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GENERAL AGREEMENT ON TARIFFS AND TRADE

COUNCIL
10 September 1969

MINUTES OF MEETING

Held at the Palais des Nations, Geneva, on 10 September 1969

Chairman: Mr. Erik THRANE (Denmark)

Subjects discussed:

1. Advisory Committee to the UNCTAD Board and to the Committee on Commodities - Nominee of the CONTRACTING PARTIES (L/3237)

The Chairman recalled that in September 1968 the Council had proposed Mr. Osman Ali, of Pakistan, as the nominee of the CONTRACTING PARTIES on the Advisory Committee to the UNCTAD Board and to the Committee on Commodities. Subsequent to Mr. Osman Ali being elected Chairman of the Advisory Committee, the CONTRACTING PARTIES had been requested to nominate another person as member of the Advisory Committee. The Government of the Ivory Coast had advised that it was prepared to make available Ambassador B. Nioupin as Mr. Osman Ali's successor.

The representatives of the European Communities and of Ghana supported the nomination.

It was agreed to nominate Mr. Nioupin on behalf of the CONTRACTING PARTIES as a member of the Advisory Committee. The Director-General was requested to inform the Secretary-General of the UNCTAD accordingly.

Mr. Nioupin thanked the Council for his nomination.

2. European Economic Community - citrus fruit (L/3239)

The Chairman recalled that in document L/3239, the CONTRACTING PARTIES had been informed that the European Economic Community intended to apply a reduction of 40 per cent in its customs duties in respect of certain citrus fruit originating in Israel and Spain. The Community had requested the authorization of the CONTRACTING PARTIES, acting under the provisions of Article XXV:5, to derogate from the provisions of Article I of the General Agreement.

The representative of the European Communities said that the tariff reductions were motivated in the framework of a scheme to maintain balance, stability and price discipline in the marketing of citrus fruit produced in the Mediterranean area, and were subject to certain conditions. The Agreements of Association concluded between the EEC and Morocco and Tunisia also provided for tariff reductions under similar conditions. The measures, in his view, did not constitute a tariff preferential system, neither in their objectives, application or effects, because they were contingent upon the supplying countries observing a certain minimum offer price. If this minimum price were not respected, citrus fruit from the two countries would be subject to normal customs duties and would, accordingly, be on an equal footing with products from other suppliers. The benefit for Spain and Israel, therefore, was simply a financial one, both countries being exempt from part of the customs duties. No question of trade discrimination arose and suppliers outside the Mediterranean area would actually benefit indirectly from the stability in the Community market. In any event, such suppliers accounted for only 20 per cent of EEC imports of oranges and their exports took place in a season different to that of exports from Israel and Spain. He was confident that the working party, which would presumably be set up to examine the request, would reach the conclusion that the system safeguarded the interests of all suppliers.

The representative of Chile said that the system was open to objection not only in itself but also in that it created a dangerous precedent. He said that the practice of the Community of concluding discriminatory arrangements would have particularly adverse effects for developing countries for which it was important, expecially for the weaker countries, to avoid disorder in international trade. He pointed out that the measures represented an extension of discrimination, preferences of 40 per cent for Spain and Israel being added to preferences of 80 per cent for Morocco and Tunisia. Contracting parties could help developing countries by establishing the framework within which preferences might be granted, a question which merited further study in the GATT. He said that Latin American countries were being denied access to the EEC markets by such discriminatory arrangements.

The representative of the United States said that the proposal derogated from one of the fundamental principles of the General Agreement. The Community's proposal impaired the rights of contracting parties. Even if departures from most-favoured-nation treatment in respect of some countries were permitted, this should not create a precedent for others. He drew attention to the increasing number of discriminatory arrangements concluded by the Community. He maintained that reductions in tariff items bound in GATT schedules should be extended on a most-favoured-nation basis. Contracting parties should benefit directly, rather than indirectly, from concessions. He reserved the position of his country in light of the fact that the scheme had already been brought into force on 1 September 1969 without prior approval.

The representatives of countries, traditional suppliers of citrus fruit to the Community, expressed their particular concern regarding the measures. Several delegations indicated their agreement with the views expressed and supported the setting up of a Working Party to deal with the matter.

It was agreed that a Working Party should be established with the following terms of reference and membership:

Terms of Reference:

"To examine the request by the European Economic Community for a waiver from its obligations under Article I of the General Agreement in order to reduce the customs duties in respect of certain citrus fruit originating from Israel and Spain and to report to the Council."

Membership:

Argentina	Finland	Spain
Australia	Greece	Switzerland
Brazil	India	Trinidad and Tobago
Canada	Israel	Tunisia
Chile	Jamaica	Turkey
Cuba	Japan	United Arab Republic
Cyprus	Peru	United Kingdom
European Communities and their member States	Portugal	United States
	South Africa	Uruguay

Mr. J.E. Larsen (Denmark) was appointed Chairman of the Working Party.

The Chairman pointed out that there was a certain link between the questions to be dealt with by this Working Party and by the Working Party established to examine the Agreements of Association between the EEC and Morocco and Tunisia. This should be borne in mind by the two Working Parties, when reporting to the Council, but should not prevent the Working Party on Citrus Fruit from having its first meeting at an early date.

3. Trade arrangements between India, United Arab Republic and Yugoslavia

(a) Protocol Amending the Agreement of 1967 (L/3242)

(b) Review of the Decision of 14 November 1968 (16S/17)

Regarding sub-item (a), the Chairman recalled that the Governments of India, the United Arab Republic and Yugoslavia had notified the contracting parties that a Protocol extending the scope of the Agreement had been signed on 16 July 1969 and was expected to enter into force on 1 October 1969. The text of the Protocol, containing additions to the list of products to which the special tariff concessions would apply, was distributed in L/3242. The notification had been made in accordance with paragraph 1(b) of the Decision of 14 November 1968. The three participating States had stated that they were "ready to furnish any further relevant information and were available for any consultations which may be considered necessary".

Regarding sub-item (b) the Chairman recalled that paragraph 1(c) of the Decision provided for its review at the twenty-sixth session, to decide on its extension, modification or termination. This review had to be conducted on the basis of a report by the participating States on the operation of the Agreement and had to take account, in particular, of progress achieved in the negotiations conducted within the framework of the Trade Negotiations Committee of Developing Countries and of the contribution of the Agreement to the objectives set out in the Preamble to the Decision.

The representative of Yugoslavia, speaking on behalf of the participating States, informed the Council that the scope of the original Agreement had been expanded to include a supplementary list of fifty-seven tariff headings and sub-headings. Subject to ratification by the three Governments the Protocol would enter into force on 1 October 1969. The same considerations which had guided participating States in concluding the Agreement had guided them in expanding its scope. The participating States were prepared to enter into consultations as provided in Article V of the Agreement and paragraph 1(b) of the Decision. He reiterated the intention of the participating States to extend the concessions in the Agreement and the new Protocol to all other developing countries by appropriate negotiation within the framework of the Trade Negotiations Committee of Developing Countries. He suggested that the examination of the new Protocol could be carried out simultaneously with the review of the Decision as provided in paragraph 1(c) of the Decision. This approach seemed more practicable since it was probably not possible to assess fully the implications of the new concessions on the trade of contracting parties; this had been the case when the Agreement had first been examined in 1968.

The representative of Sweden suggested that a working party be established to examine the new Protocol and to review the 1968 Decision simultaneously.

The representative of the United States thought the new Protocol was a substantial modification of the original Agreement. As with any measure inconsistent with Article I of the GATT it should be examined carefully. He hoped that the report to be supplied by the three countries would include information as to the trade benefits they expected from the implementation of the new Protocol. He also suggested that the Protocol should not enter into effect prior to the consultations.

The representative of the United Kingdom agreed that the Protocol should not come into effect before ample consultations had taken place. Since the Agreement had already been operating for some time, it should be possible for the working party to study whether the effect of the Agreement was to create trade or to divert trade.

The representative of Canada expressed the hope that the working party would reach a decision before the twenty-sixth session.

The representative of Chile, referring to the statement of the representative of Yugoslavia that the participating States were prepared to extend their mutual tariff concessions to all other developing countries, through their participation in the Trade Negotiations Committee of Developing Counntries, said that this concrete offer was welcome since the proliferation of preferential systems was harmful to all contracting parties.

The representative of Yugoslavia pointed out that paragraph 1(b) of the Decision called for consultation with the CONTRACTING PARTIES before giving effect to any substantial modification in the original Agreement. The participating States were of the opinion that the new Protocol did not involve a substantial modification.

The representatives of Yugoslavia and India stated that, while they would be ready to furnish as early as possible the report necessary for reviewing the Decision, it was obviously not possible to do so before 1 October. They were also not in a position to postpone the implementation of the new Protocol beyond 1 October since the knowledge of its existence was already having an inhibiting effect on trade.

In view of the desirability of starting examination of the new Protocol before it came into effect, the Chairman proposed that a working party be set up and convened before 1 October; it could then fix its own time-table. At a later stage, when the participating States had submitted their reports, the working party could review the Decision. In this context, it was requested that the report be made available to the working party as soon as possible.

The Council agreed to establish a working party with the following terms of reference and membership:

Terms of Reference:

(i) To consult with India, the United Arab Republic and Yugoslavia, as provided for under paragraph 1(b) of the Decision of 14 November 1968, with respect to the Protocol of 1 July 1969, amending the Trade Expansion and Economic Co-operation Agreement of 23 December 1967, and to report to the Council; and

(ii) to carry out the review of the Decision of 14 November 1968 as provided in paragraph 1(c) of the Decision, and to report to the Council with a recommendation as to its extension, modification or termination.

Membership:

Argentina	Ghana	Switzerland
Australia	Greece	Turkey
Brazil	India	United Arab Republic
Canada	Israel	United Kingdom
Chile	Japan	United States
Cuba	Poland	Uruguay
European Communities and their member States	Spain	Yugoslavia
	Sweden	

Mr. H. Gros Espiell (Uruguay) was nominated Chairman of the Working Party.

4. Programme of Meetings (C/W/142/Rev.2)

The Chairman drew attention to the tentative programme of meetings for the period mid-September to the end of November, distributed by the Director-General in document C/W/142/Rev.2. This programme was a slightly revised version of the programme submitted to the Council meeting in July. In addition to the meetings mentioned, the working parties appointed under items 2 and 3 above would be convened and probably also the working parties appointed to deal with the accession of Colombia and the EEC/Tunisia and Morocco Association Agreements. Further meetings of the Council were envisaged during this period.