

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

NTM/13

16 July 1985

Limited Distribution

Group on Quantitative Restrictions and Other Non-Tariff Measures

MEETING OF 20 JUNE 1985

Note by the Secretariat

Chairman: Ambassador A. Onkelinx (Belgium)

1. The Group met on 20 June 1985. As set out in GATT/AIR/2170 of 7 June 1985, the main purpose of the meeting was to initiate the multilateral review of progress made in achieving the objectives laid down by Ministers called for in the Group's (1984) Report taking into account written proposals by contracting parties to achieve the elimination of quantitative restrictions which were not in conformity with the General Agreement or their being brought into conformity with the General Agreement as also to achieve progress in liberalizing other quantitative restrictions and non-tariff measures (L/5713, paragraphs 44(h) and (i) and 65(f) and (g)).

Written Proposals

2. The Chairman recalled that the Group had underscored the need to have as large a number of written proposals as possible. Three new proposals had been received since the last meeting (Australia, United States and Chile) and circulated to members as NTM/W/12/Add.9-11. The representative of Canada informed the Group that Canada's written proposal would be sent in the very near future.

3. The representative of Chile introduced Chile's written proposal, circulated to members as NTM/W/12/Add.11. She considered that, in the area of quantitative restrictions particularly, the Group had achieved important progress in respect of transparency, and that restrictions could now be categorized as those for which GATT justifications had been cited (whether these had been questioned or not) and those for which justifications had not been cited. The representative proposed a time-bound liberalization programme for the elimination of measures not in conformity with the General Agreement or their being brought into conformity (details in NTM/W/12/Add.11). On other non-tariff measures, she proposed that a programme of future work should include a review of the types of measure contained in the Inventory and a time-table to examine the possibility of liberalization in individual areas taking into account elements like the legal status and the trade impact of the measures (details in NTM/W/12/Add.11).

4. While welcoming the new proposals, the Group noted that the total number of proposals remained relatively small and that a large number of contracting parties had yet to send contributions. Contracting parties, members of the Group, in a position to send written proposals were requested to do so as soon as possible.

Multilateral Review

5. The Chairman drew the Group's attention to the formal and informal documentation before it, in particular to the two informal papers recently prepared and circulated on the secretariat's own responsibility. The first paper, dated 1 May 1985, described, inter alia, techniques for liberalizing other non-tariff measures and contained a review of the types of problems identified in the Inventory of Non-Tariff Measures with the objective of clarifying problems and suggesting possibilities for future liberalization. The second paper, dated 5 June 1985, brought together information available to the Group on developments in the field of quantitative restrictions. In addition, the Chairman also recalled the note on possible techniques for eliminating or liberalizing quantitative restrictions to be found in Annex 3 of the Group's 1984 report (L/5713).

6. In conducting the multilateral review, the Group first dealt with quantitative restrictions and then with other non-tariff measures. It was agreed that in all aspects of the exercise, priority attention should be given to products of export interest to developing countries.

Quantitative Restrictions

7. The Group first undertook a review of progress made in achieving the objectives laid down by Ministers in the area of quantitative restrictions taking into account the written proposals by contracting parties contained in NTM/W/12 and Addenda.

8. A number of delegations felt that a systematic in-depth review of restrictions on a country-by-country or product-by-product basis was required to fulfil the mandate given by Ministers. They were of the view that such reviews should not be a substitute for liberalization but should identify specific negotiating possibilities for the future. Some of these delegations stressed that one purpose of the multilateral review, as called for in the Group's terms of reference and the (1984) Report, was the identification of restrictions which were not in conformity with the General Agreement with the objective of bringing about their elimination or liberalization: the possibility of negotiations was open only for the category of restrictions whose legality under the General Agreement had been established beyond dispute. These delegations were concerned to note that in their written proposals the contracting parties had dealt only with the aspect of liberalization, leaving aside the question of GATT justification for their measures which was an integral part of the Ministerial mandate. The first step was therefore to ascertain whether steps had been taken (or were proposed to be taken) by contracting parties during the lifetime of the Group towards the elimination of restrictions which were not in conformity with the General Agreement or their being brought into conformity. Regarding liberalization, these delegations felt that it was difficult to evaluate trade possibilities offered by the written proposals as they were too general in nature and that contracting parties submitting proposals should undertake, inter alia, an evaluation of trade possibilities in general terms as well as in respect of products of export interest to developing countries. The overall assessment of these delegations was that though some limited liberalization had taken place much more needed to be done, particularly on products of export interest to developing countries.

9. Some other delegations felt that the concept of written proposals was being differently interpreted by members. The question of GATT conformity was an old one and the views and positions of contracting parties were reflected in the records of the Group's earlier meetings. These delegations reiterated their view that the categorization of measures as clearly "legal" or clearly "illegal" was difficult and that the GATT conformity of measures was not automatically dealt with merely by the citing or non-citing of GATT articles or provisions. These delegations recalled that it was in the context of these difficulties that the Group had decided to push ahead on a pragmatic basis and invite written proposals from contracting parties with the objective of bringing about as much liberalization as possible without getting bogged down with the issue of legality. These delegations had submitted specific written proposals in this spirit and they hoped that other contracting parties would also make such contributions so as to enable the Group to report some tangible progress to the CONTRACTING PARTIES at their next session. These delegations felt that at the moment the written proposals fell in the following categories: (i) specific efforts of liberalization in direct response to the recommendations of the Group; (ii) abstracts of various measures, general or specific, taken prior to the Group's recommendations; (iii) accounts of trade policies adopted independently of the Group; (iv) suggestions for the future work of the Group itself. They noted that few of the written proposals could be considered as being in the first category.

10. The Group then went on to take up points related to particular quantitative restrictions maintained by particular contracting parties. The Group noted the survey of developments in quantitative restrictions maintained by individual contracting parties during the lifetime of the Group in the secretariat's informal paper of 5 June 1985. Some further information was provided by delegations. The main focus of the review was, however, the proposals by contracting parties contained in NTM/W/12 and Addenda.

11. Commenting on the written proposal of Australia, the representative of the United Kingdom speaking on behalf of Hong Kong felt that the movement from one category of restrictions to another could be considered as a movement towards liberalization only if it resulted in increased trade. The representative of Australia informed the Group that the wheat embargo had not been replaced with any substitute measures and the previous restrictions maintained in the textiles, clothing and footwear and passenger motor vehicles sectors had been removed subsequent to the introduction of programmes of import liberalization and industry restructuring based on tariff only measures.

12. In respect of the EEC proposal (NTM/W/12), the representative of Hong Kong stated that only eight out of the twenty-eight items included were relevant and that Hong Kong's actual trade interest related only to the measures by France, Ireland and the United Kingdom on jute sacks and bags (exports below US\$25,000 in 1984). The representatives of Hungary and Czechoslovakia recalled their earlier comments and their suggestion that the Community's proposal be reconsidered. The representative of the European Economic Community noted that of the countries concerned, only one had sent a written proposal to the Group. He felt that contracting parties should fulfil this first stage before asking for revisions in existing proposals. He stated that a review of the European Community's proposal was underway but that any revision would have to take into account the

special status of the restrictions in question and developments in trade, for example the fact that the Community's imports from the region had increased by 32 per cent and exports by 13 per cent in the period 1983-84.

13. Commenting on the written proposal by Japan (NTM/W/12/Add.7), the representative of Hong Kong expressed interest in the package of external economic measures, in particular the improvements in standards, certification systems and import testing procedures in respect of cosmetics and foodstuffs as they were likely to affect 8 per cent (or around US\$50 million of Hong Kong's exports to Japan). The delegation of Argentina expressed the view that the liberalization measures undertaken by Japan were more the result of factors extraneous to the requirements of the Group's mandate and requested the Japanese delegation to provide an evaluation of the benefits that would accrue from the measures to the trade of contracting parties on a multilateral basis. The representative of Japan recalled that steps towards liberalization had been taken at various times since 1983 and that Japan's written proposal did not include liberalization measures already undertaken. He stated that the authorities had been mindful of the Ministerial Declaration and the Group's mandate in undertaking the measures and it was also in this spirit that further measures to improve market access were being contemplated under Japan's proposed Action Programme.

14. In regard to the written proposal of the Republic of Korea (NTM/W/12/Add.7), the delegation of Hong Kong stated that the product coverage appeared to be very substantial but in the absence of precise tariff lines, it was difficult to make an accurate assessment. The representative of Korea stated that his authorities had announced a list of 235 import items to be liberalized with effect from 1 July 1985, including shellfish, sugar, cocoa, aluminium ingot, electric computers, colour television sets, fur products and woollen knitwear. Simultaneously, in accordance with the Advance Notice System, 308 items to be liberalized in 1986 had also been announced to enable domestic industry and foreign export interests to prepare themselves. The full description of the items would be circulated to contracting parties in due course. The list of items proposed to be liberalized in 1987 and 1988 was expected to be announced next year.

15. The delegation of Hong Kong expressed particular interest in five items included in the written proposal of New Zealand (NTM/W/12/Add.8). In two items (printed matter and certain dolls and toys) there was a 5 per cent increase in the level of access; in two other items (knitted or crocheted cotton fabrics CCCN 6002 and MMF yarn items 56.141 and 56.143) details of liberalization were not clear; and in the last item (radio and television receivers 85.048) it seemed that the benefit from liberalization for developing countries would be largely offset by the removal of preferences. The representative of New Zealand stated that in respect of the electronic products mentioned by Hong Kong, developing country preferences would remain intact during the tariff-testing period. Presently, the licensing system affected 24 per cent of New Zealand's imports. New Zealand's intention was to move to a tariff-only régime which would lead to increased trading opportunities for all contracting parties.

16. In respect of the written proposal of South Africa (NTM/W/12/Add.3), Hong Kong had significant trade interest in fourteen out of the 2,400 items being considered for removal from import control as these covered up to 25 per cent of Hong Kong's exports to South Africa. The representative of

South Africa informed the Group that of the 2,400 items considered for liberalization, nearly all would be liberalized with effect from July 1985. The authorities considered that this was a bold step in conditions of sluggish economic recovery, inflation and unacceptably high unemployment levels. The list of liberalized items would be circulated to the Group in due course. The representative informed the Group that further liberalization measures were under consideration and information on these would be communicated to the Group at an appropriate time.

17. Referring to the written proposal of Spain (NTM/W/12/Add.1), the representative of Argentina recalled that the justification cited for Spain's quantitative restrictions was its Protocol of Accession to the GATT and wanted to know how Spain proposed to deal with these restrictions after accession to the European Economic Community. The representative of Spain stated that in future Spain would abide by the terms of its accession to the Community. Hong Kong had limited trade interest in the proposal i.e. in five out of the sixteen items included and these had accounted for only US\$200,000 worth of Hong Kong's exports in 1984.

18. In respect of the written proposal of Sweden (NTM/W/12/7), Hong Kong welcomed the removal of the global quota on rubber or plastic boots. Responding to a query from the delegation of Hungary regarding the precise date of elimination of certain bilateral quotas by Sweden, the representative of Sweden noted that bilateral consultations between his government and the Hungarian authorities had recently taken place and suggested that bilateral discussions would be beneficial before the matter was pursued in the Group. He added that the legal ground for the remaining restrictions was still to be found in Hungary's Protocol of Accession to the GATT. The representative of Hungary did not share this view as he considered that the Protocol did not allow for the maintenance of discriminatory restrictions but for their progressive liberalization.

Products of Export Interest to Developing Countries

19. The Group reviewed progress made with regard to quantitative restrictions on products of export interest to developing countries. Some delegations were struck by the number of quantitative restrictions maintained on these products. Some other delegations observed that no GATT justification had been cited for a number of restrictions and suggested that the main purpose of the review should be to ascertain what had been done towards their elimination or liberalization. The representative of a group of delegations reiterated the view that in a number of instances though GATT cover had been claimed by the maintaining countries, the justification had not been accepted by all contracting parties. In respect of the data, these delegations felt that the review should deal only with quantitative restrictions which applied to developing countries; they intended to suggest certain modifications to the informal secretariat paper with this end in view.

20. The Group then focussed on Annex B of the secretariat's informal paper of 5 June 1985. A number of delegations suggested that certain other products of export interest to developing countries (see NTM/W/9 Rev.3) should be included in the analysis and it was suggested that Annex 2 of NTM/W/9 might be useful in identifying such sectors. The Chairman suggested that it would be useful if specific suggestions were discussed with the secretariat and that the analysis could best serve the Group if, in the initial stages at least, the analysis were kept to a manageable size.

Canned Products

21. The representative of Japan recalled that in April 1984 his authorities had undertaken certain liberalization measures covering, inter alia, products in this category, e.g. prepared or preserved pig meat or offal, corned beef, fruit purée and paste, fruit pulp, canned pineapple, non-citrus fruit juices (details in L/5648).

22. In reply to a question from Argentina the representative of New Zealand pointed out that his authorities did not claim GATT cover for their licensing system which predated the GATT but since the intention of the authorities was to move to a system based on tariffs only, the issue of GATT conformity had become largely academic.

23. The representative of South Africa cited Article XI:2(b) as the relevant GATT provision for South Africa's liberal licensing régime in respect of products under the CCCN tariff heading 2001.

Leather

24. A number of delegations requested further clarification in respect of the liberalization measures undertaken by Japan during the lifetime of the Group, including an evaluation of the improved market access possibilities opened up by the measures for contracting parties in general and developing countries in particular. Information was also sought by these delegations on the steps taken by Japan to implement the recommendations of the Report of the Panel on Japanese Measures on Imports of Leather (L/5623). The representative of Japan stated that his authorities had indicated that progressive efforts would be made in the direction of eventual conformity with GATT provisions. Several steps had already been announced, for example the elimination of tariffs on bovine and equine wet blue chrome grain with effect from 1 April 1985 and the measures described in Japan's written proposal (NTM/W/12/Add.7). Further measures were under consideration.

25. The representative of Norway informed the Group that liberal licensing for CCCN tariff items 4202 and 4203 had been replaced by automatic licensing. The bilateral quota in these two tariff positions applied to the Republic of Korea and was in accordance with the terms of Korea's accession to GATT.

26. The representative of South Africa stated that all except five CCCN tariff positions (4101, 4104, 4105, 4301 and 4302) had been liberalized entirely, that discretionary licensing and prohibition had been eliminated and that Article XX(d) had been dropped as a justification for South Africa's existing restrictions in this product sector.

Footwear

27. The representative of Hong Kong said that Hong Kong's exports to several important markets abroad had been adversely affected by quantitative restrictions. For example, footwear exports to Japan in 1984 amounted to only US\$7,500 which was no more than 0.01 per cent of Hong Kong's total exports of footwear. Among the causes identified were the size of quota and lack of transparency in the implementation of the quota régime. The representative welcomed Japan's decision regarding publication of quotas as a move towards greater transparency but wanted to know whether

a decision regarding the size of quota was under consideration. The representative of Japan stated that leather and leather footwear were the only remaining items subject to residual restrictions and that Japan was making efforts to improve market access progressively despite serious economic and social problems in this sector. Consultations were in progress between the United States and Japan under Article XXIII:1 on these and related matters. The representative clarified that the measure being considered for implementation from September 1985 and referred to in this section of the secretariat's informal paper concerned publication of the size of quota.

28. The representative of Hong Kong stated that exports of footwear parts to New Zealand had declined by 60 per cent in the last ten years while increasing 100 per cent for the rest of the world. The representative of New Zealand stated that the seven year Industry Development Plan in respect of footwear had commenced in July 1983 and would run until 1990. Under increasing liberalization envisaged by the Plan, there was considerable scope for improvement in Hong Kong's exports to New Zealand.

29. The representative of Hong Kong also referred to South Africa's Article XIX action on footwear, stating that following the increase in South Africa's bound rates on certain footwear, Hong Kong's exports had dropped by more than 30 per cent in early 1985. The representative wanted to know the duration of the Article XIX action as South Africa's notification to the GATT did not provide a specific time-limit. The representative of South Africa stated that the measure came under specific procedures which were not appropriately discussed in the Group, that the matter was under review and that the action would be removed at the earliest possible opportunity. The representative of Hong Kong did not share the view that Article XIX measures could not be discussed as the Group's mandate included the review of quantitative restrictions other than those which were not in conformity with the General Agreement so as to achieve progress in their liberalization.

30. Some delegations referred to reports that certain quantitative restrictions in this sector were being contemplated by the United States' authorities and requested information on developments. They felt that any new restrictions would be contrary to the Ministerial Declaration, the Group's mandate and the proposal for a future work programme suggested by the United States itself. The United States representative took note of these concerns. He indicated that the report of the United States International Trade Commission would probably be transmitted to the President about 1 July and the President would then have sixty days to take a decision on the matter. The representative undertook to inform the Group of the President's decision when it was available.

Tableware

31. The representative of South Africa informed the Group that with the recent liberalization measures South Africa's liberal licensing régime in respect of both CCCN tariff headings 6911 and 6912 had been entirely liberalized.

Electronic Products

32. The representative of Hong Kong suggested that the coverage of items in this section of the secretariat's informal note should be expanded to

include certain other products of export interest to the developing countries, for example electronic toys (ex 9703); gramophones, other sound recorders, etc., (ex 9211); electronic watches (ex 9101); and possibly some other products in the CCCN chapter 90.

Recommendations for Future Work on quantitative restrictions

33. The Group turned next to a discussion of ways to achieve further progress towards the objectives laid down by Ministers. It was noted that some suggestions had already been made on this subject, for example, in the written proposals of Chile (NTM/W/12/Add.11) and the United States (NTM/W/12/Add.10).

34. A number of delegations were of the view that the review, though useful, had been a limited one. Some of these delegations expressed disappointment that a large number of contracting parties had not sent written proposals. It was generally considered that periodic multilateral reviews of progress made should continue to be held in future. Some delegations stressed that these should be as detailed as possible, with comprehensive and up-to-date information to enable the Group to carry out a country-by-country examination.

35. The Group took note of the points made. It agreed that informal consultations should be held on ways of making further progress towards the objectives laid down by Ministers, and, in particular, on the nature and modalities of future multilateral reviews of quantitative restrictions.

Other Non-Tariff Measures

36. A number of delegations stressed the urgent need to tackle other non-tariff measures in view of their proliferation and their increasing impact on international trade. They stressed that the Group's work on quantitative restrictions and other non-tariff measures was to be regarded as one integrated exercise and that insufficient progress in the latter area would inevitably condition their ability to contribute further in the former.

37. The Group noted that little progress had been made towards the objectives laid down by Ministers both in general terms and on products of particular export interest to developing countries.

38. The representative of Japan recalled that his delegation's written proposal (NTM/W/12/Add.7) dealt, inter alia, with steps taken to liberalize certain types of non-tariff measures other than quantitative restrictions affecting imports. He continued by stating that Japan's external economic measures had included other non-tariff measures and that the proposed Action Programme would give further emphasis to improvements in the area of certification, standards and other import procedures. The representative of Canada recalled the steps taken by his authorities to bring about improvements in certain non-tariff measures maintained by Canada, e.g. the implementation as of 1 January 1985 of the Valuation Code and the proclamation on 1 December 1984 of the Special Import Measures Act, both of which would point logically to the deletion of a number of measures notified against Canada in the Inventory of Non-Tariff Measures.

41. The Group then discussed ways of making progress towards the objectives laid down by Ministers in the future, either on a bilateral or

multilateral basis. The Chairman said that though some suggestions had been made by delegations in earlier discussions (e.g. L/5713, paragraphs 61-64, NTM/W/8 and Addendum 1), the Group had had difficulty in coming to grips with other non-tariff measures and in this context, drew the Group's attention to the ideas contained in the informal secretariat paper of 1 May 1985. He also noted that some suggestions for future action had been put forward in the written proposals (e.g. Chile and the United States).

42. Some delegations said that efforts should be made to achieve tangible progress as soon as possible because the area was an important one and also because there seemed to be considerable scope for action. Some delegations referred also to the work initiated by the Group last year and in particular to the modalities and procedures for dealing with other non-tariff measures reflected in paragraphs 62 and 63 of the Group's (1984) Report, L/5713. These delegations felt that some of the ideas should be taken up for discussion with a view to exploring whether procedures based on them could be elaborated by the Group. One delegation felt that the diversity and complexity in the area of other non-tariff measures would be best handled in comprehensive multilateral reviews on a country-by-country basis. This delegation was not certain about the effectiveness of the method of selecting out certain types of measures for priority attention but was willing to consider any specific proposals in this context. Some delegations stated that some of the ideas in the secretariat's informal paper of 1 May 1985 might be examined further by the Group with a view to developing an agreed approach for tackling various categories of other non-tariff measures in a systematic manner.

43. The Group took note of the points raised. It was agreed that informal consultations should be held on these matters and, in particular, on the recommendations which the Group might make on ways of making further progress towards the objectives laid down by Ministers.

Other Business, Including Dates and Agenda for Further Meetings

44. The Group agreed to utilize the remaining period up to the mid-year break for informal consultations among members. It was agreed that these informal consultations should take place on 11-12 July. It was further agreed that the Group should meet on 30 September, inter alia, to begin consideration of its draft report. The Chairman informed the Group that, given the dates for the annual session of the CONTRACTING PARTIES and the Council, the Group should adopt its report at a meeting commencing on 18 October and concluding at the latest on 22 October.

45. In respect of the various technical points before the Group, it was agreed that informal consultations among interested delegations would be held on 3 July.