

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

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UNITED STATES IMPORT RESTRICTIONS ON AGRICULTURAL PRODUCTS

Draft Report of the Working Party

1. The Working Party was established by the Council on 29 January 1985, with the following terms of reference:

"To examine the twenty-seventh annual report (L/5772) submitted by the Government of the United States under the Decision of 5 March 1955¹, and to report to the Council."

2. The Working Party met on 29 April, 15 July and 30 October 1985, and 19 March 1986, under the chairmanship of H.E. Ambassador Julio A. Lacarte (Uruguay).

3. In accordance with its terms of reference, the Working Party carried out its examination of the twenty-seventh annual report on import restrictions in effect under Section 22 of the United States Agricultural Adjustment Act as amended², and on the reasons for the maintenance of those restrictions. On the basis of the report (document L/5772, supplemented by a communication circulated as L/5772/Add.1), and with the assistance of the representative of the United States, the Working Party reviewed the action taken by the Government of the United States under the Decision of 5 March 1955.

4. In his opening statement the representative of the United States presented the annual report for examination. He informed the Working Party of recent modifications of the system applicable to sugar. Under Proclamation 5313, dated 29 March 1985, the fees applicable to imports of raw sugar had been suspended and those applicable to imports of refined sugar had been fixed at the rate of 1 cent per pound. Those modifications had taken effect on 1 April and would remain in force pending Presidential action on the report of the International Trade Commission (ITC). The United States representative said that his government had complied with both the letter and the spirit of the 1955 Decision. The problems existing in the agricultural area could not be solved unilaterally and for that

¹ BISD 3S/32

² Import restrictions pursuant to Section 22 currently in effect include cotton of specified staple lengths, cotton waste and certain cotton products; peanuts; certain dairy products; sugar and syrups, and certain sugar-containing articles.

reason the United States was actively pursuing global solutions to deal with world-wide problems in that sector in order to make progress in liberalization of agricultural trade. However, the United States was not simply waiting for results in the Committee on Trade in Agriculture and the 1985 Farm Bill was proposing fundamental changes in the operation of programmes. With a view to restoring a more market-orientated farm economy and reducing burdensome outlays on support programmes, those proposals would represent a sharp departure from the policies that had been shaping United States agriculture since the 1930s. They were designed to make farm programmes more market-oriented and to set long-term policies that would provide producers with better information for their production and investment decisions.

5. Members of the Working Party remarked on the absence of major structural adjustments in broad sections of United States agriculture. It was disappointing that the waiver was still being maintained after thirty years because Section 22 and the waiver were playing a decisive rôle in agricultural policies as a whole. The fact that the United States was not respecting the prior condition attached to the waiver, namely gradual removal of the restrictions and their alignment with GATT provisions, was a factor of market imbalance. Additional sources of difficulty were changes to product coverage and the fact that no date had been set for terminating the waiver. It was recalled that the waiver had played a central rôle in weakening the GATT rules and disciplines on agriculture. It had restricted access to a major market for agricultural products and, in conjunction with similar actions by other major countries, had been responsible for transforming the world market for many agricultural products into a residual market, with all the attendant price uncertainties. Furthermore, it suggested that the legislation of a powerful contracting party had precedence over international agreements, including the GATT, thus underlining the inequalities of the rules of the game as they applied to international trade in agricultural commodities and in manufactures. It was further noted that the waiver was a privilege implying a lack of equity vis-à-vis other contracting parties, in particular developing countries. That privilege had formalized a path followed by many countries wishing to insulate their domestic markets from the disciplines of the international market-place. While the waiver was not the major cause of current instability in world agricultural trade, it nevertheless seemed to constitute a significant problem requiring urgent attention. In connection with allocation of quotas applied under the waiver, one member of the Working Party stated that his country would continue to reserve its rights under the General Agreement.

6. Noting the positive elements of the Farm Bill which indicated the intentions of the United States administration, members of the Working Party underlined their hope that the waiver would soon be revoked and that a specific undertaking could be given in that sense. The waiver should be terminated and the United States should comply with the GATT rules as rapidly as possible. One member recalled the reference made during the previous year's review to the possibility of a "sunset" clause; the considerations put forward then were still relevant. Some other members underlined that that could be one possibility for solving the problem.

7. Some members of the Working Party noted that while that body had a mandate to examine the operation of the waiver, it was also in the more general framework of the Committee on Trade in Agriculture that one could hope to achieve substantial changes in the current situation and action for progressive reduction of the restrictions as originally envisaged. It was noted nevertheless that such parallel examination further underlined the importance of the Working Party's deliberations. One member of the Working Party pointed out that when the waiver had been granted, there had been no reference to changing the GATT rules as a condition for its termination.

8. Members of the Working Party recalled that agriculture would be an important part of a new round of multilateral trade negotiations. It had been agreed at the fortieth session of the CONTRACTING PARTIES that the negotiations would aim, inter alia, at bringing waivers and exceptions within the purview of strengthened GATT rules and disciplines. It seemed essential that the United States administration revoke the waiver as part of that process. One member noted that such a decision would be consistent with the trade-liberalizing philosophy which the administration had espoused in its Farm Bill and with the views expressed by the United States in the Committee on Trade in Agriculture in respect of market access and subsidies. There was a need for leadership from the major countries as well as for joint action if progress was to be made either on the broader issues of agricultural trade liberalization or on the specific problem of the Section 22 waiver.

9. One member of the Working Party said that suggestions from the United States would be welcomed on any joint action in the form of negotiation of new disciplines or strengthened application of existing ones which would support a change in the programmes underlying the waiver. As part of that action, perhaps giving impetus to it, the United States could specifically undertake to revoke the waiver. The point at issue in the debate on agriculture was the need to promote structural adjustment. It was realistic to expect that the extent to which domestic support systems distorted international agricultural trade should be reduced over time. The United States should provide leadership in that process so that eventual negotiations would not get bogged down in the repeated statements of high principles, or perceived industry sensitivities as the rationale for stultification.

10. One member of the Working Party noted that in recent years the United States administration had indicated several times that it considered the waiver "negotiable", depending on what trade disciplines other agricultural producers would accept. The waiver, however, was not something on which the United States could concede; it has been granted by the CONTRACTING PARTIES on condition that the United States reliance on it be progressively reduced. The United States was not in a position to bargain on fulfilling that obligation. Other delegations supported that view, underlining that the waiver could not be considered "negotiable". The United States had not granted any compensation for obtaining it. The waiver had been limited to certain conditions and should be terminated once those conditions were no

longer fulfilled. World market disequilibrium could not justify it and other contracting parties faced such a situation by resorting only to GATT provisions. Termination of the United States waiver would be an important factor in GATT efforts to establish greater discipline in agricultural trade.

11. The representative of the United States pointed out that he had never stated that the waiver was negotiable as such. There were many problems in the area of agriculture, and the Committee on Trade in Agriculture was the appropriate forum for trying to solve them and find a solution permitting trade liberalization. It was not a matter of negotiating termination of the waiver, but of dealing with agricultural issues from which the problem had arisen. Alignment of United States legislation with GATT rules had not been a condition for granting the waiver.

12. In reply to a question regarding the number of items subject to the waiver in terms of four-digit headings of the Customs Co-operation Council nomenclature, the United States representative indicated that fourteen categories had been identified (04.01, 04.02, 04.03, 04.04, 12.01, 15.13, 17.01, 17.02, 17.03, 18.06, 19.02, 21.07, 23.07 and 55.01). In some of these categories, only a few items were subject to restrictions. The waiver covered any case of action required to be taken under Section 22. Such action would be required if imports were being or were practically certain to be imported under such conditions and in such quantities as to render or tend to render ineffective, or materially interfere with, any programme or operation undertaken by the Department of Agriculture. Hence the coverage of the waiver was broader than the categories where import restrictions were being applied now. As regards the number of items, one member of the Working Party underlined that based on his preliminary judgement at least 21 categories had been identified. The additional categories to those cited above were 17.04, 19.08, 20.06, 21.02, 35.01, 55.03, 55.04. His authorities were seeking further clarification from the United States.

13. With respect to dairy products, members of the Working Party noted that measures taken under the Dairy and Tobacco Adjustment Act of 1983 seemed to have had a positive impact on surplus milk production. Nevertheless, although production had been reduced, no balance had yet been achieved between supply and demand. Concern was expressed over recent sales by the United States and the provisions of the 1985 Farm Bill. The United States was urged not to dispose of stocks on the international market in such a way as to disrupt an already unstable situation.

14. One member of the Working Party noted that little progress had been made in thirty years towards terminating or, at least, suspending Section 22 controls on dairy products and enquired what action had been taken in that direction or to modify those controls. It was also asked whether changes made to administration of the dairy programme, more particularly in the price-support system, which had allowed the domestic production surplus to be reduced, could be considered a change of circumstances substantial enough to allow some relaxation of Section 22 controls; if not, what circumstances would allow some modification to

occur? One member of the Working Party asked whether the United States proposals for amendments to the dairy programme (in the context of the 1985 Farm Bill) would result in termination of Section 22. One member of the Working Party noted that the Bill seemed to allow a linkage to be envisaged between reduction of support and easing of restrictions, to the extent that comparable measures were taken by other countries.

15. The representative of the United States noted that notwithstanding measures taken to reduce dairy surpluses, there was still excess production capacity. The Bill before Congress, which was designed to take account of changed economic circumstances, provided for support price reductions. In the long-term those measures should result in smaller purchases by the Commodity Credit Corporation and a decline in stocks and export availabilities, which could allow the controls to be eased. Section 22 was designed to protect agricultural programmes. Circumstances or programmes could change in such a way as to remove the need for protection in certain specific cases, but nevertheless a protection mechanism remained necessary. The International Trade Commission had to make an investigation to determine whether products were being or were practically certain to be imported in such quantities and under such conditions as to render ineffective or materially interfere with programmes or operations; the Commission's recommendations were then put before the President for action. Imports of dairy products into the United States were currently permitted to the extent that they did not hamper application of the programme, and import volume was substantial. Given the situation in the dairy market, it was not realistic to believe that the United States on its own could solve the problems. Because of existing conditions, any easing of controls was impossible for the moment, and in that regard export subsidies played a decisive rôle. In the context of the Farm Bill, the effort to restore a better balance between supply and demand could allow some modification of controls, but that would depend on the overall situation in the dairy market, and export subsidies remained an obstacle to such relaxation. Accordingly the Committee on Trade in Agriculture was the appropriate forum in which solutions could be sought to those problems. The United States could not act in isolation.

16. One member of the Working Party noted that it was difficult for the International Trade Commission to evaluate changed circumstances that would allow the restrictions to be eased, because of the protection afforded to the United States market under the waiver. It was pointed out that the United States system could be made consistent with the General Agreement by resorting to the provisions of Article XI:2(c). If export subsidies were the major problem, the United States could apply countervailing duties. The United States representative remarked that recourse to the General Agreement in place of the waiver seemed difficult from the practical aspect, and that other countries applied a variety of measures to protect their domestic market. In reply to a question regarding countervailing duties applied since 1928 on butter imported from a member country of the Working Party, the United States representative said that that action had been rescinded effective December 1984.

17. In reply to a question regarding re-establishment of production controls in the dairy sector after September 1985, the United States

representative said that while the system applied for fifteen months had yielded certain positive results, the United States objective was market orientation which implied less direct involvement on the part of the administration. Some members of the Working Party pointed out that in the context of the new dairy legislation, reduced support for milk producers without any quantitative limitation of output could affect export availabilities. Certain recommendations made in the context of the Bill were in that sense and were causing concern. It was noted furthermore that pending results in the Committee on Trade in Agriculture, one could imagine that sales of United States dairy surpluses at the market price could have an incentive effect on production. While recognizing the extent of the dairy sector problem and its global character, members of the Working Party nevertheless underlined the importance of United States action in that area. It was recalled that the supply and demand situation was out of balance for many products and that numerous countries were meeting the situation by having recourse only to the GATT provisions.

18. In respect of sugar, members of the Working Party underlined problems caused for them by the Section 22 system applied by the United States, inter alia that the measures taken tended to lay the burden of adjustment on other producing countries. One member of the Working Party observed that because of high support prices and declining consumption, the situation in the United States market was having a sharp impact on exporting countries subject to quotas. It was noted that a group of traditional sugar-exporting Latin-American countries had expressed to the United States authorities their concern over the measures applied since 1982 and the consequent decline in the resources they could earmark for economic development. Those countries had also complained about the quotas applied in 1984 and the additional measures that were to remain in effect until the end of 1985 under which certain quotas had been cut by half.

19. Members of the Working Party expressed concern over the number and nature of products which in January 1985 had been made subject to restrictions and of which no precise and detailed list had been furnished. It was pointed out that when the CONTRACTING PARTIES had granted the waiver they had certainly not expected it to affect such a broad range of products, imports of which did not seem likely to hamper application of the sugar programme. Whereas it would seem that the restrictions should apply to imports of products whose sugar content could subsequently be separated, the restrictions imposed in January reflected a very broad and unilateral interpretation of the waiver, including even grocery articles and articles put up for retail sale; the justificatory criteria needed to be defined. One member of the Working Party, noting that under Section 22 restrictive measures could be applied because imports of a particular product had reached a substantial volume and could limit the quantity of an agricultural product produced or processed in the United States, asked how imports of products such as those affected by the restrictions could limit sugar production in the United States. He raised the question whether a trade threat was a necessary condition or whether a legal reason - i.e. the

import of any sugar-containing product, even of no major trade significance - was sufficient justification for the application of restrictions under Section 22. Indeed the restrictions affected products that did not seem to contain sugar in substantial quantities. The speaker asked what was the criterion justifying those import restrictions, and if any new product was considered to constitute a potential threat, whereas artificial sweeteners whose market share was steadily increasing were not deemed to be an obstacle to support programmes. If the criterion was a rapid increase in imports, should consideration not be given to the general economic situation and in particular monetary fluctuations which could account for such an increase? It was asked whether the United States would be ready to limit the restrictions to products with a high sugar content the import of which could clearly create difficulties for implementing programmes, or whether the intention was to introduce limitations for all sugar-containing products in respect of which an abnormal import increase was recorded.

20. One member of the Working Party underlined that the quota restriction was applied on the basis of the total weight of the whole product, regardless of the amount of sugar the product might contain; he also asked for information on the rationale for the choice of the representative period that had been considered when quota levels had been set. It was also pointed out that customs directives had been introduced in 1984 in order to combat the particular problem of quota circumvention and that they had proved very effective; the imposition of a quota on grocery products therefore appeared redundant in terms of protecting the United States sugar programme.

21. Members of the Working Party noted that the measures introduced on 20 January were not consistent with the terms of the waiver for no prior consultations had been held and the measures had been notified only on 11 March; furthermore the notification contained no justification for those restrictions. Emergency action seemed to be becoming the rule rather than an exception, and investigations and their result involved long delays. One member recalled that the International Trade Commission had carried out an investigation the preceding year, and asked whether action had been taken on it. If not, and having regard to the time apparently needed for action to be taken it was to be feared that the temporary measures applied in January could be of long duration. Details were requested concerning the current investigation. Members of the Working Party noted that their authorities had requested, or were envisaging, consultations on the restrictions imposed. Some members of the Working Party referred to action undertaken in GATT in that connection by one member of the Working Party.

22. The representative of the United States said that the reduction in support prices proposed in the 1985 Farm Bill would cause some adjustment of production. The real problem in the sugar sector was a global problem which the United States - not being the only country concerned - could not solve alone; in that connection, he mentioned sales of sugar on the world

market at a price well below the average production cost. Agricultural problems must be dealt with in a global context, as the Committee on Trade in Agriculture was trying to do. Grant of the waiver had not exempted the United States from observing certain rules, and the rights of its trade partners had been confirmed, for example, by the establishment of a panel. The restrictions introduced on 28 January had been triggered by a significant increase in imports in the United States view designed to circumvent existing quotas. Such restrictions were applied in order to protect the application of support programmes. Under Section 22, if imports threatened to hamper such application, restrictions had to be introduced. The waiver had been granted in relation not with specific products but with programmes, and the sugar content of any product would not be an appropriate criterion. The general situation and monetary fluctuations were not a problem relevant to Section 22.

23. In response to questions regarding the procedure used, the United States representative said that the Secretary of Agriculture had advised the President that certain sugar-containing products were practically certain to be imported into the United States under such conditions and that in such quantities as to materially interfere with the price support operations for sugar cane and sugar beet. Quotas had accordingly been imposed as emergency action (Proclamation No. 5294 of 28 January 1985 (L/5787)), and the International Trade Commission had been asked to carry out an investigation, informing the parties concerned and giving them an opportunity to express their views. The quotas were to remain in effect until the President had received and acted upon the Commission's report and recommendations. Those restrictions concerned tariff headings 156.45, 183.01, 183.05, namely sweetened cocoa, pancake flour and other flour mixes, and edible preparations containing less than 5 per cent butterfat; the problems raised stemmed from the fact that the last of those tariff headings was a "basket" heading whose content, entirely under restriction, was difficult to determine. Consultations had been initiated to try to solve the problems and not adversely affect normal trade channels. The United States subsequently announced that certain articles had been exempted from the quota restriction (modification made to Proclamation No. 5294 effective 19 May 1985 (L/5787/Add.1)). The United States representative noted that that modification should solve a number of the trade problems that had arisen.

24. With respect to the question concerning the representative period used for the import quotas imposed on an emergency basis on 28 January 1985 and the rationale for using that period, the representative of the United States indicated that the same representative period was used as for the quotas imposed in June 1983; i.e. 1978-1981. The rationale for using that period was that it immediately preceded the period beginning early in 1982 and continuing into 1985 that had been characterized by the proliferation and rapid growth in imports of new sugar-blend products. With respect to a question concerning the status of the previous blended-sugar investigation, the International Trade Commission had reported to the President on Investigation No. 22-46 in December 1983. The President had taken action

on the basis of that report in Proclamation No. 5294 of 28 January 1985, which continued in effect import quotas which had been imposed, on an emergency basis, by Proclamation No. 5071 of 28 June 1983.

25. One member of the Working Party, commenting on the modification in the coverage of quotas, indicated that the impact of the changes was still being examined. It continued to be his delegation's view that the CONTRACTING PARTIES, in granting the waiver, had not intended that it would allow arbitrary restriction of imports of manufactured grocery products particularly when the commodity for which price support was being operated constituted a relatively small part of input costs. The United States had provided no evidence that imports of the products in question interfered with the price support programme. Delays and difficulties in identifying products imported under the tariff items in question suggested that the United States had acted to restrict imports on the basis of inadequate information and that the restrictions should be suspended pending submission of the Commission's report.

26. In reply to a question regarding the legal basis for the measures applied on imports of sugar and sugar-containing products, the United States representative recalled that the quotas on sugar were in pursuance not of Section 22 but of a "headnote". Section 22 itself did not allow the simultaneous application of fees and quotas.

27. One member of the Working Party enquired what effects the modifications proposed in the Farm Bill would have on the need for special protective mechanisms in respect of sugar, in particular import fees, and at what stage those modifications would allow the United States to terminate special protective measures in respect of sugar. The United States representative noted that the 1985 Farm Bill provided for a sugar programme. To the extent that restrictions could be necessary to prevent imports from hampering that programme, they were required under Section 22. In his opening statement he had mentioned modifications in respect of the fees on sugar. With respect to import quotas for certain sugar-containing products, efforts had been undertaken since March to reduce their trade effects which were not designed to circumvent the sugar restrictions.

28. One member of the Working Party recalled that the United States re-export programmes for refined sugar and sugar-containing products, combined with the duty drawback system providing for drawback of both duty and import fee, had resulted in increased imports from that country. Since the matter had been examined in detail the previous year, the problems caused for his country had continued. While not contesting the use of the drawback system per se his authorities were concerned about the effects which the system produced when combined with measures taken under Section 22. His country's authorities, which had hoped for an announcement of termination of the programmes, were therefore urging the United States to modify them in order to eliminate the export incentive effects and the problems that arose from time to time. One member of the Working Party noted that in cases of that kind appropriate measures should be taken to

protect the rights of other parties. The United States representative pointed out that the drawback system was not connected with Section 22 and was therefore not within the province of the Working Party. He noted nevertheless that the current suspension of the fee should ease the problem.

29. With respect to cotton, one member of the Working Party said that the acreage reduction was insufficient. Having regard to the importance of the United States on the market, the increase in that country's production, problems of surpluses and the support prices applied were hampering any effort to stabilize international prices. The Working Party should endeavour to determine the effect of price stabilization measures taken by the United States by comparing the volume of supported production intended for consumption and for export. One member of the Working Party asked for details of the trade promotion programmes. The United States representative recalled that production was being adjusted in his country and noted that other factors were playing an important rôle in the world production increase.

30. Members of the Working Party expressed regret that the United States had been opposed to any change in the system of import restrictions in respect of measures applied to certain products (e.g. sugar) in respect of which they had reached the conclusion that the measures were incompatible with the provisions of the waiver.

31. In view of the fact that the results of the Working Party in the three preceding decades had not led to the elimination or substantial easing of restrictions applied by the United States under the waiver, some members of the Working Party expressed the opinion that the Committee on Trade in Agriculture could be deemed an appropriate and more effective forum for arriving at the elimination or easing of those restrictions. This was all the more so since in the new round of multilateral trade negotiations the negotiations on agricultural problems as a whole might be taking place in that body. These members expressed doubts as to the consistency of the position of the United States which was calling for the possibility of concurrent discussions on matters such as export subsidies both in a specifically agricultural forum and in a general forum, while in respect of import restrictions under the waiver it seemed to consider the agricultural forum as the only appropriate one. Other members however pointed out that the modalities for negotiations on trade in agriculture in the new round had yet to be established.

32. In reply, the representative of the United States said it was incorrect to say that the United States, in the Working Party, had been opposed to any change in the system of import restrictions or that there had not been a substantial easing in the restrictions imposed under the waiver. Concerning the first point the United States representative stressed that the problem in agriculture is global and cannot be solved by the actions of one country. Concerning the second point the United States

representative noted that the report prepared by the GATT secretariat (GATT document (Spec(84)9) on action taken by the United States under the waiver clearly demonstrated the fact that the extent of import restrictions taken under section 22 had been significantly reduced. Concerning the question of consistency of the position of the United States regarding the agricultural negotiations the United States representative stated that his country had been consistently pushing for negotiations in the field of agriculture. The question of how agriculture would be negotiated in the new round was presently being discussed in the Preparatory Committee which was preparing for the new round and would be a subject to be decided in that process; therefore, it would be inappropriate and outside the terms of reference of this Working Party to determine how agriculture would be handled in the new round.

33. Members of the Working Party recalled that at the 1984 meeting the United States had been asked to present a report providing a detailed examination and critical evaluation of the reasons why measures consistent with the provisions of the General Agreement did not constitute a feasible alternative to those maintained under the waiver. It had been noted that a report along those lines would provide the Working Party with a more appropriate basis for full examination of United States commitments, as envisaged under the waiver. The United States was asked to furnish such additional information. One member of the Working Party proposed a study of possible legal solutions for terminating the waiver. One member of the Working Party underlined that recourse could be had to Article XI; in regard to dairy products, the United States was maintaining production limitation programmes, as envisaged in that context. Even if such programmes did not exist for other products, every contracting party was, nevertheless, under the obligation to bring its legislation into conformity with the GATT provisions.

34. Members of the Working Party supported the request for a supplementary report, noting that it was urgent and necessary to solve a thirty-year old problem and underlining the concern felt over what seemed to be unilateral interpretation of the waiver by the United States. One member of the Working Party asked whether the United States would envisage total elimination or product by product. A member of the Working Party, recalling that the United States intended to maintain the legal mechanism of the waiver even without economic need, expressed the hope that progress could be made in the framework of the Committee on Trade in Agriculture.

35. The representative of the United States underlined that the Farm Bill showed that the United States was not waiting for other countries to take action before introducing adjustment measures. Nevertheless, it could not on its own solve problems in the agricultural area and was not solely responsible for either surpluses or trade barriers. As indicated to the previous year's Working Party, that situation determined his country's position in regard to the Committee on Trade in Agriculture. Without action in that body, it was not feasible to terminate the waiver because the United States needed some measure of protection. Article XI and countervailing duties were not adequate to protect his country's programmes.

36. In response to the request made the United States communicated a note, circulated as L/5772/Add.1.

37. Several members of the Working Party expressed their disappointment at that communication, which fell short of their expectations. The note seemed to imply that the fact that other countries applied import and export measures was a reason for maintaining the waiver. An explanation of that kind was no justification, and the reference to infringements of the GATT rules could only be detrimental to GATT and likewise to the interests of countries that did not apply such measures. Furthermore, the trade policies applied by other countries were not within the terms of reference of the Working Party which had been established solely to examine the twenty-seventh annual report submitted by the United States Government under the Decision of 5 March 1955. No mention was made in the waiver of measures applied by other contracting parties, and in deciding to grant the waiver, the CONTRACTING PARTIES had specifically mentioned its effects on attainment of the objectives of the General Agreement. The fact that the United States was seeking to make similar action by other contracting parties a condition for bringing its own measures into conformity with the GATT rules stemmed from a unilateral interpretation that was not in conformity with the decision. One member of the Group underlined that it seemed inconceivable that one country should make its action conditional on full and comprehensive liberalization of agricultural trade.

38. Reference was made to the United States expressed intention of dealing with such matters in the Committee on Trade in Agriculture. It was noted that it would be desirable for all measures affecting agricultural trade to be brought under stricter GATT rules and disciplines. The hope was expressed that, within the framework of the Committee on Trade in Agriculture, the United States and other major trading partners would show the necessary political will to bring all the measures concerned under the GATT rules.

39. One member of the Working Party noted that experience had shown the difficulty of any isolated solution; for that reason the Committee on Trade in Agriculture was the body in which one could hope to solve a question to which, however, the current situation showed that no reply would be easily found.

40. One member of the Working Party noted that frequent reference had been made to the Committee on Trade in Agriculture. While commending the fact that the United States had reaffirmed its readiness to undertake in that body a mutual examination of any useful approach to the elimination of agricultural trade barriers, some members underlined that the work of that Committee and of the Working Party were not mutually exclusive. Even if, as indicated in the United States note, the Working Party was too limited a forum for satisfactory discussion of how governments related their international trade policies with respect to agricultural commodities to their domestic measures for supporting the income of agricultural producers, it remained that the Working Party had been established to

examine the waiver granted to the United States. It had been noted that under paragraph 5 of the conditions and procedures attached to the waiver, there was an obligation to remove or relax restrictions in certain conditions. The Working Party was therefore competent to discuss alternative measures to Section 22 when considering the reasons why such restrictions were still being applied. One member of the Working Party regretted that the United States communication did not afford any answer as to whether adequate means of protection could be found under existing United States legislation.

41. It was noted that, in the context of the Committee on Trade in Agriculture, modification of the trade framework for those products could make it easier to terminate the waiver; it was underlined, nevertheless, that, contrary to what the United States note seemed to imply, the waiver was a privilege granted by the contracting parties and no payment was to be expected for its termination.

42. The United States representative said that he would inform his authorities of the remarks made. The question raised was a practical one, and should therefore be dealt with pragmatically. As the work of the Committee on Trade in Agriculture had shown, the agricultural sector was beset by many problems and the question of restrictions imposed under the waiver was one of them; those problems must be tackled and the United States was ready to do so. No country could act alone and for that reason the Committee on Trade in Agriculture was the appropriate forum for considering such problems. The question was not one of payment, but of finding a solution. In their communication, the United States authorities had not sought - and it was regrettable that members of the Working Party had thought the contrary - to justify their action by measures of other contracting parties; they had endeavoured to situate the problem in its proper perspective and to show that it was a comprehensive and complex problem that could be tackled only in a broad context.

43. Members of the Working Party reiterated their appeal to the United States to make every effort to solve the problem, to bring the measures applied into conformity with the GATT rules and to terminate the waiver.