

GENERAL AGREEMENT ON

TARIFFS AND TRADE

RESTRICTED

SR.48/3

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CONTRACTING PARTIES
Forty-Eighth Session

SUMMARY RECORD OF THE THIRD MEETING

Held at the International Conference Centre, Geneva
on Thursday, 3 December 1992 at 3.30 p.m.

Chairman: Mr. Lars E.R. Anell (Sweden)

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Article XXIV:6 consultations between Argentina and the European Economic Community

Mr. Lanús (Argentina) said that, further to his delegation's statement at the CONTRACTING PARTIES' Forty-Seventh Session in December 1991¹, he wished to inform contracting parties that Argentina and the Community had continued their consultations in 1992 regarding the compensation due by the Community following the accession of Spain and Portugal thereto. These consultations had resulted in an Understanding with the Community regarding a 40 per cent decrease of the levy on imports of wheat from within a quota of 475,000 tonnes per year. The implementation of this Understanding would permit a partial resolution to the problem of compensation, and would leave pending the implementation of other additional concessions which would be determined in further consultations. Both parties had resolved that the European Commission would request its Council of Ministers for an extension until 31 December 1993 of the provisions of their Agreement, and that they would meet again soon to continue consultations. Argentina, while reserving its rights under the General Agreement, reiterated its willingness to reach a satisfactory solution with the Community through this process.

The CONTRACTING PARTIES took note of the statement.

¹SR.47/2, page 11.

Participation in the GATT of the Czech Republic and the Slovak Republic

The CHAIRMAN drew attention to a communication from the Czech and Slovak Federal Republic (L/7127) in which the Czech Republic and the Slovak Republic expressed their wish to become contracting parties upon their independence on 1 January 1993. The draft text of two Decisions to implement necessary measures for this purpose was contained in W.48/18.

Mr. Brabec (Czech and Slovak Federal Republic) informed contracting parties that on 25 November, the Federal Assembly of the Czech and Slovak Federal Republic (CSFR) had passed an Act on the dissolution of the CSFR under which the present Federation would cease to exist on 31 December 1992, and two new republics -- the Czech Republic and the Slovak Republic -- would come into existence on 1 January 1993. This Act created necessary legal prerequisites for both new Republics to acquire full autonomy in their external commercial relations and the other matters provided for in the General Agreement. He recalled that Czechoslovakia, as one of the most industrialized European countries after the Second World War, had participated very actively in the process of the creation of the GATT and had become a founding contracting party on 20 April 1948. Unfortunately, further developments in its commercial and economic policies had been influenced adversely by political changes in February 1948 leading to the establishment of a non-market economy which had since prevailed in Czechoslovakia for more than four decades. However, Czechoslovakia had never discontinued its GATT ties and had participated in all GATT activities, particularly in rounds of multilateral trade negotiations. Czechoslovakia was currently a signatory of a number of Tokyo Round Agreements and also of the Multifibre Arrangement.

Completely new horizons had opened in Czechoslovakia after the so-called Velvet Revolution in November 1989. A programme of radical political, social and economic reforms had been adopted with the aim of creating an advanced democratic society as soon as possible. These positive changes had resulted in a remarkable improvement and liberalization of the CSFR's commercial and economic relations with many countries. In this respect, he recalled that, as announced at the November Council meeting, GATT relations between Czechoslovakia and the United States had been fully restored after 41 years. At the same time, all negotiations under the waiver granted to the CSFR at the Forty-Seventh Session in December 1991 had been successfully finalized. A revised Schedule of tariff concessions had been submitted to the GATT in November 1992 and would be applied from 1 January 1993. He also informed contracting parties that the import surcharge applied by the CSFR would be abolished by the end of December 1992.

The CSFR had actively participated in the Uruguay Round negotiations and welcomed the emerging breakthrough in one of its central areas. It hoped that further progress would be achieved as soon as circumstances permitted. He recalled that the CSFR had a high proportion of tariffs bound in the GATT -- 97 per cent of all its tariffs -- and that its conventional tariffs had a low weighted average of about 5.7 per cent. These and other GATT commitments of the CSFR provided a solid basis for the future participation of both successor States to the CSFR in the General Agreement, as described in L/7127.

Mr. Somol (Czech Republic) said that the Czech Republic, which had already acquired full autonomy in the conduct of its foreign trade and of the other matters provided for in the General Agreement, would become a sovereign State on the dissolution of the CSFR at the end of the year. The Czech Republic, resolved to intensify mutually beneficial trade relations with GATT contracting parties and to participate actively in the multilateral trading system, wished, as one of the two successor States to the CSFR, to become a contracting party. The Czech Republic was determined and prepared to assume, and to continue to fulfil, obligations incumbent upon the CSFR in the GATT, including in particular those set up in Schedule X. Moreover, the Czech Republic was ready to undertake to accept the Multifibre Arrangement as well as the Tokyo Round Agreements and Arrangements to which the CSFR was currently a party. It was also determined to accept and implement the results of the Uruguay Round negotiations, and indicated its readiness to contribute to maintaining a liberal and secure multilateral trading system. He hoped that contracting parties would consider the Czech Republic's request for GATT participation favourably, and would take the appropriate decision under which the Czech Republic would become a contracting party at an early date and on the same terms and conditions as the present CSFR.

Mr. Masár (Slovak Republic) expressed the Slovak Republic's firm commitment regarding its future active participation in a broad range of GATT activities. The Slovak Republic had also acquired full autonomy in the conduct of its external commercial relations and other matters covered by the GATT. It was conscious of the importance of the multilateral trading system, which it regarded as an efficient tool for smaller trading partners to develop their external economic relations. The Slovak Republic was fully aware of the high level of concessions that had been granted by the CSFR in the GATT. It was strongly resolved to inherit these rights and obligations, and believed that this commitment would facilitate the smooth integration of the Slovak Republic into the world economy. The Slovak Republic also had a strong interest in participating actively in the revived Uruguay Round negotiations. He expressed the hope that his Government's request, as well as that of the Czech Republic, would receive positive consideration, and that contracting parties would take the appropriate decision under which the Slovak Republic would become a contracting party at an early date and on the same terms as in the case of the present CSFR.

Mr. Waas (Austria) said that Austria, as a neighbouring country to both the new States -- the Czech Republic and the Slovak Republic -- had particular interest in the political and economic stability of these countries. Austria therefore welcomed the determination and the desire of these countries to assume and continue to exercise all the general and specific obligations arising from the General Agreement, the Multifibre Arrangement, the Tokyo Round Agreements and Arrangements, and the Uruguay Round. Austria supported the request of the Czech Republic and the Slovak Republic for participation in the GATT, and the continued application of the GATT to them as of 1 January 1993.

The CHAIRMAN recalled that the CSFR had announced that it would cease to exist on 31 December 1992 and that, as of 1 January 1993, that State

would be replaced by two successor States, the Czech Republic and the Slovak Republic. Both these States had expressed their interest in becoming GATT contracting parties and their determination to continue to fulfil the obligations incumbent upon the CSFR under the General Agreement, including in particular those set up in Schedule X. Moreover, the Czech Republic and the Slovak Republic had also undertaken to accept the Arrangement Regarding International Trade in Textiles and its Protocols of Extension, as well as the Tokyo Round Agreements and Arrangements to which the CSFR was currently a party, namely the Agreement on Technical Barriers to Trade, the Agreement on Implementation of Article VII, the Agreement on Import Licensing Procedures, and the Agreement on Implementation of Article VI.

It appeared that contracting parties were ready to agree that the Czech Republic and the Slovak Republic accede to the General Agreement, pursuant to Article XXXVIII, under the same terms as those presently applied by the CSFR, without carrying out any negotiations, and to agree on transitional arrangements for the interim period until the necessary procedures had been fulfilled. Accordingly, he suggested that the CONTRACTING PARTIES take the two decisions as proposed in document W.48/18.

Mr. Yerxa (United States) said that his Government was satisfied with the arrangements proposed by the Chairman for addressing this unusual situation. The Chairman's statement had indicated that in the case of the accessions to GATT of the Czech Republic and the Slovak Republic under Article XXXVIII, negotiations would not be necessary. The United States did not intend that the participation in the GATT of the newly independent states should be on a basis that was different from that of the CSFR. However, it needed to place on record the conditions under which -- in this situation and in potential similar situations in the future -- it could accept that negotiations were not necessary. These conditions were: (1) that the defunct State had a high level of obligations under GATT with a bound tariff schedule at meaningful levels; (2) that the new States were fully willing and able to accept an identical level of obligations and the same tariff schedule; and, (3) that the new States were not contemplating important reorientations to their basic trade and economic policies which would nullify or impair trade opportunities enjoyed by other contracting parties in their markets. As far as the United States could tell, these conditions would be satisfied in the case of the dissolution of the CSFR. Should this turn out not to be the case for the Czech Republic and the Slovak Republic, the United States reserved its rights on the question of negotiations in connection with Article XXXVIII.

The CONTRACTING PARTIES took note of the statements, and adopted the two decisions as proposed by the Chairman (L/7155 and L/7156).

Activities of GATT (continued)

The following statement was made:

Mr. Jin Yongjian
Ambassador, Permanent Representative of China
(speaking as an observer)

SR.48/ST/6

Mr. Waas (Austria) addressed the specific matter of the United States' recent preliminary countervailing duty measures on steel², which he said also affected Austria's trade in these products. While a detailed evaluation of the economic impact of the duties imposed provisionally on Austria's steel exports was still underway by his authorities, it could safely be said even at this time, that Austria could see no causality between the difficulties of the US steel industry and the very small Austrian exports. These exports had fluctuated between 27,000 tonnes and 98,000 tonnes from 1989 to 1991, and had declined to a mere trickle -- 735 tonnes -- in the first half of 1992. However, in order to provide a defence in the procedures against this small amount of Austrian steel products in the US market, more than 2,400 man-hours of highly qualified and expensive legal expertise had had to be invested. Austria could see no reasonable proportionality between the impact of its steel exports in the US market and the costs incurred for legal defence. According to the results of the investigations carried out by the US authorities thus far, the estimated net subsidy rate for imports of Austrian flat steel products to the United States was 1.76 per cent. Given the small amount of Austria's exports, it was evident that even according to the United States' de minimis rules, procedures against Austrian steel should not have been even initiated at all. This was a clear case of a misuse of legitimate trade laws by the US steel industry for purposes of trade harassment. Austria urged the United States to take a tougher attitude vis-à-vis the protectionist demands of its steel industry. Also, in order not to unduly burden the atmosphere for the decisive stage of the Uruguay Round, Austria welcomed the initiative to revitalize talks on a Multilateral Steel Agreement the following week. Austria would actively participate in this effort to bring about a balanced agreement which would do away with unjustified subsidization, and non-tariff and tariff barriers to steel trade, and would help avoid a misuse of trade laws when no unfair competition was involved.

Mr. Asakai (Japan), also addressing the United States' preliminary countervailing duty measures on steel, said that as his delegation had stated at the October meetings of the Anti-Dumping Committee and of the Subsidies Committee, Japan was concerned with the massive anti-dumping and countervailing investigations initiated by the United States on steel imports from 21 countries. The US International Trade Commission had made a preliminary affirmative determination in August regarding the alleged injury caused by certain steel products from Japan. Japan believed that this decision was not justified. The steel trade between Japan and the United States, and indeed between the United States and many other countries, had been restricted for many years until March 1992, and Japan's exports had in fact been markedly declining. Recent preliminary determinations by the US Department of Commerce in the area of subsidies were further steps in a similar problematical direction which added to

²This matter was also addressed at this meeting by Mr. Asakai (Japan) (see next statement). It was also addressed at the First meeting by Mr. Amorim (Brazil) and Mr. Abbott (European Communities) (see Sr.48/1, pages 9-10).

Japan's concerns. Unfair resort to anti-dumping and countervailing measures constituted a barrier to world steel trade. Japan did not believe they made a positive contribution to the collective efforts by the countries concerned for the establishment of improved rules in this sector. However, Japan would participate actively in the talks that were to be activated soon, and would be seeking ways to put an end to such a misuse of trade laws. Japan therefore urged the United States to resist the temptations of protectionism, and to respond in a positive manner in the direction of expanding trade without delay. Japan wished to register its strong concern on this matter, and reserved its GATT rights thereon.

Mr. Jamal (Tanzania) welcomed Mozambique and Namibia as contracting parties, and said that Tanzania looked forward to strengthening the already existing historical and institutional links with both these nations. Tanzania fully endorsed the statement made by Bangladesh on behalf of the least-developed contracting parties (SR.48/ST/4), and hoped that full weight would be given to it as one hopefully came near to concluding the Uruguay Round in a fair and balanced manner. The least-developed contracting parties, it was true, had not concealed their deep anxieties regarding the Round on the basis of the evidence as had already surfaced and which showed little sign of any retraction, let alone any fundamental introspection. Tanzania had no illusions that what the GATT had come to refer to as the "real world" could be changed by it alone. He did not relish for his country to be forever consigned to least-developed country status. Objective as the World Bank criteria were, and while the IMF shunned that description and the GATT found it somewhat inconvenient, he hoped he was not alone in believing that Tanzania was a young nation and that the future belonged as much to it as to all the young generations of the world. One hoped therefore that negotiators in the Uruguay Round would have the strength, courage and imagination to reach out to them.

- Action on reports submitted to the CONTRACTING PARTIES

The CONTRACTING PARTIES adopted the report of the Committee on Trade and Development (L/7124) and took note of the reports of the MTN Committees and Councils (L/7101, L/7107, L/7109, L/7116, L/7114, L/7121, L/7118, L/7113 and Corr.1, and L/7115).

Summing up the discussion at the Session, the CHAIRMAN highlighted some of the main themes emerging therefrom. He noted that the importance of the re-activation of the multilateral negotiating process of the Uruguay Round in Geneva had been emphasized and welcomed. Hope had been expressed that this would lead quickly to balanced results, beneficial to all participants and, in particular, to developing countries. Achieving a successful and prompt outcome of the Round was the most important contribution that all could make towards sustaining the world economic recovery, improving the international trading environment and supporting the market-economy reforms underway in many developing countries as well as in other countries.

A number of speakers had stressed the adverse impact of the stagnant growth of the world economy on many developing countries. This relative lack of growth had had particularly negative consequences for the

least-developed countries which continued to face particularly serious economic and social problems. The commitment of developing countries to an open and effective multilateral trading system had, once again, been emphasized. This commitment had been demonstrated first of all by the significant trade liberalization measures undertaken by them in recent years, often in anticipation of the implementation of results of a successful Uruguay Round.

It was important to note that, perhaps for the first time, the impetus for the liberalization of trade had come from developing countries. It was therefore essential that a prompt outcome of the Uruguay Round reward them for their bold and courageous policy initiatives in this field. The trend towards more market-oriented and liberal trade régimes was obvious in a number of other countries which were seeking fuller integration in the world economy and in the multilateral trading system either through their participation in GATT, or through renegotiation of their terms of accession as market economies. The ability of these countries to continue their far-reaching liberalization reforms would be greatly enhanced by a favourable international trading environment, including a successful conclusion of the Uruguay Round.

A number of serious concerns over developments in trade policies had also been expressed. These included: recourse to bilateralism and unilateralism, anti-dumping and countervailing measures, persistence of "grey-area" measures, non-implementation of panel reports, continued protection of non-competitive sectors, and the postponement of necessary structural adjustment measures in areas such as agriculture and textiles. These trends had had an adverse impact on the economies and trade of many trading partners, had hampered the proper functioning of the GATT system and, ultimately, had undermined its credibility. In this context, several delegations had expressed their very serious concern over the preliminary countervailing measures recently announced by a major trading partner in the steel sector and the possible consequences of these measures on their trade interests and on the international trading environment.

Some speakers had also referred to the increasing evidence of regional integration initiatives being taken in various parts of the world. He believed there was a widely-shared view among contracting parties that the main concern in respect to such initiatives was to ensure that they were consistent with GATT rules, and that regional integration arrangements and the multilateral trading system would remain mutually supportive. An important rôle in this regard would be to improve the effectiveness of the examination of regional arrangements in GATT, an issue which seemed to be ripe for priority attention in GATT's future work.

Finally, he believed that all interventions made at the present Session had reflected the belief that whatever the uncertainties and concerns about the functioning of the existing multilateral trading system, continuing commitment to it and to its strengthening and expansion remained the first and best option for all governments to ensure global prosperity and welfare. He trusted that all contracting parties would demonstrate the necessary political will and wisdom and bring their contribution to the attainment of this objective.

Dates of the next regular Session

The CONTRACTING PARTIES agreed that the next regular Session would be held in the week starting Monday, 29 November 1993, bearing in mind the possibility for the Chairman of the CONTRACTING PARTIES, in consultation with delegations, to fix the dates and the duration of the Session with greater precision in the course of 1993, and even to modify the dates if circumstances made this desirable.

Election of Officers

The following nominations were made:

Chairman of the CONTRACTING PARTIES:	Mr. B.K. Zutshi (India)
Vice-Chairmen of the CONTRACTING PARTIES:	Mr. Alastair Bisley (New Zealand)
	Mr. J. Esper Larsen (Denmark)
	Mr. Jesús Seade (Mexico)
Chairman of the Council of Representatives:	Mr. András Szepesi (Hungary)
Chairman of the Committee on Trade and Development:	Mr. Mounir Zahran (Egypt)

The CONTRACTING PARTIES elected the officers nominated.

Closure of the Session

The Session closed at 5.15 p.m.