

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)

Nigeria
Norway
New Zealand
Pakistan
Peru
Philippines
Portugal

NIGERIA (AG/FOR/NGA/1)

1. The representative of Nigeria explained in his introductory statement that Nigeria had primarily been an agricultural economy until the advent of oil as the major engine of growth as well as a source of foreign exchange and public revenue in the 1970's. Since then, the structure of the economy had changed drastically in favour of indirectly productive sectors such as trade and construction, at the expense of agriculture and manufacturing. The agricultural and manufacturing sectors had suffered considerably from the adverse effects of the oil developments, such as high inflation, high costs of production, diversion of private investment to trade and commerce, as well as to urban- property and -construction, which were particularly lucrative. Although the industrial and mining sectors, particularly petroleum, have developed in recent years, Nigeria still continued to depend on agriculture and would continue to do so for a number of years to come. At present, about 60 per cent of the people depended on agriculture for their livelihood. Production of this sector contributed about 29 per cent to Nigerian Gross Domestic Product. Exports of agricultural products were of considerable importance to the country. The main agricultural products exported included cocoa beans, and butter, rubber, cotton, palm kernels and oil, kenaf and coffee. Major export commodities like cocoa, cotton and palm kernels and soya beans produced in Nigeria were covered by price support schemes. The main aim of these schemes was to assure reasonable income to farmers and to agricultural workers, to induce farmers to produce more and to reduce the increase in disparity between agricultural and urban income and to curtail the continuous migration of population from rural to urban areas. The Government also made available to farmers agricultural inputs, like fertilizers and insecticides, at subsidized rates to encourage them to improve the yields per acre. There were no measures in force to restrain production, neither were there any measures related to increasing agricultural exports.

2. The measures in force in Nigeria were domestic production assistance measures. Nigeria was at present going through a difficult balance-of-payments situation. This had made it necessary to take certain temporary measures to streamline the procedures governing imports. These measures were temporary, to be phased out as the economy improves. Justification for the measures could be found under Article XVIII of the GATT, as indicated also in Nigeria's submission. Nigeria, however, continued to be an important importer of agricultural products, in particular of rice, sugar, milk and dairy products, fish and fish products. In all the cases the products come from suppliers in any part of the world granting the best conditions in regard to price and quality, thereby maintaining the GATT most-favoured-nation principle. He stated that he would be glad to answer any questions relating to Nigeria's submission. Nigeria was due to consult shortly in the GATT Balance of Payments Committee and that questions relating to the balance-of-payments measures might best be raised in that forum.

3. The representative of Japan expressed his appreciation for the submission and statement by Nigeria and enquired about the rationale of the prior deposit requirement indicated in the format in respect of imports of many products. The representative of Nigeria explained that the prior deposit requirement had been instituted to make certain that goods ordered could and would be paid for.

4. The representative of New Zealand thanked the Nigerian representative both for the submission, his succinct statement and for the additional indications provided concerning the existence of price support measures and for the statement that the Nigerian Government hoped to rescind the restrictions which had recently been introduced in line with an improvement in the balance-of-payments situation. As regards the price support measures it would be their hope that these should be reflected in the appropriate columns of the format.

5. The representative of the United States also expressed appreciation of the submission and the statement by the Nigerian representative. The United States was conscious of the balance-of-payments difficulties Nigeria is facing. Yet, it was a matter of concern to them that import duties for many products were very high and also unbound. Moreover, imports of many commodities were prohibited. Further, it appeared that the restrictions introduced late in 1982, and also certain more recent duty increases, had not been fully notified to the GATT. Not only should the measures be notified but it was also the hope of his authorities that the Nigerian Government would review the measures it had taken to restrict the imports of agricultural products. As regards the format itself, the US representative noted that no indication had been given in columns 6 and 13 of the existence of State-trading and enquired in this context to what extent Government agencies are involved in importing and exporting agricultural commodities. As regards import licences, US traders indicated that long delays were incurred in the issuing of licences, thus seriously hindering trade.

6. The representative of Nigeria explained that delays in obtaining import licences were often caused by improperly filled in licence applications. However his authorities would be prepared to look into this matter, for which purpose it would be helpful if they could be informed of specific cases where the issue of licences had been so delayed as to cause an impediment to trade. As regards the balance-of-payments measures taken by Nigeria these had, in fact, been notified and brought to the attention of contracting parties in documents L/5125 and BOP/233. As far as the other points raised by the US and by the New Zealand were concerned, he would transmit these to headquarters for consideration.

7. The Chairman thanked the representative of Nigeria for the notification and the explanations given, and noted that further information might be provided.

NORWAY (AG/FOR/NOR/1)

1. The representative of Norway recalled that according to the Ministerial Decision, this examination should take into account the effects of national agricultural policies and also that full account should be taken of the specific characteristics and problems in the agricultural sector. In light of this, the Norwegian notification contained an outline of particular conditions facing Norwegian agriculture, agricultural policy objectives and measures. Norway was Europe's northernmost country, and certain productions took place at the very limits of what was possible in that climate. Three per cent of the land area was used for agriculture which together with forestry, employed 6.5 per cent of the economically active population, compared to 19 per cent in 1960 and from 28 per cent in 1946.

2. The self-sufficiency rate being approximately 50 per cent on a calorie basis including fish. If fish were excluded, the rate would be approximately 43 per cent and if adjusted for imported feedstuffs, 38 per cent, probably the lowest self-sufficiency ratio amongst industrialized countries.

3. Due to natural conditions, livestock production was dominant in Norwegian agriculture, with most of the farm land devoted to production of grass and other feed. For animal products, the aim was to meet domestic requirements. Production targets were fixed accordingly and losses related to the marketing of surplus production had to be carried by the producers. Since the early 1950's various measures (such as quotas for individual producers) had been implemented to restrict the production to domestic requirements. Cheese was the only product exported on a regular basis. Consequently, Norway was a large net importer of agricultural products. In 1982 net imports of food amounted to 4.6 billion Norwegian kr. (some 650 million \$), of which fruits, grains and sugar accounted for about one half. The import regime for agricultural products in Norway was an integrated element of a comprehensive agricultural policy which again had to be looked at in conjunction with regional policy and social policy.

4. Norwegian agricultural policies dated back to the 1930's, and were implemented through a complex set of policy measures covering price systems, production adjustment measures, import regulations and social welfare schemes. Policy objectives and measures had been developed throughout the last fifty years. The present import regime was based on a Parliamentary Act of 22 June 1934. In order to promote orderly marketing conditions for the marketing of farm products through cooperatives, a Marketing Act was passed by the Storting already in 1930, and which is still the legal basis for public support to farmers. In 1945 the "Agricultural Agreement" was concluded between the Government and the farmers' organizations, concerning prices. The Agricultural Agreement has been enlarged to comprise the whole set of policy measures in the agricultural field, including prices. Renewals and modifications have to be approved by the Storting, the Parliament.

5. The representative of Norway stressed that Norwegian agricultural policy which enjoyed a broad political consensus in the parliament, had been developed in order to compensate for natural disadvantages, sustain employment and to ensure reasonable incomes for farmers. As a result, a pattern of agricultural production had been achieved which served the needs consistently with overall government policies.

6. He apologized for a few errors in the tables, and corrections could be submitted. With respect to minimum prices, he explained that these were trigger points for releasing imports. When internal market prices exceeded the target for two consecutive weeks quantitative import restrictions were suspended. The symbol MLV (with one asterisk) indicated the application of a compensatory amount to imports in order to cover the price difference between domestic and imported products. No indication of price or production support had been indicated in column 2, as it had been understood that only governmental export subsidies should be recorded. He stressed, however, that losses on exports were covered by the producers.

7. The representative of Chile felt the notification to be incomplete as no justification or reference to specific GATT provisions had been provided for a number of measures such as minimum prices, seasonal restrictions, global quotas, discretionary licensing and levies. He questioned whether all these restrictions were covered by legislation predating accession to the GATT, and wondered to what extent the legislation was compulsory or mandatory. The Norwegian representative confirmed that the legislation in question was mandatory, and that he considered the measures to be applied fully in conformity with obligations under the GATT. The question of the legal basis of the measures applied was a rather broad one, which might require some time for consideration. The Norwegian representative was nevertheless willing to participate in a lengthy debate of the matter if the Committee so wished. The Chairman said that a lengthy discussion of the legal basis for the regulations could wait.

8. The representative of Argentina shared the view expressed by Chile with respect to quantitative restrictions applied by Norway, and he felt that a number of these restrictions in fact amounted to import prohibition. The Norwegian representative said that the latter suggestion was definitely wrong, as Norway was the biggest importer of food, per capita.

9. The representative of Canada questioned whether the old legislation on which the restrictions were based would still be appropriate, as notably structural adjustment problems were different today from what they might have been fifty years ago. The Norwegian representative admitted that the structure of the economy had changed, but basic reasons for protecting domestic production had remained, and with a self-sufficiency ratio of 38 per cent, food security arguments were most relevant in favour of maintaining national production.

10. The United States representative expressed his appreciation for a comprehensive documentation submitted by Norway. He noted that import measures were rather comprehensive, covering virtually all imports and a few selected products were exported with subsidies. He felt that sanitary regulations in fact constituted an import ban in the case of beef, but that exceptions had occasionally been granted. He suggested that the application of price support should be more fully indicated in columns 2 and 14. The representative of Norway admitted that the notification could be further completed and improved. However, he repeated that the only product exported on a regular basis was cheese, and the United States contention that the exports of a selection of commodities were subsidized was exaggerated. Even for cheese, which was exported at prices lower than those prevailing in the domestic market, the losses incurred were entirely carried by the producers. The compensatory amounts charged on imports should not be compared to the variable levy system applied for instance by the Community; one purpose was to equalize prices of imported products and domestic products, but the system was also applied in order to avoid inconsiderate profits to importers. There were good reasons for maintaining sanitary restrictions for instance on meat, but when requirements were met notably with respect to the sanitary situation in supplying countries, imports were allowed and it was not appropriate to talk about a ban on imports. Neither should the seasonal regulations on fruit and vegetables be considered as a prohibition as imports were free most of the year. Fruit imports in recent years had amounted to 1 billion NKr. and even in the case of apples and pears imports corresponded to one and a half times the domestic production. In reply to a question from the United States representative, it was confirmed that imports of leguminous vegetables, and sugar products were not subject to state-trading. The representative of Norway would consider whether some measures classified as (f) could be classified differently, but did not find that (e) would be appropriate as had been suggested by the United States. He repeated that Norway had developed a system of assistance to production, aiming at covering domestic requirements of meat, eggs, milk and dairy products and for good reasons, such as the experiences of short supplies during two world wars.

11. The representative of New Zealand shared the opinion expressed by others that other classifications than (f), in some cases for instance (c) could have been indicated for some measures applied by Norway, and that more references should be given to specific GATT articles. In reply to this, the representative of Norway, said that it was easy to ask for reference to specific articles. However, he stressed that in this context reference to national legislation existing at the time Norway acceded to the GATT was quite relevant.

12. The Chairman thanked the Norwegian representative for the notification and the answers, and noted that further clarifications could be provided. He also expressed the hope that Norway could maintain a high level of imports of agricultural products.

NEW ZEALAND (AG/FOR/NZL/1)

1. The representative of New Zealand did not want to go in detail about the New Zealand agriculture, as he assumed that his country's dependance on this sector was generally known. He merely pointed out that the importance of agriculture in New Zealand was almost entirely economic, rather than social, and the sector generated 70 per cent of the country's export earnings. The livestock farming systems were essentially export industries, and efforts were continuously made to maintain the advantage on a cost basis. The sector had a solid autonomous foundation, but in view of its economic importance, successive Governments had deemed it appropriate to assist it by creating the conditions in which the industry could realize its natural potential. These efforts included development and application of better grassland technology, providing a safe environment for animals and plants and the establishment of producers' boards. He stressed that protection against competition from overseas suppliers had not been a major determinant when adopting agricultural policies.
2. The main producers' boards were not involved in import trade, - but some other boards had pervasive roles in their respective fields such as apples and pears, wheat and potatoes. The latter two had traditionally been occupied with securing supplies and distribution to the domestic market. The arrangements were not immutable, and he mentioned structural changes in the tobacco industry and that the wheat board arrangement was under review. He suggested that the sense of GATT terms on state trading would embrace a wide range of organizations, objectives and functions, which should in the current exercise be considered objectively, taking account of actual impact on export and import opportunities for other countries. He declared himself ready to comment further on functions of the producers' boards in New Zealand, if this was desirable, and to provide further clarification on other points as well.
3. Referring to the explanatory notes in the New Zealand notification, he pointed out that producers' boards were not eligible for support under the Export Performance Taxation Incentive, the main export incentive scheme, and for others, agricultural products were frequently low rated. He felt that the classification of export support in the case of some processed products as "a" was not right, and suggested to replace this by "b" and "c"; "c" because the measure was not applied in conformity with Article XVI, and "b" because it was covered by a waiver under the Subsidy Code. Price support was almost inexistent, (e.g. smp's on sheepmeat, and a stabilization account for beef). He felt that New Zealand had notified the application of domestic subsidies more completely than others and suggested that other members of the Committee completed their notification on this point. With respect to the mention of state trading for meat, he explained that the present system for sheepmeat for export was to be terminated in October 1984, and that recommendations concerning the future structure of the meat industry were being considered. For licensing systems and global quotas applied to exports and imports, he mentioned that the Government felt obliged to gradually eliminate some of these, for instance on imported processed food products, and had consequently classified these measures as "c",

although the import licensing system had been introduced in 1938, and could therefore be classified as "b". Veterinary and phytosanitary regulations had been notified in full by New Zealand, but this had been done without prejudice to its position at subsequent discussions. He suggested, however, that such discussions should be limited to reverse notifications.

4. The representative of the European Communities commended New Zealand for a very complete notification. He nevertheless felt that various support measures might have been more fully reflected in column 14. The New Zealand representative agreed to the logic of this reasoning, but felt that the measures would have no impact on imports, as for instance the support levels for dairy products and meat were below the actual world market prices. In reply to an EC comment on residual restrictions and justification of quantitative restrictions, he confirmed the opinion already expressed that these measures were not fully covered by the GATT, and if such coverage were claimed, a relevant reference ought to be given. With respect to veterinary regulations, he stated that New Zealand had to assume full responsibility for the health status, and when the application of several measures had been indicated for sanitary reasons this meant that a complex of measures was applied. He confirmed that voluntary export restraints were sometimes applied in conjunction with bilateral supply agreements, under which measures were applied both by the exporter and by the importer (e.g. for sheepmeat and butter), but when the action was unilateral it had been indicated as a voluntary restraint (VRA), as in the case of apples.

5. The United States representative in his turn also expressed his satisfaction with a very complete notification, but noted that New Zealand applied a rather extensive system resulting in an insulation of its domestic market, and that only half of agricultural tariff positions were bound. The New Zealand representative explained that notably tariffs on processed products had not been bound to provide protection of food industries, but hoped that this could be changed as soon as the market situation improved. New Zealand also wanted to move away from licensing and quantitative restrictions. He repeated that although quantitative restrictions applied by New Zealand covered more products than those applied under the United States waiver, it did not claim any GATT cover for such quantitative restrictions. Efforts had been made recently to move away from quantitative restrictions and to reinstate duties for phasing out quantitative restrictions which had been temporarily suspended but unfortunately no schedule had as yet been established. He explained that there was a rather complex rationale behind the regulations and support for citrus production, mainly for regional economic development reasons, (Cook Island). The mixing regulations for tobacco had been terminated a while ago, and he was not aware of any informal arrangements applied by the industry. With regard to the operation of the Export Programme Suspensory Loan Scheme, he explained that total budget was very small and it was difficult to provide details for various products. No loans were granted to producers boards, except possibly for meat exports to non-traditional markets. He felt that the United States had misunderstood the lamb

pricing system. A low minimum price was guaranteed by the Government through the application of a stabilization account whereby returns to producers were effectively topped up and domestic prices reflected world market prices. Similar systems existed for dairy products and beef, but had not been applied during recent years. He finally confirmed that marketing boards were non-governmental entities, usually private cooperatives with no governmental funds or control directly involved, but established by statute.

6. In reply to a question from the representative of Canada, the New Zealand representative confirmed that the Export Performance Taxation Incentive only applied to processed products and payments were not made to producers boards which were not taxable. Processed fruit and vegetables other than apples and pears were eligible for payments on the processing element. No direct subsidies were paid on apples and pears as export prices were usually higher than those obtained in the domestic market. However, in order to alleviate fluctuations from one year to the next there was a stabilization account for these products.

7. The representative of Switzerland appreciated the frankness of New Zealand to admit that it applied some measures without claiming that they were covered by the GATT in its present form, and that such measures had been classified as "c". He was surprised to see in the documentation that it was the aim of the New Zealand Government to allow increased imports to act as competitive discipline on domestic industry, and this disturbed his image of New Zealand as the by far most competitive supplier. The New Zealand representative replied that this was a general idea applying to all sectors, not specially to agriculture for which New Zealand remained the lowest cost producer. Licensing applied to processed products was maintained for historical reasons. He also explained that some restrictions on imports of products of endangered species were taken to assist the protection of such species in other countries, and this was the reason for the reference to Article XX g.

8. The Chairman thanked the New Zealand representative for a very comprehensive notification.

PAKISTAN (AG/FOR/PAK/1)

1. In reviewing the relevant documentation of his country the representative of Pakistan mentioned that the information supplied was by no means exhaustive since it omitted some important agro-based products and cotton and also did not fully reflect the changes in the new import policy. It was for these two reasons that his country intended to submit a more complete notification at a later stage. At the outset, however, he drew attention of the Committee to the significant role that agriculture played in Pakistan's economy. It not only accounted for 30 per cent of the Gross Domestic Product; it employed 55 per cent of the total labour force and provided, directly or indirectly, 70 per cent of the total export earnings. The Government of Pakistan took particularly keen interest in agriculture due to the vast network of irrigation system which it had historically provided and maintained since the turn of the 19th century on the barren and arid zone of the Indus valley. The system was still being expanded and modernized by the Government to cope with the increasing requirements of its economy. A National Agricultural Policy was being followed to implement a progressive adjustment of prices of key-inputs and outputs to reflect real resource costs with a view to generally phasing out the subsidies while at the same time providing appropriate incentives for increased production; a gradual transfer of certain operations from the public to private sector; and a reorientation of public recurrent and investment expenditure to optimize the use of existing facilities. He thereafter explained the various trade measures listed in the notification. Regarding licensing he mentioned that the purpose of this measure was merely a surveillance of imports in accordance with the capacity to pay in terms of foreign exchange. Since 1973, when the exchange rate of Pakistan's currency was aligned to the major world currencies, there had been no radical change in Pakistan's import policy. Imports had progressively been liberalized and licensing had only been used as a tool to monitor the imports rather than to restrict them. The statistical monitoring helped the Government to keep a close watch on the foreign exchange availabilities and, if deemed necessary, to further negotiate credits and foreign loans to meet additional import requirements. Referring to "export prohibitions" he stated that certain items were prohibited from being exported if they had the vital linkage with domestic consumer prices. On the other hand, some imports were prohibited due to the reason that production had to be increased to achieve self-sufficiency in these products. For example, butter had been imported in the past under various aid programmes, but now the Government was aiming at self-sufficiency and imports had therefore to be prohibited.

2. With regard to tariffs, he admitted that tariff levels were comparatively higher than in some other countries, but this was due to the fact that Pakistan's taxation system had not developed to the extent of yielding enough income and the Government therefore had to depend on tariffs as an important source of its revenues. Another measure which required comment was State-trading. In order to ensure fair income levels to the farmers, with small land holdings, the Government procured the main agricultural products at fixed prices and then exported them

most economically through its own State-trading enterprises. Rice and cotton were the two important products which benefited from bulk exports. Finally, he referred to the pricing policy the aim of which was to guarantee a reasonable income to farmers in relation to world prices. The Government had in the past subsidized the key-inputs like fertilizers and pesticides with the sole aim of maintaining reasonable prices and income levels in the agricultural sector. The subsidy on pesticides had now been eliminated. By and large, the prices of agricultural products had never been higher than the international prices, except in the recessionary period when price of cotton was slightly higher than the international price.

3. The representative of the European Communities thanked Pakistan for its notification and noted with interest that Pakistan had a national agricultural policy to protect producer prices and farm income levels. He observed that Pakistan had invoked Article XI:2 for many of its export restrictions. More caution was, however, needed in the use of this particular Article. Columns 2 and 14 lacked information which was vital for a precise picture of the trade regime. He was also interested to know what exactly was meant by "special products" in column 7 of the notification. Finally, he expressed the hope that more information would be provided by Pakistan when a revised notification was submitted at a later date.

4. The representative of Pakistan replied that he would welcome EEC's technical assistance in connection with the rationalization of the notification. While he was prepared to reconsider the Article XI:2 justification concerning export restrictions, it was not clear how import restrictions of a country faced with the balance of payments difficulties could be justified other than under Article XVIII. Information on price support in column 2 was missing because of the peculiar situation of each individual export market. Generally, the domestic prices of some of these products were lower than the international prices and to that extent price support was essential. In a recent World Bank report on Pakistan, it was shown that the ratio of domestic prices of rice to international prices in 1973-74 and 1982-83 was 66 per cent. A similar situation prevailed in the case of other export products except cotton where the ratio was 130 per cent. Pakistan would be unable to compete on international market if price support was not given to some of these products. Regarding the classification "special products" he indicated that poultry, potato seeds for sowing, and other products subject to gradation and quality control, were covered by this category.

5. The representative of the United States noted that "licensing" or "prohibitions" applied to imports of most products. The IMF Report on Exchange Restrictions showed that Pakistan had a "free list" and a "tied list". It was, however, not clear which list was covered in the notification. Imports on the free list were also subject to a fee of 2 per cent fee on the value of the licence. In the case of oilseeds (12.01), only the border measures had been shown, i.e. tariffs and licensing. It was desirable to find out whether the Government had specifically encouraged certain production areas by special incentives or subsidies. It was also interesting to know if Pakistan had preferential arrangements with any other countries.

6. In answering the delegate of Pakistan referred to GATT's Code on Licensing, of which Pakistan was a member. Pakistan had provided full details of its licensing system in document L/5250 dated 1 December 1981. The "free list" comprised all commercial imports for which licensing had been introduced for surveillance or statistical control purposes; and the "tied list" was linked with credits, loans, grants or PL 480 programmes. Details of the "tied list" imports were not given in the notification, but could be provided if so desired. The 2 per cent import licence fee had been introduced to prevent fraud by bogus importers. However, it had no restrictive effect - it was merely an administrative fee.

7. Answering the question regarding special measures affecting animal and vegetable oils (15.12), he mentioned that Pakistan imported some soya oil from the United States under the "tied list". More details could be provided at a later stage. There were no special preferential arrangements with any country, except that a very small number of products was being imported from Turkey on a tied basis, which, however, had only a negligible effect on imports. Pakistan was also a member of the Protocol of sixteen, and this again had a negligible quantitative effect on imports.

8. The Chairman thanked the representative of Pakistan for the notification and the explanations and noted that further details would be provided.

PERU (AG/FOR/PER/1)

1. The representative of Peru stated that agriculture was an important factor in the economy of Peru. In 1981, it had contributed 12.8 per cent of GDP, gave employment to 35 per cent of the economically active population and generated 8 per cent by value of total exports. Peru was, however, not self-sufficient as regards basic foodstuffs. In 1981, wheat, soya, rice, maize and dairy products were imported for a combined total of US\$ 590 million. When imports of meat, fertilizers and prepared foodstuffs were added, this easily brought the total up to 800 million dollars, which was an amount higher than the foreign exchange earned from agricultural exports.

2. Agricultural production in Peru was conditioned by the rugged terrain of the country, which was divided into three well-defined regions by the Andes range, which traversed it longitudinally. In the coastal region, where it was possible to have the greatest concentration of continuous agricultural lands, the area cultivated annually represented on average 4.3 per cent of the total area and was dispersed among fifty-three valleys. In this region, rice, cotton and sugar-cane were grown, all traditional export products. In the mountain regions, the very uneven ground only permitted the working of small cultivated plots at various altitude levels and maize, wheat, barley and tubers, especially potatoes, were grown. These were the main food crops. Sheep and alpacas were also raised there. In the forest region, only 0.6 per cent of the area was cultivated and coffee, cocoa and tea were grown.

3. She said that recent trends in Peru's agricultural economy could be summarized in terms of three different phases. First, the decade of the 1970s, in which the Military Government initiated the Agrarian Reform, brought virtual stagnation of agriculture, and a negative growth-rate of minus 5 per cent was experienced in 1980. In the second phase, starting in 1981, there was a marked growth in agriculture. The products showing the greatest increase in production were rice, wheat and soya. Rice production increased by nearly 70 per cent after having fallen by 25 per cent in 1980. Although Peru had never been self-sufficient in respect of wheat, production increased by over 50 per cent, after decreasing in each of the four previous years. Sugar-cane was the only crop of which production decreased in 1981, by 6 per cent, owing partly to the drought and partly to the financial difficulties of the producer co-operatives. 1983 represented a third phase, characterized by disastrous changes in climate, devastating Peru's agriculture. The warm current in the Pacific Ocean "El Nino", known to everyone through reports in the daily papers, had caused an enormous amount of evaporation, producing continuous heavy rain for eight months, with the result that an area of agricultural land in the north of Peru, greater than the whole of Switzerland, was flooded, destroying practically all agricultural production destined for export.

4. Thus, Peru had found it necessary in 1983 to purchase sugar abroad, so as to fulfill its quota commitments under the International Sugar Agreement. The rice harvest was 80,000 tons below that of 1982 and it has been necessary to import rice for domestic consumption. Cotton would probably also have to be imported to cover the needs of the domestic textile industry. Peru had thus become a net importer of these three products, which, together with coffee, were its main agricultural exports. To make the situation even more critical, in the south-east of the country an extensive drought had devastated whole districts. The potato crop had been affected most, and was 75 per cent below that of 1982, which made it necessary to import about 400,000 tons potatoes. "El Nino" had also caused ravages in Peru's fishing industry. The data available at present showed that the catch shall be less than 70 per cent of that in 1982, which was already smaller than in previous years.

5. She explained that the agricultural policy applied between 1968 and 1975 was part of a programme of structural reform, the main feature of which was the reform of land tenure. Nine million hectares were transferred from about eleven thousand estates to 1,500 co-operatives, associations and small holdings, affecting 15 per cent of the rural population. The basis was the nationalization of imports of food inputs and increased State participation in the marketing of some basic foodstuffs. In spite of its limitations, this was one of the most drastic reforms carried out in Latin America, but the change in land tenure was not sufficient to overcome agrarian under-development.

6. In July 1980 the new civilian Government adopted a new agriculture- and food policy of the neo-Liberal type, initiating the adaptation of legislation to the neo-Liberal model adopted in the Law on Promotion and Development of Agriculture, the main features of which are the following:

- (a) Freedom of marketing of agricultural products;
- (b) Abolition of price controls and regulations and provision that consumption subsidies - where they exist - shall be temporary;
- (c) Complete liberalization of imports and domestic and foreign marketing of agricultural products and by-products and of inputs used in agriculture;
- (d) Abolition of the former State monopoly of imports of basic foodstuffs and fertilizers;
- (e) Abolition of the State monopoly of exports of agricultural products, with the sole exception of the control of coffee and sugar, required by reason of the International Conventions to which Peru is a party;
- (f) Promotion of the establishment of private enterprises providing services and technical assistance;
- (g) Amendment of the provisions of the Law on Indigenous Communities and Agrarian Development of the Forest Region and its Eastern Border, permitting the assignment of extensive lands to foreign enterprises (the former Law provided for obligatory State participation in development projects for agriculture, stock-breeding and forestry);

- (h) Provision for the possible restructuring or change in management organization of production co-operatives and SAIS (Agricultural Associations of Social Interest);
- (i) Reduction of tariffs on the import of agricultural products and, in order to promote production, total exemption from customs duty of a certain number of agricultural inputs (as notified by the Peruvian Government in document L/5527) and a substantial reduction in the number of products subject to prior import licensing or import prohibition.

7. Research, extension and training projects were in operation for the cultivation of rice, wheat, barley and maize, with the support of international organizations such as FAO, IICA, IDB, AID, JUNAC and the governments of Germany, the Netherlands, Canada, the United States and, as regards the EC for irrigation.

8. With respect to AG/FOR/PER/1, the representative of Peru explained that the complexity of the format itself, and of filling it in, had presented great difficulties for her delegation and there had been no time to return the format to Lima for completion and corrections. The secretariat had provided assistance in the elaboration of the document. Since the document was intended to serve as a basis for the discussion, certain corrections should be made and the document should also be completed as follows:

9. On page three, against the headings 01.01 and 01.02, the signs "P" and XR should be moved from the fourth column to the fifth column. On pages 5, 6, 15, 28 and 30, against headings 03.01, 03.02, 03.03, 04.02, 10.06, 16.04, 23.01 and 24.01, the symbol "ST", for State trading, should be deleted from columns 6 and 13. As she had already explained, the new Law on the Promotion and Development of Agriculture had abolished the State Monopoly of imports and exports of basic foodstuffs and fertilizers, except for coffee and sugar. Moreover, sugar had just been released for free importation.

10. The mistaken inscriptions of "ST" in the format were due to a misinterpretation of the Peruvian Government's notification in document L/5104/Add.15, which intended to convey that the marketing enterprises, while State enterprises, are private law enterprises, and consequently do not enjoy exclusive or special privileges, but enter into free competition with private enterprises in respect of both exports and imports. According to the very principles of GATT (Article XVII) these enterprises in no way constituted an obstacle to trade in agricultural products.

11. On page 20, column 5: the export restriction "XR" shown against heading 15.04 applies only to fats and oils of marine mammals. On page 28, note 1: it should be noted that the export restriction "XR" shown against heading 23.01 applies only to flours and meals of marine mammals.

12. The representative of Peru said that, while her Government had notified all the headings included in chapters 1 to 24, as desired by the Committee, from the administrative point of view, it did not consider some of these headings to belong in the agricultural sector, but rather in the industrial manufacturing or the fisheries sector, which come, respectively, under the Ministry of Industry, Tourism and Integration and the Ministry of Fisheries.

13. The representative of Peru also explained that the import levy signified by the sign MLV in column 9, did not apply in any way to tariff headings bound under international agreements, such as those of LAIA, the Andean Group and GATT.

14. As regards the classification symbols for purposes of column 16, the symbol (a) should be added for measures covered by Articles XI:2(a) and XX:(b), (g) and (h); the symbol (f) should be added for measures covered by Articles XVIII:12, XX:(d) and XXXIII, while the symbol (a) should be added against Article XVII. Where LAIA concessions were indicated by the initials "OP" in column 8, Article XXIV and the symbol (f) should also be included in column 16. She said she trusted that the secretariat would issue a revised version of AG/FOR/PER/1 to reflect the amendments and corrections made and, consequently, also revise AG/FOR/W/PER/1.

15. The Community representative expressed appreciation of the very full and informative statement by Peru. As regards the documentation for Peru, he expressed surprise, given the fact also that technical assistance had been provided by the secretariat, that import levies - designated by the symbol "MLV" in column 9 of the format had been referenced in column 16 in terms of Article XVIII:12. Certainly it was not admissible to see import levies equated with quantitative restrictions applied for balance-of-payments reasons.

16. The representative of Peru explained that the measure referred to in column 9 was a "surtax" which was, indeed, applied for the protection of the balance-of-payments and the measure had been notified, as appropriate, to the GATT. Perhaps the question raised by the representative of the Communities could be resolved in the revision of AG/FOR/PER/1 - which she had already requested, and at which time the appropriate symbol, rather than "MLV" could be inscribed in the format.

17. The representative of the United States thanked the representative of Peru for the notification and for the concise and comprehensive comments in introducing the submission. He noted that in document AG/DOC/3/PER/1 and Add.1 products listed as subject to licence included milk powder, potatoes, wheat, maize, rice, soya seeds, wheat flour, soya beans and oils, tobacco products and cotton. He further noted that some of these products had in the past been exclusively imported by ENCI (State importing and exporting agency for basic commodities). The United States appreciated that Peru had recently reduced the licensing requirements but was equally interested to know what the current role of ENCI was. In case ENCI had not been dissolved they felt that an entry of "ST" in the respective columns and against the tariff positions concerned should be shown. Further, it was the understanding of his

authorities that Peru had in the past guaranteed prices of such basic crops as wheat, maize and rice. If such price guarantees still applied they felt that the price supports should be notified as a measure affecting imports. As regards sugar, he noted the existence of export restrictions and a global quota on exports accompanied by the invocation of GATT Article XI:2a and the International Sugar Agreement, respectively, and a reference to marketing standards and regulations for imports. Given the fact that world sugar supplies were plentiful, was the export restriction really necessary? Finally, he enquired whether there existed preferential treatment for imports of agricultural products from countries members of the Andean pact.

18. The representative of Peru, referring to her introductory statement, said that certain additional information would be submitted to the secretariat for the correction and completion of AG/FOR/PER/1. As regards State-trading activities she referred back to the 1980 Law on Promotion and Development of Agriculture, the main features of which were summarized in the introductory statement. The former State monopoly of imports of basic foodstuffs and fertilizers had been abolished. State-trading in the form of foreign marketing operations were now limited to coffee and sugar and, as regards the latter product, imports were liberalized in May 1983. As regards the global quota on exports of sugar - the reference was to the quota Peru had under the International Sugar Agreement, including also the quota in the United States. As explained in the introductory statement, climatic effects had ravaged sugar production in Peru, so that in 1983 Peru had to buy sugar in the international market (from ISA members and others, with the approval of the ISA members) to be in a position to honour its quota commitments. The domestic sugar shortage also explained the export restrictions that were in force. Marketing standards regulations were imposed for guaranteeing the chemical purity of sugar in accordance with provisions under Peruvian domestic Law. However, given the current shortage, some of the standards requirements under these provisions had to be suspended. As regards the operation of ENCI - this was established as a corporation under private law, and, apart from its rights to purchase coffee and sugar directly from producers, had no special privileges and was treated like any other private firm operating in Peru. Peru had indicated this in AG/DOC/3/PER/1/Add.1 of 28 January 1983. Another State-trading enterprise which had previously handled exports of fish meal and oil, in line with a Bill before Parliament, had for all practical purposes been dissolved. As a result of the adoption of the Law on Promotion and Development of Agriculture, price controls and regulation had been abolished and the general rule was freedom of marketing of agricultural products. As regards licensing requirements for position 01.01 (horses) this applied only to a sub-position, horses for breeding; those under position 12.03 only to cotton and soya seeds, these were maintained for guaranteeing purity in stockbreeding and plant cultivation; the same applied to position 23.04, (certain oilcakes). Finally, the prior licensing requirements for milk, cream, milk powder, potatoes and certain other basic foodstuffs were prompted entirely by the need to ensure adequate supplies for consumption i.e. these measures were being maintained for reasons of food security.

19. The Chairman thanked the representative of Peru for the notification and explanations, and noted that additional information would be submitted.

PHILIPPINES (AG/FOR/PHL/1)

1. The representative of the Philippines explained that their presentation would differ somewhat from those of other countries. In order to meet the deadline set by the Committee, the Philippines had not had the time to assemble all of the data required for the completion of the secretariat format. They would therefore also refrain from giving an overall description of Philippine agriculture. As noted in the document AG/FOR/PHL/1, there remained a number of tariff headings which so far had not been the subject of a submission by the Philippines. His delegation would endeavour to submit the required data as soon as possible.

2. He said that the Philippine delegation had devoted some time to reviewing the data in the format and could now provide certain clarifications; amendments would, in due course, be submitted in writing. On "Tariffs", in column 8 of the format, for bound headings or sub-headings identified, the reference in column 16 would be Article II, and the classification could be "(f)". Against the symbol "OP ex", the column 16 reference should be the Enabling Clause, and the classification again be "(f)". The reference to forthcoming tariff reductions reflected an import liberalization programme over a four-year period, which started on 1 January 1981. Under column 9, "Variable Levies and other Charges," tariff headings notified in document L/4724/Add.1 as subject to a selective tax on imports were covered by the Philippine Protocol of Accession. This would have to be noted in column 16, the measure to be classified as "(b)". For tariff headings with a reference to document L/5232/Rev.1 no selective tax was applied but only license fees or administrative charges and the respective entries in column 9 should be deleted. He felt that notwithstanding certain gaps in the documentation, discussion in the Committee could proceed on the basis of the submission in AG/FOR/PHL/1, bearing in mind that the Philippines' policies and measures were also reflected in notifications made in other contexts, notably in relation to the Philippines accession, the balance-of-payments consultations and in regard to import licensing.

3. The representative of New Zealand, after expressing appreciation for the additional clarifications provided by the Philippines, enquired about the role in imports of the Philippine Central Bank and its commodity control function. New Zealand would also be interested in obtaining information on the operations of an organization named "PHILBAI" which apparently had a kind of Statetrading role for imports of certain products, at least for imports from countries in Oceania, namely for live animals, meat and offals and meat and fish preparations. He felt that this should be reflected in the format in the column on State trading. Further, certain imports were prohibited, except where the goods were imported for sale to food-processors or to hotels, i.e. for the tourist trade. The products concerned were all types of meat, cut flowers and fish and shellfish. These prohibitions should also be reflected in the notification. He also noted that the format contained no reference to health and sanitary measures or to labelling - or marketing regulations and it was also not very clear what was implied by a measure categorized in the format as "other forms of import control".

4. The representative of the Philippines explained that the role of the Philippines Central Bank as regards import controls had been described in their Reply to the Questionnaire on Import Licensing - document L/5232/Rev.1 - and that further details, with reference to the Philippines' Standard Commodity Classification Manual were contained, in BOP/208 and the annexes thereto. The point concerning the omission of inscriptions in the format of various standards and regulations would be raised with the competent authorities. As regards PHILBAI - or rather the Philippine Bureau of Animal Industry, he could not agree that its activities should be equated with those of a State trading enterprise. The Bureau had been established by legislation dating back to 1929 - assigning it functions relating to sanitary and health care by investigating, studying and reporting on the condition of domestic animals as regards improved methods of production, care, prevention and cure of dangerous communicable diseases, promotion and development of the livestock industry, and through demonstration and extension work, trade fairs and exhibitions, and the collection and compilation of statistics, by dissemination of useful information etc. As regards import regulations for live animals, some details were given on page 6 in L/5232/Rev.1. These regulations had been notified to the GATT under the Import Licensing Agreement. As far as import regulations for cut flowers and meat and fish preparations were concerned his delegation would check into this matter and report back later.

5. The representative of New Zealand stated that he was somewhat surprised by the description given of the functions of the Bureau of Animal Industry. His country's traders had been told that if they wanted to sell to the Philippines they would have to do so through the Bureau. This indicated that the Bureau had some monopoly power and that its functions had apparently been extended beyond those originally envisaged. The representative of the Philippines said that it was his understanding that the requirement to effect imports of live animals through the Bureau was prompted by sanitary control considerations.

6. The representative of the EEC noted that for certain positions, notably live animals, fish, crustaceans the existence of a selective tax was indicated, but no GATT justification was given. If these taxes were levied for balance-of-payments reasons why would they be applied on a few items only? Also it was not quite clear why the symbol "L" was inscribed when the measures were justified and, presumably, applied in accordance with the Licensing Code, in which case the symbol should be "LL", or was it that the measure was applied for balance-of-payments reasons, and if this was so, should that not be indicated in the format?

7. The representative of the Philippines, referring inter alia to his introductory statement, explained that most of the selective taxes shown in the format were, in fact, simple fees or charges levied in connexion with the licence applications and he had proposed that they be deleted. There were, however, a few positions where surtaxes were at present still in force and those were covered by the Philippine Protocol of Accession, as noted in L/4724/Add.1. As regards the inscription of the symbol "L" (for licensing, unspecified), he agreed that the format remained subject to amendment, correction and completion. From their review of the format they had concluded that some of the licensing measures and the way they operated were in accordance with Article VIII, and/or the Licensing Code, while certain measures were applied in accordance with Article XVIII:B.

8. The representative of the United States expressed appreciation for the efforts being made by the Philippines for completing the documentation. The United States authorities had noted the comprehensive nature of the protection granted to agriculture in the Philippines. It was the understanding of his authorities that the Philippines had a price support system for several important commodities. He felt that this should be noted in column 2 of the format. In the specific case of rice there was a support price that sometimes was below the level of the world market price for rice. In the circumstances could the Philippines not remove the import protection? The most striking feature of the Philippine's submission was the extremely extensive system of licensing, quotas and import prohibitions. Nearly every important commodity was covered in some way. The US realized that economic development and the balance-of-payments are cited as reasons for the licensing measures. The United States would be interested to know whether the Government of the Philippines had plans for liberalizing trade in any of these commodities in the near future - and if so - which commodities. With reference to L/5232/Rev.1, Corr.1, where it was stated that the Philippines had no set rules as regards the period of validity of licences, his authorities were concerned that this might create considerable uncertainty for traders and thus be a serious impediment to trade. Finally, the Philippines levied a higher excise tax on imported cigarettes than on domestic brands. This practice was in direct violation of GATT Article III. Also, no GATT justification for this discriminatory tax treatment was indicated in the format.

9. The representative of the Philippines confirmed that there was a differentiation in the level of excise taxes applicable to imported cigarettes as compared with domestic brands, and this practice was in conformity with the Philippine's Protocol of Accession. As regards the absence of a single set rule for the period of validity of licences, this was due to the fact that the authority to issue licences was vested in different agencies of the Government, depending on the different products concerned. Each agency did, however, specify the exact period of validity of the licences it granted. As regards the level of protection afforded to agriculture this was very much a matter of perception. While it was true that there was a licensing requirement, the quota system was not pervasive and, to their knowledge, there were no import prohibitions. Given the current international economic situation and the balance-of-payments difficulties of his country, with the terms of trade having turned against them, it would be difficult to predict what import liberalization measures would be taken in the near future. However, it should be noted that his Government had been resilient to demands for more protection and had even embarked on a reform programme, as had been explained at the time of the last consultation in the Committee on Balance of Payments Imports Restrictions, in November 1982. As regards import controls, the number of items on the Central Bank list of items under control had been reduced from 1306 to 433 and the remaining balance-of-payments measures were applicable in accordance with the IMF Agreement and decisions. Finally, as regards the point on price supports made by the US representative he would bring it to the attention of his authorities.

10. The representative of the United States thanked the Philippines for the explanations provided and requested that the reference to the Protocol of Accession in regard to the selective tax measure on imported cigarettes be reflected in the format.

11. The representative of Australia thanked the Philippines for having made a notification, expressing at the same time regret that other ASEAN countries had not provided submissions. He hoped, however, that the required notifications would be forthcoming. As regards the Philippine submission there were a number of specific points that required clarification. According to the understanding of his authorities the import duty on live cattle (01.02) was 5 per cent with a tariff surcharge of 3 per cent. Thus, the question arose whether the rate shown in column 8 was, indeed, the rate which had been negotiated in the MTN's, but had not yet been adjusted downwards since then. On State-trading, the experience of Australian meat exporters was that PHILBAI is a monopoly importer, handling imports of live breeding-stock, beef and veal. Still on State-trading, Australia had found to its dismay that there existed a special arrangement between the Philippines and North America in relation to the sale of wheat. The Philippines' authorities specified that wheat can only be shipped to the Philippines from North American ports. This, of course, poses problems for Australia as a wheat exporter. Another question which arose was whether it was not the State-trading organizations which issue the licences, or rather the discretionary licences, and, if this was so, this should be clearly indicated in the notification. It was a somewhat anomalous situation that the State-trading organization was supposedly a separate body from the Government, yet it issued discretionary licences - licences which might well be discriminatory. Lastly, there existed a problem relating to beer. The duty on barley was raised by the Philippines, then lowered to 15 per cent and then raised again - to 30 per cent. Given the fact that there existed a tariff of 20 per cent on malt, how did the Philippines manage to export its San Miguel beer to Australia, with a customs tariff on it, for the same price as Australian beer? Did this not indicate that there existed an export subsidy somewhere, especially so as all the ingredients had to be imported?

12. The representative of the Philippines stated that, according to the information available to them, the tariff on live cattle was not bound and there had been no concessions granted by the Philippines on position 01.02 during the MTN's. On PHILBAI operations they would check into this and come back to it at a later stage. As regards imports of certain commodities, including wheat, these are financed under credit arrangements. This was as much as he could explain in relation to the point raised by Australia. On the interrelationship of State-trading and the issue of licences, he assumed that the points made by Australia related to commodities in the cereals sector. As indicated in column 1 of the format AG/FOR/PHL/1 for various grains concerned, these had not been covered in the Philippines submission; this was the reason why the details were not available. He stated that they had taken notice of the points made, including also those relating to beer, and that his authorities would look into these matters.

13. The Chairman thanked the representative of the Philippines for the notification and explanations given, and he noted that the format would be further completed.

PORTUGAL (AG/FOR/POR/1)

1. In his introductory remarks the representative of Portugal admitted that his country's notification was neither exhaustive nor free from certain unavoidable errors. The secretariat had already been notified of all such corrections and amendments which would be incorporated in a corrigendum to the main document. Specific examples of such corrections were that certain animal products had been erroneously indicated as subject to phyto-sanitary instead of sanitary measures. Also, the minimum price system was applicable to only two CCCN headings, i.e. 16.04 and 20.02 instead of the four items shown in the notification. Similarly, no reference had been made to State trading for cod fish (03.01), which was in the process of being liberalized.

2. Highlighting the salient features of the Portuguese agriculture, he mentioned that it was the most backward sector of the economy being subject to the vagaries of nature. Climatic conditions in the past three years had influenced agricultural production adversely, with the peak of the drought in 1981 when the production of wine, fruits and vegetables was seriously affected. The overall crop production fell by 21.5 per cent in that year. As against that, the livestock production showed an increase of 10 per cent, but this was due to increased rate of slaughtering as a result of the unprecedented heat wave which swept through the country in June of that year. There was some recovery in 1982. But it was a wellknown fact that Portugal had the lowest per capita agricultural output among the West European countries. This was attributable to poor land use, technological backwardness, inadequate extension services, lack of irrigation facilities, inappropriate or insufficient use of fertilizers and other inputs and inefficient price and subsidy systems. The Portuguese Government was fully aware of the situation and was determined to break out of the vicious circle of agricultural backwardness and to reduce dependence on imports. In 1981, the share of agriculture in the Gross Domestic Product was 11.9 per cent and it employed 25.5 per cent of the total labour force. Agricultural imports represented 16 per cent of the total imports, one-third of which were the cereals. The deficit in the agricultural trade had progressively increased and Portugal was now one of the major importers of cereals, accounting for 350 kgs per person.

3. As regards the specific measures shown in the notification the representative of Portugal explained the nature and the scope of each of such measures. The quota system which covered only one item 08.01 (fruits) or about 0.8 per cent of total imports, had been introduced for balance of payments reasons and to curtail imports of less essential luxury goods. There was a surcharge on imports either at the rate of 30 per cent or 60 per cent. As regards the 30 per cent surcharge the Government of Portugal, in its undertaking to the IMF, had accepted to reduce it to the level of 10 per cent by 31 March 1984. It was now expected that this level would be enforced from 1 January 1984. The 60 per cent surcharge was expected to be replaced by a Value Added Tax to be introduced before the end of 1985. These measures had been discussed in depth in GATT's Committee on Balance of Payments where it had been indicated that Portugal had given an undertaking to the IMF to reduce its current account deficit of \$3.2 billion to \$2.0 billion by the end of 1983 and to \$1.25 billion in 1984. That programme was backed by a

Stand-by Agreement with the IMF and also included other measures such as raising bank interest rates by 6.5 to 7.5 points, a revision of interest rate bonus system, effective devaluation of Escudo by 12 per cent, the tightening of the budgetary policy, cuts in public expenditure and wage restraints in the public sector, reduction in credit ceilings, increased self-financing by public enterprises and a more realistic pricing policy.

4. In addition to the Emergency Short-Term Programme outlined above, the Government of Portugal was also committed to two other programmes: the Financial and Economic Recovery Programme geared to improving the functioning of the economic and financial system over a period of 2-3 years, and a four-year programme for the modernization of Portuguese economy prior to the accession to the European Communities.

5. Due to budgetary constraints the export subsidy was restricted only to olive oil (15.07) and tomato paste (20.02); other national aid measures were mainly in the form of domestic production and price supports with no effects on imports or exports. Severe cuts in government subsidies had mainly been prompted by a deterioration in the public sector situation; in 1980 such subsidies represented as much as 20 per cent of the GNP.

6. Commenting on the State trading enterprises, the Portuguese spokesman said that these had played an important role in agricultural trade. In their dealings no discrimination was made with respect to imports or exports. The role of such enterprises would, however, diminish as a result of internal adaptations linked with the accession to the EC. In this connexion, the government had set up an "Interministerial Committee for Agricultural Products Markets" (CIMPA) to organize more orderly market for foodstuffs and to promote healthy competition. The Olive Oil and Oilseed Institute (IAPO) with its exclusive right to purchase oilseeds for procurement for the domestic market, would cease functioning with effect from 1 June 1984. As regards aga (sugar and alcohol board) the liberalization initiated in 1982, which allowed private processors of raw sugar to import directly 25% of raw sugar, would be pursued by increasing that percentage to 40% during the next year, 60% in 1985 and 80% in 1986 and completing the phasing out of exclusive right in 1987. The Public Enterprise for the Supply of Cereals (EPAC) which until recently had the exclusive right to import major cereals would give way to liberal trading in the near future. A law on competition had recently been enacted to achieve an overall framework for liberalization in accordance with the principle of the Treaty of Rome. He finally, observed that all these various measures would pave the way for a more modern and liberal economic system in his country.

7. The representative of the United States took exception to this view and observed that the opportunity for Portugal to liberalize its trade regime over the long run might be forgone by its accession to the EC. He expressed his concern at the extensive use of State trading, licensing and global quotas for specific products, which restricted the opportunities for trade with Portugal. He had three specific comments on Portuguese notification. First, Portugal had established import quotas for fruit, sugar and certain meat products, for which balance of payments difficulties had been invoked. It was, however, not clear

whether the meat quota had also been instituted for the same balance of payments reasons; and if that was the case it should be indicated in column 10 of the format. Second, Portugal had used "guaranteed minimum prices" for a number of agricultural products, such as milk, butter, potatoes, soft wheat and livestock. In his view the use of these minimum prices should be indicated in column 2 for products that were exported and column 14 for products that were imported. Third, Portugal was believed to have bilateral agreements with the EEC involving exports of certain agricultural products. He would like to know what these products were and would also like to see the agreement duly noted in column 7.

8. In answering the first question the representative of Portugal observed that there were no quotas in respect of meat and sugar, the only quota existing was for fruits which, indeed, had been notified under the balance of payments reasons. There was State trading for sugar which was conducted in a non-discriminatory way; however, the system was going to be phased out in the near future. As regards the use of guaranteed prices for milk, butter, soft wheat, potatoes and livestock, the system was applied only in a situation of over-production which, however, occurred only rarely. Concerning the bilateral agreement with the EEC, he was prepared to provide to the United States a copy of that agreement covering products such as wines, tomato paste and certain processed agricultural products.

9. The Chilean delegate noted that while Portugal had made a great many concessions to the EC and EFTA member countries, this had not been done for other GATT member countries. Moreover, Portuguese tariffs were generally high and acted as a serious barrier to this market, and very few items were bound under the GATT. He, furthermore, asked that many of the measures taken like "DL" and "Q" appeared with the symbol (c) which implied lack of observance or application of the provisions of the General Agreement. In showing this symbol, he commended the Portuguese authorities as being very forthright and honest. Finally, he wanted to know why item 01.03 had been shown to be exempt and at the same time had a 16 per cent tariff, and what was the nature of fiscal charges levied on item 21.04.

10. The Portuguese delegate admitted that the concessions granted by his country to the EC and EFTA were indeed comparatively more significant than to other GATT member countries, but these mainly covered industrial products rather than agricultural products. Other GATT member countries, nevertheless, were free to obtain those concessions on a reciprocal basis if they so wished. It was also correct that tariff rates applied to agricultural products appeared to be relatively higher, but this was rather a subjective observation. There were also a few bindings under the GATT because they were linked with reciprocal concessions by other countries. Regarding the justification for discretionary licensing and quotas he mentioned that the symbol (c) had been used because these restrictions fell under the category of residual restrictions and had been notified to the GATT as such. Discretionary licensing was applied mainly for reasons of sanitary and phytosanitary purposes. As regards fiscal charges on item 21.04, he informed that the GATT Article III had been used and the tariff for item 01.03 should read 0-16 per cent.

11. The Chairman thanked the representative of Portugal for the notification and the answers provided.