain essential items were readily available and at reasonable prices. The government furthermore maintained a close surveillance on the evolution of market prices.
3. Explaining the existing preferences he mentioned that these were the remnants of the Commonwealth preferences which were at the moment under review. Preferences under the Asean Preferential Trading Arrangements did not cover agricultural products except for one item under the CCCN heading 07.01.
4. In regard to the imports of sugar, the representative of Malaysia indicated that both licensing and quotas were applied. It was the policy of his government to diversify its sources of supply of raw sugar and this was achieved through through bilateral arrangements and through purchases in the free market. Currently, 60 per cent of raw sugar requirements were being met through bilateral arrangements with Australia and Fiji and the remaining 40 per cent was being obtained from the free market and local supplies. Sugar was being refined in the country and additional requirements of refined sugar in relation to overall demand were being obtained through imports

which were subject to licensing. Refined sugar could also be exported under licence, but quotas were only given to the refineries after adequately allowing for domestic requirements. In the case of wheat flour also, local processing was encouraged. There was, therefore, no restriction or duty on imports of grain, but licences for exports were only issued if adequate supplies for the home market were available. Rice, which was the staple foodgrain in Malaysia, was available from domestic production up to 80 per cent of the total requirements. The State trading organization called the National Padi and Rice Board in collaboration with the Ministry of Agriculture, regulated the overall trading and importation of this commodity. Negotiations for residual imports from overseas suppliers were conducted by this Board in a non-discriminatory manner on commercial considerations keeping in view the Malaysian consumer preferences. Domestic distribution and trading were, however, in the hands of private traders who were licensed by this body.

5. Referring to tariff bindings, the representative of Malaysia said that at the time of the accession of his country to GATT in 1957 duty rates on only a few agricultural products, i.e. 16.02, 20.07 and 21.07 were involved. With the exception of item 20.07, tariff rates on items under the other two headings had been reduced.

6. He also drew attention to his country's export measures which included export duties, licensing and other export restrictions. Export duties were imposed on some products mainly for revenue purposes. Specific formulae were adopted for duties on exports of palm oil and pepper, the rate progressing with the increase in prices of these commodities. These measures were also aimed at ensuring ethical business practices, quality control, availability of adequate raw materials for domestic processing and in cases of essential items like sugar, wheat flour and rice, to ensure adequacy of supplies for the domestic market. Some changes in import and export duties had been announced in the recent budget which would be notified to the Committee in due course.

7. He summed up by saying that Malaysia had a comparative advantage in the production and trade of certain agricultural products like rubber, palm oil, cocoa and pepper, while all other food requirements were being imported. The paramount objective of his government was to use its comparative advantage in these agricultural products to the maximum and at the same time to ensure that through the mechanism of licensing and other import arrangements, essential food requirements were readily obtained at reasonable prices.

8. The representative of Chile enquired if the tariff on apples (08.06) shown in the notification was US\$764.2 per ton. The Malaysian representative replied that it was in Malaysian Ringget, the rate of exchange for which was 2.30 to 1US\$.

9. The representative of New Zealand observed that the system of licensing applied by Malaysia was quite liberal and therefore his country had only a few bilateral problems with it. In this connexion, however, he wished to make a specific comment on the notation and classification used by Malaysia for licensing. Under a system of liberal licensing it was generally understood that licences would be issued automatically for administrative purposes, which, however, would not have any restrictive effect on trade. Automatic licensing, on the other hand, involved the issue of licences automatically, but with a certain restrictive effect on trade. Discretionary licensing in any case involved a predetermined criteria for the issue of licences. In his opinion the Malaysian system of licensing was more of the nature of liberal licensing which should have the notation "LL". On the export side, Malaysia had covered its trade measures adequately except that item 23.02 (bran) should also have been indicated as subject to licensing.

10. The representative of Malaysia thanked his colleague from New Zealand for his advice regarding the notation to be used for his country's system of licensing. He would discuss the matter with the secretariat in order to make the necessary changes. In regard to the observation that item 23.02 (bran) was subject to licensing, he informed that as of October 1981 this requirement had been lifted.

11. The Community representative considered that the import licensing system applied by Malaysia was very discretionary and in many ways prohibitive. In some cases it amounted to State trading, which had not been as such indicated. So it was imperative that the notification be appropriately revised. Regarding export measures, Malaysia had been more explicit, unlike Brazil, in showing export levies on different commodities and processed goods. However, he was struck by the general tendency in all developing countries to have differentiated export levies for different products. In the case of Malaysia, while oilseeds (12.01) had an export tax of 0-20 per cent, vegetable oils (15.07) were subject to only 0-5 per cent taxes and oilcakes (23.04) to 0-10 per cent. He was also not sure whether the justification invoked under Article VIII would be appropriate since the amount of taxes under this Article should cover just about the administrative costs, which, however, was not the case with the aforementioned differential duty rates.

12. The Malaysian delegate expressed his surprise about such an understanding of the Malaysian licensing system which only required a clearance by the veterinary authorities or by the Ministry of Agriculture. The system was not at all restrictive. Some items like liquor, were subject to internal licensing of domestic liquor traders merely to maintain surveillance over the domestic trading and consumption of such items, but this had no restrictive effect on trade at the border. He also denied that State trading was applicable to any product except to rice. He was equally surprised at the EEC question regarding different rates of export taxes for different commodities. This was a typical question which was often repeated in all trade forums. When the developing countries reacted to tariff escalation, the patent reply given to them was that this was due to different rates of

export duties on raw materials and processed goods. The developing countries also had higher export duties on raw materials and processed goods in order to encourage local processing consonant with their industrialization policies. The main purpose of export duties in Malaysia was not only revenues but also to encourage local processing. Article XX provided the necessary justification for this kind of policy by his country.

13. The representative of the United States concurred with the use of Article VIII as a justification for export taxes and also heard the discussion on Malaysian system of licensing with interest. He would, however, like to seek a clarification regarding the State trading which was applied to sugar as well as to rice. He would also like to know whether Malaysia had any long-term trade arrangements with certain countries and what import or export commodities were covered by these arrangements. He expressed some concern at the import duties on tobacco which in the past three years had been increased three times and the fourth one was due in 1984. He wished to know whether these increases were due to domestic support policies or some other considerations. Finally, he wished to know what type of licensing, if any, was applied to meat imports and why the poultry meat had been banned with effect from May 1983.

14. In replying, the representative of Malaysia re-emphasized that the increase in duty rates on tobacco which were not bound, as in the case of liquors, was mainly for revenue purposes. In addition, internal licensing of importers was undertaken in order to ensure that they adhered to ethical business practices. Regarding the question of State trading in sugar, he repeated that it was not a subject of State trading. Malaysia had bilateral supply agreements with Australia and Fiji, which together provided 60 per cent of the total requirements. The remaining 40 per cent came from the free market and local suppliers, which did not necessarily imply State trading since supplies could be procured by private traders also. As regards long-term bilateral trade arrangements, he informed that no such arrangement existed for supplying commodities at concessionary rates. Under the Asean preferences, which were covered by the Enabling Clause, his country made some concessions to other member countries. He also confirmed that meat was subject to licensing, details of which would be notified to the secretariat for inclusion in the revised document. Regarding the claim that poultry meat imports were banned, he informed that there was no such ban as such; Malaysia was simply not importing because it was more or less self-sufficient in this product.

15. The representative of Australia asked two specific questions and requested that the answers to these questions should be reflected in the Report of the Committee. The first question was to what extent protection in the livestock sector had increased since the mid-1970's. Second, what prospect was there for Malaysia to complete import substitution policies in the sugar sector.

16. The Malaysian delegate replied that the extent of liberalization could be determined with reference to the increase in imports of meat by his country in the preceding three years. While import of meat of bovine animals (02.01) in 1981 was \$28.38 million, it increased to

\$40.71 million in 1982. In the first five months of 1983 the imports aggregated to \$15.82 million which compared favourably with the figure of \$12.82 million in the corresponding period of 1982. It was worth noting, however, that his country was more or less self-sufficient in the poultry meat and pork. The self-sufficiency ratio for beef was 60 per cent and for dairy products, 5 per cent. This showed that his country still offered good prospects for imports in these two sectors. Regarding State trading enterprises for livestock, he indicated that such a body was set up in the 1970s to develop the livestock industry and coordinate and regulate procurement of the country's meat and poultry requirements. This organization had ceased to function in 1983, with the result that imports and distribution of meat were now entirely in private hands. Licensing, for sanitary and health reasons, was applied to imports of this product. He wound up by making two general observations. First, there was an obvious difference in perceptions regarding the operation of the licensing systems and the State trading enterprises under GATT Article XVII. This required an in-depth discussion in the Committee. Second, there was certainly a need to find out, as Australia did in their case, to what extent each member country had made efforts to liberalize trade in agricultural products.

17. The Chairman thanked the representative of Malaysia for the notification and noted the additional points that had been made.