

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

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COUNCIL

19 July 1968

MINUTES OF MEETING

Held at the Palais des Nations, Geneva,

on 19 July 1968

Chairman: Mr. O. Long, Director-General¹

Subject discussed: French trade measures

The Chairman recalled that at its previous meeting on 4 July 1968 (C/M/48) the Council had established a Working Party to examine the French trade measures and to report back by 19 July. The report of the Working Party was before the Council in document L/3047.

The Chairman of the Working Party, Dr. K.W. Ryan (Australia) said, in introducing the Report that the Working Party had in accordance with its terms of reference examined the French trade measures and their implications. He particularly wished to draw the Council's attention to paragraph 31 of the Report, from which it appeared that the Working Party had not examined in detail the compatibility of the measures with the General Agreement, and to paragraph 35 which contained the views of the developing countries members of the Working Party.

The representative of Peru said that his delegation supported the report of the Working Party which did not prejudge any solution to the legal problems raised. As could be foreseen, the word "unique" used to describe the French situation had caused certain difficulties. It was gratifying that agreement had been reached to describe the situation as unique in relation to developed countries. For developing countries, on the other hand, it had been pointed out that situations similar to this could not be regarded as unique; they had, on the contrary, a structural character. This had been recognized by the granting to developing countries of special rights under the General Agreement. France had encountered grave difficulties and had taken extra-legal and provisional measures. Developing countries were encountering similar and even graver emergencies and were also obliged to act in an extra-legal manner. He expressed the hope that the CONTRACTING PARTIES would show them the same understanding and sympathy they had shown France.

¹The Director-General presided in the absence of the Chairman of the Council, Mr. C. Besa (Chile).

The representative of India expressed satisfaction at the assurances given by France in the Working Party that quotas under bilateral agreements and under the Cotton Textiles Arrangement would not be affected by the new measures. He also noted with satisfaction the statement that the trade of developing countries would be little affected, and he mentioned that preliminary Indian studies had confirmed this. He said that an examination of paragraphs 31 and 35 of the report showed that the statement that France "had acted in an extra-legal manner" in the view of his delegation must be interpreted as meaning that France had acted without reference to any specific provisions of GATT. It should not be construed as meaning that the French measures constituted a violation of the General Agreement, and in fact it would not be proper to do so, since the Working Party had not examined the question of the compatibility of the trade measures taken by the Government of France with the General Agreement. These measures must be regarded as special measures taken to meet an exceptional situation.

The representative of New Zealand said that his delegation, which had not been a member of the Working Party, had three points on which it would appreciate clarification. With reference to the last sentence in paragraph 14 of the report, he asked if the French representative could comment on the request for an assurance that France would consult with its trading partners in the GATT before proceeding to any further trade measures. In paragraph 19 there was reference to a question raised about the level of financial assistance to agricultural producers and he asked whether this was linked with the measures designed to deal with the present difficulties. Finally he referred to paragraph 26 and suggested that this was a matter which the Council should consider.

In reply, the representative of France said that his Government was, like other contracting parties, obliged to follow the rules of the General Agreement; this also applied to consultations concerning future measures. Referring to the second question, he explained that the financial assistance measures were not related to the present emergency situation and stressed that they did not affect international trade.

The representative of the United States said that his Government found it regrettable that any contracting party should act in an extra-legal manner: GATT was an instrument flexible enough to deal with special situations. It was far better to work inside than outside the rules of GATT; to work outside it meant to destroy it. His Government considered that the French measures were not compatible with the General Agreement. He stressed, however, that the case under discussion was of such an exceptional nature that it would not create a precedent. He also stressed that nothing in the report of the Working Party or in the discussion of the Council could affect the rights of any contracting party under the Agreement. He said that the Working Party should remain in existence and meet again not later than mid-October to continue the examination of the French measures and their implications, and to review the economic problems of France. In this respect he said it would be useful if the Government of France would submit an interim report.

The representative of Japan said that the Working Party had presented a report which contained useful information in order to clear up the situation, without, however, prejudging the solution of the legal problems or affecting the rights of the contracting parties under the General Agreement. The explanations given by the French Government confirmed that the measures had been taken in exceptional circumstances and were intended to be temporary, limited and degressive. It was the sincere hope of the Japanese Government that France would abolish the measures as foreseen. The Working Party should be ready to meet again when required in order to receive information from France and conduct consultations regarding the effect of the measures; the main concern of Japan was with the direct or indirect repercussions the French measures might have on the harmonious development of international trade.

The representative of Finland, speaking on behalf of the Nordic countries - Denmark, Norway, Sweden and Finland - noted that the Working Party had not examined the compatibility of the measures with the General Agreement. The Nordic countries had understanding for the difficult situation of France and were satisfied with the temporary nature of the measures. They considered, on the other hand, that the measures constituted a violation of the GATT rules and could create a dangerous precedent, even if they were taken in special circumstances. It was very important to ensure that there was no chain reaction. The Nordic countries felt that the Working Party should hold its next meeting not later than 15 October.

The representative of Canada said that the report of the Working Party was a useful preliminary study of the French measures. There was no need for him to reiterate the Canadian views on the compatibility of the measures with GATT. He supported the view that the Working Party should meet again not later than 15 October.

The representative of the United Kingdom referred to the views expressed by his delegation at the previous meeting of the Council. He said that the Working Party report was mainly fact-finding and did not call for any final views. In an attempt to evaluate the material two main considerations emerged both of which had been taken into account in the report: on the one hand understanding for a contracting party in difficulties; on the other hand, the importance of maintaining the fabric of GATT and the benefit of stability in international trade. The assurances given by France with regard to the temporary nature and the equitable application of the measures were to be welcomed. The United Kingdom supported the proposal for a new meeting of the Working Party to examine the measures in the light of their practical application.

The representative of Israel said that her delegation, although it had not been represented in the Working Party, agreed with the views of the developing countries expressed in paragraph 35 of the report.

The representative of Austria supported the report which in his opinion was a good basis for dealing with the French measures. He appreciated the manner in which France had supplied the information requested in the Working Party.

The representative of Chile said that his delegation supported the report. He was grateful to the French delegation for the declarations that the measures would not affect the interests of developing countries, and he hoped that France would maintain this attitude in respect of these countries if it should be obliged to take further measures. With reference to paragraphs 34 and 35 of the report, he stressed that the French case should not constitute a precedent in so far as developed countries were concerned. It showed the importance of adapting GATT to the changing pattern of world trade. Although it had been amended in 1955 and again by the addition of Part IV, the General Agreement was not an entirely satisfactory instrument in the present situation.

The representative of Switzerland underlined the importance of the temporary and non-discriminatory nature of the measures. Switzerland was in favour of another meeting of the Working Party by 15 October.

The representative of Argentina called the attention of the Council to paragraphs 19, 29 and 35 of the report. He expressed the hope that a solution to France's difficult problems would be found in the shortest time possible. Argentina supported the proposal that the Working Party should meet by 15 October.

The representative of France said that his Government supported the report and appreciated the manner in which the examination had been carried out in the Working Party and in the Council and the understanding shown for the difficulties of France. He recalled that the Working Party had not examined in detail the compatibility of the measures with the General Agreement. The views of the French delegation on this subject remained the same as expressed at the meeting of the Council on 4 July. With regard to future procedure, France was prepared to continue to participate in the same spirit in any further consultations that might be required. His Government had no objections to the proposal that the Working Party should meet by 15 October. His delegation would be prepared to answer questions and meet requests for clarification also before that date.

The report of the Working Party was adopted.

The Chairman noted that the terms of reference of the Working Party instructed it to continue to be available for consultations as necessary. He suggested that on receiving a request by any member of the Working Party for a further meeting, the Chairman of the Working Party should convene it in consultation with other members of the Working Party. It would, however, be understood that the next meeting would be held no later than 15 October. It was so agreed.

In reply to a question by the representative of the United States, the Chairman confirmed that the terms of reference of the Working Party were unchanged, and that its task would continue to be "to examine the trade measures taken by the Government of France and their implications".

The Council agreed that the report of the Working Party, without annexes, and the communication from France reproduced in L/3035 and Addendum 1 should be derestricted with immediate effect.

The representative of South Africa said that it was regrettable that substantial parts of the report by the Working Party had already been reproduced in the newspapers. The Chairman, recalling that a similar point had been made by the representative of Nigeria at the previous meeting of the Council, agreed that it was regrettable that although the need for secrecy had been stressed, information on the report had leaked out to the Press. He called on contracting parties to observe the requirements for secrecy in order to avoid security measures which would make their work more difficult.