

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

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MINUTES OF MEETING

Held at the Palais des Nations, Geneva,
on 23 July 1969

Chairman: Mr. Erik THRAPE (Denmark)

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1. Agriculture Committee - Work Programme (C/W/143)

The Director-General said that the work of the Agriculture Committee had reached a stage which made it desirable to examine the best way to pursue and broaden it. The work to date had provisionally left aside a considerable number of agricultural products; information available to the Committee on these products was incomplete and more or less out of date, and as regards the inventory on non-tariff barriers, only fragmentary. The time had come to complete the Committee's documentation, and, in view of the time required to obtain and compile data, it was wise to take a decision now so as to enable the Committee to keep up the pace of its work. Furthermore, the Committee should be enabled to examine all agricultural products in order to avoid an imbalance in the treatment which would eventually be given to barriers to trade.

He was therefore submitting to the Council a proposal contained in document C/W/143 which if adopted would provide the Committee with the necessary instructions to enable it by 30 November to have a full and balanced inventory of non-tariff barriers in the agricultural sector.

The representative of New Zealand, while fully supporting the proposal, (contained in document C/W/143) remarked that the examination of all agricultural non-tariff barriers by the Agriculture Committee did raise a problem. The proposal as framed would not provide appropriate treatment to the general problem of residual restrictions. The unqualified inclusion of residual restrictions could have the unfortunate effect of blurring the distinction between legal and illegal restrictions; in his view illegal residual restrictions could not be regarded as negotiable in the same way as other non-tariff barriers, and required separate treatment in terms of GATT rules. They should be eliminated or subject to waiver procedures. The programme moreover did not indicate a specific action programme for the removal of residual restrictions on agricultural products. Although most residual restrictions applied to agricultural products there were some in other categories and in his delegation's view it would be preferable that uniform treatment be accorded to all residual restrictions.

He proposed that the non-tariff barrier study in the Agriculture Committee should identify residual restrictions in a separate category pending a decision by Council on the procedures to be adopted for dealing with this special category, regardless of whether the products concerned were agricultural or industrial. This proposal was in no way intended to hold up the fact-finding portion of the Agriculture Committee's study; to avoid unnecessary duplication the Committee, he suggested, could automatically list the restrictions already notified by contracting parties in response to GATT/AIR/713. Should this be acceptable contracting parties could at this stage confine their notification to residual restrictions not already notified to GATT. It was his hope that this inventory could be completed by the time of the twenty-sixth session.

He recalled the proposal made by his delegation at the twenty-fourth session for dealing with residual restrictions and commented that there had been a great deal of opposition to the consideration of such a programme. He stressed the necessity for the contracting parties to adopt similar procedures to those applied to other types of restrictions to cover existing illegal restrictions.

The Chairman indicated that the New Zealand proposal would be considered at a later stage in its proper context.

The Council adopted the proposals regarding the work programme for the Agriculture Committee contained in document C/W/143.

2. Balance-of-payments import restrictions

Reports on consultations with Brazil (BOP/R/33), Ceylon (BOP/R/32), New Zealand (BOP/R/35) and Turkey (BOP/R/34)

Mr. Petrie (Canada), Chairman of the Committee on Balance-of-Payments Import Restrictions, presented the reports on the consultations, held between 1 and 10 July 1969, under Article XVIII:B with Brazil, Ceylon and Turkey, and with New Zealand under the provisions of Article XII:4(b). This had been the second meeting in the 1969 series of consultations. None of the consultations had been held on an expanded basis, but the Committee had attempted wherever possible to give more attention to the problems and obstacles confronting the consulting country with respect to expansion of its export earnings.

The Council adopted the reports. The Chairman thanked the representatives of the International Monetary Fund for their invaluable contribution and assistance in the conduct of the consultations.

3. Turkish stamp duty - Report of Working Party (L/3229)

Mr. Petrie (Canada), Chairman of the Working Party on Turkish Stamp Duty, recalled that on 10 April 1969 the Government of Turkey had notified that the law which permitted the maximum stamp duty of 15 per cent ad valorem, for which they had been granted a waiver in November 1967, had been amended so as to increase the rate of the stamp duty to 25 per cent up to the original terminal date of 31 December 1972. Turkey had asked that the 1967 waiver be amended correspondingly.

The Council had agreed on 21 May 1969 to establish a working party to examine the Turkish request, immediately after Turkish consultation in the Balance-of-Payments Committee and, in this connexion, to consult with the International Monetary Fund.

The Working Party on Turkish Stamp Duty had reported on the examination in document L/3229 which should be read in conjunction with the consultation report BOP/R/34. The Working Party had agreed, in the light of the discussion and taking into account the assessment provided by the International Monetary Fund, to recommend that the request by Turkey for an amendment of the previous waiver be granted. However, it also called upon the Government of Turkey to promptly take the necessary steps to remove or reduce the stamp duty should Turkey's balance-of-payments situation so permit, and to consult with the CONTRACTING PARTIES following the 1971 consultations under Article XVIII:B with Turkey. The Working Party had prepared a draft decision for the Council's approval in Annex I to L/3229.

The Council approved the text of the draft decision to grant a waiver to the Government of Turkey pursuant to the provisions of paragraph 5 of Article XXV, and adopted the report.

The Chairman requested the secretary to distribute ballot papers. Members of Council who had authority to vote on behalf of their governments were invited to do so and ballot papers would be sent by post to contracting parties not represented.

4. Article XXVIII:4 - Request by New Zealand (SECRET/190)

The Chairman said that the Government of New Zealand had given notice of its desire to obtain authority under paragraph 4 of Article XXVIII to renegotiate an item in its Schedule. This request had been distributed in document SECRET/190.

The representative of New Zealand said that the bound concession in question was contained in Part II of its Schedule and therefore bound only to British preferential suppliers. The item had been, in fact, negotiated with the United Kingdom. The most-favoured-nation rate for this item was not bound and his Government did not recognize most-favoured-nation suppliers as having negotiating rights, although some contracting parties who were most-favoured nation suppliers had been notified of the duty increase as a matter of courtesy.

The representative of Japan raised the legal question as to whether a country having a principal supplying interest, but which had not initially negotiated, was in fact entitled to participate in the negotiations as provided for in Article XXVIII. Without seeking a Council decision at this stage, he pointed out that there was a problem of knowing whether, where a concessional duty has been negotiated and agreed upon within the framework of GATT between members of a certain preferential area, participation in compensatory negotiation should be limited to the country which actually had taken part in such a preferential negotiation, thus excluding other countries regardless of the damage they could suffer as a result of the modification of the agreed rate of duty.

He drew the attention of the Council members to the fact that as a result of the measure taken by New Zealand a sharp decline had been registered in Japan's exports to New Zealand of the products listed in SECRET/190. The Government of Japan was much concerned with the measure taken by New Zealand and reserved its right to enter into consultations with the Government of New Zealand when the situation would so require.

The Council granted the authority sought by New Zealand.

The Chairman requested any contracting party which considered that it had a principal supplying interest, or a substantial interest, as provided for in Article XXVIII:1, to communicate its claims in writing and without delay to the Government of New Zealand and at the same time to inform the Director-General. Any such claim recognized by the Government of New Zealand would be deemed to be a determination within the terms of Article XXVIII:1.

5. EEC/Tunisia and Morocco - Agreements of Association (L/3226 and L/3227)

The Chairman said that at the end of March agreements had been concluded associating Tunisia and Morocco with the European Economic Community. The texts of the Agreements, without their annexes, had been distributed in documents L/3226 and L/3227.

The representative of the European Economic Community recalled that these Agreements, which were based on the considerations set forth in the Declaration of Intention annexed to the Treaty of Rome, concerning the association of the independent countries in the franc area, were consistent with the spirit and the objectives of the General Agreement. The Community therefore considered that the provisions of Article XXIV:5-9 were the legal bases for examination of the Agreements by the CONTRACTING PARTIES. He added that the Community and its member States were prepared to submit the Agreements to examination by the CONTRACTING PARTIES in a working party.

The Chairman recalled that as the secretariat had not yet received sufficient copies of the full texts of the Agreements for general distribution to contracting parties some time would be needed before an examination of the Agreements could begin.

In discussion which followed a number of delegations stressed the need for a careful examination of the Agreements in either one or perhaps two working parties.

It was agreed to establish a working party with the following terms of reference:

"To examine the two Agreements of Association established between the European Economic Community and the Republic of Tunisia and the Kingdom of Morocco, and their annexed documents in the light of the relevant provisions of the General Agreement and of the discussions in Council, and to submit a report to the Council."

In reply to a question on the possible implication of the word "association" in the terms of reference as prejudging the examination by the working party, the Chairman stated that the word "association" should be understood to have no other significance than the titles given to the Agreements themselves.

The Chairman invited contracting parties wishing to participate in the Working Party to inform the secretariat by 31 August. As some time would be needed to complete the questions and answers relevant to the working party's examination, there would be some delay before the Working Party could meet. He therefore proposed and it was agreed to leave the nomination of the chairman of the Working Party for a later date.

6. Accession of Hungary (L/3228 and Corr.1)

The Chairman said that a formal application had been received from the Government of Hungary for accession to the General Agreement pursuant to Article XXXIII. The communication had been distributed in document L/3228 and Corr.1.

Mr. Nyerges, the representative of Hungary, in his statement (reproduced in document L/3238) introducing his Government's request for accession, referred to his country's interest in expanding trade and economic relations with market economy countries, and its willingness to apply the provisions of the General Agreement provided it received full reciprocity. He outlined some of the salient aspects of Hungary's economy and foreign trade and stressed its special concern for agricultural exports.

Many delegations welcomed and supported this application; while appreciating the problems involved, it was felt that Hungary's decision to accede would contribute to further multilateralism in trade. It was stressed that as much information as possible should be made available for the examination of the request for accession. It was suggested that the secretariat should provide a paper on the operation of the Hungarian tariff and its rôle in Hungary's foreign trade.

The Chairman proposed that, in accordance with standing procedures which authorized the Council to process applications for accession, a working party be appointed to examine the request.

The representative of the United States joined other delegations in welcoming Hungary's application. The United States Administration did not have legislative authority to apply most-favoured-nation tariff treatment to Hungary and therefore

could not undertake to apply the GATT in its trade relations with Hungary. If the situation were unchanged at the time of Hungary's accession the United States would have to invoke Article XXXV. He added that his delegation wished to participate in any working party established to consider Hungary's application provided that it was clearly understood that this participation did not involve the United States in tariff negotiations with Hungary in the sense of Article XXXV. The United States also reserved its right to negotiate concessions bilaterally with Hungary should this be desirable until such time as the United States would be in a position to disinvoke Article XXIV.

The representative of the European Economic Community also welcomed Hungary's request for accession and expressed the opinion that contracting parties' examination of this request would benefit from the past experience acquired on the particular problems of accession of another non-market economy country. The Community and its member States were confident that a pragmatic approach would lead to mutually satisfactory solutions on the basis of equivalent and reciprocal commitments. Referring to the statement made by the representative of the United States, he remarked that the absence of an important partner in GATT accession negotiations could create problems in securing a balance of rights and obligations between the parties concerned.

It was agreed to appoint a working party with the following terms of reference:

"To examine the application of the Hungarian Government to accede to the General Agreement under Article XXIII, and to submit to the Council recommendations which may include a draft protocol of accession."

A number of delegations expressed their wish to participate in the Working Party and the Chairman invited other contracting parties wishing to participate to inform the secretariat by 15 September.

The Chairman said that the Government of Hungary would submit a memorandum on its commercial policy and foreign trade régime. This would be distributed to contracting parties which would then have an opportunity to put forward questions to be answered by the Government of Hungary. The Working Party would be convened after contracting parties had had the opportunity to study the answers which the Hungarian Government would provide to these questions. As it would probably be some months before the Working Party could meet it was agreed to leave the nomination of a chairman of the Working Party until a later date.

The Director-General said that the secretariat would undertake to prepare a paper on the effects of the Hungarian tariff but could do so only in the light of the information which would be derived from the questions and answers based on the Hungarian memorandum on its commercial policy and foreign trade régime.

7. Programme of meetings (C/W/142/Rev.1)

The Chairman drew attention to the programme of meetings envisaged for the period September-November 1969, which had been distributed by the Director-General in document C/W/142/Rev.1. In addition to the committees and working parties

listed in the document there would almost certainly be a need for one or more meetings of the Council which would be convened as required.

The Director-General had not proposed a date for the next meeting of the Cotton Textiles Committee; this would be fixed after consultations with the governments parties to the Cotton Textiles Arrangement.