

**GENERAL AGREEMENT ON
TARIFFS AND TRADE**

RESTRICTED

Spec(84)2/Add.1
13 January 1984

Committee on Trade in Agriculture

DRAFT MINUTES OF THE MEETINGS HELD FROM
4 TO 13 OCTOBER AND FROM 28 TO 30 NOVEMBER 1983

Addendum

Exercise A

Introduction
South Africa
Argentina
Australia
Austria

EXERCISE A

Examination of trade measures affecting market access and
supplies, including those maintained under
exceptions or derogations

Introduction

1. The Committee undertook a country-by-country examination of measures listed in the respective AG/FOR/- documents. This examination took place in alphabetical order according to country names in French.
2. The documentation on which the Committee based its examination was then the AG/FOR/- series including brief introductory notes prepared by the secretariat and various documentation providing more details than the AG/FOR/- series; notably the AG/DOC/- series and various L/- series, listed in a checklist of documents prepared by the secretariat (AG/W/3/Rev.1 and Corr.1)
3. The Chairman recalled that at its meeting in March 1983, the Committee had agreed that Exercise A might take the form of a question and reply procedure allowing a recording of particular views expressed by participants, and not excluding the possibility of an examination of particular measures. It had furthermore been agreed at that time that the views expressed by various contracting parties should be properly recorded.
4. He then suggested to proceed in the following way for each country or group of countries: the delegation of the country being examined should be given an opportunity to give a brief introductory statement; then the Committee should hear the opinion of its members as to whether the submission was complete, notably with respect to product coverage and to whether all measures affecting trade were properly listed and described; and then the Committee should go through the respective AG/FOR/- document, for each country or group of countries, hearing comments, questions and replies related to products or product sectors and the measures applied, placing the main emphasis on column 16, i.e.: (a) GATT relevance, and (b) classification of the measures according to the categories listed in AG/1 paragraph 7. This was agreed by the Committee.

5. The Committee had earlier agreed that the examination should take place in alphabetical order according to country names in French. For that reason the minutes of the country examinations are in this paper arranged in the following order:

South Africa	Egypt	Norway
Argentina	Spain	New Zealand
Australia	United States	Pakistan
Austria	Finland	Peru
Bangladesh	Hungary	Philippines
Brazil	India	Portugal
Canada	Indonesia	Romania
Chile	Israel	Sweden
Colombia	Jamaica	Switzerland
European Communities and Member States	Japan	Uruguay
Republic of Korea	Kenya	Yugoslavia
Ivory Coast	Malaysia	
	Nigeria	

SOUTH AFRICA (AG/FOR/ZAF/1)

1. The representative of South Africa, when introducing the notification for his country, recalled that South Africa was not richly endowed with agricultural resources, with only 10 million hectares or 8 per cent of the total area used as arable land. Rainfall was generally low, with regional variations, water resources were limited and vast semi-arid regions were only suitable for stock farming. Fluctuations in weather conditions with consequent fluctuations in agricultural production made South Africa a regular participant in agricultural trade, both as an exporter and an importer. South Africa, nevertheless, managed to have an adequate degree of self-sufficiency, and would in normal years have food available for export. South African agriculture was at present in a precarious state due to a devastating drought which had coincided with the world-wide recession and a concomitant fall in effective demand.

2. Efforts aimed at promoting orderly marketing and price stability were based on the Marketing Act of 1937 as amended in 1968. The marketing arrangements and the stability they afforded was appreciated by the farming community and generally accepted by trade and industry. Some regulatory measures for marketing and trade in agricultural products were necessitated by numerous problems in the agricultural sector. Nevertheless, the general objective remained a system of free enterprise with minimum public interference, and adhering to the objectives and principles of the GATT.

3. With respect to the notification, the representative of South Africa pointed out that a number of items noted were considered to be industrial products by his administration, for the following reasons: the items had undergone industrial processing to a point where there was no longer any obvious resemblance to the original primary product; the items were viewed as incidental agricultural by-products for which there was an application only in an industrial process; and certain items were inappropriately classified as agricultural products. On the other side, a number of products falling outside CCCN chapters 1 to 24, had been included in the notification for the reason that, from an institutional and administrative point of view, they were treated as agricultural products. These products were listed on page 2 of the document. Although fish and fisheries products were included in the notification, it was considered more appropriate, in view of the 1982 GATT Ministerial decision, to deal with these products in the context of problems of trade in certain natural resource products. Finally, he recalled that the classification of the various measures affecting trade was done merely for the purpose of organizing the work of the Committee and was without any prejudice with respect to legal aspects of the measures notified and examined.

4. The Community representative said that the examination of the South African notification would attract particular attention as it was the very first one to be undertaken and he expressed some doubts as to the relevance of a mere counting of tariff bindings as had been done in the secretariat note, as this might lead to false conclusions. He noted the

particular product coverage of the notification, which included a certain number of raw materials but not sugar. This could easily make the whole exercise aleatory, and he stressed that an examination of the entire agroalimentary sector was essential to the Community, which would insist on an examination of all measures applied to all products in that sector. He therefore found the South African notification to be incomplete not permitting a comprehensive examination of the measures applied to agricultural trade.

5. The New Zealand representative could understand that countries would classify certain products as industrial, but he supported the Community view that the exercise should cover all products from the agro-food industries, and felt that the appropriate thing to do would be to cover the entire range of products in CCCN chapters 1 to 24. Also the representative of Chile was struck by the exclusion of significant products in the South African notification and agreed with those who had requested South Africa to complete the documentation on this point. The representative of Pakistan felt that a limitation of the exercise to products covered by CCCN chapters 1 to 24 could cause problems, for instance, to Pakistan, for which cotton was an important export item. The representative of Switzerland, referring to the introductory statement made, asked what were the main objectives of the agricultural policy of South Africa and which could be the basis for the measures applied.

6. The Chairman briefly recalled what was traditional practice in the GATT with respect to the definition of agricultural products, as it had been indicated in the Committee's programme of work.

7. The United States representative said that South Africa applied domestic support prices to a number of commodities such as livestock, wheat, oilseeds and tobacco, and which had the effect of reducing import demand. South Africa also applied domestic support prices on a long list of agricultural commodities, and including such export products as corn, dried fruit and citrus fruit. The use of support prices should then have been noted under the columns of measures affecting exports or imports. He also understood that the South African Maize Board absorbed losses on exports of maize, but could not see that this had been indicated. Similarly, he could not see any indication of the fact that exports of dairy products were handled by Commodity Control Boards. Neither could he see any indication of a long-term supply agreement with Taiwan involving maize, and enquired about prices stipulated in the agreement.

8. He noted that, with regard to the use of discretionary licensing for imports and exports of livestock, reference had been made to legislation predating the GATT, but expressed the opinion that this removed these commodities from GATT discipline. With respect to the activities of Commodity Control Boards, he referred to document AG/DOC/5/ZAF/1 in which it was stated that funds collected by the various marketing boards were used to cushion "the effects of fluctuations in export prices" (dairy and grain) or "to supplement overseas realizations" (meat, livestock, oilseeds, vegetable oils and tobacco), and asked for a clarification of these activities and wondered

to what extent government assistance was provided. Furthermore, he sought a clarification as to the manner in which agricultural export prices were established. He believed that the export price of corn was frequently lower than the domestic price and would like to know whether the Maize Board absorbed losses involved in setting lower export prices, whether the Maize Board derived its funding entirely from producer levies, or whether government funds were available as subsidies. He also enquired about the rôle of the private sector, and to what extent private export traders marketed agricultural commodities and whether they were involved in determining the price, quantity and destination of South African agricultural exports.

9. He noted that the Wheat Board, the Maize Board, the Dairy Board and the Chicory Board had sole authority to import the products they cover, and that for other commodities, private traders had to approach various boards in order to import. The requirements placed on private imports by these boards had the same effect as quantitative restrictions and enabled the Government of South Africa to maintain tight control over purchases of most commodities imported. He also wondered why it was necessary to restrain imports of milk, eggs, a number of vegetables and fruits, cereals, milled products and oilseeds through an extensive licensing and import restrictive system. With respect to producer floor prices set for a variety of products including meat, dairy products, wheat and oilseeds, he asked whether the purpose was to encourage domestic production in order to reduce the need for imports.

10. Finally, the United States representative noted that South Africa had made rather few tariff bindings on agricultural products. Marketing boards (i.e. State trading) were extensively made use of, thus limiting the possibility for effective trade liberalization. The domestic market was insulated from the world market, and domestic production and exports were stimulated with no effective production or supply adjustment measures being applied. He noted that South Africa had reported comprehensively on its measures, but an assessment of the impact of the system would require data on expenditures and on the volume of production and trade affected. He further noted that South Africa's principal trade measures were not reviewed anywhere in the GATT system.

11. The New Zealand representative wanted to have a fuller explanation of the licensing systems applied by South Africa, as those were not necessarily covered by existing GATT documentation.

12. In reply to the questions, the representative of South Africa first stressed that food was a strategic product in the country for domestic and socio-economic reasons. With respect to exports of maize to Taiwan, he said that there was no long-term arrangement, but merely a contract for deliveries over a three-year period. He agreed that it might be appropriate to indicate State trading (ST) for dairy products. For particular reasons dairy was a balancing factor for many farmers, notably at times of severe droughts which might often result in

temporary surpluses of dairy products. In regard to domestic support prices, he explained that in order to stabilize prices to producers in conformity with the Marketing Act of 1937, levies were charged on various products and paid into a stabilization fund and payments were used from the fund to cover losses on exports which were then financed by the producers themselves. As to the questions raised about the justification given for the application of licensing, he recalled that licensing was applied for different reasons, as for instance, the administration of sanitary or phytosanitary measures, the application of marketing standards or the control of natural resources. Regulations of regional trade in live animals were based on legislation adopted in 1910 and applied both to exports and imports. For this reason, it was appropriate to make reference to different GATT articles for licensing or discretionary licensing.

13. The Community representative felt that although South Africa seemed to have taken the notification exercise seriously, further clarifications were desirable on a number of points. Only exceptionally was there an indication of support or subsidies, but a rather extensive use of marketing boards or State trading. He also noted a rather extensive application of licensing with reference made to Article XI, and suggested that the Committee at some stage entered into a comprehensive discussion of the operation of that Article. With respect to the licensing systems applied by South Africa, he felt it important to have a distinction between licensing used for specific agricultural purposes and residual restrictions originally introduced for balance of payments reasons.

14. In making a further comment, the United States representative said that marketing boards covered twenty-one groups of products, and many of them handled both exports and imports. A simple reference to Article XVII would not be a justification in itself, but merely classified the trade activities of the boards as a sort of State trading. Funds collected by various marketing boards were used to cushion the effects of fluctuations in export prices or to supplement overseas realizations. He wanted these activities to be explained more fully and wondered whether governmental funds were used. The basic documentation available to the Committee did not enable it to assess the impact of these measures on trade. In summing up his feelings, the United States representative said that because of limited use of tariff bindings, the extensive use of marketing boards and restrictive licensing, South African agricultural trade was effectively outside the scope of the GATT, and unfortunately, South Africa was not the only country in this position.

15. The representative of Chile shared the views expressed by the Community and the United States. He felt that the Committee were faced with a general lack of transparency and would not be able to assess the impact on trade of the measures being applied, and which were often justified by legislation predating the establishment of the General Agreement. It might be useful if South Africa could notify and explain more fully certain measures such as discretionary licensing and then without prejudice as to the legality of these. He wondered if a reference made to Article XI:2c in the case of discretionary licensing applied to CCCN 16.04 was appropriate, as it seemed to be a measure previously applied for balance of payment reasons.

16. The representative of South Africa, in reply confirmed that restrictions on production were applied to products under CCCN 16.04 and accordingly he felt a reference to Article XI:2(c) to be appropriate. With respect to the indication of sanitary, phytosanitary regulations, and marketing standards, he confirmed that such regulations applied to more products than had been indicated in columns 11 and 12, but South Africa had followed the secretariat advice given in AG/W/2 and indicated the application of such regulations only in cases for which reverse notifications had been made (i.e. AG/DOC/5- and AG/DOC/7- series). However, licensing systems applied for the administration of such regulation had been indicated in column 10, and he noted that others had followed the same procedure. With regard to State trading and comments made as to transparency, he found it difficult to in every case include an extensive explanation and he felt that the reference to relevant documentation in column 15 should suffice, i.e. reference to COM.AG/W/72. Further, with respect to the comments made about the boards, he referred to his introductory remarks and to what the Ministerial Declaration said about the specific characteristics of agriculture, and said that the state trading enterprises falling within the jurisdiction of the Marketing Act were primarily concerned with domestic market and price stabilization for agricultural products and stressed that it was domestic and not export prices that were set and that all measures taken under the Marketing Act were taken for market stabilization purposes.

17. The Community representative raised some specific questions relating to the notification and suggested to look at the South African notification in light of GATT rules. He recognized that this was difficult concerning tariffs as there was no real justification for these. With respect to quantitative restrictions notably linked or not to state trading, the justifications provided were of three kinds. For some products it was referred to Article XVII, which did not provide a sufficient degree of transparency. A second justification offered was Article XI for quantitative restrictions. For some of these South Africa had invoked balance of payment reasons up to 1972, but the measures had been maintained beyond that date and were now justified under Article XI. Then, for other measures reference was made to Article XX(b) for quality control of products marketed. He therefore felt that it would be interesting for the Committee to enter into a consideration of all these measures notably in light of the provisions of Article XI and the link to price support measures justified under Article XVI, in order to assess their impact on trade. In his reply, the South African representative stressed that column 16 called for references to GATT provisions to be made, and not necessarily justifications. However, any reference to Article XXb meant that the measure was justified to protect human, animal or plant life or health.

18. The representative of New Zealand enquired whether other forms of support such as local arrangements were in operation, but the representative of South Africa confirmed that no such type of support was available. He confirmed once more that all measures, including those taken in case of severe droughts, and necessary to safeguard agricultural production were taken on the bases of the Marketing Act and administered by the boards.

19. Making some reflections of a general nature and not necessarily limited to the South African notifications, the Community representative noted that the notifications could be completed at some later stage, also with respect to the completion of column 16. He felt that it was necessary to reflect a bit on the continuation of the work of the Committee and what types of conclusions might be drawn. The United States representative added that the Committee had been called upon to examine the measures affecting trade, and should try to establish a picture composed of the systems applied by various countries, and it would be important at some stage to assess their impact on trade.

20. The Community representative said that he would have preferred sanitary and phytosanitary regulations to have been indicated in full, as had been done by Australia, and not limited to reverse notifications as a complete picture would be indispensable in view of any future negotiations in licensing. The representative of New Zealand shared the view of the Community on this point. The representative of South Africa replied that a reference to relevant documentation on licensing was given in column 15, and that his Government was actually considering a revision of the licensing and this review was undertaken to take account of the very concerns expressed by the representatives of the Community and New Zealand. He also mentioned that at present, and in respect of a limited number of products, different governmental bodies were involved in the processing and issuance of licences and it might be difficult to change the system rapidly.

21. In concluding the examination of South Africa, the Chairman thanked the representative of South Africa for the notification and for the explanations given, and he noted the intention of South Africa to complete further the documentation.

ARGENTINA (AG/FOR/ARG/1)

1. In his opening statement, the representative of Argentina described the basic characteristics of the agricultural sector in his country. He pointed out that Argentina was a developing country and noted that it was an efficient producer and a large exporter of agricultural products. In 1982, 16 per cent of GNP originated from agriculture and 75 per cent of Argentina's total exports were accounted for by agricultural products. In recent years, the cattle sector and the cereals sector represented, on average, 22 and 27 per cent respectively, of total exports. His authorities had introduced a number of measures with a view of improving efficiency and increasing output of the agricultural sector in Argentina. In particular, he mentioned the work of the Instituto Nacional por la Industria Agropecuaria, the reduction of duty rates on imports of investment goods such as tractors, the promotional regime for least productive lands, the law on land preserving, and a plan for eradicating foot and mouth disease. His delegation was prepared to furnish bilaterally all details on existing legislation related to agriculture which other delegations might request.

2. As to the content of AG/FOR/ARG/1, he noted that some information was still missing, notably the preferential tariff treatment given to ALAI countries, which was currently being renegotiated within the framework of ALAI. He was willing, however, to transmit to the secretariat all relevant information on this matter as soon it became available.

3. The representative of the United States expressed his appreciation for the submission presented by Argentina. He asked, however, some questions about possible omissions of certain measures in document AG/FOR/ARG/1. He referred to a measure recently reported to have been taken to suspend the issuing of import licensing. As import licensing requirements on agricultural products had not been indicated he asked what products were eventually covered by those requirements. With respect to automatic licenses, he thought helpful to have an idea about the time laps between the request and the issuing of such licenses. Concerning bindings, he noted that duties of most CCCN at four-digit level were unbound, including those applicable to CCCN 02.03. He further noted the lack of classification under (f) in column 16. Concerning measures affecting exports, he noted some lack of information on minimum export prices, and asked for further clarification and explanation on existing export incentive systems, notably those in force with respect to export to new markets. He said his authorities had understood that a transportation subsidy provided for grains and sheep by rail to Buenos Aires from certain outside areas had been designed to encourage wheat production in Northern Argentina. He further asked for clarification concerning domestic programs for wheat, sugar, tobacco and rice. He noted that no indication was provided of either the Wheat and the Meat Boards as well as on existing bilateral supply agreements in the meat sector. He finally noted the omission in the format of a reference to an agreement with Algeria for dried beans (CCCN 07.05).

4. The representative of Argentina stated that his authorities had understood this exercise as being an examination of measures actually affecting trade, and intended to reply to the various questions made bearing this in mind. In October 1983, his authorities had in fact suspended all imports into Argentina, but he expected that this action, taken for very conjunctural reasons, would soon be lifted. Concerning the functioning of the licensing system, he recalled that Argentina had recently submitted to the Committee on Import Licensing a notification to that effect which was circulated as document L/5278 and Corrigendum 1. These documents contained all details on the licensing system applied by Argentina. The difficult economic and financial situation of the country had necessitated a differentiation in the current licensing system and imports of some items had been given priority over imports of others. He confirmed that exports of processed agricultural products to new markets could benefit from a supplementary reimbursement of 5 per cent. He also confirmed that national programs on rice, wheat and tobacco had been developed following natural calamities in the North-West regions of Argentina. He pointed out that both the Wheat and the Meat Boards did not participate any longer in actual trade. Their current function was to supervise bilateral contracts and to certify that transactions had effectively taken place. Concerning bilateral supply agreements, such agreements had been entered into by Argentina, and he added that the information contained in document AG/FOR/ARG/1 could be eventually supplemented in that respect.

5. The representative of the EEC invited Argentina to complete his submission in light of recent developments in the Argentinian import system. He noted that Argentina had notified no subsidies in column 2 of the format, and wished to have further clarification about Argentina's interpretation of the provisions of Article XVI. He further noted that Argentina had few bound duties on agricultural products. He considered that this situation made export to Argentina a difficult task, as exporters were faced with various types of duties, taxes and surtaxes, and they were never sure of what rates would finally be charged on their exports. He also wished to obtain further clarification on the nature of the sanitary restrictions on tobacco. He said that the fact that existing Argentine legislation could be invoked for suspending the issuing of licensing, should be noted in column 10 of the format. Having noted the Argentina statement that the Boards have not longer a commercial role, he asked who in Argentina concluded long-term agreements on wheat and on meat. He also inquired why no reference was generally provided for in column 16 with respect to export duties. Only in a few instances Article XI:2 was mentioned and he asked whether Argentina maintained an interpretation of this article which would substantially differ from that of the Community. He also recalled that voluntary restraint agreements existed between Argentina and the EEC on sheep meat and bovine meat, but he could not find a reference to those agreements in the format.

6. The representative of Argentina reiterated the view that his country did not maintain general measures which would be covered by the provisions of Articles XVI. Argentina had a system of indicative prices for certain specific sectors of production, as was the case in most other countries, but this was not a general policy. The role of this indicative prices was to flag to producers those sectors where the government would wish to see an increasing production and a balanced utilisation of the agricultural land. He did not understand entirely the EEC question on Article XI and wanted to have more precision on that from the representative of the EEC. He said that it would be more appropriate, as in fact had happened, that the country imposing a restraint agreement also notified the existence of such agreement. He further indicated that no taxes or other charges other than duties were maintained on imports at the frontier. He suggested that the EEC could discuss with his authorities any specific problem which would arise in that respect. He denied that a legislation existed which would permit the suspension of the issuing of licenses. Concerning the role of the Boards, he explained that in certain cases, involving for instance a guaranteed level of supply, importing countries had preferred to negotiate transactions directly with the Boards rather than with private exporters. However, their function was limited to that of an intermediary role.

7. The representative of the EEC noted that the discussion had shown that different interpretations existed with respect to the provisions of certain GATT articles, notably Articles XVI and XI. He hoped in the light of further work of the Committee on this matter, Argentina would complete its submission. The representative of the United States also hoped that more precision could be provided by Argentina in column 16 of the format with respect to the GATT relevance of some measures. He further indicated that some specific points would required more information and confirmation by the Argentinian authorities. He mentioned, as examples, the influence on prices that the Boards could have; the effects of minimum prices, production and consumer quotas on the Argentine sugar industry, the role of the consumer tax on special tobacco; and the existence of reference prices for wheat bread.

8. The representative of Argentina replied that all GATT references in the format were perfectly justified and explained. He reiterated that the Boards did not have any actual commercial role. Bilateral agreements concluded by Argentina with third countries did not contain price commitments, prices generally being those prevailing on the market of importing countries. He recalled that a quota on sugar production was fixed each year because of the well-known situation of the world sugar market. He was, however, prepared to submit additional information on Argentina's sugar regime if the Committee so desired. He stated that the internal tax on tobacco was collected for fiscal reasons, as was the case in most other countries in the world. He finally pointed out that reference prices existed in Argentina for a number of agricultural products, but these prices could not be regarded as minimum guaranteed prices.

9. The Chairman thanked the representative of Argentina for the notification and for the explanations given, and noted the promise by Argentina to provide supplementary information.

AUSTRALIA (AG/FOR/AUS/1)

1. The representative of Australia gave a description of the system applied to agricultural trade, in pointing out that the agricultural sector accounted for 30 to 35 per cent of the countries export earnings. The notification included the main measures applied and which had already been notified to the GATT. However, general measures affecting a wide range of agricultural products were not included as he believed that these measures had only a marginal impact on any individual industry. These measures included inter alia research, financial assistance, credit arrangements, tax concessions, fertilizer subsidies, labelling requirements and export incentives. He mentioned that Australia was a major exporter of meat, wheat and sugar and an important supplier of many other products such as cattle, sheep, dairy products, cotton, fruit and vegetables. Major agricultural imports consisted of coffee, tea, cocoa, cheese and rubber.
2. Australian agriculture was working under a fairly harsh environment, and was based on low cost extensive production techniques. The agricultural industries were essentially responding to the market situation with virtually no production planning or targetting by governments, and without benefitting from general or large subsidy programmes or support buying policy. However, consumers' transfers were provided through long-term commodity contracts or agreements, such as a framework type agreement in respect of wheat and more specific contracts in respect of sugar.
3. He explained that governmental assistance could be applied on a case by case basis under a system of public inquiry in court and subject to evidence provided by the industry, consumers and others. An assessment based on available evidence and other economic considerations was to be made by the Industry Assistance Commission which first prepare a draft report for public discussion and subsequently a final report containing recommendation for governmental action. He referred to a recent draft report on sugar by the Industry Assistance Commission, which in fact went as far as to question the need for maintaining the import embargo on that product, an embargo which had been applied for sixty years, and which should not be expected to be easily abolished. The Industry Assistance Commission had recently published a report on agriculture in general, covering the period 1970/71 to 1980/81. According to that report, assistance to agriculture had declined significantly over the 1970's, from a level of 28 per cent of the total value of agricultural products in 1970/71 to about 8 per cent in 1980/81. The assistance covered concessional product research, disaster assistance adjustment and reconstruction measures, was applied to sectors and could not be broken down by CCCN headings, and had consequently not been indicated in the tables. However, he warned members of the Committee that there was no great status to be obtained from a liberalization of such measures. Particular sectors might benefit from substantial assistance, notably sectors that had encountered difficulties at home or abroad, such as the sectors of

dairy, eggs, citrus fruit, tobacco and canned fruit. Following the loss of the British market when the Community was enlarged, the dairy industry had to be rationalized and contracted, trying to deal separately with social and economic aspects. The efforts had been successful, although more recently the surplus situation on world markets was being felt, and for the current season it had been necessary to make a cut in farm gate returns, of between 15 and 25 per cent.

4. Australian agriculture in general had the benefit of marketing arrangements established under Commonwealth legislation, which variably established an export marketing regulatory authority or a board. These arrangements or corporations had been designed to prevent wasteful competition between traders in individual markets, to regulate export prices and extract a maximum out of any market and then operate a price pool with the subjective of stabilizing returns. The corporations took their decisions on a commercial basis and were required to report annually to Parliament. The annual reports were subject to full investigation and certification and were audited by the Commonwealth Auditor General. Except for the Wheat Board, these boards had little or no legal role in respect of operation in the domestic market or import trade, although the views held by the boards could often influence policy decision making, if necessary through remedial processes. Some boards had limited trading powers to be exercised in certain circumstances. The Dairy Corporation originally held the sole selling rights for butter and cheese to the British market, and at present this right was still exercised for sales of cheese to the Community. Furthermore the industry had asked the corporation to handle the sales of certain types of cheese to Japan. The Australian representative stressed that all the marketing and stabilization arrangements had been reported as required under the General Agreement, and these notifications also included any related subsidy aspects; such as Government underwriting of returns. In recent years, there had been a change in policies towards underwriting of returns to industries so that the objectives of promoting stability and cushioning industries against disruption by sudden, unexpected collaps in market returns can be achieved without shielding the industry for the impact of longer term trends. Usually, a three-year moving average, two previous years plus forecast of likely returns for the current year, provided the basis for establishing the underwriting level. Generally, the underwriting level was established at 90 to 95 per cent of the moving average, and consequently any governmental subsidy to the industry would be an exception rather than the rule, and any surplus production would remain with the industry as no governmental intervention purchase was provided for. This had been done for reasons of concern about limiting budgetary costs and according to the philosophy that the industry should operate on a commercial basis. The application of a moving average resulted in that an industry would be exposed to the impact of falling market prices and this would hopefully provide a disincentive to over-production.

5. Turning to sanitary and phytosanitary regulations, he said that due initially to the geographical isolation of Australia and subsequently to strict quarantine controls, Australia remained free of many serious diseases occurring in other parts of the world, animals and products of animal origin could be imported only in accordance with the provisions

of the quarantine legislation which constituted a very important safeguard. Importation of animals and animal products were either prohibited entirely, restricted to certain exporting countries proving a disease free status, or could take place subject to certain conditions for instance with respect to desinfection. The purpose of the legislation was to prevent the entry of exotic diseases of animals into Australia, which was free of the following more serious diseases: foot and mouth disease, rinderpest, Newcastle disease, fowl pest, swine fever, African swine fever, melitensis, trichinosis, tularemia, scrapie, sheep pox, goat pox, fowl typhoid, blue tongue, African horse sickness, equine encephalomyelitis, sheep scab and teschen disease, contagious bovine pleuro-pneumonia, to mention but a few of the more common diseases. A similar situation existed in relation to phytosanitary and quarantine requirements for plant matter of all types, Australia being free of innumerable diseases and pests, weeds and insects, and probably fungal diseases and virus diseases affecting important agricultural crops such as wheat, rye, barley, oats, maize, sorghum, apples, pears, citrus, grapes, potatoes, onions, soybeans, linseed and cotton. He went on to say that because of the marked differences in the levels of diseases or pests and measures of controls in different countries, health and sanitary regulations would not be susceptible to negotiation on a multilateral basis. Trade policy experts could not be expected to negotiate on this issue, nor would it be appropriate anyway for them to make the attempt, as it was a technical matter for technical experts. Bilateral discussions between experts in these fields appeared to him to be the only practicable method of seeking agreement between individual countries on conditions for health and sanitary controls for particular products.

6. The representative of Chile was struck by the fact that Australia had only applied in general high tariff rates and very few tariff bindings to agricultural trade. Furthermore, he noted that major products were subject to state trading in one way or the other, and felt that this could result in distortion of trade and inherent discrimination. With respect to sanitary and phyto-sanitary regulations, he could understand the argumentation of the Australian representative, but nevertheless felt such regulations to be an important problem and advanced the idea that the Committee might at some time discuss the possibility of multilateral action in this field.

7. In reply to the comment by Chile about few tariff bindings, the Australian representative said that the state of Australian tariffs on agricultural products should be seen in light of the fact that Australia rather was an exporter than an importer of such products, but the state of tariffs also reflected Australia's experience from trade negotiations. Willingness had been shown to make concessions on the basis of reciprocity, as for instance an exchange of concessions on cheese with the Community in the Multilateral Trade Negotiations.

8. The Community representative made the observation that Australia was the country with the lowest degree of tariff bindings among developed countries, and only 17 per cent of agricultural trade benefitted from bound tariff rates. More particularly regarding imports of cheese into Australia, he said that the Community had not been able to benefit from a concessional tariff rate although a concession had

been made by Australia in the Tokyo Round. He could not see that in the Australian notification any indication had been made of tariff quotas for whisky, minimum prices for chewing gum, discriminatory taxation of imported products, for instance beer and cider and mixing regulations for tobacco, and invited Australia to complete its notification on these points. Referring to Australian notifications pursuant to Article XVII of the activities of the boards, he felt it to be rather illogical to say that no price support policy was applied. He furthermore noted that sanitary or phytosanitary regulations concerned 93 per cent of the tariff lines, and reassured the Committee that the Community applied a trade regime as liberal as that of Australia.

9. The representative of Australia said that the tariff quota on cheese was actually not applied, as the dairy industry was subject to an investigation by the Industry Assistance Commission. If a suggestion in the draft report from that institution is followed, to have no change in the protection for cheese, there would not be any tariff quota either. With respect to the Community suggestion concerning tariff quotas on whisky, mixing regulations on tobacco and discriminatory taxes on beer and cider, he would like to revert to the matter later. As to price support, he reiterated that the method used was the underwriting and so far government subsidization had been avoided. Regarding transfers to the consumer, he confirmed that this applied to the dairy industry, which was however subject to review. Then it applied to sugar, but here the industry had over the years been providing sugar for domestic consumption cheaper than if it had come from the world market and this had therefore resulted in a negative rate of assistance to the industry. He also pointed out that sugar agreements had been in operation since 1923, and the import embargo predated the General Agreement. The embargo was rigid, but the alternative might be tariffs and normal measures of protection against imports of subsidized sugar and there might be only little impact of removing the embargo. With respect to sanitary regulations, he said that given the increased risk following developments in transportation, the measures would at least have to be continued and no relaxation should be expected.

10. The Community representative expressed his understanding for the Australian position with regard to sanitary and phytosanitary regulations, but the question ought to be retained for further discussion and also be brought to the attention of the CONTRACTING PARTIES. In reply to a further statement by the Community about the tariff quota on cheese, the Australian representative confirmed that if the on-going investigations resulted in an increase in duty rates on cheese, account would be taken of the existing binding.

11. The United States representative stressed the importance of the exercise, and regretted that in general, the documentation before the Committee would not allow an indication of the impact on trade of the measures notified. It was important to recognize that all countries and not only a few had responsibility for trade and for working towards an improved trading system; and was disappointed that only some countries took part in the discussion.

12. Regarding the notification by Australia, he said that Australia's commitment to free trade was acknowledged as commendable, and the Australian Government had shown good faith by rationalizing the industry. However, severe protective import barriers were retained for major commodities and market intervention was comprehensive. It was commendable though, that the support measures applied by Australia were designed to stabilize prices rather than increasing production. However, an examination of import regimes for major products revealed a different picture. The Wheat Board and the Dairy Corporation clearly discouraged imports from being made, and imports of sugar, live animals, pork, poultry and eggs were prohibited and sanitary regulations had resulted in an effective control of trade in livestock and meat. Tariff protection was important in the case of citrus, orange juice and canned fruit, and imports were strongly affected by phytosanitary regulation, which he would have preferred to see more fully indicated in column 11. He noted that in addition to a long list of commodities for which there was an outright prohibition, a range of commodities could only be imported with a special permit, and then only by the boards. He wanted to have more information about the frequency with which exceptions were granted and about the criteria applied in granting them. He furthermore noted that Australia had long-term arrangements with a number of countries (e.g. USSR, China, Egypt, Indonesia, Japan and Iran) and which should have been indicated under column 7, and he would like to know what portion of exports these arrangements represented. He also noted that exports of major products were handled by the boards, and he inquired about the fixation of export prices and how these prices related to domestic prices. With respect to tobacco, he mentioned that mixing regulations required 57 per cent of all mixtures to be of Australian origin, in spite of a commitment under the GATT not to require more than 50 per cent.

13. In reply to the latter point, the representative of Australia said that tobacco manufacturers for their own reasons and on a voluntary basis currently used 57 per cent Australian leaf. What had been negotiated in the Multilateral Trade Negotiations was a concession that the statutory limitation for a by-law application should be 50 per cent. These by-law duty concessions meant in one case a duty reduction from 42 to 0.47 US dollars per kilogramme and in another case from 1.70 to 0.33 US dollars per kilogramme. In addition, a concessional duty of 16.5 US dollars per kilogramme instead of 16.75 US dollars per kilogramme plus 10 per cent, was paid by overseas suppliers who purchased corresponding quantities of Australian leaf. Concerning the other points raised by the United States the Australian representative felt that they emerged from inaccuracy in the basic information on which the United States had been working; and he reiterated that the Australian system with all its failings surely was one of the most open and market responsive ones, and he reiterated the points he had made in his introductory statement with respect to the role and competence of the corporations. These corporations had no legal basis for interfering with import policy or trade, except for the Wheat Board which was an exceptional case. These bodies were subject to sanctions, if necessary, through the administration system, ministerial controls or the courts. Insofar as export operations were concerned, the corporations had limited trading powers, but which had been only rarely used. The Dairy Corporation handled sales of certain types of cheese to Japan, but at the same time sales of other cheeses to that market were taken care of by private traders.

14. Concerning licensing of exporters, he explained that an exporter needed to have some commercial expertise to be able to handle a trade, a record which qualified him for that but if not, it was still open to him to apply for a licence to trade in the particular product. These licences were given on a 12 month basis. For each individual shipment, the licence was needed to obtain clearance from the relevant regulatory body using its export regulatory powers. He would need a permit in respect of each transaction to ensure that he was not needlessly undercutting a price in a market and that he was not needlessly undercutting other Australian exports. He had to observe some discipline as to the sort of export price he could offer. Provided he met those criteria, the transaction could take place. It was essentially an export regulation system, namely a formal legal requirement that companies trading in these products maximized their returns from the market, and not undercutting prices unnecessarily. The prices which Australia set in terms of the export regulated prices, did reflect the situation in the market place. In the case of wheat the US loan rate had been setting the tone of the world market for wheat, and Australian prices were influenced by that. Where the US with blended credit or some other means of assistance was able to take an advantage in a market, the Australian Wheat Board could not stand by flat-footed and let sales go by, as it had to remain competitive. If that meant that the board at times had to shave a price in order to offset some other US measure or an EEC measure, undoubtedly it would do so.

15. The United States representative repeated his view that the import system of Australia was highly protective as the protection afforded through sanitary regulations seemed to be excessive. Much was left out of the GATT as there were few tariff bindings, the marketing boards had an important role, and no supply management was in operation when the world supply was in excess. He had not commented on the inclusion of Article XXIV in column 16, but this did not mean that he accepted that Australia and New Zealand operated a preferential arrangement. He would appreciate a clarification on the types of preferences that were maintained by Australia and with whom.

16. In reply, the representative of Australia said that the procedures were very open, and he referred to three comprehensive reports by the Industry Assistance Commission concerning sugar, dairy and wheat. If the United States had a problem or view with respect to any product or measure, it would have an opportunity to be heard, for instance on a bilateral basis. He contended that the sanitary or phytosanitary measures constituted a total ban, and the measures were indispensable for maintaining exports of for instance meat to the United States. With regard to supply adjustment, he mentioned that over the last ten years, Australia was the only country who had reduced its dairy production, partly for reasons forced upon Australia, not least a lack of access to the United States market. The underwriting mechanism also contained provisions aiming at discouraging production when prices were falling, and the industry had to suffer the consequences of overproduction. There was however no system of public intervention such as the Commodity Credit Corporation in the United States. Concerning preferential trade arrangements with New Zealand, he pointed out that these had been notified under the GATT and were currently subject to discussions in other fora.

17. The representative of Romania appreciated to learn that Australia was not applying quotas or minimum import prices to imports of agricultural products. He wanted, however, the Australian representative to confirm that this was indeed the case also for imports from Romania, notably in respect of canned ham (CCCN 16.02). In response to the question about canned ham, the Australian representative said that there was no quota. The current tariff rates on canned ham were a general rate of 15 per cent a preferential rate for Fulham Island and countries of the Pacific, and a preferential rate under a long standing arrangement with Canada at 10 per cent.

18. The New Zealand representative in making comment on the trade arrangements between Australia and New Zealand said that these were indeed currently subject to examination in another body. He also raised questions about any agricultural assistance that might be provided by state governments, and about export incentives. In reply the representative of Australia said that state governments did have very considerable and exclusive powers with respect to the control or production of agricultural products. There was a production control operating for sugar, and the Queensland Sugar Board purchased sugar produced in Queensland and New South Wales. Australia was subject to drought and flood, and state governments provided assistance to industries in the disaster relief areas providing loans, finance and grants for new fences. In South Australia and in New South Wales a couple of citrus fruit canneries had fallen on very hard times and were out of export business. A certain amount of money had been provided by the state government to assist the canneries, not least in light of an employment problem in the region, and the Commonwealth might also have provided some money, and some of those loans were converted to a grant basis. An adjustment scheme was in operation which involved payment to farmers for removal of trees from orchards. With regard to export incentives, he said that certain subsidies schemes applied to certain prime industries and had been notified annually to the GATT, except for some production subsidies for apples which were being phased out. The subsidies notified were essentially designed to promote stability within the relevant primary industries without shielding the industries from foreign competition, but he wanted to reflect further on the question and provide a full reply later.

19. The representative of Switzerland made a comment as to the health and sanitary regulations applied by Australia, saying that it ought to be possible to fight diseases with measures more adapted to their primary objective, as such measures could have an adverse impact on trade. With respect to that Australia had made rather few tariff concessions, he pointed out that Australia was in fact benefitting from concessions for exports of industrial products which accounted for more than half of its exports. He furthermore asked for a precision of import measures applying to chocolate containing alcohol.

20. In reply the representative of Australia said that about 40-45 per cent of Australian export income was derived from agriculture but a very large slice of the rest came from the resource industry in terms of energy products and minerals, and 80 per cent of total earnings came from those two main sectors. He referred to what he had already said

about the lack of tariff bindings and Australia's negotiating position, and added that if there were a major realistic negotiation in the agricultural sector where Australia could get concessions from Switzerland, the United States, Japan and the EEC, there would be many more bindings in Australian tariffs. Concerning chocolate containing alcohols he said that, the general rate on chocolate was 20 per cent, and free for imports from developing countries.

21. The Chairman thanked the representative of Australia for the notification and the clarifications provided. In winding up the discussion of the Australia notification, the Chairman suggested that delegations should provide the secretariat with more information about the basis for veterinary and sanitary regulations.

AUSTRIA (AG/FOR/AUT/1)

1. The representative of Austria introduced the documentation by giving an overview of the main features of Austrian agriculture and agricultural policy objectives. According to the Austrian Law on Agriculture, the main policy aims were:

- to maintain an economically sound agrarian population;
- to assure the participation of agriculture in the country's overall economic development;
- to increase the productivity and competitiveness of agriculture, especially through structural measures;
- to promote agriculture, taking into consideration the national economy and interests of consumers, in order to overcome disadvantages compared with other economic sectors;
- to adapt the agriculture to changes of the economic situation;
- to improve the economic situation of population employed in agriculture;
- to assure the supply of food for the Austrian population.

2. He explained that agriculture in Austria was faced with some considerable difficulties, caused on the one hand by the well-known general problems of agriculture and, on the other hand, by certain specific factors prevailing in Austria. Nearly 42 per cent of the agricultural area was mountainous, 33.8 per cent of all farms were smaller than five hectares. The climate caused serious difficulties in a number of regions. The percentage of the population employed in agriculture and forestry was steadily declining. In 1960, out of the total active population, 22.5 per cent worked in agriculture and forestry; declining gradually, the figure was down to 14.5 per cent in 1970 and to 9.0 per cent in 1980. He explained that Austria, although it had a high degree of self-sufficiency, was a net importer of agricultural products; its annual trade deficit in this sector amounted to roughly 800 million US dollars.

3. He stated that all the measures listed in the format had been introduced many years ago. No new restrictions had been introduced. The maintenance of existing restrictions was necessary for the reasons invoked. The adoption of any other measures would either cause more damage to the trade interests of other contracting parties or it would not be possible to ensure and maintain agriculture in Austria. He concluded, Austria, being a net importer of agricultural products, that the measures shown in AG/FOR/AUT/1 did not unduly impede imports.

4. The representative of Argentina said that one of the conclusions he was drawing from the Austrian submission was that many of the products continued to be subject to quantitative import restrictions and that in many cases these restrictions were accompanied by still other non-tariff

measures, providing a considerable degree of import protection. He enquired specifically about the rationale for, and the contents of, the measures inscribed in the format for fruits and vegetables and the export licensing requirement for coffee. He also enquired about the GATT justification of the instances identified as "OP" (other preferences).

5. The representative of Austria explained that the export licensing requirement for coffee had been instituted in accordance with the provisions of the International Coffee Agreement. The reference to marketing standards regulations for certain fruits and vegetables indicated that Austria had adopted and introduced the standards elaborated by the Economic Commission for Europe. The indication "OP" in respect of certain items related to preferential duties applicable to imports from certain sources, for instance under 07.01 to tomatoes imported from Portugal.

6. The representative of Chile expressed appreciation for the submission and the concise introductory statement. Commenting on the high degree of self sufficiency of Austria for agricultural products, he said that this was not surprising, given the nature and the widespread use of restrictions for protecting Austrian agriculture. As regards the point raised by Argentina on "other preferences" and the reply given by Austria, it seemed important in the context of the present exercise to have also an indication under which GATT provision such preferences were justified and how the applying country saw its classification in terms of the inscriptions envisaged for column 16 of the format. With respect to instances of discretionary licensing appearing in the format there was no specific reference to a GATT Article, yet the classification symbol used was "(b)". What was the rationale behind that classification? He also noted that quite a few products were under State trading and this fact would have to be borne in mind in any overall assessment of the Austrian trading system for agricultural products.

7. The representative of Austria in his reply stated that the high degree of self-sufficiency in Austria as regards foodstuffs was not anything that was new and it could even be said that Austria had always had a high degree of self-sufficiency. The references to "other preferences" related to the EFTA Agreements and the EFTA/EEC Agreements, the GATT justification was Article XXIV. On the use of classification "(b)" in column 16 for instances of discretionary licensing he referred to his introductory statement in which he had pointed out that the restrictions had been in force since a long-time, pre-dating Austria's accession to the GATT, and the justification, classified "(b)", was the so-called "grandfather clause". As far as State trading for certain products was concerned it was important to note that the enterprises concerned were free to buy from any source and the government did not, and could not, control purchasing decisions by the State trading enterprises. The main purpose of the State trading enterprises is to control the price and the quality of the goods concerned during the licensing procedures. Further, while the legal provisions for State trading exist, State trading in grains had not been exercised in practice since the Board had not engaged in either selling or buying.

8. The representative of Jamaica enquired, about the exact meaning of a footnote to the entry against position 22.09 in AG/FOR/AUT/i which stated that "overseas rum" was not covered by State trading.
9. The representative of Austria stated that French cognac, arak and overseas rum and liqueurs were not subject to State trading.
10. The representative of Jamaica explained that, notwithstanding the exclusion from State trading, her country's exporters had over the years encountered considerable difficulties in selling to the Austrian market. Part of the reason was a reluctance by middlemen to import genuine rum, concentrating rather on marketing a mixture of potato based spirits with some rum added (so-called "Rumverschnitt"). This product had no resemblance to genuine rum and, what was worse, it was often advertised and sold as Jamaica rum. She hoped that this problem, which was not unique only in respect of the Austrian market, would be looked into with a view to resolving it.
11. The representative of the Community noted that in the Austrian format, as was the case in the documentation for certain other countries, column 2 - Subsidies - was not really complete. For instance, from what was known about Austrian agriculture, it seemed certain that there existed support prices for various agricultural commodities and, given the level of that support, it was also fairly certain that there existed export subsidies, the proof of all this being the existence of import levies. Thus, for transparency, additional information would need to be supplied by Austria. On a specific point, regarding position 08.12 (dried fruit), he noted that the tariff concession granted by Austria was partly conditional, and asked that this point be clarified.
12. The representative of Austria explained that the conditional binding under position 08.12 concerned a concession on almonds granted to the United States in the Tokyo Round, and which was linked to a US concession on cheese. As regards the link between the Austrian notification of variable import levies and those instances where price supports and perhaps export subsidies exist, he said that Austria had supplied information on a much larger number of products in its subsidy notification.
13. The representative of New Zealand, noting the existence of import levies, which presupposed the existence of a reference price, and noting also the high level of self-sufficiency, enquired how the level of the reference price was set where, say, notionally the self-sufficiency was 100 per cent. Would the reference price be set in a way to allow some imports?
14. The representative of Austria explained that the levies were determined by reference to the difference between the world market price and the domestic price, with no particular reference to the self-sufficiency ratio.

15. The representative of New Zealand commented that the explanation advanced by Austria might hold for cases where the products subject to levies were not really standard products, but heterogeneous products, such as cheeses of different quality and taste-characteristics. This might permit some trade to take place even if there existed a levy. He was interested, however, in elucidating information on the way reference prices were set for standard, homogeneous products, in which case, at a given level, a reference price, operated in conjunction with a levy, would effectively prevent imports.

16. The representative of the United States said that some of the available GATT documentation suggested that the operations of the Austrian Meat Board appeared to involve some element of State trading. One of the problems was that the information available was not very clear and more information should be provided. On the other hand, the GATT information available on the Austrian Dairy Board, did show clearly that the Austrian Ministry of Agriculture and Forestry, with a view to securing market outlets, had concluded agreements with the Austrian Dairy and Cheese Cooperative and with the Austrian Hard Cheese Export Association, both of which had responsibilities for exports of dairy products. He said the quasi-governmental functions should be identified with the symbol "ST" in the appropriate column of the format. He pointed out that both of the Boards received funds from the Government for sales promotion activities. As regards sugar, he noted that no export subsidy was noted in the format while it was known that Austrian sugar exports were subsidized with funds maintained by the sugar industry. The question which arose was whether the government contributed in any way, by way of subsidy, or in any role, in the administration of the programme. On the question of price supports: it was his understanding that Austria did operate support prices for grains and tobacco and this fact should be noted in the appropriate columns in the format. More generally, the United States found that the level of State intervention to protect agriculture is very comprehensive in Austria, covering virtually every major agricultural product. Indeed, Austria had made a significant number of the most important agricultural products - meat, dairy products, fresh fruit, vegetables, grains, sugar, wine and other alcoholic beverages and tobacco, non-negotiable under the GATT by "grandfathering" its original farm programmes. Many of the licensing measures or quotas were extremely restrictive and these measures had in effect almost totally closed the Austrian market to third countries. Austria also maintained a high variable levy on a significant number of products. These levies restricted imports and even foreclosed opportunities. Moreover, the level of the levies changed frequently, thereby adding confusion and uncertainty. No information on the levies had been provided by Austria under the AG/DOC/6 series, under which such information was required to be furnished by countries applying a system of levies. As regards tariffs, the United States found that there were relatively few bindings.

17. The representative of Austria said that he was surprised concerning the remark made on the number of tariff bindings. Austria considered that they had given a significant number of bindings and certainly more than many other countries. As regards the licensing and quantitative

restriction measures these did, in fact, predate Austria's accession to the GATT. Detailed information on import levies had not yet been submitted for the AG/DOC/6 series but the relevant information would be forwarded to the secretariat. With respect to sugar, he explained that the Austrian sugar industry was a private industry. While on the import side quantitative restrictions and import levies were applicable, on the export side the sugar industry did not receive even one Austrian Schilling of subsidy. The sugar industry competed through a rather unique association in Austrian agriculture, between farmers and the industry. The industry had an arrangement with the farmers for sugar-beet production on a contract basis. The contracts were so set as to simply provide for the needs of the internal market and farmers were generally interested in delivering to the industry quantities above those stipulated in the contracts. The industry and the farmers therefore agreed that both reduced their prices. The farmers received much less, and much later, for sugar-beets delivered in excess of quotas and the price they finally received for their beets was dependent upon the export receipts of the industry. The industry on its part did not include in its cost- calculation for exports, certain costs it had calculated in respect of production for the internal market. As a result of this double concession, they were able to offer sugar for export at world market prices. Of course, such a system could work only if it was of limited scope and he thought that Austria's exports of sugar would not rise much above the level of recent years.

18. As regards exports of dairy products, the representative of Austria said that Austria did not engage in State trading operations, nor were there any State trading enterprises. While it was true that the Austrian Ministry of Agriculture relied on two firms for exports - the purpose of that self-imposed limitation was to limit subsidization. In fact, one of the two bodies mentioned by the US representative had ceased commercial activities and had been transformed into a control body only. The other body mentioned was not the only exporter of dairy products. Other private enterprises also exported dairy products. As these changes had taken place only recently, this new state of affairs was not yet fully reflected in the relevant GATT documentation. But, in any event, in his view the inscription of "ST" in the format for dairy exports would not be correct.

19. Turning to the Meat Marketing Board, the representative of Austria explained that the Board had the function to decide on the quantity of meat to be imported. For a large part of imports this was done through tendering. The Board compared the prices offered with the relevant domestic prices and, on that basis, fixed the levy. The tenders were published. Interested exporters would have noticed that Austria was importing large quantities of meat when seen in relation to the small size of the Austrian market. He added that the Meat Marketing Board was not a government operated body. The Board was an advisory body to the government and the government was not bound to follow the advice given by the Board. Thus, if the government decided to import larger quantities of meat than those recommended by the Board it could do so. On the other hand, it was true that until now the government had always found it wise to follow the Board's advice. The Meat Marketing Board did not operate like a State-trading enterprise since it did not import or export itself, nor was it responsible for meat storage. The Board did not fix the internal price of meat.

20. Commenting on the inscription of sanitary and phytosanitary measures in the format, the representative of Austria stated that the fact of mentioning these measures in the format should not be seen as an indication that the measures were particularly restrictive. All countries had measures of this sort and only experts in that field could determine whether, and to what extent, the measures corresponded to the requirements in a given situation.

21. The Chairman agreed that some of the questions were highly technical but problems arising in answering questions in connexion therewith could be overcome by including technical experts in the delegations participating in the meetings of the Committee. In any event, full details regarding the measures applied in the different countries should be forwarded to the secretariat.

22. With respect to the question on price supports for tobacco raised by the representative of the United States, the representative of Austria stated that Austrian tobacco production covered only 3 per cent of the needs of the Austrian tobacco manufacturing industry. He said the fact that the Austrian Tobacco Monopoly bought 3 per cent of its requirements from domestic producers could hardly be considered a measure of income support.

23. The representative of Argentina stated that since the Meat Marketing Board determined the quantities and the prices of meat to be imported, and also determined the amount of the levy to be charged, it fixed indirectly also the internal price level since the only element that remained free was the retail margin. As regards positions 22.08 and 22.09, ethyl alcohol and spirits and liqueurs, he noted that these were subject to a "surcharge" and enquired whether this surcharge also applied to bound sub-positions under heading 22.09.

24. The representative of Austria stated that the term "surcharge" was not correct. What did exist was a Monopoly Tax which did, however, apply equally to the domestic and to imported products. Some misunderstanding could certainly arise from the fact that the format attempted to convey in a schematised and relatively simple way what in reality was a very complex situation. Unfortunately, Austria had permitted the expression "surcharge" to stand in a number of earlier GATT documents and this was probably a reason for the secretariat having misread the measure as being a surcharge and inscribing it thus in the format. Commenting on the point regarding the determination of the domestic meat price, he stated that the importation and sale of meat was a highly profitable business and, as a consequence, the trade was always pressing very hard for an increase in meat imports. Of course, the question as to who was making the profits was perhaps less a matter of concern to this Committee than to the Austrian tax authorities.

25. The representative of Argentina explained that it was not his intention to discuss at length the accrual of profits at different stages of import and/or retail operations, the point he had made, was that the Austrian Meat Marketing Board, by the way it operated, did, in fact, set the internal price of meat.

26. The representative of Chile shared the view expressed by the representative of the United States that, overall compared with other industrialized countries, the number of tariff bindings granted by Austria was rather limited. Also it was relevant to note that the range of duties applicable under given tariff headings could vary from zero to 20 or 30 per cent, indicating thereby that certain products covered in the different tariff headings benefitted from significant tariff protection. But, the tariff was not all, if one also took into account discretionary licensing and/or quotas, the overall assessment of possibilities of access to the Austrian market would be quite negative. He had taken note of the explanation given by Austria that the measures of discretionary licensing and other import restrictions had been in force since long and were thus claimed to fall under the "grandfather" clause. One question that arose was whether these measures were mandatory and if so whether it had really been the intention of contracting parties to see these measures being applied indefinitely. The broader question involving the movement towards greater liberalization of trade should also be addressed and should be noted by the Committee in respect of drawing up its conclusions and recommendations.

27. The representative of Switzerland stated that he too was surprised by the relatively few inscriptions in columns 2 to 4 of the format, dealing with subsidies and other forms of assistance to exports. In fact, inscriptions showing the existence of domestic and/or export subsidies were virtually limited to cattle and to certain grains. On the other hand, the discussion had already shown that exports of sugar benefited from a dual pricing mechanism and the question might also be asked, if it had not already been answered by the discussion, whether Austria was, in fact, in a position to export cheese (position 04.04) without a subsidy.

28. The representative of Austria said that his delegation would do its best to supply the additional information which the Committee might require and the Committee could perhaps come back to consider the additional information at a later stage, if it so desired.

29. The representative of the United States, referring to the explanations given by Austria to his earlier questions, said that it was his understanding that for tobacco there existed a mixing regulation in Austria. As regards the import system for meat, the explanation given was one which induced confusion. The Committee was told that the Board tells the Government how much meat it can import and that the Board also limits the quantity. One might ask who under this system, or what, is the Government, or the Board, or what is State trading?

30. The representative of Austria stated that it was new to him that there should exist in Austria a mixing regulation for tobacco. It was entirely up to the State-trading enterprise to decide which tobacco it purchased and where. The pattern and level of its tobacco purchases was entirely determined by evolution of the taste-preferences of its customers. As a reflection of that element, the Tobacco Monopoly bought about 3 per cent of its needs from domestic producers. This was not to

say that it must, or is required to , buy 3 per cent of its tobacco needs from domestic producers. As regards meat, the Meat Commission was set up by the Ministry of Agriculture. The social partners interested in the production, the processing, or in the consumption of meat were represented in the Meat Commission. This was an advisory body which might tell the government that, according to its impression, such or such quantities and qualities of meat should be imported. The Government had entrusted the Commission with the opening of tenders, not, however, to import; that was the responsibility of private firms. Therefore, he could not accept that the Austrian practice be designated State trading. As regards a point made by Argentina on the setting of the internal price for meat, while the Board did not actually set the price, he agreed that it was undeniable that internal prices were influenced, or indirectly set, by the size of tenders for meat imports and the prices of such imports when they reached the market.

31. The representative of the United States said that from the explanations provided by Austria it was obvious that the Meat Board established a quota for imports and the fact that such quotas existed, or that there was State trading, should be reflected in the Austrian format.

32. The representative of Austria explained that, the way the system worked in Austria, it would not be correct to say meat imports were under quota - but it could be considered that meat imports are subject to quantitative restrictions.

33. The representative of Sweden was interested to know how levies were set generally. As a related point, what was the rationale behind the widespread recourse to discretionary licensing when import protection at the frontier was already supplied through the import levy system?

34. The representative of Austria said that the system of levies certainly had a legal basis but as levies for different products were based on various laws one could not give a single and all encompassing explanation as to how the levies were actually determined. For instance, levies in the meat sector were governed by the Meat Marketing Law. Levies in the dairy and cereals sector were also governed by the Marketing Law. Levies on eggs were determined under a separate law, dating back some time. Levies on processed agricultural products were governed by still another law which stipulated in some detail how the levies had to be computed. Wherever a GATT tariff binding existed the upper limit of a levy would be the one corresponding to the bound level. As regards the interrelationship of levies and discretionary licensing it had to be borne in mind that the Austrian market was very small and competition among importers was frequently not very pronounced, since the lower the levy was the higher was the profit for the importers. Therefore, the authorities had thought it to be useful to have at their disposal another tool, so as to be able to regulate also the quantity of imports.

35. The representative of Hungary mentioned that, in addition to the discretionary licensing controls, Hungarian exporters were confronted for many products with an Austrian regulation which prescribed that the import authorization be countersigned for purposes of price monitoring and control. The countersign scheme applied to products in the meat sector and also to fruits and vegetables imported from Hungary, but this additional procedural step did not apply to imports from all countries. The inscription of the symbol DL in column 10 of the format did not portray the existence of this extra requirement and, as regards preserved fruits and vegetables, not even discretionary licensing was shown in the format. This omission should be corrected. Hungary also had a problem in the Austrian market with respect to wine (position 22.05). There was no inscription of sanitary regulations or marketing standards against that heading, yet it was a fact that wine preserved with sorbide could not be exported to Austria. This affected most Hungarian wines and notably Hungarian Tokay wine. To his knowledge, Austria was the only country to which Hungarian Tokay wine could not be exported. On seasonal restrictions for certain vegetable and fruits, while their existence was indicated in the format, the format did not make it sufficiently clear that these measures were often seasonal prohibitions. What was also disturbing was that these restrictions or prohibitions were not applicable to imports from all sources. This discriminatory treatment should have been reflected in the format.

36. The representative of Austria explained that the countersign requirement applied only to liberalized commodities and the procedure had been instituted to avoid having recourse to such other measures as anti-dumping duties, which, presumably, exporters would find less desirable. To his knowledge there had been no case where a Hungarian exporter was refused access to the Austrian market as a result of the use of the countersign procedure. Should, in fact, difficulties have arisen, or arise, Austria was always prepared to meet with the Hungarian authorities and attempt to resolve the difficulties bilaterally. As regards the reference to the prohibition of sorbide as a wine preserving agent this was the first time they had heard of this complaint and one of the questions which did arise in this case was how had Hungary managed to export 23 thousand hectolitres of wine to Austria in 1982. On the question of seasonal restrictions, he referred to the provisions of the Austrian tariff schedule which - for instance for position 07.01 (fresh vegetables) - was structured in terms of seasons which differed widely from one tariff line to the other, depending on the product concerned. The seasonal restrictions were applied in a manner that when the market demand could be met fully from domestic production, import licences were not granted. However, even before the market was fully supplied by domestic production, and again thereafter when there was still some domestic production (and there would also be products in storage), seasonal restrictions remained in force. However, a look at Austrian import statistics for position 07.01 would show that Austria had large imports under that heading.

37. The representative of Hungary said that whatever reasons might be cited in respect of the use of the countersign procedure there could be no doubt that it was an additional administrative obstacle to trade. Taking seasonal restrictions and prohibitions, even if one were to accept their necessity, how could it be argued that the same necessity did not apply to imports from certain developed country sources, as was the case in Austria. This was not merely a question of bilateral interests and concerns between Hungary and Austria, but was a matter of general concern in the context of Article XIII of the GATT; without excluding, however, the possibility that these matters also be discussed bilaterally.

38. The representative of Austria enquired whether there had, in fact, been a case where Austria had refused imports from Hungary while permitting imports of the same items from other sources.

39. The representative of Hungary stated that his authorities were not lodging a complaint of having been refused access, but they were concerned with the very principles involved and the questions on which he invited factual answers were: 1) was the monitoring system applied to imports from all sources? and 2) did the seasonal restrictions, as used by Austria against Hungary and also certain other countries, apply also to imports from the EEC?

40. The representative of New Zealand, referring to an earlier comment by Austria, enquired whether import levies in Austria were also subject to bindings.

41. The representative of Austria stated that he had probably not been sufficiently clear in regard to his comments on a question asked by Sweden. In cases where Austria applied levies, tariff duties were not applied. If the duty that would have been applicable had been bound, the upper limit of the levy that might be applied instead of the tariff could not be higher than the bound tariff. Returning to one of the points made by Hungary, he stated that he was not aware of any instances where Austria applied seasonal restrictions against imports, from some countries while at the same time allowed imports from other countries. Certainly there was no provision for such exemption for imports from the EEC in the Austrian/EEC Free Trade Agreement.

42. The Chairman thanked the representative of Austria for the notification and for the explanations provided.