

# GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

L/1322

26 October 1960

Limited Distribution

## EXPANSION OF TRADE - AGRICULTURAL POLICY

### Report of Committee II on the Consultation with Greece

1. In accordance with the Decision adopted by the CONTRACTING PARTIES at their fourteenth session that consultations should be held with the individual contracting parties regarding their agricultural policies, the Committee carried out the consultation with Greece. The Committee had before it:

- (i) document COM.II/76, dated 21 May 1960, which contained a synopsis supplied by the Government of Greece of non-tariff measures for the protection of agriculture or in support of incomes of agricultural producers; and
- (ii) document COM.II/78, dated 26 May 1960, which contained information, also supplied by the Government of Greece, on commodities entering importantly into international trade.

In conducting the consultation, the Committee followed the plan for consultations contained in Annex A to COM.II/5, and adopted by the CONTRACTING PARTIES at their fourteenth session. The consultation was completed on 30 May 1960.

#### A. GENERAL AGRICULTURAL POLICIES

2. In his opening statement the representative of Greece drew the attention of the Committee to the important part played by agriculture in the Greek economy. Approximately 60 per cent of the population derived its income directly or indirectly from agriculture; agricultural income constitutes approximately one-third of the national income. There was, however, a considerable lack of balance between the large number of people dependent upon agriculture and the insufficient acreage of arable land, making it difficult for full employment to be achieved in the agricultural sector. Of a total active population of 4,000,000, approximately two million were in the agricultural sector while it was estimated that 1,200,000 workers would cover the manpower needs of the agricultural sector.

3. Vegetable production accounted for approximately three-quarters of total production. From the point of view of value, the most important products were wheat, tobacco, cotton, fresh and dried fruits (particularly grape and citrus

fruits), olive oil and wine. Animal production represented one quarter of remaining agricultural production and fish was increasing in importance.

4. Greece was mainly an agricultural exporting country; 80 per cent, by value, of all exports were agricultural products. Tobacco exports made up one-half of total agricultural exports while cotton and grape and other fruits made up most of the other half. The most important agricultural imports into Greece were meat, fish, sugar, coffee and cereals. Cereal imports varied considerably depending on domestic production. In 1959 total imported food-stuffs amounted to 16.3 per cent of total imports. The policy of the Government of Greece was to encourage agricultural production to a point where it would cover national requirements and provide certain quantities for export. The agricultural section of the Five Year Plan which was established to develop the economy in general, called for increased development and improvement of fodder and animal products at the expense of the cultivation of wheat which had in many cases been developed under uneconomic conditions. It was planned to increase cotton production for export and to improve marketing conditions for fruit and vegetables. It was expected that agricultural industries would also be expanded. The volume of national wheat production was expected to continue to cover the major part of domestic needs even though it was anticipated that wheat acreage would be reduced because of increased productivity. It was also intended to undertake for the first time the production of sugar. The Government hoped to achieve the aims of the agricultural section of the Five Year Plan by the introduction of certain short-term measures such as price policies, credits, subsidies, etc., which would have the effect of lowering the cost of production, and by implementing long-term measures such as investment, professional training, etc. Other measures being pursued by the Government included the development of smallholdings, the improvement of pastures, the development of fodder and livestock production.

5. The Government was also encouraging land consolidation and reforestation and other measures to counteract erosion. In addition, new services such as a market news service, sales services and centres for stockpiling and packing, had been or would be created.

6. In concluding his opening statement the representative of Greece pointed out the major factors affecting and determining the agricultural policy of Greece. Agriculture in Greece was structurally weak; 85 per cent of the holdings were of less than 5 hectares, and in many areas climatic and soil conditions were unfavourable. Through the regrouping of holdings and the introduction of irrigation and better techniques, it was hoped that productivity would be increased. Greece was also confronted with considerable difficulties in finding outlets for its agricultural products. It was felt that by improving quality and by reducing the costs of production, Greece would be in a better position to compete in world markets, but it was considered that Greece's efforts alone would not be sufficient to overcome these difficulties and that the highly industrialized countries should assist in finding solutions. The Government

of Greece considered that in order to solve many of the problems confronting Greek agriculture it was desirable and necessary to industrialize and to transfer an important part of the agricultural population to other sectors of the economy.

7. Referring to the Five Year Plan a member of the Committee enquired about the extent to which domestic food requirements were covered by domestic production. The representative of Greece explained that during recent years domestic requirements for cereals and vegetables were for the most part met by domestic production. Home production accounted for 80 per cent of domestic requirements of meat, 95 per cent of domestic requirements of milk, 85 to 90 per cent of cheese, 90 per cent of butter and 90 to 95 per cent of fish.

8. A member of the Committee asked what progress the Government of Greece hoped to make in regrouping farm holdings and in moving population out of agriculture. The representative of Greece stated that while the Government placed considerable importance upon the regrouping of agricultural holdings, the law provided for such regrouping only on a voluntary basis. He explained that the problem of regrouping holdings was linked with the problem of alternative employment for the population which would leave agriculture. The Government had, however, been successful in regrouping the holdings in approximately fifty villages. The technical operations necessary to carry out the regroupings were paid by the Government. He also stated that there were a greater number of requests for regrouping of holdings than the Government could cope with due to present limited financial means. The Greek representative explained that present problems in the structure of agriculture in Greece stemmed from the division of holdings due to inheritance laws and from the land reforms which took place after the first world war when large holdings were divided and allocated to farmers. This distribution of the land was not always carried out on a good technical basis and generally resulted in an excessive distribution. It was felt that at present both the Government and the agricultural population would like to accelerate the regrouping of holdings. Referring to the transfer of population out of agriculture, the representative of Greece stressed that possibilities of "rural migration" where farmers moved into other occupations were very limited. It was felt that handicrafts would not contribute to solving the problem of excess agricultural population since handicrafts simply added to the income of farmers and did not encourage their movement out of agriculture. It was felt that at the end of the Five Year Plan the movement would be accelerated. At present 48 per cent of the active population was in the agricultural sector; in 1964 it was expected that this figure would be 43 per cent.

9. Noting the the percentage of the total active population in agriculture was expected to decrease by 1964, a member of the Committee asked what the movement out of agriculture had been during the past few years. The representative of Greece recalled that following the war the active population in agriculture had represented 51 - 52 per cent of the total active population. In 1958 the percentage was 48 per cent. In absolute figures the active agricultural population had decreased from 2,006,600 in 1957 to 2,000,700 in 1958 and 1,996,000 in 1959.

10. A member of the Committee referred to the policy of the Greek Government to maintain market stability by adjusting the price of exportable products in line with world prices. The Greek representative explained that the guaranteed price was always below the world price and was not a ceiling but a floor price at which any producer could sell his crop. He stressed that no export subsidies were granted for any export commodities and that there were no export restrictions other than quality controls. The Committee member was of the understanding that the floor price for currants tended to be below the world price. He feared that since Greece produced 85 per cent of the world crop of currants, such action could have the effect of reducing the international price. The representative of Greece explained that it had been the practice of his Government for a number of years to fix these prices below the level of world prices. He did not feel that this policy had any determining influence on world price levels. It was only when prices were in a downward trend that the fixed prices would come into effect. In response to further questions he explained that organizations had been established for the collection and marketing of currants. These organizations consisted of representatives of the State, producers and exporters. He explained that the Government had established these organizations to ensure that producers were not exploited by traders.

11. A member of the Committee noted that it was a policy of the Government of Greece to provide farmers with an assured minimum income. He enquired how this income was calculated and whether there was any relationship between it and incomes in other sectors of the economy. The representative of Greece explained that while the Government recognized the necessity of raising the extremely low levels of income in agriculture it was also confronted with problems of monetary and economic stability and the need to maintain agricultural prices at fairly low levels. The Government did not therefore wish to implement a system of agricultural price support as a means of solving the problems of agriculture. Wheat prices were fixed, being based on yearly negotiations between the Government and professional organizations; elements such as production costs were taken into consideration during these negotiations. The Government had also to take into consideration certain political and social aspects. The price of wheat particularly had an impact on the general level of prices since nearly all agricultural producers grew wheat. Wheat was the most important agricultural commodity in Greece. For most other products on which the Government endeavoured to apply minimum prices to prevent large fluctuations in agricultural income, it was the practice of the Government to purchase surpluses in an effort to stabilize the market. This applied particularly with regard to tobacco, raisins and olive oil. These stocks, which were purchased at prices slightly below international prices, were sold either on the home market or abroad. The representative of Greece stressed, however, that the minimum income which was assured agricultural producers, was still considerably below the income derived in other sectors of the economy.

12. It was observed by a Committee member that importers were required to deposit prior to the date of shipment, amounts often equal to the amount payable, which he felt was a hindrance to international trade. The representative of Greece stated that the only reason behind this regulation was to attempt to spread imports effectively throughout the year in order to avoid a situation of over-supply. In response to a further question the representative of Greece informed the Committee that restrictive provisions had been introduced recently, as temporary measures, in respect of fodder, rice, potatoes, nuts, tomato puree and sesame. Such measures were taken when large harvests were foreseen. He emphasized that the items referred to were not important imports in Greece's trade.

13. In response to a question, the representative of Greece explained that cooperatives played an important part in the mechanization of agriculture. There were at present 15,000 tractors in Greece compared to 1,000 immediately following the war. Many of these tractors were used on a cooperative basis. There were also cooperatives for the treatment and transformation of agricultural products, particularly milk and cheese and olive oil. It was felt that the cooperatives would contribute considerably in improving the quality of olive oil in Greece.

14. A member of the Committee expressed the view that cooperatives in Greece appeared to be unlike cooperatives in other countries in that in Greece they carried out many of the functions normally carried out by marketing boards. He felt that if the cooperatives were in fact replacing marketing boards in functions such as the purchase and storage of wheat under Government direction, they should represent trade and social interests as well as agricultural interests. The Greek representative stated that agricultural cooperatives were absolutely independent and operated in the same way as in other countries. They were under the control of the Government only when performing certain functions for the Government. These functions involved the collection and storage of certain crops. He explained that marketing boards did not exist in Greece and that the cooperatives, which had facilities such as warehouses which were not possessed by the Government, were merely designated to carry out these operations. He added that the Government encouraged the activities of the cooperatives by granting loans to build up stocks, etc. A member of the Committee concluded that the cooperatives in Greece had a particularly privileged position. Private traders did not work on a completely equal basis with cooperatives. The milling industry was not permitted to purchase directly from farmers, whereas the cooperatives did purchase directly on behalf of the Government. The Greek representative explained that this conclusion was not correct; the milling industry was free to buy wheat from the producers on the same terms as the cooperatives. The producer was completely free to sell to any buyer. He stressed that there was no difference in the privileges accorded to the cooperatives and private millers, except that private millers were not authorized to participate in the collection of wheat on behalf of the State.

15. A member of the Committee noted that the occasional interventions in the market by the Government to remove surpluses often resulted in the disposal of these surpluses on external markets. This, he stressed, could have extensive repercussions on international trade. He felt that Government stocks could in any event become so onerous as to require their export even when unfavourable prices existed on world markets. This could have the effect of further depressing world prices and could result in a cost to Greece's balance of payments, thereby retarding the adjustment of the production pattern to meet world demand. He felt that it would be to Greece's advantage to direct resources towards improving agricultural techniques and structure rather than to directly aiding individual commodities. The Greek representative felt that by following the present policy there was no danger of hampering or slowing down the reconversion policy. He explained that domestic olive oil and wheat production was consumed locally and Government measures were implemented solely to stabilize the market. Fixed prices on tobacco and raisins were below the world price levels and the Government had not experienced losses in exporting stocks. The State did not in any way interfere with exports by private traders, but for Government stocks it was the policy to wait for the appropriate time before exports were undertaken. He explained that there were exceptions such as for tobacco, of which the Government still maintained stocks dating back to 1955 and on which certain losses were expected to occur. He explained that the quality of stocked tobacco was equivalent to the quality of Turkish tobacco and because of the Turkish currency devaluation certain difficulties were anticipated in the removal of stocks in Greece. He explained that tobacco was grown in regions where, due to poor soil conditions, no other crops could be expected to give as good a return. For political reasons it was necessary to support the income of tobacco growers. He felt that when further progress had been made in industrialization it might be possible to find some other solution to the problems of these regions.

16. In response to a question the Greek representative stated that the measures introduced recently to control the level of some imports were of a provisional nature. These measures were implemented both for balance-of-payments reasons and for the protection of domestic agriculture.

17. A Committee member observed that the production of cotton was to be expanded and asked whether in view of the world surplus situation for cotton, this was considered to be an economic use of resources, especially since both irrigated and non-irrigated cotton produced in Greece was at present subsidized. The Greek representative stressed that it was not the intention of his Government to increase the guaranteed price for cotton, but only to increase the per unit output and to improve quality in an effort to achieve a more competitive position in world markets and to increase farm income.

B. COMMODITIES

18. In response to requests the representative of Greece undertook to supply the Committee with tariff information on the commodities under review by the Committee.

Dairy Products

19. Noting that the tariff on butter was high, a member of the Committee enquired whether this commodity was considered to be a luxury product in Greece. The Greek representative stated that there were no restrictions whatsoever on imports of dairy products. The high tariff level on butter was for the protection of the national industry. He stated that dairy products were amongst the commodities on which the Government hoped to expand production.

20. Referring to the expected increase in livestock and dairy consumption and in consumption generally during the next five years, a member of the Committee asked whether imports were expected to retain the same proportions of domestic consumption as at present or whether they were expected to increase. The Greek representative stated that it was not expected that increased production during the next five years would result in a reduction of the absolute value of imports although the percentage of imports was expected to decrease.

Meat

21. A member of the Committee expressed the understanding that a deposit requirement of 100 per cent in addition to a deposit of 40 per cent against taxes and duties was required for imports of meat products. The Greek representative stated that this measure was taken not for the purpose of preventing imports but for purely monetary reasons. The State was endeavouring to protect the public from speculation by traders. It was felt that this measure had no adverse effect on trade in general. The member of the Committee stated that the requirement of 100 per cent in addition to high tariffs did indeed have a very discouraging effect on international trade.

Fish

22. In response to a question the representative of Greece confirmed that prior deposits of 100 per cent plus 40 per cent for taxes and duties also existed for imports of fishery products.

Cereals

23. A member of the Committee enquired how the Government decided upon the source of wheat imports. He asked about the relationship between the price of wheat purchased on the international market and the price to the domestic retailer. The representative of Greece informed the Committee that a major part of domestic requirements of wheat was met by national production. Imports, which varied from year to year depending on domestic production, consisted

mainly of wheat supplied as aid by the United States. The import price of wheat was generally \$75 per ton, c.i.f.; the domestic price was generally \$110 - \$120 per ton which represented an average of the price at which wheat was purchased and collected by the Government.

24. A Committee member concluded that wheat was one product for which Greece had an extensive system of Government intervention which included State trading and mixing regulations. He felt that it would be more desirable for Greece to switch from the production of wheat to livestock production. The Government should allow wheat prices to move to world price levels which would have the effect of achieving the switch to livestock production while at the same time it would enable the Government to save the amount of the subsidy which was now used to reduce the internal price of bread and flour. The representative of Greece explained that the protection of wheat was necessary for social reasons since almost all farmers produced wheat. Both price and production of wheat had been decreased in 1959 and in 1960 and it was anticipated that this trend would be continued. At the same time the production of other commodities such as cotton and fodder was being encouraged. Subsidies were being granted for these commodities. In response to a further question, the representative of Greece stated that it was difficult to indicate to what extent State trading for wheat would be removed. The State had a monopoly on all wheat imports which at present were mainly in the form of United States aid.

25. In response to a question on fixed prices for wheat, the representative of Greece stated that until recently there had been a graduation of prices; the price paid to individual farmers by the Government depended on the size of the holding. Prices paid to large holdings were below the average price, while prices were higher for the smaller producers. He pointed out, however, that all producers were free to sell on the free market at any price. A uniform price now existed for Government prices and only producers with holdings up to 5 hectares were permitted to participate, supplying only a part of their production. The large holdings could sell their production directly to the millers. Having warehousing and other facilities they were, of course, in the favourable position of being able to resist low offers which was in itself a restraint to falling prices. The Greek representative pointed out that it was difficult to comment on the effects of the system since it had been only recently introduced.

26. Noting that the support price for wheat was 30 - 35 per cent above the world price level, a member of the Committee pointed out that since wheat was so widely produced in Greece, incomes of many farmers derived from wheat production would fall below 30 - 35 per cent when internal prices were brought into line with world prices. The Greek representative stated that a considerable percentage of the wheat produced by small farmers was also consumed by the same farmers. Only 35 per cent of wheat production was actually

marketed. He felt that the stimulation of the production of other commodities such as livestock, cotton, fruits and vegetables, and sugar beet, would compensate the farmers for any loss in income as a result of the removal of the high fixed price on wheat.

27. A member of the Committee was of the understanding that in addition to the high tariff on wheat there was a 75 per cent surcharge. The Greek representative confirmed this understanding and informed the Committee that the surcharge had been incorporated into the new tariff.

28. A member of the Committee enquired why the percentage of home-grown wheat required to be used varied during the year. The Greek representative explained that the highest percentages were prescribed during the months immediately following the harvest in order to use up as much domestically produced wheat as possible before imports were undertaken.

29. The Greek representative, in response to a request, confirmed that there was no direct system of encouraging coarse grain production other than certain benefits derived from the fertilizer subsidy. He stated that there were no prior deposit requirements, no quantitative restrictions and that exchange was freely allocated for imports of cereals with the exception of wheat for which there was a State monopoly.

#### Vegetable Oils

30. In response to a question the representative of Greece informed the Committee that olive oil was the only important vegetable oil produced in Greece. Small quantities of cottonseed oil were also produced for domestic consumption.

#### Sugar

31. A member of the Committee noted that Greece was planning to undertake the production of sugar. In view of the position of sugar prices on the world market, he enquired whether such a development was considered to be economical. He asked what considerations lay behind sugar beet production. The Greek representative stated that the production of sugar beet had been the subject of extensive discussions by his Government. Because of balance-of-payments difficulties it was felt necessary to reduce imports of sugar which were in the vicinity of \$12,500,000 per annum. It was also felt that the production of sugar beet would assist in the improvement of soils and of agriculture generally; in addition the by-products of sugar beet would be used as fodder. It was felt that the cost price of this product in Greece would be lower or at least as low as the general European level since the general level of wages in Greece was low.