

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

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Group on Residual Restrictions

NOTE ON PROCEEDINGS OF THE MEETING OF THE GROUP HELD ON 24-25 JANUARY 1972

Prepared by the Secretariat

Introduction

1. The Group on Residual Restrictions met on 24-25 January 1972 under the chairmanship of Mr. G.O. Niyi (Nigeria). The Group reviewed progress towards the elimination or relaxation of restrictions on products already discussed by it at earlier meetings and proceeded to an examination of a list of further products identified as of interest to developing countries by the Group itself and in the Joint Working Group on Import Restrictions. The examination took place on the basis of material prepared by the secretariat (documents COM.TD/W/140/Rev.2 and COM.TD/W/147) and took into account relevant recommendations of the Group of Three. In the course of the examination representatives of countries maintaining restrictions answered questions in regard to, inter alia, the following aspects: grounds on which restrictions were maintained, indications of prospects for removal or relaxation of restrictions and steps taken to liberalize their application along lines recommended in paragraph 10 of COM.TD/79.
2. The main views expressed in the course of the discussion and suggestions put forward by members of the Group are summarized below in Part I. A detailed record of the discussion of individual items is set out in Part II.

PART I

3. The Group took note of certain measures towards liberalization listed in the documentation before it and also noted that progress in this field continued to be slow.
4. Several members of the Group reiterated the importance they attached to early and priority action for the removal of restrictions affecting imports from developing countries. In regard to situations where it had not been possible to eliminate quotas, some members drew attention to the need for fuller information on action taken towards relaxation of restraints, e.g. by enlargement of quotas or introduction of seasonal measures as had been recommended earlier in COM.TD/79. Some members also suggested that countries maintaining illegal restrictions on products of interest to developing countries should be required to report annually on measures taken to relax such restrictions.
5. Some members expressed their support for early multilateral negotiations that would permit joint action to eliminate remaining residual restrictions affecting the trade of developing countries. At the same time, they noted that action to remove or relax these restrictions would be taken wherever it was possible to do so in advance of such multilateral negotiations.

6. Some members pointed to the fact that restrictions on agricultural products were merely one aspect of general policies in the field of agriculture, and could be dealt with only in the context of an overall review of production and trade policies affecting agricultural products. Some other members, while noting that for temperate zone products quantitative restrictions were only one means of protection and therefore could not be considered in isolation, felt that attempts should be made to explore possibilities for limited action in this field in favour of developing countries while awaiting multilateral negotiations with respect to the agricultural policies of contracting parties. Some members from developing countries stressed the need for taking such action on a priority basis. One member stated that the restrictions imposed by his country on certain agricultural products were based on the provisions of its Protocol of Accession and were the subject of annual reports to the CONTRACTING PARTIES, in pursuance of that Protocol.

7. Some members referred to the point made at the last meeting of the Group that liberalization measures for certain temperate zone products which were often characterized by existence of surpluses and overall imbalance between supply and demand, such as fruits and vegetables, might be possible only in the context of multilateral solutions in specific sectors. Some representatives stated that the removal of illegal restrictions on the basis of such multilateral arrangements should not require a counterpart contribution from developed countries not maintaining such restrictions. They also felt that any unilateral action taken in favour of developing countries should be undertaken on a non-discriminatory basis.

8. Some representatives drew attention to the fact that certain restrictions were maintained in the interests of certain developing countries in respect of which there existed traditional obligations. While their reduction or elimination would have harmful effects on the trade and future development of these countries, they would, on the other hand, provide only marginal benefits to other developing countries. The representative of a developed country pointed out that the maintenance of illegal restrictions designed to protect some developing countries, at the expense of other countries, was not justified. Some representatives considered that liberalization would have unacceptable economic and social consequences in such cases and noted that no other measures had been suggested to avert these consequences.

9. With respect to State-trading operations on products of interest to developing countries (such as wine, spirits and tobacco) some representatives of developing countries expressed interest in the purchase policies of State monopolies. Some representatives were of the opinion that State-trading practices as such did not necessarily act as a measure restricting imports. In some cases they could even be of help to developing countries by facilitating purchases. In this context it was explained by a representative of the secretariat that the notifications relating to State trading were included in the list of restrictions because these were notified by developing countries as having restrictive effects on their exports.

10. The Group generally welcomed a proposal made by some members that developed countries with State-trading practices should be invited to provide information on the practical operation of such transactions concerning products examined by the Group for the information of developing countries involved in the export of the products concerned. Some delegations referred, in this connexion, to the International Trade Centre market survey "The Market for Wine in Ten Western European Countries" and to the notifications made in accordance with Article XVIII of GATT.

11. Some representatives referred to the maintenance of discriminatory country classifications by certain developed countries. They drew attention to the recommendation made by the Group of Three under paragraph 32 of its Report and urged early elimination of the discrimination involved in these practices.

12. Some representatives of developing countries drew the attention of the Group to the indications given by representatives of certain developed countries that restrictions on many products of interest to developing countries were maintained mainly for the purpose of protecting their domestic industries from competition from neighbouring developed countries. In such a situation it was, in their view, only logical that imports from developing countries should be exempted from the application of these restrictions. Representatives of some developed countries, while agreeing with the proposal that action should be taken for the elimination of restrictions on products of interest to developing countries, felt that this should be done on a most-favoured-nation basis. In this connexion the representative of a developed country, with support from others, pointed to the possibility that action to eliminate restrictions only on developing country products might lead to an aggravation of the problem of surpluses in certain sectors and further create various technical difficulties, for instance in the determination of origin. Representatives of developing countries pointed out that many of these technical problems, including those related to the determination of origin, had been satisfactorily resolved in the context of the Generalized System of Preferences.

13. Some representatives proposed that at future meetings, the Group might concentrate its examination on a discussion in depth of a more limited list of products of significant trading interest to developing countries.

PART II

A. REVIEW OF DEVELOPMENTS CONCERNING THE TWENTY-ONE PRODUCTS OR PRODUCT GROUPS WHICH HAD BEEN EXAMINED AT EARLIER MEETINGS OF THE GROUP

Natural honey

14. The representative of Norway said that it was necessary to control imports of honey so that the domestic producers could sell their product on the home market. There had been no change in the import system since the last meeting of the Group.

15. The representative of France recalled the reasons for maintaining the restriction on natural honey which had been explained at an earlier meeting of the Group. The French authorities were ready to discuss with developing countries exporting natural honey any specific problem encountered by them. He stressed that no licence applications for imports from developing countries had been refused.

Cut flowers

16. In explaining the nature of the restriction, the representative of Switzerland said that traditional suppliers and others, including new suppliers, were granted separate quotas. The quota system was applied seasonally, from 1 May to 25 October, imports being liberalized during the rest of the year. Reiterating an offer made to the Group of Three, he said that the Swiss authorities stood ready to consider ways and means of helping developing countries to increase their share of the Swiss market, and they were invited to inform the Swiss authorities of their particular problems.

17. The representative of the Federal Republic of Germany said that although his Government had not been in a position to remove the restriction on fresh flowers for reasons explained at the last meeting of the Group, the quotas allocated had been large enough to accommodate nearly all import applications. His Government hoped to be in a position to remove the restriction in the near future.

18. The representative of France stated that bilateral quotas had been granted for imports of cut flowers from certain countries and the French authorities were ready to examine any specific requests that exporting countries might present to them. Flower production was a sector extremely vulnerable to foreign competition because of substantial differences between social systems and between production conditions. A fair assessment of conditions for access to markets should also take into account non-tariff barriers and in particular, in the case of plant and flower production, plant health regulations which in some countries virtually amounted to an import prohibition.

19. The representative of a developing country requested the developed countries maintaining restrictions to consider favourable treatment for imports of cut flowers from tropical countries.

Potatoes, tomatoes and onions

20. The representative of Belgium informed the Group that imports of early potatoes had been liberalized except for the two-month period from 2 June to 31 July. Imports of other potatoes had been completely liberalized in January 1971. Belgium had already liberalized imports of fresh onions in 1970.

21. The representative of the Federal Republic of Germany said that the explanations given at the last meeting of the Group in regard to potatoes were still valid.

22. The representative of Austria stated that the restrictions on imports of seed potatoes had been eliminated as well as those on imports of other potatoes except for a certain period to be specified each year, depending on the supply and demand situation. During this period imports were under global quota or otherwise restricted. Tomatoes and onions were subject to seasonal restrictions.

Citrus fruits and juices

23. The representative of the United Kingdom said that the discriminatory quota restrictions on certain citrus fruits and juices from the so-called "dollar area" were maintained in the interests of certain Commonwealth countries in the Caribbean area and not for the protection of domestic production which was virtually non-existent. The representative of Jamaica informed the Group that Commonwealth citrus producers in the Caribbean were satisfied with the measures maintained by the United Kingdom and they would not agree to forego such measures unless alternative safeguard solutions were found. The representative of Trinidad and Tobago said that inclusion in the United Kingdom Generalized System of Preferences of certain citrus fruit items would have an adverse effect on Caribbean citrus producers. It was therefore all the more urgent that other developed countries should open their markets to help the Caribbean producers expand their exports. While recognizing the economic difficulties faced by Caribbean Commonwealth suppliers, the representative of the United States said that assistance should not be given at the expense of exporters of citrus and other products subject to these discriminatory "dollar area" restrictions. He also stated that United Kingdom citrus imports from Caribbean Commonwealth producers had generally declined in the past decade while unrestricted imports from Eastern Hemisphere suppliers, including one developed country, had significantly increased.

Apples, pears and processed products of apples, pears and peaches

24. Referring to the country's liberalization programme in recent years, the representative of Japan said that his Government had a serious desire to proceed with the removal of remaining import restrictions. During the year 1971,

restrictions on fifty items had been eliminated including many items of interest to developing countries, such as apples, live animals of the bovine species, black tea, certain vegetable oils and seeds, wine, meat and offals of pigs, and manioc. With regard to items which were still subject to restrictions, quotas had been considerably enlarged.

25. The representative of France said that restrictions on imports of fresh apples and dessert pears had been eliminated in 1970.

26. The representative of the Federal Republic of Germany informed the Group that restrictions on dessert apples and pears had been removed in 1970 and those on peaches preserved by sugar and peach jams in October 1971. Restrictions on preserved apples and pears and juices of these fruits falling under BTN 20.05, 20.06 and 20.07 were still in force in order to ensure domestic producers a fair share of the market.

27. The representative of Norway said that restrictions in this sector had been maintained, because there was no alternative method of improving the standard of living of small farmers.

28. The representative of Austria explained that in response to a suggestion made at the last meeting of the Group, the system of import control applied to fresh apples had now been put, in actual practice, on a seasonal basis. With regard to other restricted items in this sector, there had been no changes.

29. The representative of the United Kingdom said that his Government would be able to consider action to liberalize these items only within the context of multilateral action. He confirmed that sterling area countries continued to be exempted from the quota restriction on account of traditional trading practices.

30. Replying to a question, the representative of the European Communities stated that discussions were still under way regarding the co-ordination and unification of the import régimes applied by individual member States vis-à-vis third countries in respect of processed products based on fruit and vegetables. At the current juncture, no statement could be made as to what form the Community régime would take.

Molasses

31. The representative of Japan informed the Group that restrictions on imports of molasses under both BTN headings 17.03 and 17.05 had been eliminated on 1 October 1971.

Wine and ethyl alcohol

32. In reviewing progress in this sector, the Group took into account, in particular, the recommendation of the Group of Three concerning State monopolies for wine and alcoholic products (cf. L/3610, paragraph 35).

33. With regard to the import régime in respect of red wine in casks, the representative of Switzerland said that imports from traditional suppliers were carried out under bilateral quotas and those from other suppliers under a global quota. Imports of ordinary white wine in casks were not authorized at present.

34. The representative of Sweden said that wine and spirits were imported by a State-trading authority. In explaining its operation he indicated that before taking decisions on the purchase of wine and spirits from different sources, samples were required for quality testing. Quality and price were the principal factors in purchasing decisions, and recent statistics showed a steady increase in imports from several developing countries including, e.g. Cyprus, Morocco and Argentina. He referred to a publication concerning the market for wine by the International Trade Centre which stated that the existence of an import monopoly known to be one of the largest single wine importers in the world makes the Swedish market very interesting to exporters, since large orders may be secured with relatively small effort. Developing countries may create important outlets for their wine exports in Sweden. There are no quantitative restrictions. He thus considered that Sweden had already implemented the relevant recommendations of the Group of Three.

35. The representative of Canada said that the importation of liquors and spirits including wines was subject to exclusive Provincial trade control. With respect to ethyl alcohol, this product when used for industrial purposes, was not subject to quantitative restrictions. Undenatured ethyl alcohol was, however, subject to exclusive Provincial trade control, except for licensed distillers who might import it for blending purposes. In addition, some provinces did issue permits for importation by other industrial users. The Canadian Government had been apprised of the difficulties met by some external suppliers in having their products listed by the Provincial Liquor Boards and would consider sympathetically the recommendation of the Group of Three that it approach the Boards regarding the listing of alcoholic products from developing countries.

36. The representative of Norway explained that decisions on wine and liquor purchases by the Norwegian State monopoly were based on commercial considerations only and without discrimination or preferential treatment as between sources of supply. His Government had taken due note of the recommendation of the Group of Three and the Norwegian State monopoly would study the possibilities of increasing purchases from developing countries.

Flours and meals of fish and menthol

37. The representative of Japan informed the Group that the restrictions on these items had been removed as from 1 October 1971.

Bran

38. The representative of Austria said that his statement in regard to this item at the last meeting of the Group (paragraph 53 of COM.TD/79) was still valid and import licences were liberally issued by the Austrian authorities. He added that the import system for bran formed part of the whole system under the Austrian Marketing Law concerning cereals and milling products and it could not be changed in isolation.

Cigars and cigarillos

39. The representative of the United Kingdom said that the quota restrictions on these items from the dollar area and Cuba were maintained in the interests of Jamaican cigar and tobacco producers to protect them from the competition of other countries producing Havana-type cigars. The quotas had not always been utilized and the market for Havana-type cigars in the United Kingdom appeared to be saturated. The representative of Jamaica supported the remarks made by the United Kingdom and hoped that developing countries or a particular developing country would not be placed in a worse position as a result of the removal of any import restriction.

40. The representative of Austria said that Austrian imports of cigars and cigarillos were under a State monopoly, whose operation, however, had no restrictive effects on imports.

Leather, leather goods and leather footwear

41. The representative of Japan informed the Group that restrictions on patent leather and imitation patent leather, and articles of apparel of leather as well as those on parts of footwear had been eliminated on 30 June 1971.

42. The representative of the United Kingdom, speaking on behalf of Hong Kong, said that although the liberalization of parts of footwear by Japan was welcome, it had the effect of giving Japanese footwear manufacturers an advantage by way of easier access to the components of their products. He hoped that the Japanese Government would extend the liberalization to cover also complete leather footwear. The representative of Japan said that as earlier explained, certain internal social problems were in the way of full liberalization. However, he took note of the request made by the representative of the United Kingdom on behalf of Hong Kong.

Textile products including jute and coir manufactures

43. The representative of the Federal Republic of Germany said that quota restrictions were applied to non-cotton textiles falling under seven and a half BTN headings and cotton textiles under another seven and a half headings out of a total of 113 headings in the textiles sectors. These measures were only applicable to goods originating in a limited number of countries. In spite of the difficulties being encountered by the German textile industry, as explained at the preceding meeting of the Group, import quotas on textile products had been increased significantly in recent years and were, at present, at high levels. As a result certain quotas allocated to a number of countries had not been fully utilized.

44. Referring to certain yarns and fabrics of jute subject to quota restrictions, the representative of the United Kingdom said that there had been no change in the quota system since it was introduced in 1969. It was still the intention of his Government to relax the restrictions in so far as it was compatible with the need for safeguarding employment in Dundee, where efforts were being made to alleviate the serious problems of unemployment and to diversify the industrial structure. However, any solution was only likely in the long term.

45. In reply to questions raised by the representative of India, the representative of the European Communities said that the problem of India's exports of jute and coir products had been the subject of extensive bilateral discussions between the Community and India in 1971. Mutually acceptable solutions had been actively sought and a proposal was currently being drawn up in the Community institutions.

46. Recalling the recommendation of the Group of Three for the elimination of discriminatory country classifications, the representative of Yugoslavia stated that the import restrictions of developed countries, in particular those applied in a discriminatory fashion, had seriously hampered the export possibilities of Yugoslav industries. His Government hoped that this problem would be tackled systematically so that mutually satisfactory solutions could be found.

B. DISCUSSIONS REGARDING TWENTY-NINE ADDITIONAL PRODUCTS OR PRODUCT GROUPS OF EXPORT INTEREST TO DEVELOPING COUNTRIES

Meat, offals, bacon, ham, etc.

47. The representative of Switzerland explained the import system applied to meat and offals of sheep, lambs and goats, which is recorded in document L/2758. Quota restrictions on imports of these products had been abolished in

January 1967. However, in order to ensure the sale of domestic products, importers were required to purchase for slaughter, at prices fixed by the Federal Council, lean lambs from mountain regions as well as sheep, lambs and goats of domestic origin.

48. Referring to whole hams other than in air-tight containers, the representative of the United Kingdom said that the restriction was maintained to prevent bacon, which was subject to a customs duty of 10 per cent, from being imported as whole ham at the zero duty which was bound in GATT.

49. The representative of Japan said that his Government was in the process of exploring the possibilities of taking action to liberalize bacon and ham imports in response to the recommendations of the Group of Three. Although official information was not available to him at the moment, he hoped to be able to report the removal of the restrictions on these items in the near future.

Fish and crustaceans

50. In reply to questions raised by the representatives of India and by the United Kingdom on behalf of Hong Kong, in regard to restrictions on certain crustaceans and molluscs, the representative of Japan explained that it was difficult to remove restrictions on these products because 600,000 people were engaged in the coastal fishing industry. Nevertheless, global import quotas had been enlarged and this trend would continue.

Dates, bananas and pineapples

51. The representative of the United Kingdom said that quota restrictions were maintained on imports of bananas from the dollar area to protect the interests of Commonwealth producers in the Caribbean area.

52. The representative of France stated that for banana producers in dependent territories the French market offered an outlet that represented an essential element of their earnings. The quota restrictions were therefore maintained in order to protect their vital interests. In those territories, there were only limited possibilities for diversifying export production, and moreover production costs were relatively high there because of the charges resulting from a very advanced social policy. He pointed out furthermore that in other countries offering substantial potential outlets, French producers encountered strong competition from multinational corporations which, by virtue of their quasi-monopolistic position there, prevented competing producers from entering the market.

Rice

53. In reply to an enquiry concerning action taken to liberalize imports of rice grits and broken rice as recommended by the Group of Three, the representative of Norway said that it was the intention of his Government to liberalize the imports.

Negotiations carried on with another contracting party with this purpose in mind had not yet been concluded but his Government hoped to reach an agreement in the near future.

Starches, glucose, tapioca and sago

54. Referring to the restriction on potato starch, the representative of Japan said that because of the particular climatic and soil conditions of the area where potatoes are produced, farmers could not shift their potato production to other crops and it was incumbent upon his Government to support the price of starches. The restriction was maintained to ensure the effects of this price support.

55. The representative of Sweden explained that starches as well as some other items under examination including pigmeat, horse meat, bacon and hams and canned meat, were subject to automatic licensing which was of a formal nature involving no quantitative restriction. This system applied only to products from North, Central and South America.

56. The representative of Norway said that starches as well as glucose under heading 17.02 and tapioca and sago under 19.04 were under restriction because there were no alternative sales possibilities for domestically-produced industrial potatoes, which are the raw material for refined products such as starches.

57. The representative of Canada said that licensing control on importation of wheat starch formed part of a wider policy designed to assist the proper functioning of the Wheat Board and the system of marketing. In his view, this measure has no harmful effects on the trade of developing countries.

Penicillin, tyrothrycin and medicaments

58. The representative of Austria said that these items were subject to either liberal licensing or global quotas. He invited developing countries exporting these products to communicate to the Austrian authorities any difficulties they might encounter in entering the market, so that the authorities could examine them in consultation with the countries concerned. In 1971, no request for licences had been received for imports from developing countries. He added that Austria maintained these measures for security reasons and therefore they were covered by the provisions of Article XXI:(b)(ii) of the General Agreement. The representative of the United States recalled that the Group of Three had recommended that Austria consider the elimination of restrictions on these products as other countries did not find it necessary to maintain them for security or other reasons.

Hop cones and lupulin

59. The representative of the United Kingdom stated that the restrictions imposed on these items were applied to imports from countries other than the Commonwealth and Ireland. They were maintained in support of measures to restrict domestic production and therefore were covered by the provisions of Article XI:(c)(i) of the General Agreement.

Certain food preparations

60. The representative of the Federal Republic of Germany said that certain action was envisaged in the near future regarding the restriction on imports of pudding powder (BTN ex 19.02).

Unmanufactured tobacco

61. The representatives of Austria and France explained that purchases of unmanufactured tobacco by their tobacco monopolies were based on commercial considerations and that these State-trading practices as such were not to be considered as measures restricting imports.

Sacks and bags for packing not of cotton

62. The representatives of France and the United Kingdom said that the points mentioned earlier in respect of jute manufactures were also applicable to jute sacks and bags.

Tableware, insulators, etc. of ceramic materials

63. The representative of the Federal Republic of Germany stated that imports of these items from Schedule B countries were subject to licensing; licences were, however, freely issued for imports from developing countries. The restrictions were maintained to protect the ceramic industry, which is located near the Eastern frontier in a region of low industrialization where the growth rates have been below the growth rates of total industrial production in the Federal Republic. The special licensing system applied to imports of ceramic products from certain countries would disappear once the common EEC trade policy in this regard had been formulated. The representative of the United States called attention to the recommendation of the Group of Three regarding the elimination of the discriminatory element in the Federal Republic's import régime.