

# GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

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## REPORT OF THE JOINT WORKING GROUP ON IMPORT RESTRICTIONS

1. The Joint Working Group was established by the Council, at its meeting of 23 January, as a temporary ad hoc body to conduct consultations without commitments with contracting parties, along the lines suggested by the Director-General in Section III of his proposal contained in L/3260, concerning quantitative import restrictions maintained, taking into account the debates of the Council in the matter. Members of the Group were the contracting parties comprising the membership of the three main Committees of GATT, the Committee on Trade in Industrial Products, the Committee on Agriculture, and the Committee on Trade and Development. The Group met from 13 to 24 April under the chairmanship of Mr. S.R. Pasin (Turkey).
2. For practical purposes, consultations were limited at this stage to the eighteen countries whose restrictions were partially listed in an illustrative table annexed to L/3260<sup>1</sup> and to the territories on whose behalf those contracting parties apply the GATT. This selection did not cover the restrictions of those countries consulting regularly on balance-of-payments difficulties or countries with centrally-planned economies. The question of extending the examination to other contracting parties remained open.
3. The Council instructed the Group to take into account its debates on the matter, in which it had been emphasized that the Group would, in effect, act as agent for the three main Committees. This implied that the Group's work should be arranged, both as to timing and as to content, so as to contribute to the work of those Committees and the results should be made available to them. It was also emphasized in the Council that particular attention should be given to restrictions affecting the trade of developing countries. The Group was instructed to report at an early date.

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<sup>1</sup>The countries were: Australia, Austria, Canada, Denmark, the EEC countries, Ireland, Japan, Norway, Portugal, Sweden, Switzerland, the United Kingdom and the United States.

4. One speaker recalled that his delegation had agreed to the establishment of the Joint Working Group on the understanding that they were not prepared to discuss the potential removal or relaxation of their 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 (C/M/60). He stated, however, that his delegation would be prepared to discuss again the reasons for the maintenance of its restrictions (described in L/3302) in the Joint Group on the understanding that the Joint Group was doing preparatory work to be used by Working Group 2 of the Agriculture Committee when seeking solutions.
5. Documentation before the Group, contained in L/3377 and addenda (revision of the table annexed to L/3260),<sup>1</sup> was based on notifications by maintaining countries concerning residual restrictions, notifications by trade partners both in the Inventory of Non-Tariff Barriers (as regards industrial products) and as presented to this Group; similar notifications to the Agriculture Committee were also used for agricultural products. The exchange of views on individual notifications during the meeting also contributed to fuller understanding of restrictions employed.
6. Since only two weeks were available for the work of the Group, covering some 2,000 notifications, including some applied to only a few countries, the Group concluded that its contribution should include advancing to the maximum the work of Group 4 of the Industrial Committee, the parallel work of Group 2 of the Agriculture Committee (Measures Affecting Imports), and the work of the Group on Residual Restrictions. This was done through an item-by-item review of the notifications made concerning the eighteen countries directed towards ascertaining, so far as available time permitted and the members of the Group considered it useful and practicable, the purpose of the measures, their economic importance, other protection afforded, plans and possibilities for relaxation and removal. The review was necessarily rapid and in many instances the information obtained did not cover all the points. Part of the results of this work is reflected in an attached revised consolidated table and its annexes. The table has also been amended so as to facilitate integration of new material into the work of the main Committees, through a system of annotation explained in notes preceding the table. These notes offer some general explanation of the system of restriction in force in the various countries covered, as an aid to the interpretation of the symbols. Reports annexed to the table record more fully the significant information on individual items brought forward during the discussion by both the notifying and the maintaining countries.
7. This table also includes an identification of restrictions, showing (1) those with respect to which governments have indicated target time-limits within which they intend to remove restrictions (marked A in the table); (2) those with respect

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<sup>1</sup>The representative of one developing country stated that his country reserved its position on the documents because they did not take into account the total embargo that one developed contracting party illegally imposed against his country's trade.

to which the maintaining countries indicated that there might be a possibility of relaxation or removal (marked B in the table and listed in Annex III<sup>1</sup>); (3) those with respect to which developing countries indicated specific interest in the course of the meeting as well as the twenty-one items selected by the Group on Residual Restrictions for priority attention (marked C and listed in Annex IV).<sup>2</sup> The table also gives the necessary cross references to such detailed documentation as has been established by that Group.

8. In view of the existence of a separate body in which the cotton textiles problem was subject to continuing review, the Group did not discuss this problem; these restrictions and restrictions maintained on health and sanitary grounds which had been notified have been deleted from the table.

9. In documentation submitted to the Group just before it convened, certain notifications by Poland drew attention to cases of discriminatory restrictions maintained against it by certain other contracting parties. The Group was unable to discuss these notifications in detail for lack of appropriate preparation. Further, some countries expressed the view that such questions would more appropriately be dealt with during the annual consultation with Poland. However, others supported the Polish view that these restrictions fell within the purview of the Group. It was agreed to retain the items in the table.

10. During its work, certain differences of view emerged concerning the proper scope of the import restrictions to be considered. In such cases it was agreed to indicate the existence of these measures and to note clearly the differences of opinion. Some countries considered that notifications relating to licensing requirements of a purely formal and automatic nature should be deleted from the table. Others felt that only such licensing requirements should be included as covered cases where the administration had discretion to refuse or delay certain applications for licences. It was further pointed out that in this respect

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<sup>1</sup>This Annex will not be included in the report until governments have had an opportunity to review the draft which the secretariat will prepare and circulate for concurrence.

<sup>2</sup>The twenty-one items do not exhaust the list of products which the Group intends to examine; see note on proceedings of the Group's meeting held in November 1969 (COM.TD/70, paragraph 8).

notifications had not been made in a uniform manner and were thus incomplete as many countries had proceeded under the presumption that automatic licensing procedures did not fall within the scope of the present examination of import restrictions. In this connexion it was noted that a list of items under the automatic import quota system in Japan shown in Annex II<sup>1</sup> is considered by notifying countries to be a case of liberal licensing although Japan disagreed both on the effect of the automatic import quota system and its inclusion. Still others were of the view that all licensing requirements involved some impediment to trade development, if only through the uncertainty resulting for traders from the existence of a mechanism which could quickly be converted to use for restriction.

11. The Group took cognizance of a view expressed that certain problems are encountered due to particular economic and social factors common to many countries. Certain delegations stated that, in agricultural trade, different countries were more or less favoured or hampered by certain of these factors, such as irregular growing seasons, distance from markets, or small landholdings. It was noted that many governments wished to provide farmers with the opportunity to obtain income comparable with that in the industrial sector of their economies. It was also noted that agriculture was of relatively greater importance in the economies of some countries than others. Some delegations said that little justification had been advanced during the discussions for many restrictions apart from statements which amounted to saying that protection was required. These delegations did not accept that appeals to social problems justified the use of restrictions inconsistent with the GATT and pointed out that alternative methods of attaining such objectives could be used. Some delegations said that the burden of these problems should not be shifted onto exporting countries, particularly developing exporting countries, which already had growth and balance-of-payments problems.

12. It was the view of some delegations that, in particular, all illegal quantitative restrictions should be removed promptly. Other delegations considered that to draw a distinction between legal and illegal quantitative restrictions was inappropriate having regard to the mandate of the Group, and unlikely to be productive. Still other delegations felt that when collecting information the Group should not make a distinction, but pointed out that it was a fact that in the past some quantitative restrictions had been legalized, through, for example, the provisions of the General Agreement, protocols of provisional application, certain accession protocols or waivers, and some had not.

13. Some delegations suggested that cases in which illegal quantitative restrictions bore particularly on the trade of developing countries should receive the highest priority and, where feasible, that time-tables for their elimination or for the enlargement of quotas, possibly in relation to the growth of the market, should be set without reciprocity being required. When any quantitative restriction significantly affected both developing and developed countries' exports, special consideration should be given to the product on a most-favoured-nation basis in the light of the interest of the developing countries themselves.

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<sup>1</sup>For practical reasons the items are not shown in the consolidated table.

14. Some delegations while agreeing with the view that quantitative restrictions which were illegal should be removed promptly, referred to the provisions of Article XXXVII:1(a) and suggested that no distinction need be made between quantitative restrictions that were legal and those that were illegal, especially where they affected the trade of developing countries. These delegations pointed out that considerable exploratory work on identification of restrictions which adversely affected trade of developing countries had been done by the Group on Residual Restrictions. That Group had selected twenty-one items from the list of quantitative restrictions affecting trade of developing countries. The Joint Working Group should recommend that restrictions on those items as well as those in respect of which developing countries indicated specific interest in the course of the discussions should be removed on a priority basis without expecting reciprocity from them.

15. Some delegations pointed out that the work of the present meeting had been narrow in scope and had not dealt with many measures which had effects very similar to those of quantitative restrictions. Other delegations pointed out that such measures were applied in both the agricultural and industrial fields. Several delegations pointed out that there was a link between the maintenance of quantitative restrictions and other types of measures applied by contracting parties having similar effects.

16. Certain delegations recommended that the Council might wish to give attention to possible further procedures to bring restrictions under more effective international scrutiny with a view to facilitating their relaxation or elimination, and as a minimum, to ensure a complete and orderly description of measures in force. In particular, it was suggested that it might be wise to take steps to ensure the updating and progressive improvement of the table of import restrictions and its annexes which had been drawn up. These delegations considered that a more effective system of written notifications, including notifications by affected countries, would be one possible means to this end. Another possibility which was suggested would be for the Council to instruct the secretariat to avail itself of published sources of information in revising and improving the coverage of the consolidated table on a continuing basis. The Council might also wish to consider a further exchange of views on restrictions along the lines of that just concluded by the Group, or, possibly, the establishment of consultations at suitable intervals.

17. Some delegations suggested that quantitative restrictions for which there was only slight substantive justification should be eliminated at an early date, that any discriminatory element in existing restrictions should be eliminated and that a set of guiding principles should be adopted for the administration and future elimination of remaining quantitative restrictions particularly total prohibitions of imports from selected countries. Among these principles might be the opening of some trade opportunities for products at present completely prohibited and the provision for annual increases in quotas to allow imports a greater share of the domestic market.

18. A question was also raised by certain members of the Group as to the manner in which the CONTRACTING PARTIES may wish to deal with the regularization of those restrictions which cannot be expected to be removed in the foreseeable future but which do not fall within the limits of existing exceptions permitting maintenance of quantitative restrictions.

19. Some delegations were impressed by the lack of symmetry which existed between the detailed notification and consultation procedures provided in the case of balance-of-payments restrictions and restrictions maintained under decisions by the CONTRACTING PARTIES and the examination that had been possible in the present meeting. These delegations suggested that there was a need for continuing machinery for improved regular consultations on the administration and eventual elimination of remaining quantitative restrictions. Other delegations said that in their view the consultation held in the present meeting was no different in form from certain other consultations referred to and had been useful.

#### List of Annexes<sup>1</sup>

- I. Revised Consolidated Table (and its notes on individual items)
- II. Japan Automatic Import Quota List
- III. Classification of Restrictions Reviewed
- IV. Indicative List of Items of Particular Interest to Developing Countries

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<sup>1</sup>As it may be some time before the annexes to this report are ready, the report is being issued without annexes. They will appear after interested countries have had an opportunity to review drafts to be circulated as soon as the secretariat completes their preparation.