

GENERAL AGREEMENT ON TARIFFS AND TRADE

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MINUTES OF MEETING

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Chairman: Mr. H. KITAHARA (Japan)

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1. Provisional Accession of the Philippines (L/3823)

The Chairman stated that the Government of the Philippines had announced its decision to seek accession to the GATT pursuant to Article XXXIII, initially on a provisional basis pending the working out of arrangements for tariff negotiations (L/3823).

The representative of the Philippines said that in its trade relations with members of the international community, the Philippines had consistently adhered to principles, policies and practices, enshrined in the General Agreement, or contained in pertinent decisions or resolutions of the CONTRACTING PARTIES. The Philippines believed in trade liberalization as a means of expanding trade. The principle of most-favoured-nation treatment was a standard provision in any trade agreement or arrangement of which the Philippines was a party or signatory. The Philippines had

also participated in the trade negotiations among developing countries under the auspices of GATT. At the session of the CONTRACTING PARTIES last November his delegation had informed the CONTRACTING PARTIES of the intention of the Philippines to participate in the preparatory work for the forthcoming multilateral trade negotiations.

He then gave a brief analysis of the foreign trade of the Philippines, pointing out that his country's foreign trade had increased from \$360 million in 1946 to \$2,518 million in 1972. Of the 112 countries with which the Philippines had trade relations, 61 were contracting parties. In 1972, 90 per cent of the total of his country's foreign trade was conducted with contracting parties. The largest share of the Philippine imports came, in order of importance, from the United States, Japan, the European Communities, Australia and the ASEAN countries. Similarly, 42 per cent of the Philippine exports went to the United States, 32.8 per cent to Japan, 13.6 per cent to the EEC and 1.6 per cent to ASEAN countries. His country's special trade agreement with the United States was due to expire on 3 July 1974.

As to the Philippine tariff system, a new Tariff and Customs Code was enacted by the Congress of the Philippines in 1957. This Code was patterned after the Brussels Tariff Nomenclature and consisted of 1,600 tariff lines with corresponding rates of duty. Some of the rates were protective. Low rates were prescribed for industrial raw materials, machinery and basic essential commodities, while high rates were imposed on luxury items and non-essentials.

On 27 October 1972 the Tariff and Customs Code of the Philippines had been revised with a view to its simplification. Among the most important features of the revision were: (1) the adoption of the 1972 version of the Brussels Tariff Nomenclature; (2) Reduction of tariff line items from 1,825 to 1,250; (3) Adoption of the ad valorem form of tariff rates except that on cinematographic film; (4) Maintenance initially of one-column tariff; (5) Concentration of tariff rates in six levels ranging from 10 per cent to 100 per cent; (6) Reduction of rates of duty on 427 tariff lines compared to previous schedules; (7) Protective tariffs were selective, reduced to reasonable levels and subject to periodic gradual reduction or review; (8) Presidential power to modify tariff rates including commodity classification and to enter into trade agreements embodying tariff concessions with other countries without necessity of ratification by the legislative body upon prior investigation of the Tariff Commission and recommendation of the National Economic and Development Authority.

The Central Bank of the Philippines was also entrusted by law with some functions aimed towards the regulation of the volume, composition and direction of imports. Imports into the Philippines were classified in accordance with the Standard International Trade Classification (SITC). The classification of imports took into consideration, essentiality, use, domestic production and other factors.

All commodity lines were thus grouped under ten categories. Payments for authorized imports were given expeditious course by the agent commercial banks. Financing of imports could be done by letters of credit, documents on acceptance or open account. Aside from import duties in the nature of specific tax, advanced sales tax or compensating tax, other import regulatory measures were based on security, health and moral considerations.

He concluded by pointing out that his Government would submit in greater detail such information as was needed by the CONTRACTING PARTIES. He expressed the hope that a decision would be taken by the CONTRACTING PARTIES with a view to the early establishment of GATT relations between the Philippines and contracting parties.

The representatives of a great number of contracting parties welcomed the application for provisional accession made by the Philippines.

The Council agreed to set up a working party, under the Chairmanship of Mr. Tomic (Yugoslavia), with the following terms of reference and membership:

Terms of Reference:

"To examine the request of the Government of the Philippines to accede provisionally to the General Agreement and to submit recommendations to the Council."

Membership:

Australia	India	Nigeria
Brazil	Japan	Pakistan
Canada	Korea	Sri Lanka
European Communities and their member States	Malaysia	Switzerland
Egypt	Nordic countries	United States

The Chairman invited the representative of the Philippines to consult with the secretariat as to the further procedures, in particular basic documentation to be considered by the Working Party.

2. Trade Arrangements between India, the Arab Republic of Egypt and Yugoslavia

- Report by the Participating States (L/3822)
- Expiry of Decision of 20 February 1970 (L/3827)

The Chairman recalled that the Decision of 20 February 1970 enabled the three Governments participating in the Trade Expansion and Economic Cooperation Agreement to continue the Agreement notwithstanding the provisions of Article I of the GATT. The Decision was to expire on 31 March 1973. He then drew attention

to document L/3822 on the operation of the Agreement in 1971/72 and to document L/3827 in which the three Governments informed the CONTRACTING PARTIES of their recent decision to extend the Trade Expansion and Economic Cooperation Agreement by five years until 31 March 1978. Accordingly, the three Governments requested an extension of the Decision of 20 February 1970 in order to permit the continuation of the implementation of the Agreement until the end of its period of validity.

The representative of Yugoslavia, speaking also on behalf of the delegations of Egypt and India, presented the annual report on the operation of the Agreement and said that the Agreement had assisted in maintaining trade between the three partner countries, particularly in products which had not hitherto figured significantly in their mutual trade exchanges. The report for 1971/72 showed modest but beneficial trade among the three countries in products covered by the Agreement without at the same time causing any harm to the trade interests of third countries. The three participating countries had availed themselves of the opportunity offered by the trade negotiations held among the developing countries to multilateralize the special tariff concessions relating to a number of products figuring in the Common List. It was hoped that, in accordance with paragraph 6 of the Protocol relating to the Trade Negotiations among the Developing Countries, there would be new negotiations in the near future for additions to and enlargement of the schedules of concessions attached to that Protocol. The three Governments had decided to continue the Trade Expansion and Economic Cooperation Agreement for a further period of five years beyond 31 March 1973 until 31 March 1978. Accordingly, he requested that the period of validity of the Decision of 20 February 1970 permitting the operation of the Trade Expansion and Economic Cooperation Agreement between the three countries be extended by five years until 31 March 1978.

The representative of the United States said that the original Decision of the CONTRACTING PARTIES relating to the Agreement and the Decision of February 1970 provided for an annual review of the Decision involved. It was difficult for his delegation to consider the report in the short time provided and to determine the real effects of the Decision, how it was operating and what was its relationship to broader agreements. He proposed, therefore, that a working party should be set up this year to review the Decision. As the end of the present decision was extremely imminent, he also proposed to extend the Decision for an adequate period to enable the Working Party to perform its function.

The representative of Jamaica stated that any self-help by developing countries to improve trade with each other should be welcomed. He, therefore, believed that no obstacles should be set up by developed countries to these endeavours and his delegation urged the Council to agree to the request by Egypt, India and Yugoslavia for the extension of the Agreement by five years.

The representatives of Australia, Canada and Japan supported the establishment of a Working Party to study the report on the operation of the Agreement and its relationship to broader agreements. They believed that the present Decision should, therefore, be extended for a short period.

The representative of the European Communities said that his delegation had been pleased to note the multilateralization of the concessions. He enquired why there was a decline in trade between the three countries during the third period.

The representative of Yugoslavia stated, on behalf of the participating countries, that he did not have any objection to the examination of any question of interest to any country. He also did not have any objection to the establishment of a Working Party. Trade between the participating countries had not expanded in such a way as to harm the interests of third countries. The Agreement was, furthermore, open to other developing countries and it contributed to the Trade Negotiations among Developing Countries. He then proposed that the Decision permitting the operation of the Agreement be extended, initially for a reasonable period.

The Chairman felt that there was a consensus among the contracting parties for the establishment of a Working Party and he proposed the following terms of reference and membership.

Terms of Reference:

(i) To consult with India, the Arab Republic of Egypt and Yugoslavia, as provided under paragraph 1(b) of the Decision of 20 February 1970 with respect to the proposed extension of the Trade Expansion and Economic Cooperation Agreement of 23 December 1967, as amended by the Protocol dated 16 July 1969; and

(ii) to carry out the review of the Decision of 20 February 1970 as provided in paragraph 1(c) thereof, and to report to the Council with a recommendation as to the extension, modification or termination of the Decision.

Membership:

Argentina	Egypt	Poland
Australia	Ghana	Spain
Austria	Greece	Nordic countries
Brazil	India	Switzerland
Canada	Israel	Turkey
Chile	Japan	United States
European Communities and their member States	Malaysia	Uruguay
	Pakistan	Yugoslavia

The Chairman proposed that the Council should give him authority to nominate the Chairman of the Working Party in consultation with the three Governments and the principally interested delegations. The Council agreed to the establishment of the Working Party.

The representative of India reiterated that the participating Governments did not have any objection to a thorough examination of the Agreement. The Agreement had fulfilled its objectives, its operation did not harm the interests of other countries and it provided for the participation of other developing countries.

He stated that the participating Governments themselves intended to carry out a review of the Agreement which would be presented to the Working Party.

The representative of Trinidad and Tobago reminded the Council that this Agreement was for the developing countries to help themselves and that it was open to other developing countries.

The Chairman suggested that since the Working Party was unlikely to meet and conclude its work before the expiry of the Decision, the Council should take steps for a temporary extension of the Decision of 20 February 1970.

The Council approved the text of a draft decision prepared by the secretariat extending the Decision of 20 February 1970 until the end of the twenty-ninth session of the CONTRACTING PARTIES.

The Chairman said that the decisions relating to the Tripartite Agreement had in the past been adopted by the CONTRACTING PARTIES by consensus. Since there were more than half of the contracting parties represented at the Council meeting, it was fully in order for the Council to extend the Decision of 20 February 1970 on the basis of the draft decision approved, if there was a consensus in the Council to do so.

The Chairman noted that there was a consensus in the Council composed of at least half of the contracting parties, to extend the Decision of 20 February 1970 on the basis of the draft decision the text of which had just been approved. The decision¹ had therefore been adopted by the CONTRACTING PARTIES.

3. EEC - Mauritius

- Accession of Mauritius to the Yaoundé Convention (L/3820)

The Chairman drew attention to document L/3820 containing a communication from the Council of the European Communities and from the Prime Minister's Office of Mauritius, regarding the accession of Mauritius to the Yaoundé Convention.

The representative of the EEC said that the Agreement of Accession of Mauritius to the Yaoundé Convention aimed at setting up a free-trade area between Mauritius and the European Community. Mauritius would thus become the nineteenth member of this Convention. The Agreement had not yet entered into force as the ratification procedure was not yet completed. He emphasized that the Community would be willing to participate in a Working Group to study the Association Agreement if the Council so decided.

The Council took note of the Association Agreement.

¹The decision has been circulated in document L/3832.

The representative of the United States remarked that he was not certain whether a Working Party was needed or not, but he did not want to preclude further consideration of the Agreement, either in a Working Party or in the Council. If the discussion was closed today that did not mean that the Council or the CONTRACTING PARTIES had no further interest in this Agreement.

The representatives of Canada and Australia also reserved the possibility to revert to the subject, if necessary.

4. International Trade Centre

- Report of the Joint Advisory Group (ITC/AG/30)

Mr. Moerel (Netherlands), Chairman of the Joint Advisory Group, stated that the meeting of the Joint UNCTAD/GATT Advisory Group in January had been preceded by a meeting of the Technical Committee. The Advisory Group was unanimously of the view that the Technical Committee had proved of great value; and further the Group agreed that in future the Technical Committee should meet for a longer period than it did in 1973. As regards the organization of the Technical Committee on a permanent basis, the Chairman of the Group had been requested to enter into consultations with a view to determining appropriate proposals in this regard.

The Group had noted that the two major facets of the Centre's development in the year were dynamic growth and structural adjustment, evidenced by the expansion in the number of projects being handled by the Centre, and by structural changes made within the Centre. The structural adjustments concerned both administrative aspects resulting from the granting to the Centre by the parent bodies of a greater measure of administrative autonomy and substantive aspects evidenced by the restructuring of the Trade Promotion Advisory Service, and certain re-orientations of both the Training Service and the Market Development Advisory Service.

Among the general issues given attention by the Group were problems related to the participation of the Centre in the UNDP country programming, delays in implementation of projects, difficulties in recruitment of field experts and the effects on the Centre's planned work programme of budgetary constraints. In looking to the future, the Group stressed the necessity of an increasingly close integration by the Centre of its technical assistance projects with the national development plans of developing countries.

In its review of the operational services of the Centre, the Group endorsed the 1972 in-depth study of the single advisory type of mission of the Trade Promotion Advisory Service and made certain recommendations. The Group also commended the re-organization of the TPAS as presented in the Work Programme and supported the new sub-regional approach advocated for the Training Service of the Centre to accelerate further the transfer of teaching techniques to developing countries. The Group also commended the shift in emphasis of the activities of the Market Development Advisory Service towards providing greater direct assistance to developing countries in market development and assisting them to build up their own cadres of experienced market researchers and marketing specialists through

on-the-job training by the Centre's market experts. The distribution of Centre publications and the future policy with respect to the Centre's quarterly trade journal, International Trade FORUM, were also given attention by the Group. There was very strong support for the continuation of the Forum in view of its generally accepted utility to the developing countries.

He concluded by informing the Council that there was general endorsement by the Joint Advisory Group of the Work Programme proposed by the Centre for 1974, and the Group agreed to recommend it to the Governing Bodies of UNCTAD and GATT.

The representative of Switzerland, in commenting on the work of the Group, remarked that the Technical Committee should remain a technical committee, i.e. an efficient instrument of manageable size.

The representative of Indonesia, after referring to the Centre's contribution to training and export promotion in his country, said that the size of the Committee should be increased from eighteen to twenty-four members for reasons of geographical balance.

The representative of Jamaica, after commenting on the quality of the Report and the usefulness of the ITC for developing countries, emphasized the problem of and the need for getting enough funds to expand the Centre's useful work. There was also an obligation imposed on developing countries to take prompt and effective measures for the implementation of projects initiated and accepted by them. The Council, in endorsing the Report, should make special mention of the need for adequate funds for the Centre in order not to restrict it in pursuing its work.

The representative of Sri Lanka expressed his appreciation for the continued support given by the developed countries to the Centre, in particular by the Nordic countries. He drew attention to UNCTAD Resolution 75 (III) asking developed countries to increase their support, financial and otherwise, to the Centre.

The Council approved the recommendation of the Advisory Group relating to the work programme for 1974 (paragraph 56 of the Report) and adopted the report.

5. Negotiations under Article XXVIII:4

- Request by Sweden (L/3825)

The Chairman drew attention to a request by Sweden, circulated in document L/3825, in which it requested authority under Article XXVIII:4 to enter into negotiations on a few items in its Schedule.

The representative of Sweden said that from 1 April 1974 Sweden intended to reduce the tariff rate on item ex 21.07 in Part I of Schedule XXX from 8 per cent to 5 per cent. At the same time, a system to compensate for the difference between the world market price and the Swedish domestic price for agricultural raw materials

included in certain processed foodstuffs would be introduced. This would be effective through a variable import levy, the size of which should be equivalent to the difference between the world market price and the domestic price. He could not state at this time whether as a result of this the bound rate would be exceeded, but confirmed that his Government had no intention of allowing the total sum of duty and variable levy to exceed the GATT bound rate before this position was renegotiated. His Government would be willing to take the interest of all parties concerned into account.

The representative of the United States remarked that his authorities had raised doubts as to what constituted the "special circumstances" as provided in Article XXVIII:4 in this case. He proposed that the item be carried over to the next meeting of the Council for further clarification.

The representative of the EEC reminded representatives that the question of defining "special circumstances" had been raised in the Council before and that his delegation believed that it would not be a good policy to define "special circumstances" too vigorously, since it could encourage contracting parties to invoke paragraph 5 of Article XXVIII more easily.

The representative of Sweden agreed to the postponement of this item to the next meeting of the Council.

The Council agreed to defer this item to the next Council meeting.

6. Agreements between the EEC and Tunisia and the EEC and Morocco

The representative of the EEC informed the Council that the Community had concluded a protocol with Tunisia on 28 February 1973 and with Morocco on 3 March 1973. These protocols were supplementary to the agreements concluded with Tunisia and Morocco and had been necessary because the accession of three new members to the Community had called for certain changes and modifications to the agreements. The protocols were of an interim nature and were limited in scope. There was a transitional period and an adaptation period concerning tariffs. The texts of the protocols would be presented to the CONTRACTING PARTIES as soon as they were available.

The Council took note of the statement.

7. Canada - Temporary Duty Reductions (L/3824)

The representative of Canada informed the Council that, as of 20 February 1973, Canada had reduced tariffs by an average 5 percentage points on imports valued in 1972 at almost \$1.3 billion. These tariff reductions formed part of a broad package of economic and fiscal measures including abolition of certain commodity taxes and reductions in income taxes which had been designed both to stimulate the Canadian economy and to deal with the upward thrust in the cost of living. While the tariff changes were not made primarily with commercial policy objectives

in mind, they should prove helpful in the broad international context. He expected that these changes would be beneficial to the exports of many countries, and noted that they covered a number of products where developing countries were important suppliers.

While the tariff cuts were for an initial period of one year, his Government had undertaken to review the situation again before the measure expired. It was possible, therefore, that these temporary reductions could be extended beyond the initial period in order to ensure the attainment of the Government's economic objectives. Any decision to make these reductions permanent would probably have to be taken in the context of a new multilateral round of trade negotiations. The Canadian authorities hoped that the announcement of these temporary tariff cuts by Canada at this time would make a positive contribution to the current international economic environment.

The Council took note of the information given by the Canadian Government.

8. Administrative and Financial Arrangements for the International Trade Centre

The Director-General recalled that, at the last meeting of the Council on 5 February 1973, he had referred to the proposals put forward by the Secretary-General of UNCTAD and himself concerning certain modifications to the administrative and financial arrangements for the International Trade Centre. Although it had originally been anticipated that the proposed new arrangements would be put into effect on 1 January 1973, this had not proved possible in view of certain technical problems which the partners on the United Nations side still needed to overcome. As he had then indicated, it was expected that these problems would be settled by 1 March at the latest.

In the meantime, discussions with the United Nations and the UNCTAD had continued in order to solve the technical difficulties, and he now informed the Council that the target date of 1 March had been kept. As of that date the Centre had taken over the management functions, such as preparation and control of the budgets and internal administration, as outlined in the agreement with UNCTAD. However, in the light of certain views expressed by the United Nations, it had been decided that servicing and processing functions in the field of payments, procurement, accounting and employment administration could be more properly performed through the existing infrastructure of the United Nations Office at Geneva, and this had been done since 1 March 1973. There was one point still under discussion, namely the type of contracts the Centre staff would receive. As the staff needed to be consulted, this matter would take longer to be finalized. He was, however, confident that this point would also be settled shortly.

He concluded by expressing his satisfaction that the new administrative arrangements envisaged for the International Trade Centre UNCTAD/GATT were being put into operation and his hope that they would prove beneficial for its future development.

The representative of Indonesia enquired whether or not the International Trade Centre would do its staffing in consultation with GATT or UNCTAD.

The Director-General replied that the staffing provisions of the Centre had not been changed. Nominations and promotions of the Centre were still subject to the decisions of the joint UNCTAD/GATT Appointments and Promotions Board. This aspect of the situation had remained the same as before 1 March 1973.

The Council took note of the information given by the Director-General.

9. Derestriction of documents

The Chairman stated that the secretariat had been requested to make available on an unrestricted basis the texts of the agreements concluded between the European Communities and Austria, Iceland, Portugal, Sweden and Switzerland. The texts of these agreements had been circulated to contracting parties in L/ documents which, under the procedures for the derestriction of GATT documents, would only be released in the second half of this year. Since the texts of the agreements were accessible to the general public in all countries concerned, it was suggested that the Council should agree to derestrict forthwith the L/ documents containing the various agreements in question.

The Council agreed to derestrict the documents proposed (L/3755, L/3758, L/3780, L/3781, L/3782, L/3783 and Addenda.)