

GENERAL AGREEMENT ON  
TARIFFS AND TRADE

RESTRICTED

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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 (continued)

Bangladesh  
Brazil  
Canada  
Chile  
Colombia

BANGLADESH (AG/FOR/BNG/1)

1. Introducing the document AG/FOR/BNG/1, the representative of Bangladesh said that the information provided was incomplete at that stage, but his authorities would soon be submitting a more complete notification covering all agricultural products and all commercial policy measures. The present notification had been submitted merely to meet the deadline set by the Committee on Trade in Agriculture.
2. The representative of the EEC appreciated the effort made in meeting the deadline, but pointed to the need for a more comprehensive submission for the sake of greater transparency. He, in particular, inquired about the export credit incentive provided for the fruits and vegetables sector. In reply the representative of Bangladesh mentioned that while the main source of credit were the commercial banks, the Agricultural Development Corporation Land Krishi Bank of Bangladesh provided special concessional credit and other assistance to the growers and exporters of fruits and vegetables, which was, however, not a subsidy but an incentive to promote exports.
3. The representative of the United States also appreciated the effort of Bangladesh in providing this information. He wanted to know about the nature of 3 per cent additional tax levied on the imports of vegetable oils (CCCN 15.07) if imported under wage earners' scheme. In reply the Bangladesh representative informed that his country had a large number of workers abroad who regularly remitted foreign exchange which served to contain the deficits in the balance of payments. In order to make a proper use of such remittances the Government had introduced liberal licensing for imports of essential goods, including capital goods, against payment with such earnings abroad. More details about this scheme could be provided at a later stage when a new notification was submitted.
4. The representative of New Zealand noted that imports of butter and cheese (CCCN 04.03, 04.04) were totally banned in Bangladesh. He wished to know whether "donations" were subject to any particular kind of licensing or were similarly banned. He also wanted to know the level of tariff rate on meat (02.01). The representative of Bangladesh informed that imports of butter and cheese were banned on the grounds of balance of payments which had progressively worsened over the last four years. Imports of these products under "donations" were, however, not banned; on the contrary, they were welcomed. Imports of meat were subject to a very high tariff rate as well as a surcharge as shown in the notification in order to protect the domestic production.
5. The representative of Switzerland inquired why imports of dairy products, meat and sugar were particularly banned. The Bangladesh representative replied that the sectors of meat and dairy products were protected on grounds of the peculiar patterns of domestic production and consumption. Special measures for sugar had to be adopted to ensure its wider distribution into the remote rural areas. The purpose of import restrictions was therefore to protect the balance of payments and to ensure adequate supplies in all parts of the country.
6. The Chairman thanked the representative of Bangladesh for the notification and the explanations, and noted that Bangladesh would submit supplementary information.

BRAZIL (AG/FOR/BRA/1)

1. In introducing the Brazilian notification on measures affecting agricultural trade, the representative of Brazil stressed that the agricultural sector in Brazil contributed about 12 per cent to total value added and employed about one third of the labour force. He also stressed that the main objective of his Government in this sector was the improvement of the production in order to increase the domestic supply of food. Rural credit was the basic instrument to develop agricultural production and the Brazilian authorities encouraged the production facilitating the financing of investments, production credits and the commercialization of the products. There was also a quarterly minimum price to farmers. Furthermore, the Brazilian government offered technical assistance to farmers through technological research carried out by national specialized institutions. His delegation had made great efforts to provide a set of information as complete as possible, and he expressed his appreciation of the assistance provided by the GATT secretariat in this context.

2. The United States representative made a general statement on Article XVIII, in view of the fact that not only Brazil, but many other countries under review were developing nations confronted with balance of payments problems, and he expected that frequent reference would be made to Article XVIII as justification for various restrictive policies. He hoped that the Committee would attempt to distinguish between actions legitimately taken for BOP reasons and those taken for other reasons, for instance protection of non-competitive domestic producers. It was the responsibility of all GATT members, both developed and developing, to work towards the liberalization of trade, but he recognized the right of developing countries to impose restrictions for BOP reasons. The amount of government involvement in international trade on the part of many countries under examination was considerable and a wide array of market access restrictions and export assistance were found. He referred to a GATT study of 1983 "Prospects for international trade", which singled out the current situation in the international agricultural market as a primary example of the consequences of excessive government involvement in trade. The report stated "In agriculture, government interference in the market mechanism has a long history and is the most advanced. Considerably more than one half of world trade in agriculture is dependent on government subsidies and credits, transacted in the form of state trading or within similar politically negotiated arrangements. Indeed, it is fair to say that in agriculture, an effective international price system no longer exists." While this addressed primarily the problem of subsidies, it was obvious that restrictions on imports had also contributed to significant distortions in trade. He hoped that the Committee's examinations would bring out the severity and scope of the problem, and that this would prompt the participating countries to engage in serious discussion of how trade could be liberalized, and the role the GATT should play in that process. Nobody was without fault. The process of multilateral trade liberalization would be beneficiary to everybody.

3. He felt that for Brazil, governmental intervention in the agricultural sector was comprehensive. A system of subsidized production credits and minimum support payments acted as incentives to domestic production. For agricultural exporters, incentives were provided in the form of tax credits and prefinancing of goods, while discretionary licensing, high tariffs and foreign exchange controls, restricted the imports of agricultural products into Brazil.

4. He recognized the serious balance of payments problems currently confronting Brazil. Nonetheless, he expressed his concern with the severe and comprehensive nature of the trade policies practiced by Brazil, which included a suspension of import licenses which amounted to an import ban of indefinite duration on a large number of agricultural commodities. Brazil could obviously do much to liberalize its trade regime. He believed it to be important to distinguish between policies applied for BOP reasons and those applied for other reasons. He expressed the hope that Brazil would take seriously its commitments under the GATT, and use every available opportunity to liberalize its trade regime and open its market for imports.

5. Making some specific comments on the Brazilian notification, the United States representative suggested that the application of guaranteed prices to a number of commodities, including wheat, soybeans, corn, peanuts and coffee should be noted in the format, presumably under columns 5 and 14. Foreign exchange operations were centralized in Brazil's Central Bank, in accordance with Resolution 851, priorities for payment were set by the bank and actual payment depended on availability of foreign exchange at the bank. There was therefore no assurance that goods for which a licence had been granted would be allowed entry, or imports might be delayed more than 40 days. He believed that this restriction should be indicated by the symbol "CURR".

6. He noted that the 1982 suspension of import licenses for most agricultural commodities was mentioned in the explanatory notes, but felt that specific mention of this measure should be made in the format, and that a more complete explanation should be given of this policy, which he believed constituted a major barrier to trade. He wondered how long the suspension would remain in effect. In light of the fact that the Brazilian government frequently denied applications for import licences, he believed that the symbol "DL" for discretionary licensing, rather than "L" would be a more adequate indication in column 10. He also suggested that the application of health and sanitary regulations to imports of live animals (i.e. CCCN nos. 01.01 to 01.05 inclusive) should be indicated. He believed that the discriminatory policies of providing preferences to LAIA countries, and particularly in relation to the suspension of import licences, constituted a very severe restriction on imports from other countries not a party to the LAIA. He noted the reference in column 16 to the enabling clause as a justification for this policy. However, given the widespread participation in customs unions among the countries involved in this exercise, he believed that it might be worthwhile for the Committee to examine the overall effects of these trade unions on international trade, and to assess the legitimacy of the discriminatory policies that these unions entail vis-à-vis the enabling clause and other provisions of the GATT.

7. Inquiring what products were imported only by the state, he mentioned that wheat imports were handled only by the Government, that imports of rice, corn and other commodities were occasionally handled by Brazilian government agencies, and that all Brazilian imports had to be coordinated with the Ministry of Agriculture. He had therefore expected Brazil to indicate the use of state trading in column 10 for these products. He questioned the use of the notation for blended credit in column 3 for a number of commodities. He asked what Brazil meant by the notation blended credit, and what commodities and programmes were covered. Brazil applied subsidies and took other actions to stimulate exports which he believed were not covered by the blended credit notation and which should be included. He mentioned resolutions 624 and 643, providing for preferential export financing. He believed that these programmes were being modified, and the Committee should be provided with details on such changes. He furthermore referred to exemptions from income taxes afforded under Decree Law 1721, which extends Decree Law 1158 for exemption from taxes on profits from export sales on certain commodities and a rebate on indirect taxes, specifically the rebate on the industrial products tax (IPI) and the ICM, the merchandise circulation tax. These programmes provided not only for a rebate on indirect taxes for certain commodities, but also permitted the exporter to receive a tax credit equal to the amount of the rebate. He inquired whether Brazil planned to phase out the IPI credit, or whether it would be continued until April 1985, when the Government was committed to eliminating this credit. With respect to rural credit loans, he said that these applied to the entire agricultural sector, and covered not only operating costs, but also the cost of imports. Because of the complexity of Brazilian export policies, greater detail and precision was needed as to the commodities covered by the various programmes, and the amount of money available for each commodity.

8. Finally, he sought further clarification of the references to Article VIII as regards licensing, since this Article referred to licensing only in the context of fees and formalities.

9. In replying to the questions presented by the United States representative, the representative of Brazil explained that support policies, including the application of minimum prices, were applied to products for which Brazil had taken on commitments under international agreements, as was the case for sugar. Concerning credit available under various commodity programmes and the question raised about blended credit, he explained that this was based on a recent resolution adopted by the National Monetary Council, which had opened a particular credit line for exports. The credit thus granted was only available to producers. In relation with its recent discussions with international financial institutions, the Government had been studying possible changes to be made to the present credit scheme, but a great number of factors had to be taken into account, and no decision had been taken yet. He could agree to include an indication of the application of sanitary regulations to imports of live animals in the table. He stressed however, that these regulations were indeed necessary to protect the health of the livestock in the country, they were comparable to the measures taken for similar purposes in other countries and were in conformity with rules and principles elaborated by specialized international bodies.

10. The representative of Brazil had taken note of the various questions posed and would report them to his authorities, as he did not for the moment dispose of all the information necessary in order to reply extensively to all the questions. He would take the necessary steps to ensure that replies were provided to the Committee in due time. He felt however, the suggestion by the United States to have a consideration by the Committee of the effects on trade of preferential treatment of imports from other LAIA countries in connection with the suspension of import licenses, and to examine these measures in the light of the enabling clause, would be outside the mandate of the Committee. With regard to a Brazilian commitment under the Subsidy Code to phase out IPI credit, he expressed the opinion that this matter could more appropriately be dealt with in the Subsidy Committee.

11. As to what would be the competence of the Committee, the Chairman recalled what was said in the Ministerial Declaration namely that "the examination shall cover all measures affecting trade, ..., including subsidies and other forms of assistance". He expressed the opinion that a consideration of the application by Brazil of preferential treatment on agricultural trade and of subsidized credit would clearly be within the competence of the Committee. This view was shared by several representatives.

12. The representative of Australia in presenting some specific questions, reserved the rights of his delegation to revert to the notification of Brazil as the late submission of this notification had not left sufficient time for his authorities to examine the paper. In reply to a question as to what extent Governmental support to agriculture in Brazil had been reduced in the last couple of years as a result of advice given by the IMF to reduce the budgetary deficit and budgetary expenses, the representative of Brazil explained that interest rates on agricultural production credit had been raised, governmental credit to various agricultural institutions and subsidies to the production had been reduced. It was necessary to eliminate budgetary deficits and production would have to be encouraged through other measures. In reply to a question about when the supervision of agricultural imports would be lifted, he replied that this would depend on developments in the country's balance of payment situation. He added that a considerable amount of trade was taking place as the suspension was not total. Agricultural imports in 1983 had amounted to 1.1 billion US dollars, and the list of prohibited products would hopefully be shortened in 1984 as the balance of payment situation was improving. The list was fixed notably in light of the balance of payment situation, but also in light of domestic supplies and stocks of the individual products. With respect to the tariffs on barley which were relatively high compared to products of barley notably malt, he explained that this was due to internal circumstances and no reduction of the tariff was actually being considered. He confirmed that at present there was a requirement for six months of credit applied to imports, and a relaxation of this would depend on developments in the balance of payment situation. He could agree with the view expressed by the Australian representative that problems of developing countries depending on exports of agricultural products were aggravated by increased competition from subsidized exports on the world market.

13. The representative of Peru inquired about the basis for the application of surtaxes listed in column 9, and the Brazilian representative explained that the legal basis for this tax was an Executive Act of 1974 and subsequent legislation notably an extension of that made in December 1982. The purpose was to limit superfluous or less essential imports not necessary to the development of the country. The Government of Brazil considered this measure to be temporary one. The surtax was currently applied to 4248 items corresponding to 39 per cent of all tariff headings. It was not applied to items for which tariffs were bound under the GATT nor to imports from LAIA countries. Furthermore, he explained that various import restrictions listed in column 10 were also taken for balance of payments reasons, they were temporary and generally applied in a non-discriminatory manner, but trade under drawback operations and under regional arrangements were not subject to these restrictions.

14. The representative of the Commission of the European Communities supported the opinion expressed by the Chairman with respect to the field of competence of the Committee and insisted on having a clear response from Brazil as to whether certain questions related to subsidies or suspension of licensing could or could not be dealt with in the Committee, as he considered a clarification on this point to be essential for the continuation of the work in the Committee.

15. One problem he had with the Brazilian notification was that it did not indicate any support to agriculture for instance in column 2 and suggested that this should be done as the discussion so far had revealed that such support existed. With respect to unbound tariffs he suggested that Brazil should indicate a "(c)" in column 16, thus indicating only limited use of Article II. He felt that Brazil should explain more in detail the suspension of licensing and notably indicate the products for which imports were actually affected by these measures, as it was important to keep in mind that the objective of this exercise was to establish the effects of various measures, even internal measures, in order to have a complete picture of the situation. He noted that for certain indications, e.g. "P" or "XR" in columns 5 and 10, no reference to GATT provisions had been made, and suggested that this should be made. In his view the application of internal taxes (NTX) represented a major obstacle to trade with Brazil, and suggested that a direct indication of this measure should be made, and not a mere indication of exceptions as it had been done for this measure. Furthermore, he wanted to have a more clear indication of what measures were applied simultaneously to the individual products, for instance whether tariffs, taxes, surcharges, financial taxes and value added taxes were added, and the total charged on imports, and whether automatic licensing (AL) was applied in conjunction with other import restrictions, (MR). It was not clear to him what was meant by prior licensing (PL) and what distinguished this from licensing (L). He furthermore inquired whether the indication of other export measures in column 7 and other import measures in column 14 in fact meant state trading as for instance for wheat, reference had been made to Article XVII:4. He found the reference to Article VIII in some of these cases and some others as well to be unclear. He noted that some of the charges (XLV) indicated varied for various commodities and questioned whether the amounts did not

occasionally exceed the "approximate cost of services rendered" and in fact amounted to protection. He advanced that this problem could perhaps be taken up for more specific consideration at some stage. He finally mentioned some specific problems which he would like to examine further with the Brazilian delegation, e.g. imports of wine in containers of less than one litre, subsidies granted on poultry and on maize fed to poultry. Like others, he reserved his right to revert to the Brazilian notification when his authorities had had some time to study it.

16. The representative of Brazil found it hard to reply on the spot to such a range of specific and complex questions. With respect to licensing, she explained that in general this meant a fairly liberal licensing, and when the symbol MR was indicated this meant in fact that a specific permit was required. The latter applied, however, to temporary measures applied for balance of payment reasons. With respect to exemption of the payment of financial taxes on imports from LAIA - countries this could not be more clearly indicated by indicating a general application of the tax, as it was the exemptions that were important. Reference had accordingly been made to the Enabling Clause. The value added tax was charged on a non-discriminatory basis and reference was accordingly made to Article III. For the export tax, reference was made to Article VIII, as the purpose of the tax was purely administrative. With respect to the indication of other forms of export control (OFXC) in column 7 there was an error in the table and the correct reference in column 16 was Article XVII:4. The trade of the products in question (e.g. coffee, wheat and sugar) was handled by monopolies, but was not to be qualified as state trading. In general, Brazil had no interests in limiting exports, but in some cases it was necessary to safeguard supplies of raw materials to processing industries not least in order to provide employment for an increasing population and utilize the capacity of the industry to provide goods for export. For production development reasons it was in some cases necessary to prohibit exports of animals necessary to assure reproduction. Prior licensing (PL) was used to provide the necessary information to CACEX with respect to supplies and prices, for planning purposes, notably in order to secure supplies to the domestic market. It was stressed that Brazil felt it as a fundamental duty to assist its agriculture, notably in the view of that a population of 125 million with an annual growth of 2.5 per cent had to be nourished, and the application of agricultural subsidies was an integral part of the policy to ensure sufficient food supplies. He noted that such subsidies were generally applied by all countries or groups of countries and he would therefore be in favour of discussing the matter in this Committee.

17. In a comment to the latter point the Community representative said that he would insist on his suggestion that Brazil indicated its support to agriculture and made reference to Article XVI but stressed that this in no way meant that he denied Brazil the right to support its agriculture. And, he could also appreciate further details on the different levels of export taxes applied to CCCN positions 12.01, 15.07 and 23.04, and a justification for a differentiation of taxes, and would appreciate to receive this information preferably during the meeting. The representative of Brazil recalled that other delegations also had promised to complete the documentation, but that no definite deadlines had been fixed for this.

18. The representative of Canada shared the concern of the Community to have all relevant facts tabled rather soon, and also supported the view expressed by the Chairman with respect to the mandate of the Committee. He asked for more clarification from Brazil about the allocation of licences between suppliers, and wondered whether reference to other Articles than VIII would be appropriate, and noted that in the case of poultry liver (02.03) reference had been made to Article XIII. In relation to subsidies he would appreciate more complete information on the application of minimum prices to wheat and oilseeds. The submission might also be completed with respect to export measures, and he would like to have some details about the blended credit indicated. He also reserved his right to submit further questions at a later date.

19. The representative of Brazil explained that import licenses were issued by the Foreign Trade Department of the Central Bank of Brazil, for exchange control, taxation purposes and for registration and statistical purposes. Furthermore, other purposes were to control that the suspension of imports for balance of payment purposes was respected, control imports from countries which discriminated Brazilian exports, control prices and avoid speculation that could distort the domestic market. As to the system of guaranteed minimum prices at which the Government was committed to acquire products, it applied to a number of crops. Until 1981, basic prices had been fixed annually at the beginning of the season, but had since been determined and adjusted taking account of movements in the consumers' price index.

20. In reply to a question from the representative of Hungary, about blended credit applied to exports of poultry meat (02.02), the Brazilian representative reiterated what he had already explained about the credit line created under a resolution by the National Monetary Council, under which credit was only available to producers and for products destined for export. The duration of the loans was 360 days and the interest rate was 60 per cent per annum, and the size of the loans was based on export performance in the previous year and an estimate of exports in the current year. A modification of the scheme was presently being considered. In reply to another question it was said that other measures such as exemption of taxes and production subsidies were not applied to the poultry sector.

21. The representative of New Zealand in his turn endorsed the opinion expressed by the Chairman that the exercise should cover all measures affecting trade, market access and competition, and that it was useful to have this reminder. He shared the concern expressed by others that no indication was made by Brazil of agricultural support in column 2, and reserved his right to return to this notification and raise questions at a later stage. He signalled that column 8, 11 and 12 would have to be completed in light of reverse notifications which his delegation intended to submit, in order to facilitate a future consideration of the operation of Article XX. He felt that in some cases reference should have been made to Article XI with respect to licensing used for trade control purposes. Some further explanatory notes might have been helpful to clarify the distinction between "L" and "PL". He was pleased to hear that Brazil sometimes had to import food, and suggested that for this purpose attempts were made to establish relations with dependable suppliers.

22. The United States representative said that he had presented his questions to the Brazilian delegation in writing and would appreciate exhaustive replies to the questions. Also the representative of the Community signalled that he might have further comments to make at a later stage, for instance at the March meeting of the Committee. The representative of Brazil said that in the case the Brazilian notification would be subject to subsequent examination he would reserve the right of his delegation to present further questions about notifications of other countries.

23. The Chairman thanked the representative of Brazil for the notification and the explanations, and said that he did not feel that the examination of Brazil was entirely concluded.

CANADA (AG/FOR/CAN/1)

1. The representative of Canada said that the purpose of the exercise was to arrange the information in order to be able to draw useful conclusions and to get some ideas about the direction of the work of the Committee. It would be useful to aim at some degree of comparability keeping in mind the three general areas of concern expressed in the Ministerial Declaration; namely matters of access, measures affecting exports and the balance between rights and obligations under the GATT as it had evolved over the years. Although, he pretended to know the Canadian trade regime and agricultural situation pretty well, he could not make head or tail of the Canadian documentation. He wondered whether at the end of the examination, it might perhaps be envisaged to do some further preparations, e.g. to compare value of trade entering under bound tariffs and under non-tariff measures.

2. He felt that an assessment of the extent of governmental support was missing in the documentation, for instance by comparing government expenditures in the agricultural sector and foreign cash receipts. In the case of Canada, the Federal Government spent roughly 1.3 billion dollars on various kinds of subsidies to agriculture compared to an amount of 19 billion dollars of foreign cash receipts originating in the sector.

3. Due to a rather large production potential and a relatively small population, Canadian agriculture had a particular dependence on international trade. Annual exports amounted to 9.5 billion dollars and imports to 5 billion dollars. The United States constituted the primary source of agricultural imports, the bulk of these was accounted for by fruit and vegetables. Other sources of imports were Western Europe and developing countries. Over the years, the destination of Canadian exports had changed dramatically, as the historical dependence on Western Europe as the major outlet had diminished. At present, shipments to the United States, the Community and Japan accounted for 40 to 45 per cent of Canadian exports. The emergence of the USSR and China as major markets, now absorbing about one third of Canadian agricultural exports, represented a dramatic change in trade flows. Exports to developing countries accounted for less than one fifth of total exports.

4. Historically, Canada had protected domestic production through tariffs, of which 99 per cent had been bound through various GATT negotiations. For agricultural products, the average trade weighted ad valorem equivalent was actually about 2 per cent. However, a number of non-tariff measures were applied. Some years ago, the dairy regime was changed from a complete reliance on a price system based on deficiency payment, to a system based on supply management, which had more recently also been applied in the poultry sector. Each individual farm in Canada was subject to individual production quotas. A national agency embracing Provincial Marketing Boards, established a national production target which was divided into provincial shares, based on some historical average, and then individual allocations to the individual farm. The industry was then primarily controlled through the supply management system, and accompanying import restrictions would be applied

in conformity with GATT Article XI. He went on to say that Canada had rationalized, notified and explained its dairy and poultry import regime as being in conformity by and large with the intent of Article XI. The only other major non-tariff import measure applied related primarily to contingency measures under the Canadian Meat Import Law comparable to the US Meat Import Law. In the context of a North American livestock economy - it became impossible to remain the only unrestricted major beef import market. Fortunately, so far it had not been necessary to impose import quotas, but a voluntary restraint agreement with the United States was being applied primarily because the United States Meat Import Law was too restrictive. Finally, he drew the Committee's attention to the fact that Canada was a confederation with provincial governments which had the right to control the marketing of all products, both agricultural and industrial within their provincial boundaries. The Federal Government having trade and commerce power, and could control the movement of goods between provinces and of goods and services between Canada and other countries. However, the system of provincial rights and obligations could occasionally cause problems.

5. The Community representative commended Canada for a very comprehensive notification, but nevertheless raised a number of points on which he suggested that the notification might be further completed and some clarifications provided with respect to the justification of the measures under the GATT.

6. The representative of Canada said it should be recognized that this was a time consuming exercise which had to be carried out by persons with an extensive knowledge of trade measures and domestic subsidy aspects. With respect to the omission of a notification of licensing for imports of beef under the Meat Import Law, he referred to what he had said, namely that the provisions had never been applied. In order to control a possible diversion of Oceanic meat exports from the US to Canada, a system of open licensing was applied to obtain a day to day, or week to week running total of imports. Concerning the reference to Article I for certain preferences, he said it should be recognized that Canada had a three tier or even a four tier system of tariffs; a British preferential system, mostly a zero duty which essentially was applied to Australia, New Zealand and all developing countries members of the Commonwealth, a GATT rate was applied to virtually all other countries with a few exceptions, for which a general rate was applied. The reference to Article I then meant that although the m.f.n. rate was free, the preference still existed on paper. In reply to a remark by the Community representative that licensing and quotas were comparable to measures taken by the United States under waiver, the representative of Canada explained that reference was made to Article XI and that Canada made extensive use of this Article because it operated a rigid supply management system in the sectors of poultry, eggs and dairy.

7. The legislation governing the poultry and egg sector clearly indicated that before other products could be made subject to this legislation, there had to be a vote. There had been some discussion about extending supply management to the hog and beef sectors but this would require a change in the legislation and also require a national referendum of the livestock producers. He felt that the people engaged

in dairy, poultry and eggs production were fairly satisfied with the system. He furthermore stressed that when Canada introduced supply management for poultry and eggs and the associated import quotas, the requirements of Article XI had been observed and the necessary negotiations with principal suppliers, primarily the US, had been held. The dairy restrictions came into place over a long period of time, one product after another, and the rationales may have varied, but was mainly to protect a domestic price support system, essentially the same rationales as used for US Section 22 quotas. However, he admitted that some problems persisted for the application of the provisions of Article XI to a processed product like cheese which was not itself under supply management, and the justification was that the supply of the base product (industrial milk) was under management. He suggested to address this problem in the future.

8. The wheat import permit system, applied by the Wheat Board, was covered by Canada's Protocol of Provisional Application. As concerned fish, the representative of Canada recalled that fish was also being dealt with under a separate programme and meant that this Committee had enough to chew on, even if it should only deal with agriculture in a narrow sense. The Canadian delegation had nevertheless notified measures affecting imports of fish, mainly tariffs.

9. The representative of Japan shared the hesitation expressed by Canada on entering into substantial work on fish in this Committee at present. He found the range of measures applied by Canada in the dairy sector to be extensive and wanted clarification on a couple of points, including the rationale for the measures.

10. The representative of Canada said that the indication of state-trading for milk powder was an error, as butter was the only product imported by the Canadian Dairy Commission. He agreed that the system might appear to be complex, and referred to what he had already explained and that these measures had been introduced over a long period of time. Cheese was the last item that had been brought under import restriction, and the rationale used was that a supply management system was in operation, and the loss of the major export market, the United Kingdom. Cheese was still the only dairy product subject to a strict import quota, butter was under state-trading and other dairy products were subject to discretionary licensing which in practice amounted to prohibition as licences were only rarely granted. A new bill concerning import regimes for dairy products was under discussion, and he mentioned that there were interpretation or application problems with Article XI:2(c)(i), due to the fact that while the trade was in processed products, the supply management system applied only to the primary product.

11. In reply to a question from Argentina, the representative of Canada explained that there was no double licensing, in the case of cheese but an import permit under the global quota as well as a health and sanitary certificate were required. In the case of canned meat there was also a double requirement namely that the label had to be approved and certain veterinary and meat hygiene requirements had to be met. Replying to a comment made by the Argentina representative about the reference to Article XI:2(c)(i), the Canadian representative said that Canada was not

the drafter of Article XI. The Article had been drawn up to take account of the particular agricultural policies prevailing in the United States at the time. Over time, it had become evident however that the Article not only provided an avenue for controlling production but also effectively provided for control of imports. In reply to comments about the grain import regime, he explained that only wheat, barley and oats (including by-products) were subject to import permits under the Wheat Board Act, while imports of maize, sorghum and other feedgrain were simply subject to a low tariff, and he added that the tariff rates listed in the notification were final MFN rates. The Canadian grain market and prices were heavily influenced by the Chicago exchange and subject to international market forces. He said that coarse grain was subject to subsidies, being the most important product grown in the Western region of Canada, historically the major export item, and over the years a panoply of various programmes had been designed to protect and stabilize the grain industry. It had been recognized that in order to export, it was necessary to produce wheat competitively and therefore the mechanisms in place were more a safety net and not a massive inducement to expand production. The Western Grain Stabilization Act guaranteed producers in the Western provinces that their net cash income would be maintained. There were a number of different regimes such as an initial payment system whereby the government guaranteed a minimum price. The Wheat Board operated pricing pools and the government guaranteed the pool that the average return would not be below the initial price. Initial prices had been set at relatively low levels and as a consequence there had been few payments by the Federal Government. Replying to a question relating to other preferences, the Canadian representative referred to what he had already said and added that there were special preferential rates arising out of preferential trading agreements with Australia and New Zealand going back to the 1930s and concerning a handful of products, the most important one being the preference given to Australia for sugar. In many cases the preferences did not differ from the British Commonwealth rate, or the m.f.n. rate. The main exception was, duty free entries for lamb given to Australia and New Zealand whereas the m.f.n. rate was 2 cents per lb. A general preferential system was applied in the agricultural sector on a selective basis, but all tropical products were duty free or subject to low tariffs.

12. The representative of Australia made the remark that there seemed to be net transfer of income to Canadian farmers while in Australia the situation was the reverse, and asked a number of specific questions. In reply, the Canadian representative said that when discussing supply management and related trade measures, it was useful to distinguish between products which are both under supply management and traded, and processed products which are traded but where the primary product is under supply management. He mentioned that when Canadian poultry production had increased, the import quota had been increased, but that it had not been possible to do likewise for cheese. He mentioned that import permits were issued by the Department of External Affairs, and not by the Boards. With respect to the sharp increase in Canadian cheese exports in recent years, as mentioned by Australia, the Canadian representative explained that this increase was due to improved access

for Canadian cheddar to the Community market which had been obtained through negotiations. As to a question about whether supply management systems were subject to public enquiry and report, he replied that the Government could order the enquiry. The poultry and egg sector was subject to the National Farm Products Marketing Act. There was also a National Farm Products Marketing Council appointed by the Government to oversee the operation of boards, notably their pricing policies. Concerning beef imports, no trigger price mechanism was applied, but the Meat Import Act contained an arithmetic formula that generated a base import level which had been imperative over the last years. Due account would be taken of the minimum access commitment for beef, which Canada made in the GATT - Multilateral Trade Negotiations and which contained a growth element, whenever import restrictions would be imposed on meat. Making a remark on comments made by Australia (and also by the Community) about marketing practices for wines and liquors he said that irrespective of the problems there had been a phenomenal growth in imports of wines and spirits.

13. The representative of Kenya inquired whether the application of other measures could provide an advantage for GSP suppliers, for instance, in cases where tariffs for which GSP treatment had been granted, but where the tariffs had subsequently been bound at zero and the GSP advantage had thereby been eroded. The representative of Canada agreed that there had in fact been some erosion of GSP advantages as a result of subsequent reduction and binding of the MTN rates. He did not think that such trade liberalization would be a disservice to developing countries.

14. The representative of New Zealand shared the concerns already expressed by Australia and the Community with respect to wine and the role of provincial administration and said that this represented a general problem which might be kept in mind when revising the documentation. The representative of Canada pointed out that state trading had been indicated for wine and spirits, but might try to provide more details if wanted. With respect to the Agricultural Stabilization Act he said that this applied to cattle, but any other product could be covered. However, this was enabling legislation which he felt might be outside the scope of the present exercise, which should cover actually applied measures only, and not mandatory legislation.

15. In reply to a comment by the representative of Switzerland, the representative of Canada said that minimum prices existed only for cheese which was subsidized by the exporting country.

16. The United States representative thanked Canada for a comprehensive notification and also expressed his appreciation of Canada's participation in multilateral efforts to liberalize agricultural trade. Most tariff rates had been negotiated and were bound, and guaranteed prices had been set close to world market levels. However, extensive use was being made of market intervention, import protection, governmental assistance to exports of grains, meat, poultry, eggs and dairy products and the Government had assisted the establishment and operation of marketing boards which controlled exports of major commodities. At times of oversupplied markets, the types chosen of

production and marketing restraints, the use of subsidies to export at prices lower than would otherwise be the case and the disposal of surpluses at low prices had contributed to aggravate situations of depressed prices in the world market. He felt that more information was needed to establish the necessary transparency. He shared the views already advanced by others with regard to controls exercised by provincial boards on the imports of wine and spirits and felt that the applicability of Article XX(a) might be open to challenge. He also listed a number of specific points on which he sought a clarification from the Canadian representative.

17. Concerning imports of fruits and vegetables the Canadian representative explained that a seasonal protection was being applied, with imports during the off-season being free, while imports during the marketing season for Canadian produce were subject to an ad valorem or specific duty. An articulated safety system was provided for by a surcharge that the Ministry of Finance could impose, upon recommendation by the Ministry of Agriculture, but this was not based on mandatory legislation. The system had been changed in 1979, but the legislation was older. In addition to tariff protection, Canadian produce was also protected through transportation costs. He expressed the view that the application of the surtax which had only been applied in a few cases, constituted an action fully in conformity with the provisions of Article XIX, and made a general remark that seasonal marketing problems were frequently occurring in both North America and Europe, with a larger country often setting the price in a neighbouring smaller country. With regard to advance payments and interest free loans on certain products, he recalled what he had already said about the total support to agriculture and that this included incentives to producers for storing products and thus delay the marketing and hopefully obtain a better price. Canada applied a range of measures to deal with a variety of problems which might be different from those applied in the United States to deal with similar problems, and everybody should be free to choose the means. The marketing boards were operating as intervention agencies, something which had been made use of only to a very limited extent though. Some subsidies were provided under the Advance Payment Act and the Western Grains Stabilization Act. A particular transport subsidy had initially been provided to facilitate settlement in Western Canada, namely the Crows Nest Pass rate. This was a low freight rate on grains, applied by the railroads in exchange for a grant of money and land from the Government. The railroads had later claimed the costs to be covered and actually the money granted covered roughly 20 per cent of transportation costs. In his view, this was in line with systems of support to transportation applied in other countries. He agreed that the Canadian Wheat Board dominated wheat export sales, but pointed out that he thought it was best that way, as the Board worked to the satisfaction of everybody. He confirmed that Canada made no concessional sales, but a statutory authority for this to be done existed. The Government provided guarantees for commercial loans to finance export credit for grains, but this had involved no expenses to the Government. At present no export subsidies were used, but could perhaps be made use of to meet unfair competition from other countries.

18. The Chairman thanked the Canadian representative for a comprehensive notification and for the additional explanations given. He noted that the discussion had revealed a number of general points for future consideration by the Committee.

CHILE (AG/FOR/CHL/1)

1. In introducing the notification for his country, the representative for Chile made reference to the successful economic policy adopted by his Government, and which had been based on the ideas developed by the "School of Chicago". This had resulted in that Chile was actually applying a most liberal trade policy with a maximum degree of transparency. No special policy was applying to the agriculture sector, but the general national economic policy programme covered all economic sectors, including agriculture. The industrialization of the country had begun in the late thirties, and had initially aimed at replacing imports. A high degree of protection had depressed trade in general, and agricultural trade in particular which up to then had been of major importance. In 1974, a completely new economic policy was adopted which meant a much more rational use of all economic resources. Trade was extensively liberalized, based on a more realistic trade policy, combined with a more efficient monetary policy, which opened up for external trade, and stimulated agricultural exports. All sorts of subsidies and other measures distorting trade were eliminated. Results were spectacular, imports doubled four times over the next years and exports of the more dynamic sectors as agriculture increased correspondingly. As an example was mentioned that the relative importance of copper exports declined from 80 per cent in 1974, to less than 60 per cent in 1982, while agricultural exports had at the same time increased their share from 3 to 6 per cent, in spite of reduced employment in agriculture following rationalization and higher efficiency. The relative importance of external trade rose from 30 per cent of the GNP in 1960 to 50 per cent in 1982. All this was the result of a liberalized economy, without use of subsidies, restrictive measures or general intervention by the State.

2. With respect to the notification, he pointed out that the only non-tariff measure applied, was automatic licensing exclusively applied for purely statistical purposes. All tariff rates had been bound during the Multilateral Trade Negotiations. The bound tariff rates could have been much lower if other parties to those negotiations had at the time offered more generous cuts in their tariffs. At present, all applied rates were significantly below bound levels, around 20 per cent. Transitory duties were to be terminated by the end of 1984, and by 1985 duties would be reduced to 10 per cent for all products. In a couple of cases, a surtax was applied to correct a market distortion due to subsidized supplies from other countries. It had become necessary to apply specific duties to dairy products, in order to neutralize adverse effects of a disastrous situation in the world market for such products. Wheat trade was in the hands of a monopoly. Governmental credit at prevailing market interest rates had been made available in order to stimulate production and exports of certain products. Agriculture furthermore enjoyed the benefit of university research, a generous research policy, and transfer of technology, thus increasing the productivity of the sector.

3. The Community representative noted the absence of any indication of export measures in the table, and felt that the application of agricultural support ought to have been indicated for instance in column 2. He also felt that with respect to dairy products more complete explanations should have been provided with respect to specific duties and the minimum prices used to calculate the duties. He recognized with appreciation however that all tariffs were bound by Chile. In reply, the Chilian representative confirmed that in fact no support policy was applied to agriculture and that all exports credits were granted for period up to 250 days, and at market rates. As to the question about dairy products, he confirmed that minimum prices had been established very recently for the purpose of calculating the duties and that he hoped to have more detailed information in a few days and would then complete the notification accordingly. He pointed out that the total of ordinary duty and the specific duty was not exceeding the bound rate of 35 per cent, and that reference should be made to Article II. The minimum price was a formality and he suggested Article VIII as an appropriate reference.

4. The New Zealand representative also referred to the special measures applied to imports of dairy products, and would appreciate any additional information on this matter. He had some doubts as to the complete absence of agricultural support in Chile. He also expressed his appreciation for a generally liberal trading system, and could only regret that the first derogation from this rule applied to the dairy sector. In reply, the Chilian representative said that the particular measures taken in the dairy sector was necessitated by external factors and also by a vulnerable domestic sector, which it was necessary to protect from disappearance.

5. The United States representative in his turn merely commented Chile for the information provided. The Canadian representative was also impressed by the situation in Chile, with the complete absence of agricultural subsidies. He inquired why no sanitary or phytosanitary regulations were indicated. The Chilean representative merely replied that the instructions given in AG/W/2 had been followed, of course such regulations existed, but no reverse notification had been made against Chile.

6. The Chairman thanked the representative of Chile for his notification and the explanations provided.

COLOMBIA (AG/FOR/COL/1)

1. The representative of Colombia stated that for Colombia the agricultural sector was the main earner of foreign exchange and on which 60 per cent of the population depended for its livelihood. In 1970 agriculture's share in GNP amounted to 25 per cent and in 1982 to 22 per cent. Coffee was the principal export product, producing more than half the value of total exports. It was followed in order of importance by bananas, flowers, sugar, tropical woods and some fruits.

2. The representative of Colombia explained that, during the decade of 1970's, Colombia had begun a process of gradual elimination of import restrictions, as a result of the satisfactory position regarding international reserves which prevailed during this period, thanks to high coffee prices. As from 1980, there were marked tendencies to maladjustment in the foreign exchange-and trade-balances, due partly to the fall in international coffee prices and partly to a slowing down of the rate of growth of traditional exports, accompanied by a rise in foreign interest rates. In view of these elements, and taking into account the internal recession, a policy of austerity in regard to imports was initiated at the end of 1982, applied, however, with due regard to the principles of GATT and to the obligations assumed by Colombia on signing the General Agreement in 1981. The measures taken were (i) a general increase in import duties and (ii) the requirement of prior licensing for a large number of tariff headings. All of the measures taken had been notified to GATT. Earlier on the Working Party on Accession of Colombia to GATT had found that the licensing régime applied by Colombia was in conformity with the provisions of Article XVIII.

3. The representative of Colombia stated that agricultural imports rose during the period 1968 to 1981 from US\$52 million to US\$663 million; total merchandise imports increased during the same period from US\$630 million to US\$6,093 million. In other words, imports of agricultural products increased much faster than imports of manufactures. The most important agricultural imports were milk and dairy products, cereals, seeds, and fats and oils which, together, represented about 62 per cent of the value of agricultural of imports. As regards tariffs, Colombia was one of the few countries which granted only a relatively low level of protection to agriculture, the average rate of duty for the first 24 Chapters being of the order of 24 per cent, which might be considered an "optimum" rate, since it did not affect normal market conditions, but provided reasonable protection for national products.

4. As regards exports, it was not until 1967 that Colombia began to have significant exports of products other than coffee. In order to develop these other exports, the Government had provided a series of incentives such as the importation of raw materials, -inputs and capital goods free of duty, provided that the final product was for export. There were also other mechanisms, such as credit and a system of refunding of indirect taxes on products which the Government wished to promote; the refund varied according to the cost of production, which

differed from one region to another. Through these policies Colombia had been able to export new products and to be more competitive in foreign markets. The export promotion measures notwithstanding, Colombia continued to encounter serious difficulties in placing its products in some of the markets, particularly when problems of limited market access were compounded by conjunctural difficulties. This had led to a decrease by 17% in Colombian export earnings in 1982, and a further fall by 21% in the first half of 1983.

5. The representative of Colombia, in concluding, expressed appreciations for the technical assistance provided by the secretariat, supplying, at the same time, a correction for some data in the format by pointing out that only coffee was subject to an export tax and that the other references to export taxes appearing in the format should, accordingly, be deleted.

6. The representative of the EEC stated that it appeared from the explanatory notes to AG/FOR/COL/1 that the possibility of the granting of non-commercial credits and drawbacks existed, in principle, for all products other than coffee and he felt that this should not only have been pointed out in the explanatory note itself but should have been reflected throughout the format tables.

7. The representative of Colombia explained that although, in principle, possibilities existed for the provision of non-commercial credits and of the granting of drawbacks, the availability of such facilities was by no means automatic. Interested exporters had to apply for the provision of these facilities and only if the merits of the case were sufficiently established could these facilities be granted and then normally not for all products but for products falling under a given heading or sub-heading only.

8. The representative of the United States expressed appreciation of the statement made by the delegate of Colombia. As regards the entries in the format he stated that, as far as he knew, imports into Colombia of wine and dried beans were prohibited, except for those originating in ALADI countries, so that the symbol "DL" in the format did not adequately portray the severity of these restrictions. Further, as regards recourse to discretionary licensing for imports of live bovine animals, live swine, processed poultry meat and other processed meat, recourse to discretionary licences would not be in conformity with commitments assumed by Colombia in the Tokyo Round. As regards State trading, it was the experience of US traders that IDEMA (the Colombian Institute of Agricultural Marketing) did, in fact, handle many of Colombia's agricultural exports. As regards imports, the US noted that Colombia used a comprehensive import licensing system. It was their understanding that Colombia had established a domestic use-quota for major commodities, including grains, oilseeds and cotton and that the domestic purchasing quota must be filled before consideration can be given to imports. This policy, combined, as it is, with an extensive and effective system of support prices, seriously restricted access to the Colombian market for potential exporters. Finally, commenting on the fact that Colombia invoked balance-of-payments reasons for justifying import restrictions, he requested that the appropriate GATT Article be inscribed in column 16.

9. The representative of Colombia in his reply stated that the importation of wine was not prohibited in Colombia and excellent wines from many different origins were, in fact, available on the Colombian market. As far as State-trading operations were concerned, these were normally limited to dealing with shortages. Some years ago certain grain imports had been effected through State-trading but, at present, only milk imports were under State-trading. As regards the conformity of certain non-tariff measures with commitments assumed in the Tokyo Round, his delegation would check with the competent authorities whether any problems or discrepancies existed. Finally, as regards the balance-of-payments justification invoked for the use of import control measures, he said that foreign exchange reserves had fallen to a level where the imposition of these measures had become inevitable.

10. The Chairman thanked the representative of Colombia for the notification and for the additional explanations provided.