

GENERAL AGREEMENT ON TARIFFS AND TRADE

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MINUTES OF MEETING

Held in the Palais des Nations, Geneva,
on 28 January 1974

Chairman: Mr. P.S. LAI (Malaysia)

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1. Membership of Council

The Chairman announced that the Government of Bangladesh had requested membership of the Council. He welcomed Bangladesh as a new member of the Council and Mr. Rahman as the Bangladesh representative.

2. Trade in Textiles (L/3981)

The Director-General, Chairman of the Negotiating Group on Textiles, recalled that the Council, on 30 July 1973, decided that the Working Party on Textiles should be reconstituted into a negotiating group. The group's task was, taking into account the Working Party's reports and its mandate of 30 April 1973, to reach a mutually satisfactory arrangement on trade in textiles by the end of 1973. The Negotiating Group was to report to the Council by 31 December 1973. This had been done on 20 December 1973 in document L/3981.

To carry out its task the Negotiating Group convened first on 31 July 1973 to organize its work and adopted a time-table which provided for three more meetings. At the meeting on 10-12 October the Group addressed itself to the examination of the list of elements to be considered in the search for possible solutions to the problems

that arose in international trade in textiles. Following the discussions the Group charged the secretariat with the task of establishing a draft of an arrangement on which the delegations could base their work at the next meeting. Members of the Group were therefore invited to present to the secretariat any proposals they might wish to put forward regarding what, in their view, should be contained in any new arrangement on trade in textiles or with respect to any specific part thereof.

The draft prepared by the secretariat was submitted to the Group on 30 October 1973. Its purpose was to provide a basis for the negotiations; no delegation was committed to it, nor was it regarded as embodying the views of the secretariat.

At its second meeting held from 5-9 November, the Negotiating Group examined the main operative articles of the Arrangement. Different positions as regards these articles emerged in the course of the discussion and concrete suggestions and reformulations were put forward by a large number of delegations.

At its final meeting the Group was in continuous session from 3 to 20 December. The discussion started off with the remaining articles and other pending parts of the Arrangement. Following consideration of suggestions put forward in the Group and informal consultations with delegations, the secretariat prepared revised drafts on the basis of which the negotiations continued. These revisions embodied a consensus on certain provisions, but differences in views on other operative aspects of the Arrangement still persisted. Thus, some time went into finding compromises.

On the basis of duly revised drafts the Group conducted an article-by-article review which resulted in the Group reaching agreement on the text of an Arrangement Regarding International Trade in Textiles. This text was contained in document L/3981 dated 20 December. This Arrangement represented a compromise arrived at not without difficulty, and the Director-General expressed satisfaction that the Group had carried out the task conferred upon it by the Council in an atmosphere of active co-operation which had enabled it to complete its task in good time.

The Director-General continued by drawing attention to a certain number of points.

In the first place the delegations of Argentina and Uruguay were not in agreement with the inclusion of tops in the coverage of the Arrangement as set out in Article 12 therein. They were unable to accept the arguments put forward by those members of the Group which maintained such inclusion. In the view of these delegations, the trade in tops had not hitherto given rise to any problems and thus their inclusion might jeopardize the trade interests of their countries, which were major exporters of these products.

Furthermore, the Director-General pointed out, certain provisions of the Arrangement had been subject to understandings or interpretations. He referred first to paragraph 5 of Annex B. It had been understood by members of the Group that to justify the application of a lower percentage, as envisaged in this paragraph, the provisions laid down in Article 11, paragraph 4, could be applied. In this context it had also been pointed out that those provisions equally applied to negotiations or consultations under Article 4 of the Arrangement.

The Director-General then drew attention to Article 1, paragraph 2, and Annex B, paragraph 2, and in particular to the expression "minimum viable production" in the sentence referring to small markets with a high import penetration. It was the understanding of the Swedish delegation that this sentence also covered a situation where a country found it necessary for reasons of economic emergency planning to maintain a certain minimum production capacity.

Finally, the Director-General explained, the spokesman for the European Community, referring to the rôle and functions of the Textiles Surveillance Body, had said that, in principle, the Community saw this Body as having the important task of making recommendations to the party concerned at the request of one or more parties to the Arrangement, and not having the right itself to initiate such procedures in the absence of complaint or recourse to it, which would lead to the making of recommendations distinct from the general formulations of reports or opinions. Although the right of initiative was attributed to that Body by several provisions of the Arrangement, the Community was not seeking to make any amendments and would abide by the text of the Arrangement. The spokesman for the Community, however, made it clear that their acceptance in this particular context did not in any way create a precedent and was wholly without prejudice to the attitude it might adopt on any future occasion.

The spokesman for the European Community had also informed the Group that in the Treaty whereby Ireland became a member of the European Community, special provision had been made that certain particular quantitative restrictions could be maintained by that country for a limited period of time. The countries and products in question were set out in Annex VII of the Treaty concerning the Accession of the Kingdom of Denmark, Ireland, the Kingdom of Norway and the United Kingdom of Great Britain and Northern Ireland to the European Economic Community and the European Atomic Energy Community. The time-limit for the maintenance of these particular restrictions was 30 June 1977.

The Director-General concluded his introductory remarks by submitting the report of the Negotiating Group to the Council for adoption.

The representative of Argentina confirmed that the Director-General had explained accurately the position of Argentina. He felt that there was at present no problem in the marketing of tops which justified its inclusion in the Arrangement. He repeated his delegation's two fundamental points. First, that the Working Party on Textiles had decided on the basis of the terms of reference given to it on 30 April 1973, on a study of the problems which arose in international trade in textiles and textile products and that this study did not deal with tops nor had there been a discussion on tops in the Working Party. Secondly, that the Working Party on Textiles was reconstituted as a Negotiating Group with terms of reference based on the report and on the terms of reference of April 1973. The inclusion of tops later on in the Arrangement therefore was, in his view, beyond the terms of reference of the Negotiating Group.

The representative of Japan recalled the comments made in the Group with respect to the early elimination by Ireland of the restrictions on imports of textiles.

The representative of the United States informed the Council that his Government had accepted the Arrangement.

The Council adopted the report.

The representative of Uruguay enquired whether the adoption of the report by the Council carried with it an approval of the Arrangement on Textiles by the GATT. The Arrangement established certain concepts which were different from the basic standards of GATT. Therefore, the Council should decide whether or not this body of legislation, which was different from the GATT, would in the future be a new body of law.

The Chairman replied that it was up to the individual governments to accept the Arrangement or, if they were not in a position to participate, not to accept it. The Director-General concurred with this view.

The representative of Uruguay recalled that a Textiles Committee was established within the framework of the GATT. The whole arrangement was therefore governed by the provisions of the General Agreement. However, there were in this arrangement provisions which were far removed from the GATT. The GATT therefore had to decide whether the new legal norms could be applied or whether it was an agreement outside the GATT.

The Chairman said that these comments would be duly recorded.

3. Pakistan - Flood Relief Surcharge (L/3984)

The Chairman drew attention to a request from the Government of Pakistan, contained in document L/3984, for a waiver from the provisions of paragraph 1 of Article II, in order to enable it to apply on a temporary basis a surcharge on certain items bound in the Pakistan Schedule.

The representative of Pakistan pointed out that his country suffered in August of last year the most devastating floods in living memory which severely affected almost every sector of economic life, health, housing, industries, transport and communications, agriculture, food etc. The loss to foodgrains and to crops was of the order of millions of dollars. Similarly, the industries sector was considerably damaged and the industrial production in the affected areas had seriously declined.

He emphasized that this damage was sustained by a society which barely maintained itself at subsistence level, with no reserves to cushion itself against this damage. The consequence of the floods had a serious impact on his country's budgetary position and foreign exchange earnings.

While Pakistan received substantial economic assistance from countries and international organizations, the Government of Pakistan had decided to raise through additional taxation the resources necessary to meet the large expenditure of reconstruction and rehabilitation and partially to reduce the loss in revenues from existing sources of taxation. This additional taxation included inter alia the imposition of an additional customs duty as a Flood Relief Surcharge levied on imported goods at the rate of 25 per cent of the applicable customs duty. He explained that this surcharge did not affect a number of specified items of machinery or articles for use with machinery or as component parts or spare parts of machinery and a few other items. The surcharge was 25 per cent of the applicable customs duty. Out of a total of 149 bound items in Pakistan's Schedule, the surcharge was not levied on 33 items, because these were either specifically exempted or the applicable rate of duty was zero. Of the remaining 116 bound items, the incidence of the surcharge on 11 items varied from 0.75 per cent to 2.5 per cent ad valorem, on 28 items from 2.5 to 5 per cent ad valorem and on 59 items from 5 to 7.5 per cent ad valorem. There were only 17 bound items on which the incidence of the surcharge ranged from 7.6 per cent ad valorem to 12.5 per cent ad valorem, with only one item on which the incidence was more than 12.5 per cent ad valorem.

He expressed the hope that these measures, coupled with other steps being taken at the national level and the considerable international assistance, would help Pakistan to surmount its difficulties.

In order to maintain the temporary surcharge on those items bound in Pakistan's Schedule, his Government requested the CONTRACTING PARTIES to waive the provisions of paragraph 1 of Article II of the General Agreement until 30 June 1975. He emphasized that the surcharge would be removed as soon as it was no longer necessary. The Government of Pakistan would be willing to enter into consultations with any contracting party which considered that its trade interests were being seriously damaged.

The representative of the United States said that his delegation could support the granting of a waiver. However, as the increased tariffs had already been applied since September 1973 and since the formal request did not specify a date, his delegation preferred to limit the duration of the waiver until the end of 1974.

A large number of representatives supported Pakistan's request for a waiver. Many representatives could also support the duration proposed by Pakistan.

The representative of Pakistan expressed his appreciation for the support given by so many delegations. In a spirit of compromise his delegation could accept the time-limit preferred by the United States delegation with the understanding, however, that if the measure had to be continued beyond this date his Government would have to ask for an extension. He could also give assurances, however, that his Government would discontinue the measure before 31 December 1974 if the situation so warranted.

The Council agreed to recommend to the CONTRACTING PARTIES that a waiver be granted. It approved the text of the draft decision contained in document C/W/236 with the time-limit of 31 December 1974 and recommended its adoption by the CONTRACTING PARTIES.

The draft decision was submitted to a vote by postal ballot. The Chairman invited representatives having authority to vote on behalf of their governments to do so. Ballot papers would be sent by mail to those contracting parties not represented at the meeting.

4. Association Agreement EEC-Turkey (L/3980)

The Chairman drew attention to the texts of the Agreements supplementary to the Association Agreement between the EEC and Turkey contained in document L/3980.

The representative of Turkey stated that the Supplementary Protocol of 30 June 1973 dealt with certain transitional and adaptation measures in order to harmonize the EEC-Turkey Association with the enlarged Community. Pending the entry into force of the Supplementary Protocol which was still undergoing ratification procedures by some governments, the Community and Turkey had on the same date signed an Interim Agreement which enabled the advance implementation of some measures that would regulate the commercial relations between Turkey and the new EEC member States. This Interim Agreement became effective on 1 January 1974. He also informed the Council of the signature of a Supplementary Protocol on Products within the province of the European Coal and Steel Community.

The representative of the European Communities added that the Supplementary Protocol foresaw the progressive application of the provisions of the Association Agreement between Turkey and the European Economic Community to the three new member States of the Community. The Protocol set a time-table for the progressive alignment of customs duties which would be reduced in five equal stages by cuts of 20 per cent at each stage. The first reduction was made on 1 January 1974 and the final reduction would take place on 1 July 1977. The Supplementary Protocol had not yet been ratified by all parties and was not yet in force. In order to apply the commercial provisions immediately between the parties an Interim Agreement was concluded which was ratified by all the parties on 7 December 1973 and had entered into force on 1 January 1974. The parties to the Agreement were ready to undergo the usual procedure for examination under the provisions of the General Agreement.

The Council agreed to revert to this matter at its next meeting in order to establish a working party to examine the agreements.

5. Committee on Budget, Finance and Administration (L/3986)

The Chairman of the Committee on Budget, Finance and Administration introduced the Committee's report contained in document L/3986.

After recalling previous developments with regard to leasing of part of the present ILO building by GATT from 1976 onwards he referred to the Committee's examination of the draft lease prepared by the secretariat and FIPOI, which was annexed to the report in document L/3986.

According to the present time-table, the ILO would vacate the building by the end of 1974 and then FIPOI would start renovating the building at an estimated cost of Sw F 7 million. The GATT would in addition undertake certain modifications, estimated at Sw F 5 million, to adapt the premises to its needs. As from about mid-1976, the GATT would have at its disposal adequate office space and four conference rooms which would accommodate all GATT meetings, with the exception of the session of the CONTRACTING PARTIES. The annual rental to be paid by GATT would be approximately Sw F 1,080,000 on the basis of present costs.

The Committee recommended the approval of the draft lease and that the Director-General be authorized to undertake renovations at a cost of Sw F 5 million. The expenditure with regard to these renovations would be spread over a period of four years. It was proposed that in 1974 the initial expenditure be financed from the 1973 surplus, whereas in 1975, 1976 and 1977 it could be covered either by provisions in the budgets for those years, the use of possible surpluses, or by recourse to loans should circumstances so warrant.

As regards the acceptance of these recommendations by one member of the Committee, ad referendum, he informed the Council that the member concerned could now give full support to the recommendations.

In addition to the question of future accommodation, the Committee had examined two proposals by the Director-General, namely the consolidation of five classes of post adjustment in the base salary scales for staff in the professional category and above, contained in document L/3974, and the holding of a training course on the multilateral trade negotiations for senior officials from developing countries, contained in document L/3978. The Committee recommended the adoption of these proposals.

The representative of Chile enquired about the impact of the recommendations regarding future accommodation on the budget of GATT, on the contributions of the contracting parties, and whether the disposal of the present GATT property would lead to receipts to be used for the financing of the new GATT installations.

Mr. Taylor, Assistant Director-General, replied that of the anticipated expenditure by GATT in respect of renovations to the ILO building it was expected that 5-10 per cent would be spent in 1974, that the major part of the expenditure would be divided between 1975 and 1976 and that about 10 per cent would be payable in 1977. As to the present GATT premises, it was expected that GATT would recover some of the investment that it had made in building the annexes to Villa Le Bocage.

The representative of Indonesia enquired about the selection procedure for the thirty candidates for the training course in connexion with the multilateral trade negotiations for senior officials from developing countries.

The Director-General recalled that a similar course was held in June/July of last year for Spanish-speaking officials and that for reasons of efficiency not more than thirty candidates could be selected. Selection would take place in a similar way as for the regular training courses of GATT. After approval of this scheme notifications would be sent to interested governments and the selection would take place as soon as possible.

The representative of Uruguay referring to the second paragraph of the Report (L/3986), pointed out that it was the delegation of Uruguay which had suggested that the possibility of GATT constructing its own building be re-examined.

The Council approved the recommendations made by the Committee as contained in paragraphs 7, 8 and 9 of the Report.

The Council adopted, as recommended by the Committee in paragraphs 10 and 11 of the Report, the Director-General's proposals set out in document L/3974 and the Director-General's proposals set out in document L/3978 and adopted the Report as a whole.

6. Consultations on Balance-of-Payments Restrictions in 1974 (C/W/235/Rev.1)

The Chairman drew attention to document C/W/235/Rev.1 concerning the consultations on Balance-of-Payments Restrictions in 1974. He requested the secretariat to make the necessary arrangements in consultation with the countries concerned, with the International Monetary Fund and with the Chairman of the Committee on Balance-of-Payments Restrictions for the carrying out of the consultations.

The Council took note of the consultation arrangements.