

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

L/2479

12 October 1965

Limited Distribution

Original: French

LUXEMBURG IMPORT RESTRICTIONS ON AGRICULTURAL PRODUCTS

Report of the Luxembourg Government on the Implementation of the Decision of the CONTRACTING PARTIES of 3 December 1955

(4S/27)

By their Decision of 3 December 1955, and on the basis of Article XXV of the General Agreement, the CONTRACTING PARTIES to GATT declared that "the provisions of Article XI of the General Agreement shall be waived to the extent necessary to permit the Government of Luxembourg to maintain the restrictions at present imposed on the importation into Luxembourg of products listed in the Annex to this Decision". The waiver thus granted only agricultural products and foodstuffs.

Paragraph (c) of the above-mentioned Decision stated that "the matter shall be reviewed in 1960 in the light of the progress made in, and the results achieved by the implementation by the Government of Luxembourg of the policy outlined in the Preamble to this Decision".

In accordance with this provision, the waiver granted to Luxembourg was reviewed in November 1960. On that occasion the CONTRACTING PARTIES to GATT decided that the next review of the Luxembourg waiver should take place not later than by the end of 1965, or earlier if a contracting party so requested.

The review is to take place in the Council on November 1965 and accordingly the Government of Luxembourg has the honour to submit to the CONTRACTING PARTIES this report on the implementation of the Decision of 3 December 1955.

During the review in November 1960, the Government of Luxembourg agreed to withdraw eggs (not in the shell), macaroni, spaghetti and the like from the list of products covered by the waiver. Furthermore the Government of Luxembourg stated that it would consider the possibility of withdrawing other products from the list, in particular fruit.

The Luxembourg Government has the honour to inform the CONTRACTING PARTIES to GATT that it is prepared to withdraw a further product immediately - namely, apples. In fact, this product has also been liberalized within the European Economic Community.

As regards the other products covered by the Decision of 3 December 1955, the Government of Luxemburg regrets that it is not for the moment in a position to dispense with the authority given it to apply quantitative import restrictions.

During the review in November 1960, the Luxemburg Government already had occasion to draw the attention of the CONTRACTING PARTIES to the very close interdependence between the implementation of the GATT Decision of 3 December 1955 and that of the common agricultural policy of the European Economic Community.

Within the EEC, Luxemburg is granted a special régime similar to that resulting from the GATT Decision of 3 December 1955, and covering the same products.

This special régime is based on the Protocol concerning the Grand Duchy of Luxemburg which is annexed to the EEC Treaty. In principle, it is only valid for the transitional period. At the end of that period, i.e. in 1970, the Council will decide, acting by means of a qualified majority vote on a proposal of the Commission, to what extent the derogations accorded to the Grand Duchy of Luxemburg should be maintained, amended or abolished.

In accordance with this Protocol, the EEC agricultural regulations which now apply to all the products covered by the waiver except potatoes and seed potatoes, provide for the possible application by Luxemburg of quantitative restrictions on imports from EEC member countries.

Although the special provisions regarding Luxemburg in the EEC regulations have their legal basis in the EEC Treaty itself, their economic justification lies in the broad process of structural rationalization and transformation in which Luxemburg's agriculture is now engaged, as a result in particular of the fundamental change in economic conditions which is a direct consequence of the integration of European markets.

It is essential for these structural improvements and adjustments to take place without any abrupt disturbance. It is equally essential that Luxemburg's agriculture should only progressively come to face competition from foreign products. Progressive trade liberalization is all the more necessary because the economic equipment and organization of Luxemburg's agriculture were originally conceived on the scale of our small national territory and it has become urgent to adapt them to the conditions of the extended market represented by the EEC.

While the economic organization of our agriculture is being adjusted, great efforts must still be made at the level of individual farms, particularly as regards improvement of the land tenure system.

The results already achieved are appreciable. By way of example, one may mention progress in the organization and structural equipment of the dairy and cereals markets. Yet much remains to be done.

The Luxemburg Parliament has recently enacted a law on agricultural orientation and a law on the consolidation of rural holdings and this should in future permit more dynamic and better co-ordinated action. It will, however, inevitably be some time before the measures which are envisaged or already in hand yield their full effects.

For these reasons, Luxemburg's agriculture still needs an additional adjustment period. The period is not unlimited. Within the EEC, the Treaty sets a time-limit at 1970, when the Council will have to decide what further action should be taken in regard to the Luxemburg waiver.

In the view of the Luxemburg Government, the situation is the same in regard to the Decision of 3 December 1955. At this juncture, the Luxemburg Government is not yet able to dispense with the waiver granted to it by the CONTRACTING PARTIES. It agrees, however, that the waiver should be reviewed, for example in 1970, in the light of the progress made by that date. Furthermore, it considers that since there are two special régimes, one within GATT and the other within the EEC, both based on the same economic considerations and with no difference in their technical implementation, it is hardly conceivable that different solutions could be adopted as regards future action on these régimes.

For the reasons explained above, the Government of Luxemburg has the honour to request the CONTRACTING PARTIES to GATT to confirm their Decision of 3 December 1955 while, however, deleting apples from the list of products to which the waiver applies, following the liberalization of this product by Luxemburg, subject of course, to the EEC provisions concerning trade in fruit and vegetables. Furthermore, the Government of Luxemburg wishes to propose that the CONTRACTING PARTIES might decide that this matter should be reviewed again at the 1970 session so as to coincide with the review of the special régime granted to Luxemburg within the framework of the EEC.

The Government of Luxemburg has the honour to submit, annexed hereto, statistics on imports into Luxemburg of products covered by the Decision of 3 December 1955.

As may be seen from these statistics, Luxemburg has made reasonable use of the waiver. The Government's intention has not been to prohibit all imports. On the contrary, the statistics show that imports have risen steadily since 1955.

This is a demonstration of Luxemburg's desire to advance towards trade liberalization.

A great effort must still be made. The State will contribute to the fullest extent possible. The major part of the effort must, however, be made by the agricultural sector itself which must bear the burden of increasing investment which will strain its financial capacity to the utmost. This latter factor accounts for the relatively slow progress towards trade liberalization.

ANNEX

Quantitative Restrictions on Imports of Agricultural Products
into the Grand Duchy of Luxemburg
in 1960-1962-1964

(in tons)

Product	1960 ¹	1962	1964
A. <u>Animals and meats</u>			
Bovine cattle for breeding (head)	42	46	63
Bovine meat	1,500	1,850	1,150 ²
Swine for breeding (head)	60	31	48
Pig meat	11	50	155
Bacon	-	-	-
Preserved meat, prepared meat, sausages	500	500	550
B. <u>Milk and dairy products</u>			
Milk	-	-	-
Cream	-	-	-
Milk and cream, tinned	530	560	660
Butter	-	-	-
C. <u>Miscellaneous</u>			
Eggs, in the shell	850	500	310
Eggs, not in the shell	liberalized	liberalized	liberalized
Seed potatoes	1,400	3,000	800
Ware potatoes	4,800	7,300	10,300
Apples	4,600	liberalized	liberalized

¹ Figures taken from GATT document L/1533 of 22.8.1961.

² Reduction due to substantial rise in the price of veal.

Product	1960 ¹	1962	1964
<u>D. Cereals and cereal products</u>			
Wheat (amber durum)	3,500	3,100	4,400
Soft wheat	-	-	7,600
Rye	-	-	-
Wheat flour	-	-	-
Groats and semolina, of wheat	90	140	300
Bran and sharps, of wheat	-	580	3,320
Special bread	-	60	80
Macaroni, spaghetti and the like	liberalized	liberalized	liberalized

¹Figures taken from GATT document L/1533 of 22.8.1961.