

GENERAL AGREEMENT ON TARIFFS AND TRADE

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MINUTES OF MEETING

Held in the Palais des Nations, Geneva,
on 12 January 1972

Chairman: Mr. C.H. Archibald (Trinidad and Tobago)

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1. Membership of the Council

The Chairman announced that the Government of Romania had requested membership in the Council. On behalf of the Council, the Chairman welcomed Romania as a member and Mr. Petrescou as its representative.

2. Danish Temporary Import Surcharge (L/3648)

Mr. Eastham (Canada), Chairman of the Working Party on the Danish Temporary Import Surcharge, stated that the Working Party had examined, in the light of information supplied by the Danish Government and by the International Monetary Fund, the balance-of-payments and reserve position of Denmark, the necessity for taking action to improve the balance-of-payments situation and the appropriateness of recourse to an import surcharge under the conditions prevailing at that time. He said that internal economic measures complementary to the objectives of the surcharge and possible alternatives had also been discussed. With regard to the modalities of the implementation of the surcharge, the discussion had centred on the time-table provided by Denmark for removal

of the surcharge as well as on the exemptions from the application. The exemptions discussed had included those of a general nature for a large number of raw and semi-processed materials and foodstuffs, as well as specific exemptions coming under the Danish Generalized System of Preferences. Additional exemptions approved by the Danish Parliament during the conclusion of the report were described in document L/3602/Add.2. Referring to the conclusions of the report, he said that the Danish Government had been asked to remove the surcharge at an earlier date than that provided for in the relevant legislation, if improved conditions, including those in the international monetary field, should so warrant.

Many representatives commented favourably on the fact that the Danish Government had exempted from the surcharge products included in the Danish Generalized System of Preferences imported from members of the Group of Seventy-Seven.

The delegates of India, Brazil and Trinidad and Tobago stated that by doing so, Denmark had in fact implemented Part IV of the General Agreement on Tariffs and Trade. They recalled that Part IV required countries using measures to meet particular problems to refrain from taking measures which would have adverse effects on the economies of developing nations, and they welcomed the decision of Denmark.

A number of representatives expressed concern that the exemptions from the surcharge only applied to products imported from the Group of Seventy-Seven and that they did not include imports from all developing countries. They urged the Danish Government to extend the exemptions to all developing countries.

The representative of Malta, referring to paragraphs 22 and 41 of the report, said that the wording of these paragraphs could give the impression that the Group of Three had made a recommendation that the General Preference Scheme should apply to members of the Group of Seventy-Seven only, whereas in fact the Group of Three had not made any recommendation to limit the application of the General Preference Scheme to any group or any number of developing countries.

The representative of Cuba shared the concern expressed by other delegations that the exemptions from the surcharge did not include all developing countries. He pointed out that the Danish Generalized System of Preferences applied to developing countries members of the Group of Seventy-Seven by a certain date. Cuba was excluded from the list of developing countries benefiting from the Danish exemptions because it had become a member of the Group of Seventy-Seven after that date. In the view of his delegation, this constituted a discrimination against Cuba contrary to the principles of the GATT and UNCTAD. He urged the Danish Government to eliminate this discrimination as soon as possible and to extend the exemption from the surcharge to all developing countries.

The representative of Argentina welcomed the decision of the Danish Government to exempt products included in the Generalized System of Preferences from the temporary import surcharge. He pointed out, however, that several products, in particular agricultural products, were not covered by the Generalized System of Preferences and therefore were not exempted from the surcharge. He appealed to the Danish Government to exempt from the surcharge all products coming from the beneficiary countries, if possible by 1 July 1972. If this were not possible, then, in the light of paragraph 42 of the report at least those products which were adversely affected as a result of the surcharge should be exempted.

The representative of the United States pointed out that the Working Party had discussed the Danish temporary import surcharge at a time when the international monetary situation was very different from the present situation. He recalled that since then the monetary situation had substantially improved and achieved some stability. Referring to paragraph 40 of the report, he urged the Danish Government to remove the surcharge at an earlier date than that provided in the present legislation. His delegation considered that if the surcharge were not removed in the meantime, the Working Party should convene again at a reasonably early date and perhaps as early as the end of February, to assess the need for continuation of the surcharge.

The representative of Japan recalled that Denmark had implemented the temporary import surcharge because of a combination of factors, including a persistent deficit in the trade account of its balance of payments, because of her small exchange reserves and because of the uncertainties in the international monetary field. The realignment of exchange rates and the removal of the temporary import surcharge of the United States, had, however, eliminated the uncertainties in the monetary field and created favourable conditions for an earlier removal of the Danish import surcharge than provided for in the relevant legislation. In the event that the surcharge should still be applied after any length of time, the Working Party would have to be reconvened in order to examine the possibilities for removal of this measure in the light of the recent developments.

The representative of the EEC recalled that the Working Party had been unanimous in its view that the measure taken by the Danish Government did not conform with the provisions of the General Agreement. He pointed out that Denmark had had a deficit in the balance of trade as well as the balance of current accounts and the balance of payments over a long period. The Working Party had, therefore, not reached a unanimous conclusion regarding the appropriateness of the measure. He considered that if the tendency towards a stabilization of the international monetary situation should continue it would be necessary to re-examine the appropriateness of the decisions taken by the Danish Government. This would be equally necessary if a re-examination should show that the deficit of the balance of current accounts was more than compensated by an inflow of long-term capital. Like many other representatives, he stressed the significance of paragraph 40 of the report and appealed to Denmark to reconsider constantly the possibility of eliminating the import surcharge at an earlier date than was foreseen in the time-table established by the Danish legislation.

Several other representatives also emphasized the fact that important changes had occurred in the international monetary situation and, referring to paragraph 40 of the report, urged Denmark to remove the surcharge at an earlier date than had been planned originally.

The representative of Denmark recalled that his country had a clear time-table for the elimination of the temporary import surcharge, that 50 per cent of total imports were exempt from the surcharge and that products imported from developing countries included in the Generalized System of Preferences were exempt from the import surcharge too. He emphasized that his delegation could understand the concern expressed by those developing countries which were not among the countries benefiting from the Danish Generalized System of Preferences.

He explained that in view of the negotiations which were taking place between the EEC and Denmark, his Government had felt that it would not be possible to establish a list of beneficiary countries different from that of the EEC. He stated, however, that the list would be reconsidered in the light of international consultations. He agreed that the Working Party should reconsider the subject in a reasonable time. He recognized the relevance of the changes which had occurred in the international monetary system, but he said that until now no significant changes in the situation of the Danish balance of payments had taken place. He felt that a meeting of the Working Party as early as February - as had been proposed by the United States - was premature.

The Chairman recalled that during the discussion many delegations had urged Denmark to reconsider the time-table for the elimination of the surcharge. In view of the change of circumstances referred to in paragraph 40 of the report, these delegations felt that Denmark should consider the possibility of reviewing the surcharge at an earlier date than provided in the legislation.

The Council adopted the report of the Working Party and its conclusions.

The Council noted that the Working Party under its terms of reference would continue to be available for consultations as necessary, and agreed that the Working Party should be reconvened in the light of developments, on the initiative of the Chairman or at the request of any contracting party. In the meantime, the matter should be kept on the Council agenda, i.e. any member of the Council could at any time ask for its inclusion and the Council, when adopting the agenda, would include the item if so requested.

The Council agreed that the Council's decisions, together with the full text of the Conclusions of the Working Party, should be made available to the Press.

3. Australia - tariff preferences for developing countries (L/3617, L/3544)

The Chairman recalled that under a Decision of 28 March 1966 the CONTRACTING PARTIES had waived the provisions of paragraph 1 of Article I of the General Agreement to permit the Government of Australia to accord preferential tariff treatment to imports of certain goods from developing countries. The waiver provided for an annual review of its operation and for a major review every fifth year, on the basis of reports by the Government of Australia. The fifth annual report had been distributed in document L/3617.

The representative of Australia recalled that the preferences system contained two concepts: entry at preferential rates subject to quota limitations for a range of manufactured and semi-manufactured products from developing countries and unlimited duty-free entry for handicraft products. In accordance with the Decision the system had been progressively expanded with regard to product coverage, value of tariff quotas and reduction of duties. In 1966 the quota system had comprised 158 BTN items with total quotas available of \$A 13 million. On 1 July 1971 the total number of items was 381 and total quotas amounted to \$A 47 million. In addition, the range of handicraft products admitted free of duty without limitation had been expanded from nine product groups to 57. The

system and its operation had not given rise to any action by the CONTRACTING PARTIES about its trade effects. On only two occasions had his Government been asked to consult in accordance with the waiver provisions; in each case, a mutually acceptable settlement had been reached. His country, furthermore, had not had recourse to the withdrawal provisions in paragraph 3 of the Decision. Imports under the system had increased from \$A 2.3 million in 1966/67 to \$A 16.1 million in 1970/71. Over the last three years quota imports had increased by a little over 50 per cent, whereas handicraft imports had doubled. Although these were fairly rapid rates of growth, it was evident from the statistics that there was considerable scope for developing countries to make more use of the opportunities provided by the system. Imports in 1970/71 had been only 25 per cent of the available quotas and the quotas taken up had been less than 50 per cent of quotas available. A somewhat similar picture emerged from an examination of the Annexes B and D of the Report showing the shares of individual countries in the allocation of quotas and actual imports and indicating that in 1970/71 ten countries had accounted for 94 per cent of total imports under the quota section of the system; of these ten, the first two had accounted for 51 per cent of the total and the next three for a further 33 per cent. Finally, it was to be noted that two thirds of his country's imports from developing countries in 1970/71 had been in any event duty-free, irrespective of the preferences system.

The representative of India expressed his Government's satisfaction over the quota increases and the extension of the products coverage. It was now for the developing countries to undertake greater efforts to avail themselves of the opportunities offered. As the first major review of the system was being carried out it was worth noting that the system had had no adverse effects, that there had been no complaints and no need of recourse to escape clause actions by the Australian Government. This was important because in his delegation's view the Australian System had been the forerunner of the Generalized System of Preferences. He suggested that Australia now consider how it could fit its system into the Generalized System of Preferences. At the same time the Australian experience could also be useful to other developed countries.

The representative of Greece expressed his Government's appreciation of the system, emphasizing its application to all developing countries.

The representative of Yugoslavia supported the views of a general nature expressed by the representative of India, and noted that the System had significantly improved his country's trade relations with Australia.

The representative of the United Kingdom, speaking on behalf of Hong Kong, expressed its appreciation of Australia's willingness to hold negotiations with Hong Kong and for the helpful manner in which they had been carried through.

The representative of Australia recalled that his authorities had recently submitted two notifications to the CONTRACTING PARTIES (L/3553, L/3651). They were at present considering the possibility of adaptation of the Australian system to which the representative of India had referred. He pointed out however, that the Generalized System of Preferences was not yet fully operative which made it difficult for his country to proceed in isolation. With regard to the fact that

the System was not being fully used, he pointed out that his authorities had made considerable efforts to publicize the System and its application.

The Council took note of the fifth annual report by the Government of Australia. The Chairman noted that the Council had herewith carried out the review required under the Decision.

The Chairman drew the Council's attention to document L/3544 which contained a request that Romania be included in the preferential arrangement. Since the circulation of this document on 12 June 1971, no objection to the request had been received from any contracting party including Australia. He assumed, therefore, that there were no objections to Romania being added to the list of countries and territories benefiting from the Australian preference scheme. It was to be understood that the mention of a country in this list did not define the status of that country or territory for the purposes of the General Agreement or for any other purpose.

The Council agreed that Romania should be added to the list of countries and territories benefiting from the Australian preference scheme.

The representative of Romania thanked the Government of Australia for its willingness to extend the preferential arrangement to his country.

4. South Africa - Import restrictions (L/3638)

The Chairman recalled that the Government of South Africa had advised the CONTRACTING PARTIES of its decision to invoke Article XII and to intensify its remaining import restrictions as a means of safeguarding its external financial position and its balance of payments (L/3638). The South African authorities had also expressed their willingness to consult with the CONTRACTING PARTIES.

In airgrams GATT/AIR/902 and 904 contracting parties had been advised of arrangements made for carrying out this consultation by the Committee on Balance-of-Payments Import Restrictions next week. The item had been put on the agenda of this meeting to provide members of the Council with the opportunity to comment at this time on the South African measures.

The representative of South Africa expressed his Government's regret at having found it necessary to intensify the remaining import restrictions. His country had experienced a substantial deficit in its balance of payments, which it had hoped to correct through the introduction of fiscal and monetary measures. International monetary developments had however introduced an additional element of uncertainty and had further accelerated the decline of the country's reserves. The intensification of import restrictions had therefore seemed to be the only immediate solution. In addition however, his country had recently devalued its currency. For the time being his Government was maintaining the import control measures since the rectification of the balance of payments could take some time. The measures would however progressively be relaxed when and as it became clear that a definite improvement in the balance on current accounts had set in.

The representative of the EEC expressed the Communities' regret at the measures taken. All documents submitted in this context contained little information on the exact character of the difficulties South Africa was encountering. It was therefore difficult at the present stage to reach any conclusion as to whether the balance-of-payments difficulties were of a nature to justify the intensification of the import restrictions. A decision to refer the matter to the Balance-of-Payments Committee would of course be without prejudice to this question. The report of the Balance-of-Payments Committee should be submitted to the Council at an early date. He further stated that the measures adopted put the tariff renegotiations which South Africa was carrying out into a new light.

The representative of the United Kingdom took the view that referring the issue to the Committee on Balance-of-Payments Import Restrictions should nevertheless permit the Committee to conduct consultations at shorter than annual intervals and to meet, for example, after six months. This seemed justified in view of South Africa's very recent currency realignment and introduction of other stabilization measures. He supported the proposal that the report be made available to the Council at an early date.

The representative of Argentina noted that his country's trade with South Africa had grown considerably over the past two years. His authorities regretted therefore the measures adopted by South Africa and hoped that the measures would be removed at an early date.

The Council agreed to revert to the matter at its next meeting, when the report of the Committee on Balance-of-Payments Import Restrictions should be available.

5. Article XXVIII:1 - Renegotiations 1969 (C/W/190)

The Chairman drew attention to document C/W/190 and noted that some negotiations which were being carried out under Article XXVIII:1 of the General Agreement had not been completed by the closing date of the negotiations, i.e. 31 December 1971. In these circumstances it had been proposed on 29 December 1971 that the Council at its present meeting should agree that the time-limit for the conclusions of the negotiations should be further extended to 30 June 1972.

The Council agreed to the proposed extension of the time-limit.

6. Assessment of additional contributions (L/3629)

The Chairman drew attention to document L/3629 in which it was proposed that following its accession to the GATT on 14 November 1971 a contribution to the 1971 budget and an advance to the Working Capital Fund be assessed on the Government of Romania.

The Council adopted the assessments proposed in paragraphs 1 and 3 of the document.

7. India - Regulatory duty (L/3654)

The representative of India, in introducing the information contained in document L/3654, pointed out that his Government over the last nine months had had to meet the staggering burden of providing relief to about ten million refugees from Bangla Desh. While the regular budget for 1971/72 had provided Rs 600 million for relief to refugees, this provision had had to be increased in August 1971 by Rs 2,000 million and a further increase was to be expected. In addition to the influx of refugees, his country had been struck by several natural calamities in the recent past. His authorities had therefore introduced a number of revenue-raising measures, including the imposition of a regulatory duty of 2.5 per cent of the value of all imports except goods described in Annex I to document L/3654 which had been exempted from that duty. On a few specified items (Annex II) the rate of the regulatory duty was 10 per cent ad valorem. Only six bound items were being affected by the 10 per cent regulatory duty. Generally, therefore, the bound level of duty in respect of GATT bindings had been increased by only 2.5 per cent. Several other economic and fiscal measures had been introduced at the same time. The combined revenue effect of all measures would be Rs 1,350 million in a full year. The package was expected to help in achieving an overall equilibrium in his country's balance of payments. In his authorities' view, the regulatory duty was not expected to have a significant effect on the quantity or the value of imports. His delegation was willing to give any further information requested.

The representative of Pakistan took exception to the reference made with regard to the number of refugees and the reference to so-called Bangla Desh. He reserved his delegation's position on this issue.

Because several delegations had not had sufficient time to study the information the Council agreed to revert to the matter at its next meeting.

8. United States temporary import surcharge (L/3647 and Add.1)

The Chairman drew the Council's attention to a notification by the United States delegation informing the CONTRACTING PARTIES that the United States temporary import surcharge had been terminated as of 20 December 1971 (L/3647). In a more recent communication the United States had confirmed that as a result of the removal of the import surcharge the Job Development Investment Credit would now also be applicable to foreign goods.

The representative of Australia expressed satisfaction at the prompt decision taken by the United States authorities to remove the surcharge.

On behalf of the Council, the Chairman expressed his satisfaction that it had been possible to terminate these measures.

9. Committee on Balance-of-Payments Import Restrictions

The Chairman informed the Council that Mr. Abbott (United Kingdom), Chairman of the Committee on Balance-of-Payments Import Restrictions, had been assigned by his Government to other functions. He therefore proposed that Mr. Dunkel (Switzerland) be nominated as Chairman.

The Council agreed to the nomination of Mr. Dunkel.

10. Group on Environmental Measures and International Trade (C/M/74)

The Chairman recalled that when in November 1971 the Council had agreed on the establishment of a Group on Environmental Measures and International Trade, the nomination of a chairman had been left for a later date. He now proposed that Mr. Kaya (Japan) be nominated Chairman of the Group.

The Council agreed on the nomination of Mr. Kaya.

11. Association between the EEC and Malta -- Working Party (C/M/68)

The Chairman recalled that the Council, at its meeting in April 1971, had nominated Mr. Mohsin (Pakistan), Chairman of the Working Party on the Association between the EEC and Malta. The Pakistan mission had now advised that Mr. Mohsin was no longer available to chair the Working Party. It was therefore proposed that Mr. Oliveri Lopez (Argentina) be nominated Chairman of the Working Party.

The Council agreed on the nomination of Mr. Oliveri Lopez.

12. Association between the EEC and Turkey -- Working Party (C/M/73)

The Chairman recalled that when in October 1971 the Council had established a Working Party on the Association between the EEC and Turkey, the nomination of a Chairman had been left for a later date. He now proposed that Mr. Dunkel (Switzerland) be nominated Chairman of the Working Party.

The Council agreed on the nomination of Mr. Dunkel.