

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

COM.TD/70

4 December 1969

Limited Distribution

Group on Residual Restrictions

NOTE ON PROCEEDINGS OF THE MEETING HELD ON 6 NOVEMBER 1969

Prepared by the Secretariat

1. At its fourteenth session in June 1969, the Committee on Trade and Development took note of the intention of the Group on Residual Restrictions, as agreed at its May meeting, to concentrate attention at its following meetings on restrictions affecting a few selected items. Six items were subsequently selected for examination from a list of twenty-one products or groups of products (document COM.TD/66, paragraph 11), following consultations between the Chairman of the Group and interested delegations (COM.TD/66/Add.1). These items, i.e. natural honey, fish meal, cigars and cigarillos, leather and leather products, leather footwear, and coir mats and matting, were taken up at a meeting of the Group on 6 November 1969 under the Chairmanship of Mr. S.R. Pasin (Turkey).
2. In preparation for this meeting governments maintaining restrictions on imports of these products were requested to furnish information useful in a discussion of their trade policies, in particular of the economic and social difficulties that, in their view, would be created by the removal of restrictions. The data supplied by governments and some statistics compiled by the secretariat on trade, production and consumption of the six products were forwarded to the Group in document COM.TD/W/105 and Addenda 1-3. Document COM.TD/W/107 provided a summary of the trade pattern in these items and tariff rates in countries applying restrictions and in certain other developed countries.
3. Notes on questions raised and answers given in the course of the examination by the Group of the six items are annexed. The Group noted the statement made by the representative of Japan that several items in the leather goods sector (for details cf. annex) would be liberalized by the end of 1971 along with a list of some sixty BTN items as announced by his Government on 17 October.
4. In addition to examining the position in respect of the six products the Group took note of a number of liberalization measures which had been taken since its last meeting as indicated in Corr.2 to document COM.TD/67. The representative of a developing country requested information from Japan as to the results of bilateral consultations held earlier in the year between this country and a major tea-exporting country concerning possibilities for eliminating quota restrictions on black tea imports into Japan. The representative of Japan replied that black tea was among the products to be liberalized by the end of 1971.

5. Some representatives of developing countries felt that a product-by-product examination of the kind now carried out by the Group was of some usefulness. They, however, expressed disappointment, considering the illegal character of the restrictions under discussion, that the Group did not address itself specifically to the means whereby developed countries maintaining restrictions might do away with them. In their opinion, it was not sufficient for developed countries maintaining these restrictions to say that in their view these restrictions were necessary. They should be prepared to discuss these reasons and to indicate their plans for terminating those restrictions. This had not been done at the present meeting. The Group should also be expected in accordance with its terms of reference to make recommendations to the Committee on Trade and Development as to how the elimination of the remaining restrictions might be achieved. Representatives of some developed countries supported this view and stressed the importance attached by their governments to the early removal of remaining restrictions. It was pointed out in this connexion by one delegation that such removal would be an appropriate step in providing improved access to developed country markets by developing countries; restrictions maintained by some developed countries contribute to the difficulties faced by other developed countries in keeping their trade barriers at a low level.

6. The representative of one developed country said his government was willing to endorse as a general procedure for the examination of residual restrictions the ideas set out in the Director-General's note on import restrictions (document L/3260) which was before the GATT Council, except that his government was opposed to negotiations and trade-offs involving quantitative restrictions inconsistent with the General Agreement. In line with such procedure the Group on Residual Restrictions, in co-ordination with other GATT bodies, might conduct consultations on the basis of analysis prepared by the secretariat of information provided by governments looking toward the timely relaxation or elimination of specific restrictions. Some other delegations considered that at this stage of its work the Group might usefully concentrate on the factual examination of existing restrictions on a product-by-product basis leaving it to the Committee on Trade and Development to discuss solutions. A number of delegations thought that in considering new approaches regard should be paid to the proposals in document L/3260.

7. The representative of a developing country suggested that the Group might recommend the establishment of special machinery within the Committee on Trade and Development to carry out consultations under Article XXXVII:2. In his view the main reason why these provisions had not been resorted to so far was the lack of proper procedures.

8. The Group agreed that it should continue with a product-by-product examination of restrictions of particular interest to developing countries having regard to the criteria for selection of products laid down in paragraph 11 of COM.TD/66 and the list of twenty-one products established at the last meeting and on the basis of additional documentation to be prepared by the secretariat. It was noted that while the products taken up for examination would in the first place be selected from this list, the Group could take up also other items of particular

importance for developing countries on the basis of proposals made by those countries. It was agreed that the final selection would be made in consultation by the Chairman and the secretariat with interested delegations. At its next meeting the Committee might wish to consider these suggestions and give guidelines for the Group's further work.

ANNEXNatural honey

The Group noted that restrictions were maintained by Denmark, France and Norway.

The representative of Chile pointed out that exports of Chilean honey to Denmark accounted for 60 per cent of his country's total honey exports. He therefore regretted that the Danish notification did not consider the possibility of future liberalization of this product. The representative of Denmark replied that a large proportion of imports came from developing countries and pointed out that import quotas had been increased in recent years.

The representative of Spain pointed out that his country was a major supplier of honey to France and requested details of the restrictive system attached to this product. The representative of France explained that production in France was spread out over a large number of small units. Being a sideline to other activities, this type of production was by its very nature difficult to rationalize. A very large part of French production does not enter trade channels, for it is either consumed on the producer's premises or sold directly by him. He pointed out that although it was difficult to give precise figures, imports - most of which came from developing countries - were estimated to account for a very high proportion of the total volume marketed. The restrictions were applied by means of quotas, some of which were included in bilateral trade agreements. In reply to a query from the representative of Chile, the representative of France explained that the basic reason for the maintenance of the restrictions was that production was mainly practised in under-developed regions where it provided an appreciable source of income to the population. He saw no reason why Chile could not become a supplier to the French market and said that it fell to the appropriate departments to enter into bilateral consultations on this matter.

Cigars and cigarillos

No comments were made on the information supplied by governments.

Coir mats and matting

The representative of India referred to the bilateral discussions being held between his Government and the Commission of the EEC as a follow-up to the Kennedy Round. These discussions were still going on and he did not desire to open further discussion on the issue at the present time. He however reserved the right to revert to this item if necessary.

The representative of Ceylon requested more information on the nature of these bilateral discussions and said he would like to be assured that whatever benefits resulted from these negotiations would be extended to other contracting parties. The representative of the EEC explained that the discussions had so far led to the creation of a joint committee to discuss the whole problem concerning coir mats and mattings. He further promised to pass on the wish of the representative of Ceylon to the appropriate authorities in Brussels.

Fish meal

The representative of France informed the Group that imports were liberalized for more than 99 per cent of the volume of trade. The only quotas still applied were those on fish meal based on cod and halibut of which there was domestic production. He did not think, however, that the developing countries were interested in exporting these two products.

The representative of Japan explained that the restriction, which was applied on the basis of a global quota, was necessary to safeguard the livelihood of workers in this sector. Production was spread over about 4,000 units concentrated mainly in the under-developed regions of the northern part of Japan with each unit producing on the average about 130 tons and employing on the average less than thirty persons, which rendered them vulnerable to competition from efficient producers abroad. In spite of restrictions imports of the product had been increasing due to increasing demand for it as animal feed. There was reason to believe that this trend would continue in the future. The representative of Peru noted that the explanation given by the representative of Japan, that restrictions were needed for the protection of marginal producers, did not appear to conform with the objectives of GATT which were aimed at liberalizing trade on the basis of comparative advantage. Following a notification by the Swiss Government that imports of this item did not fall under any restriction, the representative of Peru requested clarification in regard to the operation of the licensing system for fish meal in Switzerland.

Leather and leather products

The representative of Japan informed the Group that under items 41.03-2 and 41.04-2 imports of sheepskin and goatskin leather, not dyed, coloured, stamped or embossed were liberalized and about \$7.4 million worth was imported in 1968. Imports of leather under quotas have been increasing by about 20 per cent each year in recent years. He explained that the reason for maintaining restrictions on the other sub-items was the special social problem posed by the presence of a minority group which specialized in the production of those items and for which there were only limited possibilities of changing over to other types of productive activities.

The representative of India stated that the interest of his country was primarily in items 41.02, 41.03 and 41.04 and especially in semi-tanned sheep and goatskin leather of which there was a substantial export. While noting that no restrictions existed on semi-tanned sheep or goatskin leather not dyed, stamped or embossed which are of primary interest to India, he asked for more information on the administration of the licensing system applied to other leather. His delegation also wished to know if sympathetic consideration could be given to the removal of restrictions on fully-tanned sheep and goatskin leather. He also pointed out that both tanned and semi-tanned varieties of bovine leather were subject to high tariffs as well as quota restrictions and enquired whether it would be possible to reclassify the item to enable a distinction to be made between vegetable semi-tanned and more processed leather so as to facilitate liberalization of the former product.

Although he felt that any action in this sector would be difficult in the present circumstances, the representative of Japan promised to take note of the request on bovine cattle leather and convey it to his Government. On the request of the representative of the United Kingdom (on behalf of Hong Kong) for more information on the method of administering the restrictions, the Japanese delegation explained that the restriction was in the form of a global quota distributed among importers on the basis of past import performance and without any discrimination as to the source of supply. The representative of Korea enquired about the possibility for the removal of restrictions on articles of apparel of leather and composition leather, which were also subject to high import duties. The delegation of Japan intimated that on 17 October 1969 the Government of Japan had decided to adopt a schedule for liberalization involving about sixty items, including agricultural products, on which restrictions would be eliminated by the end of 1971. That list, he pointed out, included patent leather and imitation patent leather, articles of apparel, and clothing accessories of leather or of composition leather.

Leather footwear

The representatives of Spain and Turkey asked that their countries be included in the list of developing countries exporting this item. The Group took note of the notification by France that imports of leather footwear were not restricted in the country.

The representative of the United Kingdom (on behalf of Hong Kong) remarked that the proportion of leather footwear imports into Japan coming from developing countries was very small indeed and wondered whether there was explanation for this phenomenon, the items being under global quota and also for the static trend of consumption of the product in Japan given the general growth in the economy.

The representative of Japan replied that there were two global quotas, one for the footwear itself and another for parts of footwear. The reason for the small share of developing countries in imports appeared to be that importers, when given quotas, tended to import expensive shoes where profit margins are higher rather than lower-priced shoes. The static nature of the consumption, he pointed out, might be due to the increasing demand for footwear of rubber and vinyl. Asked by the representative of the Republic of Korea about the prospects for liberalization of this item, the delegation of Japan replied that footwear of rubber and vinyl were not under restriction, and parts of leather footwear were among items to be liberalized by the end of 1971. However, there were no plans at this moment for the liberalization of leather footwear.