

# GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

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Special Distribution

Agriculture Committee  
Working Group 2

## MEASURES WHICH AFFECT IMPORTS

### Report on Meeting of 15 to 19 June 1970

1. The Agriculture Committee has directed Working Group 2, dealing with measures which affect imports, to seek mutually acceptable solutions to the principal problems affecting international trade in agricultural products, and for this purpose to complete such further identification of these problems as is necessary (L/3320, paragraph 5). It was understood that this work would be essentially of an exploratory nature and that the definition of a range of possible solutions did not imply a commitment to conform to any of these solutions (L/3320, paragraph 6). In the Conclusions adopted at their last session the CONTRACTING PARTIES further directed that conclusions be formulated on possibilities for concrete action that might appropriately be taken to deal with the problems that arise and that this task should be completed during 1970 (L/3366, paragraph 4).

2. The Working Group met from 15 to 19 June 1970 under the chairmanship of Mr. H. von Verschuer (Commission of the European Communities). This report sets out the proposals or suggestions as to how the principal problems might be dealt with and the main points raised in the discussion. It is emphasized that the discussion at the first meeting was not exhaustive, that in many cases the views recorded were only tentative and that delegations would have full latitude to supplement and clarify them when the report was discussed by the Agriculture Committee at its July meeting.

### Documentation

3. The Working Group noted four documents which had recently been distributed. COM.AG/W/57 and Add.1 summarizes the quantitative restrictions in force in seventeen countries and points made on these restrictions in the Joint Working Group. The Working Group conducted a first reading of COM.AG/W/54 which sets out notifications, made in response to COM.AG/14, paragraph 8(a), of quantitative restrictions applied by other countries. This document will be revised in the light of the discussion which took place; details are contained in Spec(70)71. COM.AG/W/47 lists those positions in the first twenty-four chapters of the Brussels Nomenclature subject to variable levies and other special charges in countries or groups of countries which are members of the Agriculture Committee. COM.AG/W/58 indicates that tariff study data are available for eleven countries or groups of countries and gives details of the data. It was agreed that each country or group of countries should check the data relating to its own tariff. Members of the Working Group reserved the right to make corrections to, or comments on the documents which had been put before them and to make further notifications of non-tariff barriers on products in Chapters 1 to 24 of the Brussels Nomenclature.

4. It was noted that the secretariat was in a position to circulate a summary of tariff information for each four-figure Brussels Nomenclature heading of the same type that was being prepared in the industrial sector. Some delegations were of the opinion that, in the agricultural sector, a summary of tariff data alone would present a misleading picture. After some discussion the Working Group agreed that the secretariat should prepare a document for submission to the Agriculture Committee. This document would summarize, for each four-figure Brussels Nomenclature heading, information on (a) tariffs, (b) quantitative restrictions including centralized trading, and (c) variable levies and other special charges. In the case of (a) and (c) above the information would be in the form of ad valorem incidences. In the case of (b) above the document would indicate the type of restriction in question. This summary would thus be in the form of a table with three columns under each country. In an introductory note there should be laid out the problem of comparability of the three columns and the problem of the connexion of data appearing in the three columns and the effects of measures thus classified. These would be found in following three annexes:

Annex 1 on tariffs would consist of the detailed listings described in COM.AG/W/58, after verification.

Annex 2 on quantitative restrictions would consist of COM.AG/W/54, as revised in the light of the discussion of this document in the Working Group, and COM.AG/W/57/Add.1.

Annex 3 on variable levies and other special charges would include a summary description of measures applied and list:

- (a) each tariff line on which variable levies and other special charges as listed in COM.AG/W/47, subject to any modifications that may be agreed;
- (b) the ad valorem incidence of these levies and charges in 1968 or 1968/69; and
- (c) value of imports under each tariff line referred to in (a) above, by origin.

5. Some delegations suggested that further countries should be added to the tariff study. It was noted that the addition of other countries depended on a number of factors, including cost. It was agreed that members of the Agriculture Committee applying variable levies and other special charges should supply the secretariat, by 31 October 1970, with the information required to complete this part of the document.

6. It was further agreed that information on variable levies and other special charges in 1969 or 1969/70 and the latest information on quantitative restrictions should be supplied to the secretariat by 30 September 1971 to allow it to keep the document up to date.

The search for mutually acceptable solutions

7. Several delegations recalled the importance which they attached to the re-establishment of a true world market in sectors where markets are at present compartmentalized and isolated from one another and of re-establishing a true world market price that could be used as a guide for the economic allocation of resources. These delegations stressed the harmful effects of import measures such as variable levies, minimum import prices and quantitative restrictions including centralized trading, which insulated individual domestic markets from the world market and added elements of risk and uncertainty to international trade. In their view, variable levies are more restrictive than quantitative restrictions. Some delegations said that the aim should be the removal of all quantitative restrictions, variable levies and related restrictive measures and reliance on fixed tariffs at non-prohibitive levels which would link domestic markets to the world market in a predictable way and lead to an increase in trade to the benefit of all. These delegations would be willing to discuss the removal or relaxation of their own quantitative restrictions, even when permitted under Article XI, if other delegations were prepared to discuss their quantitative restrictions and variable levies; in this way these measures could be replaced by tariffs. These delegations said that such changes in import measures would require changes in agricultural policies and that income support measures which were more production neutral, especially by product, should replace measures which maintained domestic prices above world levels although exactly which measures were adopted would be left to the countries themselves. A global approach would be desirable and the work of the other Groups was clearly relevant since if subsidized exports ceased it would be easier for countries to modify their import measures and if some countries granted incentives to the production of goods already in surplus it would be more difficult for other countries to liberalize their import measures.

8. Several delegations expressed the view that, while this set of proposals had the advantage of simplicity it might be extremely difficult to put into practice. Some delegations were of the opinion that it was hardly realistic to expect countries to change their whole system. Other delegations said that they accepted the proposal as an objective but that consideration should also be given to solutions which could provide a substantial amelioration of the situation. Some delegations said that classes of measures, such as variable levies and minimum import prices, could not be condemned as such. Many measures were in force as a result of the existing disequilibria in world trade and whether, for instance, a minimum import price was more harmful than a fixed tariff depended on the level at which the minimum price was set and the weight of the tariff. Some delegations said that variable levies did not give rise to uncertainty, since internal prices characteristically remained fixed for considerable periods and exporters were aware of trends in world prices. These delegations also were of the view that it would be inequitable to negotiate off quantitative restrictions in one country against levies in another since the levy was, in principle, the sole instrument of protection and quantitative restrictions were not. Moreover, it was not satisfactory to negotiate the removal of individual measures since the benefit of this might be modified by the adoption of other measures.

9. Some delegations said that they were not prepared to negotiate on, or pay for, the removal of illegal quantitative restrictions or the discriminatory element in otherwise legal restrictions. They pressed for the unilateral elimination of such restrictions or their legalisation where possible through existing GATT provisions. On the other hand, these delegations proposed that the elimination of variable levies and quantitative restrictions which are legal should be subject to negotiations. In the interim, criteria should be adopted for the non-discriminatory administration of any remaining restrictions. For instance quantitative restrictions for which slight justification existed should be eliminated and quotas should be opened which would permit imports which were at present prohibited and an annual increase in quotas provided in order to permit imports to share in the growth of the market.
10. Some delegations pointed out however that there was a grey area of restrictions which were legalized either by historical accident under the protocol of provisional application and similar protocols or by waivers. Some delegations said that in their view if a solution were to be reached it would be necessary to adopt a pragmatic approach and that all contracting parties concerned should make efforts to relax and eliminate quantitative restrictions whether legal or illegal and should submit a list of items which could be liberalized. Efforts should be made to increase other remaining quotas and solutions to these remaining quantitative restrictions should be found through consultation in the GATT. Other delegations said that they were not willing to take action on quantitative restrictions which they maintained in conformity with the GATT outside the context of a broad negotiation which also dealt with variable levies.
11. One delegation pointed out that some quantitative restrictions were permitted under Article XI and suggested that, since quantitative restrictions had become a part of the agricultural policies of many contracting parties, Article XI be broadened to legalize some of these restrictions while submitting them to additional disciplines and periodic review in the GATT, with the view to moving towards a more rational trade in agricultural products. Several delegations said that they could not support this suggestion.
12. Some delegations said that tariffs, variable levies and legal quantitative restrictions should be the subject of negotiation. However, the negotiations on agricultural products could not in general restrict themselves to measures applied at the frontier. On the other hand, there were a number of products which, while happening to fall into Chapters 1 to 24 of the Brussels Nomenclature, were closer to industrial products. In the case of these products, the tariff was still a key protective measure which could be negotiated separately. Processed foodstuffs were an example. These delegations suggested that the proposal for the phasing out of import restrictions on industrial products reproduced in the report of Working Group 4 of the Committee on Trade in Industrial Products (Spec(70)65, paragraph 10) might also apply to these products.

13. In its search for possible solutions the Group recognized the need to give special attention to measures of particular importance to developing countries. In this connexion some countries suggested that in the efforts which were being made to reach agreement on the basis for general negotiations in the agricultural sector, priority attention to the problems of developing countries could be given by identifying sectors of special interest to these countries, in which action could be taken by CONTRACTING PARTIES on an immediate basis. The Agriculture Committee had recognized that vegetable oils and oilseeds was one such sector (see paragraphs 20-26 below). In the view of some delegations, another such sector would be that of processed foodstuffs, which is frequently one of the first industries to be established in developing countries.

14. Some delegations suggested that the problems of agricultural trade should be identified and possible solutions should be sought to particular problems. A distinction should be drawn between the problems which might be resolved by an appropriate management of existing measures and the more far-reaching problems the solution of which required modifications of agricultural policies. In the first area there would be room for a whole series of adjustments which could improve trade in agricultural products: in the case of quantitative restrictions, for instance, the methods of administering them might be made more flexible; in the case of levies, exporters might co-ordinate their exports by exercising in this manner an influence on world prices so that the amount of the levies imposed by the importing countries could be influenced. Solutions in the second area presupposed very comprehensive negotiations. Countries should be left free in principle to apply whatever instruments they deemed appropriate to their own policies. The negotiation would essentially bear on the final results which it is desired to obtain. The undertakings would bear upon certain common data to be determined. One useful concept might be the self-sufficiency ratio. This does not exclude that more precise commitments concerning certain specific instruments might also be taken case by case.

15. Other delegations agreed that an appropriate management of existing import measures could lead to an improvement in trade. They felt however that such improvement would be limited by the limited scope of administrative action possible under the existing legislation of various countries. In any case, in the view of these delegations, action in this area, while no doubt useful and capable of being pursued separately did not correspond to the more far-reaching aims set for the present group because it would not solve the fundamental problems of agricultural trade.

16. These delegations stated that it must be accepted that the type of solution sought would lead to some modifications in agricultural policies. While recognizing that levies were part of an overall policy, they pointed out that elimination or reduction of other barriers, such as quantitative restrictions, would also lead to policy changes, and that levies, quantitative restrictions and tariffs all represented barriers to trade and thus needed to be dealt with.

17. The Group addressed itself to the second part of the suggestion put forward by some delegations (see paragraph 14). In reply to questions these delegations said that they had not re-examined the applicability of the montant de soutien approach. The concept of a global approach underlying that proposal nevertheless remained valid. Such an approach remained necessary in order to ensure that solutions based on commitments on different elements by different countries were mutually equitable and led to the desired results. It would be necessary to determine suitable yardsticks to measure the results of action taken by countries under commitments on particular elements.

18. Some delegations expressed doubts as to the utility of the concept of the self-sufficiency ratio. Such an approach would not encourage efficient resource utilization either within domestic markets or internationally. As a yardstick it would have to be applied on a commodity or commodity sector basis and might not be applicable to all commodities, and would have to be accompanied by more precise commitments. The commitments should be such as to allow their effects to be assessed in the course of their application and not only after a certain period of time. These delegations expressed the wish that the proposers of this approach develop their proposal further, in order to make it more specific, in particular as regards the type of action to be taken in respect of each type of barrier, and in order to allow its implications to be examined in detail.

19. Summing up this part of the discussion, the Chairman said that in his opinion, fundamentally, there were two possible approaches. One consisted in making commitments to allow imports to enter the market in competition with domestic production; to the extent that agricultural support was thus affected, recourse must be had to measures that did not adversely affect imports. The other consisted in making commitments that would result in the maintenance of domestic production at a level which left room for imports to meet the remaining demand or to share in the growth of demand. Both approaches would entail an impact on current agricultural policies and would of necessity lead to their re-orientation. Both involved political decisions of a far-reaching nature. In the meantime some limited improvement in trading conditions might be achieved by improving the administration of existing frontier measures; this was a question that might merit further consideration.

#### The particular problem of vegetable oils and oilseeds

20. The Group reverted to the proposals by Nigeria (COM.AG/18 and Corr.1) and Ceylon (COM.AG/19) for the reduction and elimination of tariff and non-tariff barriers to tropical oilseeds and vegetable oils.

21. The representatives of Nigeria and Ceylon, supported by other exporters of these products, expressed the hope that the Group might suggest lines of action to ease the problems faced by developing countries in this connexion, but which would not prejudice possible future action in a broader context. They stressed

that particular attention should be given to differential tariff duties. They felt that it was possible to give separate treatment to tropical oils and oilseeds, and in this context referred to the International Olive Oil Agreement and to suggestions made at the special Session of the FAO Study Group on fats and oils in January 1970 regarding the possibilities of a buffer stock scheme for lauric oils.

22. The representatives of the countries to which the proposition was addressed stated their positions. One delegation recalled that their country had already announced that restrictions on several of the products under discussion were to be removed by the end of 1971. This delegation added that no additional action on tariffs was expected for the foreseeable future due to the adverse effects that this would have for domestic producers and, because of substitution effects, for certain outside suppliers. They referred to the increased imports of their country and indicated their readiness to consider mutually acceptable solutions in this field.

23. Another delegation indicated that they were unable to take any action at present, and pointed out that their quantitative restrictions on groundnuts were connected with a support programme which involved domestic production controls. Another delegation said that oilseed production in their country was motivated by security grounds and the need to rotate crops, and pointed out that its self-sufficiency ratio was relatively low, there being no quantitative restrictions. An internal levy was applied without discrimination to domestic and imported products and its reduction would not affect the level of imports. He recalled that his country's general support for international commodity arrangements also applied to fats and oils but said that any arrangements should cover the whole sector, in view of the interrelationships between the different products. Another delegation noted that protection in his country was already at a moderate level. Unilateral elimination of the protection could therefore not be envisaged, but could be considered as part of multilateral action. Another delegation said that it could not yet pronounce on the request addressed to it for the relaxation of measures at the frontier, which consisted only of tariffs, as it had not received instructions.

24. One delegation recalled the suggestion that countries might subscribe to a standstill which had been made at a previous meeting (L/3320, paragraph 15) and proposed the text of such a standstill (annexed). Some delegations stated that, although in principle in favour of the standstill if it were to be accepted by major trading countries, the fact that their countries were to engage in certain negotiations meant that they would have to reserve their position with regard to its duration. Another delegation indicated that legal reasons prevented it from formally accepting the text but that its government could declare its intention not to change its present system of policy in this field.

25. It was agreed that it would be desirable to examine further the question of the standstill with a view to seeing if agreement could be reached on the text of a standstill or a series of declarations of intent which went in that direction. It was understood that the adoption of the standstill would not exclude the examination of possibilities for further action.

26. The representatives of developing exporting countries said that the discussion reflected the awareness of other delegations of the problems of developing countries in this sector, and expressed their appreciation of the willingness on the part of certain developed countries to consider possibilities for liberalization if other consuming developed countries were prepared to take similar action. They hoped that this willingness on the part of these countries indicated that it was possible to treat problems of tropical oil and oilseeds separately. They expressed the hope that if other consuming countries considered taking similar action, contracting parties could move towards a solution of problems facing developing countries in the sector.

Annex

DRAFT STANDSTILL PROVISIONS ON OILSEEDS AND OILS

Proposal by a Delegation

Whereas trade liberalization offers substantial potential for expansion of consumption and trade in oilseeds and products, with consequent benefits to producing and consuming countries, contracting parties hereby declare that as a preliminary step to this goal they shall, to the fullest extent possible - that is, except when compelling reasons, which may include legal reasons, make it impossible - refrain from introducing or increasing the incidence of, customs duties or non-tariff barriers on, such products.