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DRAFT REPORT OF THE WORKING PARTY ON AGRICULTURAL WAIVERS

Belgian Import Restrictions on Agricultural Products

1. In accordance with its terms of reference, the Working Party has examined the Sixth Annual Report submitted by the Government of Belgium (L/1604) under the Decision of 3 December 1955 and pursuant to the terms of the Decision of 5 March 1955 establishing the "hard-core" Waiver. On the basis of the Report and statistical information supplied by the Government of Belgium (MGT(61)33) and with the assistance of the Belgian delegation, the Working Party has reviewed the progress made in the elimination or relaxation of quantitative import restrictions covered by the Waiver which is due to expire at the end of 1962 and the reasons for the maintenance of the remaining restrictions.

I. GENERAL

2. In introducing the Sixth Annual Report, the representative of Belgium described to the Working Party the efforts which his Government had made to eliminate remaining import restrictions in accordance with the obligations under the Waiver. While considerable progress had already been made in eliminating or relaxing these restrictions, it had been hoped by the Belgian Government to make still more rapid progress. This had, however, been frustrated by the difficulties encountered by Belgian agriculture largely as a result of the deterioration of the general agricultural situation and the continued maintenance of import control on agricultural products by many countries. He explained that in 1960 the ratio between selling prices and production costs in agriculture had been the lowest since 1956. While this situation did not ease the task of the Belgian Government in proceeding with import liberalization, it had nevertheless decided to liberalize a further number of important agricultural products, including dairy products, with effect from 1 January 1962. He stated that the Government of Belgium would make every endeavour to terminate the waiver granted to it before the end of 1962.

3. The Working Party expressed appreciation of the comprehensive information contained in the Sixth Annual Report and of the statement made by the representative of Belgium. The Working Party welcomed the liberalization measures scheduled for a number of agricultural products at the beginning of 1962 and the renewed assurance by the Belgian Government that it would make every endeavour to remove remaining quantitative restrictions by the end of 1962.

Members of the Working Party enquired, however, whether the formulation contained in the Report that the Government of Belgium would "make every endeavour" to terminate the Waiver before the end of 1962 indicated some degree of uncertainty concerning prospects for actually eliminating remaining restrictions within the period of validity of the Waiver.

4. The representative of Belgium stated that although his Government was unable to commit itself, at this stage, to achieve the complete removal of remaining restrictions before the end of 1962, it was the firm intention of the Government of Belgium to eliminate all quantitative import restrictions by the end of 1962. The complete removal of quantitative restrictions was, of course, based on the assumption that the situation of world agriculture would not further deteriorate and that no unforeseen problems would arise.

5. Referring to the statement that the Belgian Government would take all appropriate action so as to be able to remove all quantitative restrictions by the end of the Waiver period, members of the Working Party enquired what specific action was envisaged by the Belgian Government. Members of the Working Party expressed the hope that the reference to appropriate action did not imply that quantitative restrictions would be replaced by other forms of protection which would also have the effect of insulating the Belgian market from competition. They pointed out that the objectives of the Waiver would not be achieved unless, at the expiry of the Waiver, access to the Belgian market for agricultural products would in fact have increased. The representative of Belgium explained that the number of agricultural products still subject to quantitative restrictions was very small and the share of Belgium in total world imports was increasing. The intention of Belgium to improve access to its market was attested by the progress in the elimination of restrictions which had already been made and the further liberalization measures which had been scheduled for the beginning of 1962. While it was his Government's policy to minimize interference with the free flow of trade, conditions in the international market for many agricultural products were such as to require the Belgian Government to take action in order to protect domestic producers against the adverse effects resulting from the widespread use of production and export subsidies and other forms of protectionist measures which tended to concentrate imports on the few open markets.

6. Members of the Working Party noted the comments of the representative of Belgium on the condition of world trade in agricultural products. They fully agreed that the widespread incidence of agricultural protection had serious effects on world trade. They could not, however, regard this as justification for the continuation by Belgium of quantitative restrictions beyond the expiration of the Waiver, nor for the replacement of quantitative restrictions by other measures having a similar effect on import trade in agricultural products. While agreeing that subsidized exports certainly had an adverse effect on international markets for agricultural products, they pointed out that the restrictions applied by Belgium denied access to subsidized and non-subsidized exports alike.

7. Members of the Working Party referred to the apprehension which had been voiced at the previous review regarding the possible impact of variable import levies on trade and welcomed the fact that the removal of quantitative restrictions on some products on 1 January 1961 had apparently not been

linked to the imposition of such levies. These members of the Working Party expressed the hope that further progress in the removal of quantitative restrictions would not be accompanied by the imposition of variable import levies which tended to insulate domestic markets from foreign competition. Members of the Working Party enquired in this context whether imports of the products scheduled for import liberalization by 1 January 1962 would thereafter only be subject to protection in the form of customs duties.

8. The representative of Belgium explained that in general the introduction of variable import levies for these products was not contemplated. He pointed out, however, that one of the items to be liberalized at the beginning of 1962 (ex 16.02 B III; foal meat prepared and preserved, in containers not hermetically sealed), was already subject to such taxes. The representative of Belgium expressed the opinion that the system of variable licensing taxes, as operated by Belgium, did not seem to unduly restrict import opportunities.

9. In reply to a question concerning the import system for dairy products, following the removal of remaining quantitative restrictions on dairy products on 1 January 1962, the representative of Belgium explained that it was not envisaged that imports of dairy products would be subject to variable import levies. However, it had to be recognized that because of the situation on the international market for dairy products, imports could not be admitted without some opportunity for the Government to regulate the market. For example, under the system envisaged for the regulation of the butter market, importers would be free to effect butter imports on the basis of commercial considerations, leaving them free choice as to sources of supply and quantities to be imported; subject, however, to the imported products being offered to the Office Commercial de Ravitaillement (OCRA), which would put them at the disposal of importers at the indicative price fixed by the Government.

10. Members of the Working Party expressed the view that such a system did not necessarily lead to increased import possibilities if the indicative price were to be fixed at a level to inhibit an increase in consumption. The representative of Belgium explained that it was not intended to increase indicative prices in connexion with the elimination of quantitative restrictions. In view of the situation on the butter market, any change which might be made in indicative prices would probably lead to a reduction in this price. He confirmed in this connexion that imported dairy products would be subject to the same indicative prices as dairy products available from local production. This arrangement would, in his opinion, seem to offer fair possibilities for foreign producers to share in the Belgian market.

11. Members of the Working Party enquired about the procedure which would be applied by OCRA for maintaining domestic prices of dairy products at the fixed indicative price. The representative of Belgium replied that in principle, imports of dairy products sold to the domestic market at the indicative price would prevent market prices exceeding the indicative price, whereas OCRA would continue as before to effect purchases on the domestic market, in the case that market prices should fall below the indicated level.

It appeared to members of the Working Party that, given the apparent freedom of importation, large stockpiles of butter would be built up unless some regulatory measure was applied; they wondered whether it was intended that OORA would acquire excess supplies at a price which would involve no profit for the importer. Also, members of the Working Party enquired whether the intervention of OORA in the dairy market did not, in practice, amount to a system which combined variable levies with state trading.

12. The representative of Belgium explained that, although OORA was an established body, the juridical form of OORA's position in the dairy market as a result of the new functions assigned to it, had not yet been decided upon. In the view of his delegation, the operation of OORA, as envisaged under the new import system for dairy products, could not, however, be regarded as a form of state trading in the terms of Article XVII. He pointed out in this connexion that imports and exports would be effected, not by OORA, but by individual traders. He also explained that the system for regulating the dairy market envisaged by his Government did not seem to embody the disadvantages which some contracting parties considered would arise from a system of variable licensing taxes. In reply to another question, the representative of Belgium confirmed that the system envisaged for the regulation of butter imports would in principle apply also to the other dairy products mentioned in the report submitted by Belgium.

13. While welcoming the liberalization measures announced for certain fish items, members of the Working Party noted that important commodities in this sector were still subject to quantitative restrictions. They recalled that during the discussions preceding the granting of the waiver, a number of contracting parties had expressed their reluctance to include fish and fish products under the waiver. These contracting parties had finally consented to the inclusion of fish and fish products under the Waiver in the expectation that restrictions on these items would be removed at an early date. They pointed out that, with respect to fisheries industries, no problem of surplus production existed and that the fishing industry in Belgium accounted for only a very small proportion of employment. They expressed the hope that Belgium would soon remove remaining restrictions on fish and fish products in accordance with its obligations under the Waiver.

14. Members of the Working Party recalled that the basic objective of the Waiver had been to enable domestic industries having received incidental protection from import restrictions (imposed during a period of balance-of-payments difficulties) to adjust themselves to the situation which would be created by the removal of the restrictions. Upon granting the Waiver, the CONTRACTING PARTIES had taken into consideration the fact that the Belgian Government had entered into an agreement with the Netherlands in 1955 which provided for the harmonization of the agricultural policies of the two countries over a period of seven years. They enquired to what extent the

implementation of the agreement had contributed to structural improvements in Belgian agriculture so as to facilitate the adjustment of Belgian agriculture to the progressive removal of quantitative restrictions on agricultural imports.

15. The representative of Belgium stated that the agricultural policies within the framework of the Benelux Union had to a large extent been harmonized and had inter alia encouraged structural improvements in Belgian agriculture. While not all problems arising from increasing integration had been solved, the remaining problems were minor in comparison to those arising from the general deterioration of the world agricultural situation. This deterioration had of course slowed the possibility of progress in the harmonization of agricultural policies within Benelux, but continued efforts were being made to solve the remaining problems, due account being taken of the efforts being made within the context of the European Economic Community for the formulation of a common agricultural policy.

II. COMMODITIES

16. The main points of discussion relating to commodities which will continue to be subject to quantitative restrictions under the Waiver (after 1 January 1962) are summarized below.

Meat

17. The Working Party noted that except for foals and foal meat¹ quantitative restrictions on imports of livestock and meat had been abolished. One member of the Working Party asked why these remaining restrictions were still applied. He pointed out in this context that although foals were not normally raised for slaughter, foals and foal meat were potentially important export items for certain countries. The representative of Belgium explained that the reasons given at the previous review still applied. The market for veal, the imports of which had been liberalized, was affected by the measures taken in the dairy and livestock sectors. Veal was one of the commodities for which a licensing tax had been imposed. Thus, in order to maintain a fair balance between the prices of these two meats, it had been necessary to maintain imports of foal under control. The Belgian Government hoped, however, to be able to liberalize these items before 31 December 1962.

Fish

18. The Working Party noted that a further number of fish items were to be liberalized effective 1 January 1962 but that certain fish items, including frozen and chilled fillets of certain varieties of fish which were of considerable importance to the export trade of some contracting parties, would continue to be subject to restrictions and would be governed by quotas specified in trade agreements. One member of the Working Party stated that the restrictions maintained on imports of frozen fillets appeared to be primarily an instrument for the protection of the domestic processing industry. He expressed the hope that imports of fish products still subject to restrictions should also be liberalized at an early date. He noted in particular that the practice of establishing import quotas for frozen fillets on a live weight basis had the effect of limiting exports of frozen fillets to a level equivalent only to one third of the volume of fish imports specified under the quota. He also stated that the practice of splitting quotas into fragments with a maximum ceiling of only 500 kgs. per single quota, tended to discourage the full utilization of individual quotas, and consequently of the country quota, since the smallness of the individual quota allocations made exports of these items relatively unattractive.

19. The representative of Belgium explained that the allocation of quotas for fish fillets with a ceiling of 500 kgs. per single allocation was not intended to discourage imports but, as no reference basis existed, to permit quotas to be spread among the greatest number of firms interested in importing this item. Commenting on the practice of computing the level of imports for frozen fillets falling under quotas on a live weight basis, he explained that the conversion ratios should logically vary depending on the variety of fish, but that such a system was impracticable. His Government would continue to give sympathetic consideration to representa-

¹Tariff items ex 01.01 A IIa; ex 01.01 A III; ex 02.01 A I.

tions by contracting parties concerning the possibility of sharing in the Belgian market with respect to all products which at present continued to be subject to restrictions.

Fruits and vegetables

20. The Working Party noted that a number of vegetables, as well as such important internationally traded fruits as apples, pears, cherries, peaches and grapes would continue to be subject to import restrictions after 1 January 1962.

21. With respect to apples and pears, members of the Working Party noted that the Belgian Government was considering the possibility of relaxing the import regulations and that the Belgian Government hoped to establish by 31 December 1962 a system which would give full satisfaction to exporting countries. They invited the representative of Belgium to describe the measures envisaged by his Government to achieve this objective.

22. The representative of Belgium explained that specific measures for the removal of import restrictions on apples and pears were under consideration, but that it was thought that a system could be evolved which would permit import liberalization of these items, beginning with the better qualities.

23. Members of the Working Party expressed the hope that in establishing the criteria for grading fruit, the Government of Belgium would consult with interested contracting parties. The representative of Belgium explained that internationally accepted definitions such as those adopted by the ECE would probably be used for the grading of fruit and that his Government, in applying these criteria would take account of the trade interests of the exporting countries. In reply to a question concerning import possibilities for apples and pears in the current season, the representative of Belgium stated that his Government had recently decided to permit imports of pears after 26 December 1961, and of apples after 2 January 1962 without discrimination of origin between GATT and OECD countries.

24. Members of the Working Party expressed the hope that the remaining import restrictions on peaches, plums, grapes, etc., would also soon be removed. The representative of Belgium stated that he was not in a position to indicate at this stage the steps which would be taken by his Government for eliminating quantitative restrictions with respect to these items. He explained, however, that in administering import controls, his Government tried to permit imports to the largest possible extent. He pointed out that Belgium in recent years had not fully used the seasonal protection rights. In fact, seasonal restrictions had only been applied during a small part of the year. In reply to a question concerning import treatment for apricots, the representative of Belgium stated that apricots were not covered by the Waiver and were not subject to quantitative import restrictions.

25. One member of the Working Party noted that the maintenance of import restrictions on chicory (tariff item 12.05) was intended to protect the Belgian market from supplies at abnormally low prices from certain Eastern countries. This member of the Working Party explained that the reason

given by the Belgian Government did not apply to imports from Poland which had supplied this item at prices above average prices prevailing in the Belgian market. This member of the Working Party also pointed out that Poland had a substantial export interest in this product, but had experienced difficulties in maintaining its traditional share in the Belgian market.

26. Commenting on the import treatment for potatoes, members of the Working Party expressed the view that the cost of transporting potatoes, a relatively low-cost food item, should in itself be sufficient protection to domestic producers. They expressed the hope, therefore, that Belgium would find it possible to eliminate quantitative restrictions on potatoes by the end of the Waiver period. The representative of Belgium explained that potatoes, besides being subject to import regulations, were in certain instances also subject to export prohibition. The purpose of these measures was to assure adequate supplies to consumers at reasonable prices.

Other commodities

27. The Working Party noted that in addition to the items referred to above, a number of horticultural items, certain cereals for sowing, sugar beet and hops would continue to be subject to quantitative restriction after 1 January 1962. The Working Party noted that import restrictions on certain of these items were scheduled by Belgium to be relaxed or removed within the coming year, and expressed the hope that the Belgian authorities would find it possible to eliminate restrictions on items for which no liberalization date had so far been fixed at the earliest possible time in accordance with the Waiver.

III. CONCLUSIONS

28. The Working Party noted the progress made by Belgium in moving towards the elimination of quantitative restrictions covered by the Waiver. They welcomed the assurance given by the Government of Belgium that it would make every endeavour to eliminate remaining restrictions in accordance with the Waiver.

29. It was felt, however, by some members of the Working Party that the progress had not been as rapid and as comprehensive as had been hoped for when the Waiver was granted. For the objectives of the Waiver to be attained, it was of the utmost importance that the measures taken by Belgium, or still to be taken, in proceeding with the removal of quantitative import restrictions would indeed lead to increased access for agricultural products and fishery products to the Belgian market.

30. With a view to permitting contracting parties to follow the progress by Belgium in proceeding with the removal of remaining quantitative restrictions in the coming year, members of the Working Party proposed that the Belgian Government should be invited to consult with the CONTRACTING PARTIES at a time to be agreed upon by the Council during the spring of 1962.

31. The representative of Belgium stated that he would bring the comments and suggestions made during the review to the attention of his Government.