

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

C/M/60

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MINUTES OF MEETING

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Chairman: Mr. Erik THRAANE (Denmark)

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1. Trade in industrial products - Report of the Committee (L/3298)

The Chairman recalled that at their twenty-fifth session the CONTRACTING PARTIES had instructed the Committee on Trade in Industrial Products to report to the Council before the twenty-sixth session on the result of its work.

Mr. Stuyck (Belgium), Chairman of the Committee, presented the report covering the period December 1968 to December 1969. After having referred to the interim report which was made at the twenty-fifth session, and to the interim report (L/3207) made by the Director-General to the Council at its meeting in May 1969, Mr. Stuyck noted that the work of the Committee on non-tariff barriers had taken place in three stages. The first stage had consisted in establishing an inventory of non-tariff barriers and para-tariff barriers; this work had taken longer than expected since notifications had been late coming in. The second stage, which had consisted in an analysis of the inventory, was completed in June 1969. At this meeting special attention had been given to the problems of developing countries.

After having invited proposals from the secretariat regarding the organization of its work, the Committee had agreed that the time had come to move to the next stage and that this could best be begun by agreeing on a limited Illustrative List of notified barriers. It had also agreed to establish working groups, each of which would have the function of exploring, in respect of those barriers within its competence, the possibilities for concrete action, with regard both to reducing or removing such barriers, and to developing possible rules of conduct. This exploratory work would be preparatory in nature and would not involve a commitment by any participating country to take, or to join in, any action discussed. The Committee had therefore adopted a procedure under which five groups had been established corresponding to the five main parts of the Inventory and to each of which a part of the Illustrative List had been assigned. The groups would report conclusions or progress to a meeting of the Committee in June or July. The Director-General had been invited by the Committee to ensure, in consultation with the Chairman of the Committee and the Chairmen of the groups, that the work of the groups proceeded expeditiously and in a balanced and satisfactory way. Group 1 had now completed satisfactorily its scheduled work. Experience had, however, indicated the need for careful and thorough preparation by delegations, as the time allocated for meetings was rather limited.

The Committee had also considered a proposal by the Director-General that it would be desirable to agree upon a Declaration of Intent but it had agreed to refer the matter to the Council.

Work on the Tariff Study had been initiated in May 1968 under the guidance of a Group of Technical Experts; data on a comparable basis had now been prepared for sixteen countries, and the first analytical tabulations could be expected within the next month. Substantial technical and methodological difficulties had been resolved and a report of the Group, finalized recently, was being prepared for distribution. Unless any member of the Committee requested a formal meeting

for its adoption, the report would be considered as a report of the Committee and could be taken up at the next meeting of the Council. He stressed that the preparatory work on the technical side should be completed as soon as possible since the Tariff Study was an integral part of the programme for trade expansion.

Representatives thanked the Chairman of the Committee for his statement and congratulated the Committee for the manner in which it was dealing with its work.

With regard to the Tariff Study, the representative of India enquired as to the status of Summary Tabulation III, one of the three tabulations in preparation by the secretariat. He had understood that as soon as a definite proposal was made, in respect of this tabulation which was intended to describe the tariff situation in relation to the products of particular interest to the developing countries, another meeting of the Committee would be held.

Mr. Mathur, Assistant Director-General, confirmed that difficulties in establishing comparability at the tariff-line level had led the Group of Experts to ask the secretariat to devise more appropriate means of showing the problems of developing countries. Some difficulties had also been experienced in securing data on ad valorem equivalents of certain specific duties. The secretariat hoped to consult delegations and to make some new suggestions within a few weeks. These would be considered unless agreement was already reached informally earlier, perhaps in March, by the Group. All three tabulations would be presented together.

With regard to non-tariff barriers, the representative of Yugoslavia, supported by several other representatives from developing countries, questioned whether the report reproduced faithfully the debate and conclusions of the Committee held in June regarding particular problems of developing countries. He drew attention to discrepancies between the report of the Committee (paragraphs 19 and 20) and the note on the meeting in June (COM.IND/W/7), especially paragraph 3, and the final summing up by the Chairman. He did not agree with the text of paragraph 19, according to which it had been agreed at the June meeting that although there were some non-tariff barriers of more direct interest to developing countries, it was difficult to see how it would be possible to accelerate benefits to developing countries. He expressed the view that the "global approach" to solutions, mentioned in paragraph 20, was a proposal by developed countries and was not supported by developing countries. He added that continued secretariat assistance to developing countries was needed in the preparation of their notifications.

Mr. Stuyck elaborated on the difficulties, seen by other members, in isolating consideration of non-tariff barriers of interest to developing countries from the general consideration given to these problems at this stage of the work. He noted also that it would be a matter for the CONTRACTING PARTIES to decide on separate accelerated attention to the solution of problems of developing countries.

The Chairman suggested that since the report had already been adopted by the Committee, the best procedure would seem to be for the Council to ask Mr. Stuyck, in presenting the report of the Committee to the CONTRACTING PARTIES, to reflect the present debate in his introductory statement, with special reference to the remarks of the representative of Yugoslavia. Since the report had been adopted by the Committee it was not possible, as suggested, to change the report. When discussing the report, the CONTRACTING PARTIES would no doubt give due consideration to the preoccupations concerning the problems of developing countries to which attention had been drawn at the Council meeting.

The representatives of Yugoslavia and Uruguay wished to record reservations on paragraphs 19 and 20 of the report.

With regard to the proposed Declaration of Intent the representatives of Yugoslavia and of Nigeria strongly endorsed the need for its acceptance. The representative of Brazil expressed support for the goals sought but foresaw certain difficulties in its acceptance by his country. Other members noted that Brazil was not alone in having reservations, though they too supported the objectives of the proposal.

The representative of the European Communities stated that his delegation belonged to that group, mentioned in paragraph 16 of the report, which reserved their position on the proposed declaration. He expressed doubt as to the usefulness of such a declaration owing to the lack of a satisfactory definition of non-tariff barriers. He emphasized that the Communities would maintain their reservation.

The representative of Japan also reserved his position on the proposed declaration, in so far as agricultural products were concerned, on the grounds that non-tariff barriers had not yet been discussed adequately in the Committee on Agriculture.

The representative of Switzerland said that he was, in principle, in favour of the declaration though the text of the Director-General's proposal could be discussed further.

The representatives of the United States and Canada considered that the declaration should be discussed informally before the twenty-sixth session.

The representative of Norway, pointing out that the Nordic countries had from the beginning been in favour of a declaration, said that it would draw the attention of the world trading community to the activities of GATT in the field of non-tariff barriers. It would be desirable if the CONTRACTING PARTIES agreed to avoid increasing the existing level of protection through non-tariff barriers, without expressing the idea in legally binding language. The representative of the United Kingdom, supporting the point of view of the Nordic countries, said that his Government was ready to subscribe to a declaration that all contracting parties should make an effort to explore the problems and find solutions. The United Kingdom had certain reservations on the draft text, which should not have a legally binding character.

The Council took note of the report and decided to submit it to the CONTRACTING PARTIES for their consideration. The Council requested the Chairman of the Committee, when introducing the report to the CONTRACTING PARTIES, to reflect the discussion in the Council and the concerns expressed. The reservations made would be duly recorded.

The Director-General, in reply to the request for secretariat assistance to developing countries with respect to their participation in the work on non-tariff barriers, recalled that the secretariat had been instructed by the CONTRACTING PARTIES to assist developing countries in the preparation of their notifications and confirmed that appropriate arrangements had been made for this purpose.

2. Import restrictions (L/3260 and Corr.1)

The Chairman recalled that at the meeting of the Council in October 1969 the Director-General had put forward in document L/3260 certain proposals as to how to deal with the problem of import restrictions. Discussion of the proposal had been initiated at the October meeting and continued at the December meeting of the Council. It had then appeared that the differences of opinion which emerged were concerned with the manner of implementing the proposal and it had been agreed to postpone a decision until this meeting. In the meantime there had been informal consultations with several delegations on the basis of which it was now proposed to appoint a Special Joint Working Group of the Committees on Trade in Industrial Products and Agriculture, as proposed by the Director-General in document L/3260.

The representative of the United States recalled that at the last Council meeting his delegation had reserved its position on the establishment of a joint working group because it felt that the group should have clear terms of reference for guidance. In order to get the work under way his delegation now accepted the Joint Working Group without specific terms of reference. However, in order to avoid any misunderstandings he stated that in dropping this reservation, the United States was not prepared to discuss the potential removal or relaxation of its agricultural import restrictions in the Joint Working Group unless other participants were prepared similarly to discuss action with regard to their system of protection having effects similar to import restrictions.

The representative of the United Kingdom said that his delegation supported the proposal that the whole field of restrictions including those consistent with, or claimed to be consistent with, the GATT, should be examined, but without commitment on subsequent action. It was his delegation's understanding that participating countries might introduce in the debate other restrictions not listed in the paper, or other measures with effects considered equivalent, but that the functions of the Joint Working Group would be confined to consideration of potential relaxation of import restrictions, on the working hypothesis that problems posed by other measures and policies linked with the restrictions in question, could be solved by some other means and that the Joint Working Group would not have the task of examining in detail what these solutions might be, nor would it consider in detail the other linked measures and policies. It was also his understanding that the Group would report to the Council.

The representative of the EEC agreed with the Director-General's proposal and took note of the statement made by the representative of the United States. He remarked that the United States position did not seem too far removed from the position of the Community. The Group should seek a realistic solution which should not be confined to only one country or only to agriculture. With regard to the statement made by the representative of the United Kingdom, he said that if any of the points covered were not within the Director-General's proposals, the Community would have to reserve its position.

The representative of New Zealand pointed out that the Director-General's proposal differed in several important respects from the original New Zealand proposal put forward at the twenty-fourth session. In agreeing now to the establishment of a joint working group, his delegation wished to make it clear that New Zealand still maintained its reservations previously stated at other Council meetings, especially as to the fact that no distinction was made between legal and illegal restrictions. Such a distinction, in his view, should not be forgotten or ignored.

The representative of Jamaica drew attention to the fact that some smaller developing countries benefited from certain import restrictions maintained by developed countries. In the context of removal of import restrictions, he asked that nothing be done in the Joint Working Group if this would damage the trade of any developing country that now benefited from such restrictions. In his opinion it was important that the Joint Working Group identify those import restrictions that could be removed without damage to the trade of any developing country.

Several representatives of developing countries asked that the Joint Working Group also be an agent of the Committee on Trade and Development to which it should report as it would to the Committee on Industrial Products and to the Agriculture Committee. The Committee on Trade and Development could give adequate instructions to the Group on Residual Restrictions to take any further action that would be necessary. Some developing countries also stated that in any further negotiations which might take place for dismantling import restrictions, the provisions of Part IV and the principle of non-reciprocity should be fully taken into account. It was also stressed that special attention should be paid to all restrictions affecting the trade of developing countries.

The Director-General noted that all statements had indicated support for his proposal. He stressed that it was essential to start work and that the examination by the Joint Working Group should cover all existing quantitative restrictions. The list of import restrictions attached to document L/3260 was indicative and was open to amendment. With regard to the concerns of developing countries, he drew attention to the last paragraph of L/3260. Should the Council decide to set up a joint working group on the basis of his proposal it would be his intention to have informal discussions with interested delegations before the twenty-sixth session on the question of the organization of the work of the group.

The Council agreed to establish the Joint Working Group, composed of the members of the three Committees, to conduct consultations with contracting parties on the maintenance of quantitative restrictions along the lines suggested in Section III of document L/3260, bearing in mind the discussions in the Council.

3. Border tax adjustments (L/3290)

Mr Gabriëlsson, Chairman of the Working Party, in presenting the interim report, said that the Working Party had endeavoured to arrive at a consensus on the many complicated issues involved. Good progress had been made in spite of the complex and technical nature of the subject. The Working Party had carefully studied the provisions of the General Agreement relevant to border tax adjustments and would continue this study with a view to formulating proposals and suggestions, as indicated in its terms of reference. It had also thoroughly examined the practices of contracting parties in relation to border tax adjustments, and the secretariat was consolidating this information for distribution to contracting parties. He added that the contribution of the representatives of the OECD to the discussions had been particularly helpful.

Examination of the possible effects of border tax adjustments on international trade had been complicated by the difficulty of assessing what the trade figures would have been in the absence of such adjustments. The Working Party had not been able to arrive at a common view on this issue. A useful discussion had been held on practices of border tax adjustments in relation to products of interest to developing countries. This discussion would continue. The Working Party would also examine notifications made in the Committee on Trade in Industrial Products with regard to border tax adjustments and report to the Committee on the results of this examination.

The representative of the United States stated that his Government hoped that the Working Party would come to an agreement on the problems which had been identified. He recalled that his delegation had put forward some proposals in this connexion and he fully endorsed the programme of the Working Party as set out in its interim report.

The representative of the European Communities said that they attached great importance to the work of the Working Party in which they would continue to participate actively. He expressed the hope that the Working Party could present its final report to the Council, as expected, late in 1970 or before the twenty-seventh session of the CONTRACTING PARTIES.

The Council took note of the report.

4. Customs Unions and Free-Trade Areas

(a) Association between the European Economic Community and Greece (L/3319 and Corr.1)

The Chairman said that in accordance with the Conclusions adopted by the CONTRACTING PARTIES at their twentieth session, the Government of Greece had submitted a report on developments in the Association between Greece and the European Economic Community, circulated in document L/3319 and Corr.1.

The representative of Greece stated that, despite his country's balance-of-payments difficulties, the entry into force of the Association Agreement had not prevented Greek imports from non-Community countries from growing in the same proportion as its imports from the Community. On the other hand, Greek exports to the Community had grown more rapidly, thus contributing to one of the aims of the Association Agreement which was to accelerate the development of the Greek economy.

The Council took note of the report.

(b) Association between the European Economic Community and Turkey
(L/3321 and Add.1)

The representative of Turkey reported on developments under the Agreement of Association between his country and the European Economic Community. He pointed out that during the year 1968, the Agreement's provisions for marketing facilities had been applied in the form of tariff quotas or tariff reductions, in accordance with Articles 2 and 6 of the Provisional Protocol annexed to the Agreement. In 1968 the tariff quotas had been converted into Community quotas. They had been used to the extent of 92.7 per cent for tobacco, 81.2 per cent for raisins, 95.3 per cent for dried figs and 100 per cent for hazel-nuts. The additional facilities his country had enjoyed since 1 December 1967, under Article 6 of the Provisional Protocol, consisted of the opening of tariff quotas at reduced or nil duty rates for certain fish, crustaceans and molluscs and for certain textile products. Furthermore, the Community had granted Turkey a tariff reduction for table grapes for the period from 18 June to 17 July and for fresh citrus fruit. As the year 1968 was the first year during which those facilities were applied, the results noted in 1968 were not sufficient to permit a detailed evaluation of the trend of Turkish exports of these products.

He recalled that on 1 December 1968, four years had elapsed since the Ankara Agreement had entered into force. In accordance with Article 1 of the Provisional Protocol, the Association Council was entitled to consider, as from that date, whether, in the light of the economic situation of Turkey, it was possible for it to lay down, in the form of an additional Protocol, the conditions, process and timing of the introduction of the transitional stage which would follow the present preparatory stage and would be intended ultimately to achieve a complete customs union between Turkey and the Community. The Association Council had, at its meeting on 9 December 1968, adopted a resolution to open immediately the procedure for drawing up the additional Protocol, and to start negotiations with a view to drawing up a new financial Protocol, as the present one had expired on 30 November 1969. These negotiations had not yet been completed and would continue in 1970.

The Council took note of the statement, which was circulated in document L/3321 and Add.1.

(c) New Zealand-Australia Free-Trade Area (L/3309)

The Chairman recalled that at the twenty-third session of the CONTRACTING PARTIES, after discussion of the New Zealand-Australia Free-Trade Agreement, the Governments of New Zealand and Australia had expressed their intention to report on the formation of the free-trade area. A report submitted by the two countries had been circulated in document L/3309.

The representative of New Zealand introduced the report on behalf of the two member States. With reference to Table I, annexed to the report, he explained that the slight decrease of Schedule A trade, as a percentage of total trade between the two countries, was due to the fact that the total trade had increased considerably over the past two years. Another point which had to be taken into account in this connexion was that a very large number of the items initially included in Schedule A had already been duty free and that restrictive duties had only had two duty-phased-out reductions by the end of the 1969 trade year. With respect to the annual reviews of Schedule A, he pointed out that several of the items subsequently included in Schedule A had later been given accelerated duty reductions under Article 4(6) of the Agreement and that this had led to some rapid increases in trade. In conclusion, he stressed the improving atmosphere of co-operation developed by the Agreement, particularly at the inter-company level and between manufacturers' associations in both countries.

The Council took note of the report.

5. Associations EEC-African and Malagasy States: New Convention of Association (L/3283)

The Chairman recalled that the member States of the European Communities and the Governments of the African and Malagasy States associated with the European Economic Community had informed the CONTRACTING PARTIES of the text of a new Convention of Association which had been signed on 29 July 1969 at Yaoundé. The text of the new Convention had been circulated in document L/3283.

The representative of the European Communities in introducing the new Convention said that the second Yaoundé Convention was an expression of the common will of its parties to continue their co-operation. He drew attention to two important aspects: the continuation of the free-trade areas between the Community and the Associated States and of financial and technical assistance, and the new provisions for trade promotion with particular emphasis placed on the services of the European Development Fund. Furthermore, the provisions of the Agreement enabled the Associated States to adopt certain measures to protect their industries in the interest of economic development. In an effort to reconcile its special responsibilities with its general responsibilities, the Community had provided for suspensions of the common customs tariff for certain tropical products among which were raw coffee, cocoa beans and crude palm oil.

Exports of the Associated States as a whole had increased at an average annual rate of 8.5 per cent during the period 1958/1968, which was higher than the 5.9 per cent rate attributed to developing countries as a whole. There was also a clear trend towards a multilateralization of the Associated States' trade flows which were progressively moving towards other areas. Thus the Association had not led to a limitation of trade between the EEC and the Associated States, but had contributed to making the economies of the Association more open to the outside world.

The trade effects of the preferences had not been spectacular, but nevertheless had contributed significantly to the gradual economic transformation and diversification of the African and Malagasy States' trade.

Asked whether any preferences had already been granted to the Associated States under Protocol No. 1 of the Convention, which provides for ad hoc preferences for products referred to in paragraph 2(b) of Article 2 of the Convention, the representative of the Communities said that products for which such preferences were applied included rice, sugar and manioc.

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

Terms of Reference:

"To examine in the light of the relevant provisions of the General Agreement, the provisions of the Convention of Association between the European Economic Community and the African and Malagasy States associated with that Community, dated 29 July 1969, and to report to the Council."

Membership

Argentina	Ghana	Nigeria
Australia	India	Norway
Brazil	Indonesia	Switzerland
Canada	Israel	United Arab Republic
Ceylon	Jamaica	United Kingdom
Chile	Japan	United States
Cuba	New Zealand	Yugoslavia

European Communities and their member States
Associated African and Malagasy States

Chairman: Mr. E. von Sydow (Sweden)

The Chairman suggested that contracting parties wishing to submit questions in writing should do so by 28 February and that the Working Party be convened towards the end of April when members had had sufficient time to study the consolidated replies.

6. Application of Article XXXV to Japan

The representative of Japan appealed once more to those contracting parties invoking Article XXXV against his country to disinvoke the Article. About thirty countries were still invoking Article XXXV, of which twenty-three had taken over the invocation from their metropolitan countries upon their entry into the GATT on independence. While this had been the case for a great number of newly-independent countries, several of them had disinvoked the Article at a later date. He expressed his concern that since November 1968 no further disinvocations had been made. It was his opinion that the twenty-three newly-independent countries which were still invoking the Article were doing so without reasonable grounds. Disinvocation of Article XXXV involved much more than expansion of trade. The continued invocation tended to discourage his Government from taking positive action in such fields as non-tariff barriers, it could also cause internal domestic problems for his Government and could also lead to the exclusion of those countries from the Japanese scheme of generalized preferences now under study. He appealed very strongly to the contracting parties still invoking the Article to recognize the importance of this problem.

The representatives of Canada, Norway and the United States supported this appeal and expressed the hope that the statement by the representative of Japan would be brought to the attention of the governments concerned.

The Chairman noted the appeal and expressed his support for the Japanese position; he urged the contracting parties concerned to give again serious consideration to the possibility of disinvoking Article XXXV in its application to Japan.

7. South Africa - Import restrictions - Disinvocation of Article XII
(L/3277 and Add.1, L/3212/Add.14)

The Chairman recalled that by a communication distributed in document L/3277, the South African Government had notified the CONTRACTING PARTIES of its decision to disinvoke its recourse to the provisions of Article XII as justification for the application of its remaining import restrictions.

The representative of South Africa said that the Decision had been taken because of the sustained improvement in his country's external financial position which had occurred from 1967 onwards. Since then his Government's import restrictions had been progressively relaxed reflecting the Government's readiness to honour its GATT obligations.

At the time when the South African Government had decided to disinvoke Article XII it still had in operation a fairly elaborate system of import control which had frequently been commented upon in the Committee on Balance-of-Payments Import Restrictions as being unduly complicated. It was therefore decided, after disinvoking Article XII, that a completely revised and simplified system of import control should be introduced; this was accompanied by important relaxations in

the import restrictions. Details of the new system of import control had been communicated to the CONTRACTING PARTIES in document L/3277/Add.1. Since then his Government had submitted to the CONTRACTING PARTIES a formal notification, pursuant to the procedures outlined in Section B, paragraph 7 of the Decision taken by the CONTRACTING PARTIES on 16 November 1960 (9S/18), of its remaining import restrictions applied inconsistently with the provisions of the General Agreement (document L/3212/Add.14). The South African Government accepted that these restrictions should be progressively dismantled in compliance with its obligations under the GATT. His Government was at present studying how this could best be done without causing serious disruption to economic activity in the country. He emphasized that import controls as a balance-of-payments instrument had been applied in South Africa for more than twenty years prior to his Government's disinvocation of Article XII. These import restrictions had had an incidental protective effect on certain domestic industries; therefore their speedy removal could create serious difficulties for these industries. It was necessary for South Africa to have a transitional period of adequate duration to enable it to adapt to the new situation and to dismantle its remaining restrictions in an orderly manner. In some cases it would be possible to liberalize some of the restrictions at a relatively early date. Details of the measures taken would be communicated to the CONTRACTING PARTIES as soon as they were introduced. However, in other cases it would be necessary for his Government to grant new or additional tariff protection to domestic industries before its remaining import controls could be dismantled. This might require his Government to negotiate releases from specific tariff commitments assumed under the GATT; these negotiations would necessarily take some time, but he wished to assure the Council that the remaining import restrictions would be liberalized as speedily as circumstances allowed.

The Chairman expressed satisfaction that the Government of South Africa had been able to disinvoke its recourse to the provisions of Article XII.

The Council took note of the statement made by the representative of South Africa.

8. Australia - Tariff preferences for developing countries (L/3282)

The Chairman recalled that under the Decision of the CONTRACTING PARTIES of 23 March 1966, the provisions of paragraph 1 of Article I had been waived to permit the Government of Australia to accord preferential tariff treatment to certain products of developing countries, subject to prescribed terms and conditions. The third annual report submitted by Australia had been circulated in document L/3282 and formed the basis for the annual review on the operation of the waiver.

Certain representatives, commenting on the report by the Australian Government stated that the preferences accorded by Australia to developing countries had contributed to the promotion of trade between their countries and Australia. Some other representatives indicated their delegations' intention to initiate or continue bilateral discussions with Australia on the preferential system.

The Council took note of the report by the Government of Australia.

9. Franco-German Treaty on the Saar (L/3292)

The Chairman drew attention to the twelfth annual report submitted by the Governments of France and of the Federal Republic of Germany under the waiver granted in 1957, which permitted the maintenance of a special régime for their trade relations with the territory of the Saar. This report had been distributed in L/3292.

The Council took note of the report.

The representative of the Federal Republic of Germany made a statement on behalf of the two participating States explaining that as from 1 January 1970, with the complete elimination of customs duties within the European Economic Community, the waiver was no longer needed and could be considered as terminated.

The Council noted that the waiver was no longer operative.

10. United States - Agricultural import restrictions (L/3302)

The Chairman recalled that by their Decision of 5 March 1955 the CONTRACTING PARTIES had waived, subject to certain conditions and procedures, the obligations of the United States under the provisions of Articles II and XI of the General Agreement to the extent necessary to prevent a conflict in the case of action required to be taken by the Government of the United States under Section 22 of the Agricultural Adjustment Act. Under the terms of the Decision an annual review was required of any action taken by the United States under the Decision on the basis of a report to be furnished by the United States Government. The fourteenth annual report by the United States had been distributed in document L/3302.

Several delegations expressed an interest in the creation of a working party to conduct the review.

The representative of the United Kingdom said that his authorities were concerned about the import controls which had been continued or newly established during the period since the last report on certain dairy products, including milk chocolate crumb and certain cheeses. In their view these restrictions did not appear to be compatible with the terms of the waiver since it was their belief that their exports of these products could not be shown to threaten material interference with United States support arrangements. In the case of milk chocolate crumb the restrictions appeared to be in breach of the binding made in the Kennedy Round. He hoped that it would be possible to find a solution bilaterally, but his Government reserved the possibility of taking appropriate action under the General Agreement.

The representative of Nigeria recalled that his delegation had made specific proposals in the Agriculture Committee and urged the United States to increase its quota on imports of groundnuts. He also appealed to the United States to take the action necessary to avoid the disruption of international trade by disposals of surpluses a matter which was referred to in the report.

The representative of the United States said that his delegation to the Working Party would respond to the comments made at the present meeting.

The Council agreed to establish a Working Party with the following terms of reference and composition:

Terms of Reference:

To examine the fourteenth annual report, L/3302, submitted by the Government of the United States under the Decision of 5 March 1955 and to report to the Council.

Membership

Argentina	Finland
Australia	New Zealand
Austria	Nigeria
Canada	Poland
Denmark	Switzerland
European Communities and their member States	United Kingdom
	United States

Chairman

Mr. S. O'Shea (Ireland)

11. Italy-Somalia/Extension of Italian special fiscal treatment for bananas from Somalia (L/3291 and C/W/154)

The Chairman recalled that the Council at its meeting in December 1969 had considered the request by the Government of Italy for an extension of one year of the Decision of 21 November 1967, to the extent necessary to permit the Government of Italy to continue to provide special fiscal treatment for bananas imported from Somalia (L/3291). In view of the fact that members of the Council had not had sufficient time to examine the request, the Council had agreed to recommend the adoption of a Decision providing for a further extension of the Decision of 21 November 1967, initially for two months only, and to re-examine the request at a later meeting. The Decision had been approved by postal ballot.

The Council was now required to re-examine the request by the Government of Italy submitted in document L/3291 and to consider an extension from 28 February to 31 December 1970. To facilitate consideration by the Council a draft decision had been prepared and had been distributed in document C/W/154.

The representative of Italy confirmed his previous statement that his Government had no intention of seeking any further extension of the waiver beyond 31 December 1970. Some delegations expressed appreciation of this statement and said that in view of it they could support the request.

The Council agreed to the extension and approved the text of the draft decision and recommended its adoption by the CONTRACTING PARTIES.

The Chairman invited members of the Council having authority to vote on behalf of their Governments to register their votes by the end of the meeting and instructed the secretariat to distribute ballot papers to those contracting parties not represented at the meeting.

12. Article XX - Sub-paragraph (j)

Review of the need for the sub-paragraph (L/3276)

The Director-General said that when the CONTRACTING PARTIES at their ninth session reviewed the provisions of the General Agreement they amended Article XX by eliminating from that Article all exceptions which provided for temporary situations arising out of the war, except the substance of the provisions which was at present laid down in sub-paragraph (j). The retention of the sub-paragraph (j) was subject to a review of the need for it within five years.

On two occasions, namely at their sixteenth session in May 1960 and at their twenty-second session in March 1965, the CONTRACTING PARTIES agreed that the sub-paragraph be retained and that the need for its continued retention be reviewed again within a five-year period. In document L/3276 of 2 December 1969 a brief review was given of the history of the sub-paragraph and it was proposed that the Council undertake this review and submit its recommendation to the twenty-sixth session of the CONTRACTING PARTIES.

The representative of the United States recalled that his delegation had proposed the deletion of sub-paragraph (j) at the sixteenth session but had agreed to its extension subject to a review within five years. As no evidence had been gathered that the provisions had been abused, his authorities no longer requested deletion. Several delegations expressed their support for the retention of the sub-paragraph.

The Council agreed to recommend to the CONTRACTING PARTIES that sub-paragraph (j) of Article XX be retained with no provision for a further review.

13. Balance-of-payments import restrictions - 1970 programme of consultations (C/83)

The Council approved the programme (C/83) for the consultations to be carried out in 1970 by the Committee on Balance-of-Payments Import Restrictions with contracting parties maintaining import restrictions in accordance with the provisions of Articles XII or XVIII:B.

The Chairman requested the secretariat to make the necessary arrangements in consultation with the International Monetary Fund and countries concerned for the conduct of the consultations.

14. Working Party on EEC Associations with Tunisia and Morocco (L/3321)

The Chairman recalled that in July 1969 the Council had established a Working Party to examine the EEC Associations with Tunisia and Morocco. The terms of reference and membership were set out in document L/3321. He now proposed that Mr. Meere (Australia) be appointed Chairman of the Working Party.

The Council approved this nomination.

15. Working Party on Accession of the United Arab Republic

The Chairman recalled that the Working Party on Accession of the United Arab Republic was established in 1967. Its Chairman, Mr. Barbosa of Brazil, had been called to other functions and had left Geneva. Since the Working Party would be meeting in the near future, he proposed that Ambassador Buresch (Austria) be appointed Chairman of the Working Party.

The Council approved this nomination.

16. Brazil - Renegotiation of Schedule

The representative of Brazil said that in the context of a far-reaching reform initiated in 1964, his authorities had introduced important changes in the Brazilian tariff. These changes had affected some of the concessions which had been bound in the Brazilian Schedule and his Government had been authorized by the CONTRACTING PARTIES under their Decision of 27 February 1967 to apply those rates of duty provided in its new customs tariff pending completion of renegotiations of bound items under Article XXVIII. There had been subsequent extensions of the time-limit for the completion of the renegotiations. The last extension would expire at the end of the twenty-sixth session.

Although negotiations with interested contracting parties were near completion, he was not sure that they could be concluded before the end of the twenty-sixth session. He therefore wished to give advance notice to the Council that at its next meeting his delegation might have to request a further extension of the Decision.

The Council took note of the statement by the representative of Brazil.

17. Israel - Import deposits scheme

The representative of Israel stated that since Israel's last consultation on its balance-of-payments import restrictions in November 1969, the foreign exchange reserve situation, which had been serious at that time, had further deteriorated. On 12 January 1970 the Government of Israel had introduced a system of import deposits which aimed at improving the balance of payments and at combatting inflationary pressures in the economy.

The essential features of the import deposits scheme were as follows: In order to obtain clearance of goods through the customs, importers would be required to make a deposit with the Treasury; the scheme covered imported goods only where customs duty was paid at a rate higher than 30 per cent; the rate of deposit would be 50 per cent of the value of the imported goods as defined by the Customs Ordinance; the deposit would be lodged with the Treasury for a period of six months and would be repayable at the expiry of this period; the deposit would earn interest at the rate of 6 per cent per annum; goods subject to the deposit which had already been imported before 12 January 1970 would be liable to a deposit of 25 per cent of their value, provided they obtained customs clearance before 12 March 1970.

The following categories of imports were exempt from the obligation to pay the deposit: goods for which the total deposit payable would not exceed I£ 500; goods imported by new immigrants, temporary residents or returning residents for their personal use; goods covered by general import licence such as parcel post consignments for private consumption, personal luggage, etc.

It was expected that about 20 per cent of Israel's imports would be affected by the scheme.

In order to ensure the effectiveness of the scheme the banks had been requested by the Governor of the Bank of Israel not to extend credit for the purpose of financing import deposits. Furthermore, the money deposited would not be used to finance the Government's Budget.

The representative of Israel stressed that, notwithstanding the present measure, it was the intention of her Government to maintain its efforts with regard to the liberalization of imports. Her delegation was prepared to provide additional information on the import deposits scheme to the CONTRACTING PARTIES if requested.

There was some discussion as to whether the examination of the Israeli import deposits scheme should take place in a working party set up for the purpose, or whether it should be referred to the Committee on Balance-of-Payments Import Restrictions.

The Council agreed to refer the examination of the import deposits scheme introduced by the Government of Israel and its implications to the Committee on Balance-of-Payments Import Restrictions, it being understood that this Committee would meet at the earliest date possible and would take into account the discussions in the last consultation with Israel in November 1969. The International Monetary Fund should be invited to consult as required by the provisions of Article XV:2.

The Council agreed that Switzerland, which was not a member of the Balance-of-Payments Committee, could participate in the Committee for the purpose of this examination.

The Council also agreed that the European Communities and their member States would be included in the membership of the Committee on Balance-of-Payments Import Restrictions.

18. Spain - Import deposits scheme

The representative of Spain informed the Council that on 5 December 1969 his Government had introduced an import deposits scheme. The main features of this scheme, promulgated in Decree 3100 of 5 December 1969 and an Order of 11 December 1969, were: (i) until 31 December 1970 importers would make a deposit in pesetas before requesting an import licence; (ii) the deposit would amount to 20 per cent of the value of the goods to be imported; and (iii) the deposit would not bear interest and would be reimbursed six months later.

These measures had been taken in order to safeguard and restore the general economic equilibrium of the country. He recalled that in the consultation on the Spanish balance-of-payments restrictions in November 1969, reference had been made to the deteriorating balance-of-payments situation, and the additional measures had been found necessary in view of new developments. The measure adopted was not severe as it covered only 20 per cent of the value of each importation. It was part of a possible series of measures which the Spanish Government was likely to adopt in order to restore the balance and to meet the requirements of the country's economic development.

The Council agreed to refer the examination of the import deposits scheme introduced by the Government of Spain and its implications to the Committee on Balance-of-Payments Import Restrictions, it being understood that this Committee would meet at the earliest date possible and would take into account the discussions in the last consultation with Spain in November 1969. The International Monetary Fund should be invited to consult as required under Article XV:2.