

**GENERAL AGREEMENT
ON TARIFFS AND TRADE**

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COUNCIL
21 June 1994

MINUTES OF MEETING

Held in the Centre William Rappard
on 21 June 1994

Chairman: Mr. M. Zahran (Egypt)

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Prior to adoption of the Agenda, the Chairman, on behalf of the Council, welcomed Honduras as a Council member.

1. Uzbekistan

- Request for observer status (L/7400, Add.1 and Add.1/Corr.1)

The Chairman drew attention to the communications from Uzbekistan in L/7400, Add.1 and Add.1/Corr.1, in which that Government had requested observer status in the GATT and had provided a description of its current economic and trade policies. He proposed that the Council agree to grant Uzbekistan observer status.

The Council so agreed.

The representative of Uzbekistan, speaking as an observer, said that since its independence, Uzbekistan had implemented a comprehensive programme of broad economic and political reforms aimed at a smooth and steady transition towards a market economy. These reforms had been based on principles which included priority of the economy over politics and an important rôle of the state to ensure internal transformations, structural economic changes, social security measures, and complete freedom to entrepreneurship. Since 1994, imports into Uzbekistan entered tax-free and national treatment applied to foreign products. Export licensing was solely used to prevent dumping and to ensure sanitary standards and economic security. With respect to the privatization process, in which the Uzbekistan population had a broad participation, equal rights and conditions were provided to foreign legal juridical and physical persons. The private sector accounted at present for 40 per cent of the GNP. Uzbekistan had significantly liberalized its monetary policy and was about to introduce its own national currency as from 1 July 1994. The banking infrastructure and financial policy offered an attractive environment to foreign investments. Uzbekistan believed that its trade régime met GATT requirements and intended to abide by its rules and regulations. With its accession to GATT, Uzbekistan would integrate itself more fully into the world economy and strengthen its cooperation with the contracting parties.

The representatives of Switzerland, Brunei Darussalam, on behalf of the ASEAN countries, India and Turkey welcomed the delegation of Uzbekistan and its participation in the Council as an observer. The representative of Switzerland said that Uzbekistan was undergoing a deep economic and political transformation and the restructuring of its external trade relations was of crucial importance, in particular for its integration into the GATT system. Switzerland assured Uzbekistan of its full support so that it would be able to take the best possible advantage of its observer status in the GATT. The representatives of India and Turkey underlined their respective cultural, historical and trade relations with Uzbekistan and expressed satisfaction at Uzbekistan's intention to join the GATT. The representatives of Sweden, on behalf of the Nordic countries, the European Communities, the United States, Argentina and Venezuela also welcomed the participation of Uzbekistan as an observer to the Council.

The Council took note of the statements.

2. De facto application of the General Agreement
- Report by the Director-General (L/7478/Rev.1)

The Chairman recalled that in November 1967 the CONTRACTING PARTIES had adopted a Recommendation (BISD 15S/64) inviting contracting parties to continue to apply the General Agreement de facto in respect of newly-independent territories on a reciprocal basis, and requesting the Director-General to make a report after three years. The report circulated in document L/7478/Rev.1 was the ninth report made by the Director-General on the application of the Recommendation.

The Council took note of the report (L/7478/Rev.1) and invited the Director-General to remain in contact with the governments of the States concerned and to report again on the application of the Recommendation at a time he considered appropriate in the light of developments after the entry into force of the World Trade Organization.

3. Management of accession negotiations
- Communication from Sweden on behalf of the Nordic countries (L/7487)

The Chairman drew attention to the communication from Sweden in document L/7487 concerning management of accession negotiations.

The representative of Sweden, speaking on behalf of the Nordic countries, said that the GATT system was presently facing a number of challenges. The most immediate one was of course the implementation of the Uruguay Round results. Another challenge of utmost importance was the globalization of the GATT and the WTO. The Nordic countries believed that contracting parties had to address the challenge of globalization. They were aware that other contracting parties had taken very useful initiatives on a practical level in dealing with accessions in the recent past. This was important and should be continued. However, the Nordic countries wished to build further on those initiatives.

The multilateral trading system was on its way to becoming global in the real meaning of the term. More requests for accession were under consideration than ever before in GATT history. At present, twenty-one requests were under consideration and a number of other countries were likely to apply in the near future. The benefits that would result from this process would be of great importance to acceding countries, the present contracting parties and to the trading system as such. There was no need to dwell now on the economic benefits which of course were fundamental. But there was also a wider, partly political, perspective that should not be forgotten in this context. Many of the candidates for accession were countries in transition from centrally-planned to market-based economies. Significant policy changes were an essential part of their overall reform processes. GATT and WTO accession would support and sustain these reforms to a considerable extent which would be in the contracting parties' common interest. GATT and WTO rules would also help to stabilize relations between the acceding countries themselves by offering them a stable basis for trade between themselves that did not exist now. Adherence to the same world trade rules would help to prevent economic conflicts and to solve them should they occur.

Given the present pace of accession negotiations, it was unlikely that the twenty-one requests, and let alone those to come, could be given the required attention and acted upon as expeditiously as one would wish to be the case. This would become even more evident when the present accession negotiations were broadened to include commitments in areas such as agriculture, TRIPs and services, just to mention the major ones. The Nordic countries attached crucial and political priority to ensuring that the process of globalization of the multilateral system was not hampered by administrative and resource problems. Basically it was a question of management and technical assistance. Normally

such questions were not raised in the Council. However, if the Council members agreed the discussion could be pursued. The Nordic countries wished first to stress that they in no way meant that candidate countries should be allowed to enter GATT and ultimately the WTO on any lower level of commitments than the one that was required in order to guarantee the rigour and effectiveness of the trading system. They did not favour measures that would lead to the weakening of the integrity of the accession process. All were aware that the accession process was a complex one involving both the candidate country itself -- which had the major responsibility for the smooth functioning of the process -- contracting parties, and finally the Secretariat, whose role in guiding the accession process throughout its successive phases was crucial. Against this background, at least four different sets of issues should be addressed.

The first set concerned the adequacy of present resources. The importance of those resources was evident. Looking at resources within delegations, it was a fact that certain delegations were more active than others in accession negotiations. But all contracting parties had responsibility for the functioning of the process. Therefore, the question which must be asked was whether delegations could devote sufficient time to accession matters when work began on a larger number of countries. Within the Secretariat it was crucial that adequate resources for accessions were available during the coming years when the number of acceding countries would be greater. Insufficient Secretariat staff devoted to accessions would mean a slower process, less well prepared working party meetings, more work for delegations and less support for the acceding country. The Nordic countries had not set a view on how a strengthening of resources should be carried out from the organizational point of view. This was a matter for the Director-General and for the Committee on Budget, Finance and Administration. However, it was important to determine whether the present very limited resources available in the Secretariat for this purpose were sufficient. A situation in which the lack of resources would lead to assigning certain candidate countries priority over others for reasons not related to the quality of their input or the commitments they were ready to make had to be avoided at any price. All candidate countries must be treated equally and the requests must be handled on their own respective merits.

The second set of issues concerned management, i.e., to what extent the process of accession as such could be improved. In other words, how to make use of the resources in the most efficient manner. The Nordic countries believed that it was possible to envisage improvements in each and every step of the accession process. One suggestion had already been made in another context regarding a closer involvement of the Secretariat in the preparations made by acceding countries through a TPRM-type activity. Another possibility would be to assign an even more active role to the chairpersons of the accession groups for example by involving them in the process already before the stage of questions and answers on the foreign trade policy of the candidate countries. The Nordic countries looked forward to hearing the views of other delegations on the question of efficiency. Moreover the Secretariat could prepare a written contribution regarding management issues to be considered at a future meeting.

The third set of issues concerned technical assistance. The Secretariat had over the years provided a certain amount of technical advice to acceding countries. Some contracting parties also had provided technical assistance bilaterally. Nevertheless, much more could probably be done to help candidate countries prepare themselves for the process in Geneva. Granting technical assistance to the candidate country in preparing the basic information and highlighting issues that would probably be subject to questions would most certainly lead to a smoother process in the various working parties. An assessment by the Secretariat on what additional assistance could be envisaged would be useful. Furthermore, one could consider to what extent other international organizations might provide technical assistance in order to facilitate the accession process.

The last set of issues concerned possible horizontal issues. For example, the fact that several acceding countries were economies in transition, might create what could be called economies of scale that could be used to rationalize the process. Even if the economies of these countries were often different, many of the issues that had to be tackled would possess similar characteristics such as in

relation to price mechanisms and privatization, and the answers would probably also be similar. Perhaps, it would be possible to rationalize somewhat the accession process if these issues were dealt with also in a horizontal manner. It could be useful to look at possible cooperation between the chairpersons of the various working parties. Another question to be considered was whether generic background material describing and analysing the most frequent issues was warranted and whether such material could be prepared by GATT economists or research divisions in other organizations.

The Nordic countries believed it was important to focus attention on the accession process in a comprehensive manner. Answers to the questions of the kind that had just been enumerated could form part of the comprehensive GATT/WTO plan of action for the globalization of the trading system. Due to the close link between the accession processes in the GATT and the WTO the Nordic countries suggested that the work be carried out in close cooperation between the Council and the WTO Preparatory Committee, where the same issues would also be raised. Finally the Nordic countries proposed that an informal consultative process be initiated in order to consider accession issues with the aim of establishing a plan of action. Given that accession issues concerned both the GATT and the WTO, such consultations should most appropriately be conducted by the Chairman of the CONTRACTING PARTIES or a person designated by him.

The representative of Austria recalled that at the Forty-Ninth Session of the CONTRACTING PARTIES in January 1994, Austria had drawn up a list of five priority items which the Council and GATT should deal with this year. In first place on this list of important outstanding issues was the "accession of as many states as possible to GATT and satisfactory conditions and arrangements". Therefore, Austria was grateful to the Nordic countries for having taken up this issue and supported the thrust of the Nordic initiative aimed at streamlining the overall GATT/WTO accession policy. Austria was also of the view that streamlining of the accession procedures must not change the principle that each application was to be examined on its own merits. Austria was not advocating any softening of accession criteria. But lack of resources and coordination must not delay achieving the goal of global membership. Delegations and the Secretariat should make a major effort to accelerate high quality work on accession. The Nordic paper stressed rightly the importance of technical assistance and Austria supported the proposal for a written contribution by the Secretariat on additional assistance and on management issues. With respect to assistance, aside from the Technical Cooperation Division, it was likely that other divisions might have qualified experts who would be very well suited to help applicant countries in preparing their documentation for the accession process. The idea of increased cooperation with the other international organisations mentioned by the Nordic countries was a very interesting one and should be pursued as well. Finally, Austria wished to propose that in addition to an informal consultation process as proposed by Sweden, the chairpersons of the working parties get together for a brainstorming meeting, since they had the responsibility for bringing forward the work of the accession working parties.

The representative of Australia noted that the communication by the Nordic countries raised very interesting and important issues and thanked the Nordic countries for bringing these issues before the Council. He also noted at the outset that the issue of economic and political transition was a global one. Around two-thirds of the current accession applications were from Central and Eastern Europe but the concept of transition and accession applications were also relevant to countries in Asia, America and the Middle East. It was not however clear from the ideas put forward by Sweden what was meant by globalizing the GATT as a political priority. Australia believed that membership expansion was a natural consequence of economic and trade reform and that countries would join the system when they were ready and able to meet the contractual obligations thereof.

Australia was one of the contracting parties which had been already engaged very actively and constructively across-the-board in accessions. It had also been willing to provide bilateral technical assistance to applicants for accession and agreed with Sweden that accession negotiations were imposing

considerable resource pressures. Australia also agreed that it was important that all concerned applicants and contracting parties do their best to meet deadlines for submission of documents in an effort to avoid undue delays in the negotiations. Therefore, there might well be scope for streamlining procedural aspects. Australia would be ready to participate in a process to examine those issues. However, like Austria, Australia would not be able to accept any procedures which impacted adversely on the ability to pursue the substance of each negotiation on its own merits. The political dimension of the economic transition to GATT/WTO membership was something Australia recognized but this could not take priority over the issue of conformity with the rules. Sweden's communication did not address in detail an aspect which was important, namely the responsibilities in the process of those seeking membership of the GATT/WTO contract. This aspect was important since most accessions were based on the readiness of the applicant to make the necessary commitments to the treaty. Sweden had also drawn attention to the limitations on time devoted to accessions. However, Australia believed that there were not many other GATT priority issues receiving as much time and resources. This was a demonstration in itself that contracting parties recognized the importance of moving the accession process ahead as quickly as possible. Simply holding more meetings was not necessarily the answer unless progress in those meetings was possible through the contributions made by the acceding countries themselves. Accessions could progress faster if applicants provided comprehensive structured information and indicated acceptance of all the contractual obligations and commitments in the treaty. After the examination phase, in many cases contracting parties had to wait before acceptance by applicants of certain disciplines was forthcoming. In other instances the applicants required time before taking the next step and not contracting parties. For example, the submission of memoranda or answers to the written questions. Perhaps these were areas where improved procedures or more technical assistance would help. But the fact remained that those wishing to accede should meet the necessary requirements for expediting the process.

Australia wished to reiterate its willingness to consider the possibility of making procedural improvements to the accession process. Such improvements must also be reciprocated by the applicants for membership themselves. Contracting parties should pursue discussion of these issues, including in the Preparatory Committee if it were decided to hold the discussion in that body. Finally Australia had again to underline that while it had a great deal of sympathy for the ideas and suggestions put forward by Sweden, it could not support in any way the politicization of the accession process.

The representative of the European Communities said that the Community shared most of the points raised by previous speakers. It was true that the accession of twenty-one applicants was a very difficult task. Obviously the maximum amount of resources must be made available to get through this work. Possibly contracting parties should organize themselves better and should perhaps help countries requesting accession to be more efficient in the preparation and participation in the accession process. Perhaps technical assistance should be more significant than at present. However an attempt to find a sort of standardized formula might in fact lead too far away from the facts and realities of each case. The Community shared the view expressed by Australia that accession applications must be considered on a case-by-case basis and assessed on the merits of each request individually. A sort of overall plan or programme to apply a general theory to the accession procedures might in fact lead to a less pragmatic approach. With regard to the responsibility of those countries applying for accession to the GATT and the WTO, the Community also shared the comments made by Australia which emphasized that attention given to the requests would depend very much on the expeditious manner and quality of participation of requesting countries in the process. The Community favoured starting a process of reflection on the matters raised by the Nordic countries. It was not sure, however, that it was really necessary to create new mechanisms because these might be even more time-consuming than the current procedures.

The representative of Canada agreed with the Nordic countries that accession process would benefit from improvements in efficiency. The timing was right to address this question given the more

than twenty applications to-date and the resource constraints faced by the Secretariat, by Missions and by capitals. However, Canada was not sure that the discussion of the accession issue in all its aspects should take place at the level of the Council or at that of the Preparatory Committee as the paper suggested. Other speakers had noted that much work had already been done in informal consultations which had already brought about some important improvements.

Canada would find it difficult to devote significantly more resources to accession working parties both in Geneva and its capital. Nevertheless it was ready to meet informally to discuss what organizational improvements could be made and in particular to ensure that more efforts were devoted to the preparation of the candidates before the formal process begins. There was a real need for a better understanding by candidates of what the accession process was all about. In particular, the applicant must be given a clear picture of what would be required from it to bring its trade régime into conformity with the GATT or the WTO. Another aspect was the improvement of the memorandum on foreign trade on which the working party based its initial consultations. Certainly once the process had begun all relevant documents including questions and answers should be circulated at least three or four weeks before the meeting at which they were to be discussed. If this was not done, it would be better to postpone meetings. This would ensure a more constructive use of time and, in the end, progress could be made while maintaining a limit of five or six working days per month. Canada wished to emphasize that great care must be taken not to rush these important processes. As had been stated by earlier speakers, Canada was not interested in giving up any of the required steps just for the sake of moving the process more quickly. Nevertheless, Canada was prepared to discuss the matter further in the framework of informal consultations.

The representative of Switzerland expressed appreciation for the initiative of the Nordic countries. They had drawn attention to possibly the most difficult problem before the GATT today in respect to the management of its work. This problem was made all the more difficult because of the transitional phase the GATT found itself in.

Switzerland fully shared all the concerns which had been flagged in the Nordic statement. It had also given some thoughts to the matter and would be happy to share its ideas with other delegations in a collective effort which was necessary to find a solution to the problem. This problem must be solved in the interest of the system as a whole, in the interest of the candidate countries, but also in the interest of contracting parties. Switzerland was prepared to examine possibilities of rationalizing the accession process but as the Community had said, contracting parties should avoid over-rationalizing the process. The exercise of examining organizational and management methods should be carried out with extreme caution. But this should not in itself exclude possible improvements in the procedure. Switzerland was ready to participate in any form of consultations which might be organized on this very important issue, whether this would be done under auspices of the GATT or of the Preparatory Committee.

The representative of the United States expressed readiness to work with other contracting parties in order to find ways of relieving the pressure that the great number of requests for accession had placed on delegations. However, such coordinated efforts to improve the current accession process must be undertaken without prejudice to the type of recommendations that were eventually to be submitted for approval. The problem should be addressed as soon as possible without creating unnecessary new budgetary requirements for GATT and without shifting the balance of responsibility for accession negotiations away from the contracting parties and the applicants themselves.

The representative of Hong Kong expressed appreciation to the Nordic countries for raising the matter at hand. He fully subscribed to the view that the multilateral trading system should be made as global as possible and that procedures for accession of new trading partners, large or small, should be improved. This, of course, must be done without weakening the rules and disciplines which were

vital in underpinning the multilateral trading system. The Nordic countries had raised a number of issues which could be looked at in a more detailed way. Hong Kong wished to know the Secretariat's point of view on bottlenecks which presently were hampering the accession process. It entirely agreed with many previous speakers that the pace and the outcome of the accession negotiations were exclusively dependent on the outcome of the negotiations between the applicants and the contracting parties. It also recognized that the resources in the Secretariat played an important rôle. Hong Kong was not sure whether it was necessary to take a general or generic approach to all accession negotiations. In its view, each accession application must be conceded on its own merits. When looking at the question of resources and management, the question of organization should also be considered at some point in time. Perhaps, and the sooner the better, the Secretariat should be subject to some sort of an organizational and management review which would look at how its resources were going to be deployed or re-deployed to meet the challenges related to the establishment of the WTO, and not just in the area of accession negotiations. Hong Kong was not sure that continuing to debate the matter as a major policy issue or in a generic way was productive. It was prepared to examine the matter in terms of organization, management, and resources, where justified. The Preparatory Committee was the right body to examine these issues. Hong Kong also wished that the Secretariat indicate which were the main factors that were inhibiting the accession process.

The representative of New Zealand expressed appreciation to the Nordic countries for having drawn attention to a real problem. New Zealand believed that all accessions were different, and that the fundamental point was to ensure the integrity of the accession processes. There were various elements to be taken into account in each accession process such as the trade régime of the acceding country in terms of GATT/WTO provisions and the time that contracting parties could devote to individual accessions. For small delegations like New Zealand, which endeavoured to be active in accession processes, it was a real constraint to spend more than five to six days a month on this work. However, New Zealand believed that it was important to look at ways of improving the efficiency of the process. One possibility was to make improvements in the preparation of the memorandum of foreign trade régime which might obviate the need to engage in an often lengthy and sometimes duplicative question and answer session. While no delegation had suggested that there was a requirement for a fast-track process in the accessions, New Zealand believed it useful to engage in informal consultations to look at the ideas put forward by the Nordic countries and other delegations.

The representative of Japan agreed that wider acceptance of the rules of the multilateral trading system was desirable. In this connection early accession to the system by as many countries as possible was important. Nevertheless, Japan did not wish to see any artificial time-frame set up which might hinder the process of negotiations, because it believed that the process, prior to accession, through which acceding countries brought their trading system in line with GATT, was no less important than accession itself. Japan believed that there might be possibilities of improving the efficiency of the accession process. For example, the memoranda submitted by acceding countries on their economic and trade régimes could be of more uniform quality with regard to certain points which were bound to be considered in the working parties, an aspect where guidance by the Secretariat to the countries wishing to accede would be useful.

The representative of Argentina said that the initiative by the Nordic countries was important, although it might be somewhat premature to begin to draw conclusions before having concluded a proper analysis of the issue. Argentina considered that the accession process should be absolutely rational, transparent and technical, conducted on the basis of the merits of each individual accession. It would be an unfortunate error to introduce geopolitics in this process. Argentina also agreed with the United States that rationalization should exclude further budgetary outlays. Finally, his country had serious reservations regarding the horizontal issues. Even processes which might seem to be similar, were undoubtedly not so similar. Argentina did not believe that a State enterprise and its practices were necessarily equal to another State's enterprises, nor did it feel that there were economies in transition

in Europe alone. As Australia had said, there were economies in transition in all regions of the world and even some economies which previously were examples of market economies were becoming now examples of administered economies. While some interesting elements had been proposed by the Nordic countries on working on criteria of uniformity, this might be an objective that would imply risks that the GATT system could not afford to take.

The representative of Mexico expressed appreciation for the initiative of the Nordic countries. His country was interested in participating in consultations on the matter at hand on the understanding that the rules and procedures established for the accession process would not be weakened.

The representative of Egypt shared the views of the previous speakers concerning the importance of the initiative by the Nordic countries which was related not only to GATT accession, but also to WTO. Therefore, the matter should be looked at in the Preparatory Committee. The Nordic countries had also suggested the initiation of informal consultations in this respect. Perhaps the Council Chairman could conduct some informal consultations with the Director-General to address this issue in the most appropriate manner.

The representative of Sweden, speaking on behalf of the Nordic countries, expressed appreciation for the supportive and constructive comments made by other delegations. The Nordic countries had no difficulty in agreeing with all the comments made by other delegations. However, they would like to dispel one possible misunderstanding, by stressing that their initiative was not aimed at politicizing the accession process. A careful reading of their statement and of the paper put forward by them would show that clearly. The Nordic countries believed, as other delegations which had taken the floor, that each application had to be examined on its own merits and that the burden of moving the accession process ahead smoothly fell on the candidate countries. All delegations were in agreement with this and it was now more a question of how, within these parameters, to make the system work better.

The representative of Ecuador, speaking as an observer, recalled that his country was one of the twenty-one applicants involved in the accession process and one of the four most advanced in the process. He agreed with the comments made by other delegations regarding the very careful preparation that each country must make when it wished to accede to GATT. However, he wished to submit to the attention of the Council an aspect related to his country's experience with accession negotiations, in particular on agriculture. This problem also occurred in other countries' accession negotiations. It concerned the fact that some contracting parties participating in accession negotiations set unilateral conditions which hampered progress so much that the twenty-one applicants had considered setting up a group to examine the situation, which was of concern not only to them but also to those who wished to take steps to join the GATT in the future. Ecuador had not supported this initiative as it had believed that each accession should be considered on a case-by-case basis. However, it wished to stress that countries willing to join the GATT were now in a position to do so because they had opened and adjusted their economies which previously had been closed. In some cases however, this process was not yet completed and required some fine-tuning. To achieve this, Ecuador had consulted with the Secretariat on the possibility of applying tariffication. The response had been that this depended on negotiations with trading partners. In one bilateral negotiation the respective trading partner denied to Ecuador as well as to other applicant countries the possibility of applying tariffication. It appeared that tariffication was reserved only for participants in the Round. Ecuador believed that tariffication was a means of making the reform process less painful. Denial of recourse to this means to a new member would make it impossible for acceding countries to comply with commitments that they wished to undertake in the accession process. Ecuador wished to draw the Council's attention to this situation. His country was interested to join the new GATT which provided a series of mechanisms to facilitate the integration of new members in the trading system. This had been emphasized by the Director-General in the final stage of the Uruguay Round negotiations. Yet now Ecuador was told that it could not benefit

from those mechanisms. His country wished to submit this problem for consideration to contracting parties in order to be able to use the mechanisms available under the new GATT.

The representative of Brunei Darussalam, speaking on behalf of the ASEAN countries, expressed appreciation to the Nordic countries for raising the matter of management of accession negotiations. He supported the proposal of holding consultations on the matter, particularly in view of the approaching establishment of the WTO. He also appreciated the second statement made by Sweden with regard to the need to avoid politicization. Each application must be examined fairly and strictly on its own merits.

The Chairman noted that the discussion on management of accession negotiations was also relevant to the work of the Preparatory Committee.

The Council took note of the statements and authorized the Chairman to consult on the matter at hand with the Chairman of the Preparatory Committee and report to the Council at a future meeting.

4. Canada - Article XIX action on boneless beef (L/7219 and Add.1 to 12)

The Chairman recalled that at its meeting in May, the Council had considered this matter and had agreed to revert to it at a future meeting. The matter was on the Agenda of the present meeting at the request of Australia.

The representative of Australia said that his Government believed that market conditions in Canada did not justify the resort to safeguard action under Article XIX on imports of boneless beef. The market outlook report presented by Canada at a recent meeting of the Meat Market Analysis Group confirmed this view. Australia had held a series of consultations under Article XIX with Canada since its imposition of safeguard action half-way through 1993 and had continued to have consultations since Canada had agreed to roll over the 90-day consultation period as allowed for in Article XIX. Australia had brought this issue again before the Council since it considered that there had never been any evidence of injury which justified such restrictions. These measures, coupled with increasing exports of Canadian live cattle to the United States, had created an important shortage in the Canadian market of manufacturing grade beef for use in the Canadian processing industry. As a consequence and as indicated at the recent Meat Market Analysis Group, domestic market prices in Canada were buoyant and there was a need for increased imports and not for the continuation of measures which reduced trading opportunities. The basic quota of 72,000 tonnes for 1994 had been exhausted and an additional 13,000 tonnes granted toward the end of April had been filled before the end of May. The system of "first come, first served" import quotas used by Canada had encouraged a stampede from all suppliers to secure as much of the available quota as quickly as possible. The inclusion of table cuts in the overall quota was clearly inconsistent with the stated aim of the measures to control imports of manufacturing beef for the processing industry. Finally, the import surcharge of 25 per cent, which was now in operation since the filling of the quota entitlement in a period of less than the first five months of this year, was an excessive tax to the trade. All of these issues had been raised with Canada in the various Article XIX consultations over the last few months, but had never been resolved satisfactorily. Given the market situation and the arguments outlined above, Australia was calling on Canada to lift forthwith its Article XIX action which was maintained inconsistently with its GATT obligations.

The representative of the European Communities reiterated that, in the Community's view, which was further confirmed by recent studies, the beef market situation in Canada did not require the application of Article XIX provisions.

The representative of Canada referred to his statements made at previous Council meetings during which he had detailed the basis for Canada's Article XIX action on boneless beef. Canada had taken such measures as the result of the threat of injury determined by the Canadian International Trade Tribunal. Canada had held a number of consultations with Australia and had recently responded to their request for an extension of the 90-day consultative period. He underlined that, while Australia had complained on numerous occasions about Canada's Article XIX action, no comments had been made concerning Australia's acceptance or participation in a grey area measure with the United States on the same product where the quota applied by the United States on these imports from Australia was more restrictive than the Canadian tariff rate quota. He remarked that outside observers could come to the conclusion that it was better to take grey area measures than to take measures consistent with the GATT.

The representative of Australia said that since no new element had arisen to justify the measure in force, he hoped that Canada would take the question very seriously and remove the measure. With respect to the matter concerning the United States, he said that the present discussion concerned Canada's Article XIX restrictions on imports of boneless beef and not measures taken by any other countries.

The Council took note of the statements and agreed to revert to this matter at a future meeting.

5. European Economic Community

- (a) Import régime for bananas
 - Panel report (DS38/R)
- (b) Member States' import régimes for bananas
 - Panel report (DS32/R)

The Chairman recalled that the Council considered these matters at its meeting in May, and had agreed to revert to them at a future meeting. These matters were on the Agenda of the present meeting at the request of Guatemala.

The representative of Guatemala, speaking also on behalf of Mexico, Honduras, Ecuador and Panama, said that for more than a year the Community had disregarded the Panel's recommendations and had failed to fulfil its commitments as a GATT contracting party by imposing on its member States mechanisms that were GATT-inconsistent and above all it had repeatedly circumvented the dispute settlement system which underpinned the security and credibility of the multilateral trading system. Today, Guatemala was in the same position as two years ago when it had requested consultations with the Community on the banana import régime applied by some of its member States. A panel had then been established in accordance with the 1966 Decision on Procedures under Article XXIII (BISD 14S/18) to examine the complaint against the Community's régimes. Guatemala was concerned that despite two Panels which had found that the complainants were entirely right, the Community's policy had not changed. On the contrary, the enormous injury suffered by the complainant countries' economies, as well as by the European consumers, had increased. Not only the Community had not accepted the recommendations of two Panels but it had also ignored the request formulated by the African, Caribbean and Pacific (ACP) countries together with Ecuador, Guatemala, Honduras, Mexico and Panama at the March and May Council meetings for a negotiated solution through a dialogue involving all interested parties. In this connection, Guatemala wished to draw the attention of contracting parties to the offer made by the Community in the Council that dialogue should continue and that it was prepared to enter into negotiations with all partners on this matter with a view to achieving a solution that would satisfy the interests of all involved. However, this dialogue had not yet taken place. Clearly, as long as the Panel's recommendations were not adopted in the Council, the Community would continue to apply to an increasing extent régimes that were incompatible with the GATT. Guatemala, therefore, once

again, urged the Council to adopt the Panel's recommendations, and the Community to comply with its obligations forthwith.

The Chairman said that his understanding was that the positions of governments concerning this important question remained at the present time unchanged and that it would consequently not be possible for the Council to reach a consensus on this matter at the present meeting. For the sake of preserving the efficacy of Council deliberations and in line with past Council practices, he proposed that the Council take note of the statement made by Guatemala and take note that the positions expressed on this matter by delegations which had spoken at the May Council meeting, as well as by those which had addressed this question in the previous Council meetings, remained unchanged.

The Council took note of the statements and that the positions of delegations that had expressed their views in previous meetings remained unchanged, and agreed to revert to this matter at a future meeting.

6. Status of work in panels and implementation of panel reports

- Report by the Director-General (C/188)

The Chairman drew attention to the report by the Director-General in document C/188.

In the absence of the Director-General, Mr. O'Toole, Assistant Director-General, (Coordination), introduced the report in C/188. He said that the report was intended to reflect the current status of dispute settlement in the GATT, and thus recorded all disputes in which an action in the GATT had taken place within the past twelve months. For the sake of completeness, it included some disputes in which a settlement or withdrawal had been announced over the twelve-month period. Disputes in the report were classified within three main stages: (i) the pre-panel stage (consisting of consultation and conciliation proceedings); (ii) the panel stage; and (iii) the implementation stage. The report showed that there had been no great change in dispute settlement activity over the most recent twelve-month period compared to the previous period. Requests for consultations or conciliations had risen slightly to twenty three, with increases in requests under the General Agreement and the Anti-dumping Agreement, and a decrease under the Subsidies Agreement. The number of new panels established during the same period had declined from nine to five, with decreases under the General Agreement and the Anti-dumping and Subsidies Agreements. However, activity in panel establishment had picked up since the new year, with most of the new panels established since then. The number of panel reports adopted had doubled from three to six. Finally, the number of disputes in which implementation issues had been raised had fallen somewhat, from twelve to nine. All of the disputes with implementation issues were under the General Agreement. Problems still remained, of course, in the dispute settlement system. In certain cases, panel reports remained unadopted for long periods of time, and problems in the implementation of panel reports continued. However, on entry into force of the World Trade Organization (WTO) it was expected that the improvements contained in the Dispute Settlement Understanding should lead to a smoother functioning of the system.

The representative of Venezuela said that document C/188 indicated incorrectly that his Government had requested a panel on the United States' standards for reformulated and conventional gasoline. He requested that this information be corrected.

The representative of Australia, referring to the panel on Australia's imposition of countervailing duties on imports of glace cherries from France and Italy in application of the Australian Customs Amendment Act 1991, said that document C/188 showed that the panel report had been circulated and adopted. However, in fact, this complaint had been withdrawn before the completion and the circulation of the report. He requested that the report be corrected accordingly.

The Council took note of the statements and of the Director-General's report in C/188.

7. Monitoring of implementation of panel reports under paragraph I.3 of the April 1989 Decision on improvements to the GATT dispute settlement rules and procedures (BISD 36S/61)

The Chairman recalled that this item was on the Agenda pursuant to paragraph I.3 of the April 1989 Decision, and that in the course of informal consultations held in 1992 and in early 1993 it had been understood that it would continue to appear on the agenda in its present form. He drew attention to a recent communication from the United States in document DS23/16 on the status of implementation of the Panel report on US measures affecting alcoholic and malt beverages (DS23/R).

The representative of Canada referring to the implementation of the Panel report on US measures affecting alcoholic and malt beverages (DS23/R) said that Canada was aware that action had begun on only eleven of the sixty measures found by the Panel to be GATT inconsistent. To his country's knowledge only one state had adopted legislation to bring one measure fully into compliance with the Panel's recommendations. This was the state of Mississippi where an excise tax bill had been passed in 1993. Document DS23/16 further informed that a second state - Maine - had acted to bring a measure into compliance with the Panel's recommendations. He informed the Council that consultations between Canada and the United States on the implementation of the alcoholic and malt beverages Panel report were scheduled for the present week in Washington. Canada's position on this issue would be reassessed in the light of these consultations.

The representative of Australia reiterated that, as another country that also had a trade interest in this issue, Australia of course fully appreciated the progress reports that had been continually provided by the United States on the implementation of the alcoholic and malt beverages Panel report. However, he fully shared Canada's concerns regarding the continuing slow progress and the substantial amount of measures in most states that still needed to be brought fully into compliance with the Panel's recommendations.

The Council took note of the statements.

8. United States - Denial of MFN treatment as to imports of non-rubber footwear from Brazil
- Follow-up on the Panel report (DS18/R, DS18/5)

The Chairman drew attention to the communication from Brazil in document DS18/5.

The representative of Brazil said that his delegation had asked for the inclusion of this matter on the Agenda of the present meeting as a separate item for two reasons. The first related to time, and Brazil wished to note that although two years had passed since the adoption of the Panel report the United States had not yet brought itself into conformity with its conclusions. The second reason related to a domestic court case in the United States in which the US Administration had successfully supported a position contrary to the conclusions of the Panel report. However, following the decision taken by the US Court of International Trade, and since the circulation of Brazil's communication in DS18/5, US authorities had indicated that a solution to the question of implementation of the Panel report was finally being envisaged. In the light of this, his delegation wished to reiterate its confidence in the willingness of the United States to find suitable means to bring itself into conformity with the conclusions of the non-rubber footwear Panel report.

The Council took note of the statement.

9. Third-party participation in panels
- Statement by the Chairman¹

The Chairman recalled that at the February Council meeting the United States had raised the question of third-party participation in panels. It had been suggested that the late notification by a contracting party of its intention to participate in a panel might create difficulties, for example, in relation to the determination of the panel's composition. Another problem that had been mentioned related to the receipt by third parties, in good time, of the submissions of the parties to the dispute to the first meeting of a panel. On the basis of consultations he had held, and in order to avoid such difficulties, he proposed that the Council agree to the following practices in future, without prejudice to the rights of contracting parties under established dispute settlement procedures: (a) Delegations in a position to do so, should indicate their intention to participate as a third party in a panel proceeding at the Council session which establishes the panel. Others who wish to indicate a third party interest should do so within the next ten days; (b) Further to paragraph F(e)(3) of the Decision of 12 April 1989 (BISD 36S/61) and to the Decision of 22 February 1994 (L/7416), it is the understanding of the Council that third parties shall receive the submissions of the parties to the dispute to the first meeting of a panel established by the Council.

The representative of the United States thanked the Chairman for responding to the concerns that his country had raised concerning third-party participation at the February Council meeting. He said that the Chairman's statement addressed the United States' concerns and should improve the rôle that third parties played in the dispute settlement process and the extent to which the process accommodated third parties efficiently. The United States also noted that the practice described by the Chairman with respect to the notification of third-party interest would be carried forward under the Understanding on Rules and Procedures Governing the Settlement of Disputes contained in Annex II of the Agreement Establishing the World Trade Organization (WTO) and that the Chariman's statement concerning access to submissions of the parties to the dispute to a panel was nearly identical to one of the provisions contained therein.

The Council agreed to the practices read out by the Chairman.

The representative of Canada raised two issues of particular interest to his delegation. The first was the confidentiality of parties' submissions to a dispute settlement panel. He believed that all contracting parties shared a common understanding that submissions to panels should not be made public. However, in the case of the panel established by the European Communities and the Netherlands to examine US restrictions on imports of tuna the observance of this rule had been put into question. In that case, many contracting parties were aware of the United States' desire to release to the public as much information as possible. Although Canada had sought and had received from the United States assurances that its submission to the panel would be treated as confidential, it had been told by US officials that the document had been made public in Washington. This raised serious questions about the adequacy of the current procedures. The other aspect was the conduct of panelists. In two recent cases, individual members of panels had taken public positions on issues before the panels. It was Canada's understanding that one panelist had divulged the inner workings of the panel to non-governmental groups very much interested in the case, well before the panel's report had been circulated to other contracting parties. This disregard of the rules of confidentiality was lamentable and called into question the impartiality of the panel process. To avoid undermining the panel process, Canada supported developing a "code of conduct" for panelists which could be done with a view to clarifying, or codifying, GATT practice without reopening the text of the Understanding on Rules and Procedures Governing the Settlement of Disputes contained in Annex II of the Agreement establishing the WTO.

¹The text of the statement by the Chairman was subsequently issued as C/COM/3.

The issues of confidentiality were sufficiently important to be raised before the Council, which should revert to this matter at a future meeting.

The representative of the European Communities shared in essence the concerns expressed by Canada.

The representative of Norway, speaking on behalf of the Nordic countries, said that Nordic countries supported Canada's statement concerning both the question of confidentiality and the code of conduct for panelists and considered the comment made by Canada to be very timely.

The Council took note of the statements.

10. Roster of non-governmental panelists

- (a) Extension of Roster (C/W/813)
- (b) Proposed nomination by the European Communities (C/W/795)

The Chairman recalled that at their Fortieth Session in November 1984, the CONTRACTING PARTIES had decided to establish a roster of non-governmental panelists, on a trial basis and for a period of one year in order to facilitate the composition of panels in cases where parties to disputes were unable to agree on the panelists (BISD 31S/9). In November 1985, the Council had approved the first roster of non-governmental panelists (L/5906). Since then, the Council had regularly extended the roster for fixed periods of time, and in November 1990, it had agreed to extend the roster provisionally for a further period until the conclusion of the Uruguay Round negotiations on dispute settlement rules and procedures (L/6763). Since the Uruguay Round was now concluded, he proposed that the Council extend the roster, as set out in C/W/813, together with the addition and the withdrawal of nominations proposed by the European Communities in document C/W/795, until the entry into force of the Understanding on Rules and Procedures Governing the Settlement of Disputes contained in Annex 2 of the Agreement Establishing the World Trade Organization.

The Council so agreed.

The Chairman said that some delegations had suggested that the roster be issued as an unrestricted document. He proposed, therefore, that the roster be issued henceforth as an unrestricted document in the L/- series.

The Council so agreed.

11. Committee on Budget, Finance and Administration

- (a) Report of the Committee (L/7483)

Mr. Gosselin (Canada), Chairman of the Committee, introduced the Committee's report (L/7483) on its meeting of 1 June 1994. With regard to the Final Position of the 1993 Budget (L/7456), the Committee had noted that the originally approved budget had been exceeded by SvF 810,075. The GATT Secretariat had explained that the overall excess of expenditure was due to factors out of its control such as the contribution to the International Trade Centre and the financial implications of the appointment of a new Director-General in 1993. The Committee had also noted that individual over-expenditures in some budgetary sections could be covered by savings in other sections. Furthermore, due to the high rate of receipt of contributions in arrears, 1993 had ended up with a positive balance in the Surplus Account. Thus, the Committee had recommended to the Council that the original appropriation under the Contribution to the International Trade Centre be increased by SvF 810,075

and that this amount be covered by a charge to the Surplus Account. The Committee had further recommended that the Council approve transfers between sections of SwF 1,462,958 which were necessary in order to cover the excess expenditure over approved appropriations on the sections mentioned in paragraph 20 of L/7456 by savings on other sections.

With respect to the Report of the Working Group on Arrears (Spec(94)21), he recalled that the Group had recommended a mechanism which would facilitate the payment of arrears for 1987 and earlier years and would benefit the less developed contracting parties in general, and the least-developed countries in particular. Therefore, the Committee had recommended to the Council that for each full payment of an annual contribution between 1988 and 1994, any contracting party with pre-1988 arrears may cancel an equal number of assessments for 1987 and earlier years upon payment of the 1989 minimum contribution of SwF 19,137. The difference between a pre-1988 assessment and the payment of SwF 19,137 would be funded by the Miscellaneous Income of the GATT.

Since the last meeting of the Budget Committee in October 1993, twelve new contracting parties had acceded to the GATT: Angola, Bahrain, Brunei Darussalam, Fiji, Grenada, Guinea-Bissau, Honduras, Liechtenstein, Paraguay, Qatar, St. Kitts and Nevis and the United Arab Emirates. In accordance with the approved arrangements, recommendations for the assessment of contributions and for advances to the Working Capital Fund were contained in paragraphs 22 to 34 of the report of the Committee. Paragraph 31 of the report concerned an adjustment to the contribution of Switzerland to take account of the fact that Liechtenstein had become a contracting party.

The Council took note of the statement, and approved the Committee's specific recommendations in paragraphs 8, 9 and 21 to 34 of the report and adopted the report in L/7483.

(b) Membership (L/7459, L/7460)

The Chairman informed the Council of the agreement between the Nordic countries concerning their representation in the Committee on Budget, Finance and Administration from the beginning of 1994. Accordingly, on the basis of a communication from Finland (L/7459) and from Sweden (L/7460), he proposed that the Council take note of Sweden's intention to withdraw from membership of that Committee, and invite Finland to be represented on that Committee.

The Council so agreed.

12. Trade Policy Review Mechanism
- Programme of reviews for 1995

The Chairman informed the Council that the programme of reviews under the Trade Policy Review Mechanism for 1995 would be as follows:

Two-year cycle: European Communities (third review).
Four-year cycle: Norway, Finland, Singapore, Switzerland, Thailand (second reviews)
Six-year cycle: Costa Rica, Côte d'Ivoire (subject to confirmation), Czech Republic, Dominican Republic, Mauritius, Morocco (second review), Sri Lanka, Venezuela.
Least-Developed Countries: Uganda (subject to confirmation).

He said that subject to the entry into force of the Agreement establishing the World Trade Organization, these reviews would be conducted by the Trade Policy Review Body, under the provisions of Annex 3 of the Final Act. The ability of the GATT Secretariat to conduct this number of reviews

would also be determined by the staffing levels available for 1995. Once the countries that had yet to confirm their willingness to be reviewed had done so, the programme for 1995 would be circulated to contracting parties.

The representative of the United States inquired when the schedule for the remaining TPRM reviews under the 1994 programme would be made available. He also expressed the wish to see the work on the 1996 schedule begin as soon as possible, so that it could be co-ordinated with the 1996 Balance-of-Payments schedule of reviews.

The Chairman said that the schedule for the conduct of remaining TPRM reviews under the 1994 programme would be communicated in the near future.

The Council took note of the statements and agreed to the 1995 Programme of Reviews.

13. Tariff matters

(a) Committee on Tariff Concessions

- Report of the Committee (TAR/267 and Corr.1)

Mrs. Bautista (Philippines), Chairperson of the Committee, introducing the Committee's report (TAR/267 and Corr.1), recalled that the Committee had agreed at its meeting of 6 December 1993 to report twice a year to the Council (TAR/M/36, paragraph 2.1). At its meeting on 8 June 1994, the Committee had examined the situation regarding the implementation of the Harmonized System (HS) by contracting parties. It had noted that practically all contracting parties had adopted the HS over the past years and that more than 90 per cent of their trade was covered by the HS. However, the situation regarding the certification of loose-leaf schedules in the HS nomenclature was considered unsatisfactory. Under the agenda item related to "ongoing negotiations and submissions of HS documentation by contracting parties under waivers" and following the Committee's agreement on 6 December 1993² regarding the extension of waivers, the delegations concerned had been requested to provide the Secretariat with factual information concerning the extension of their waivers for consideration by the Committee. This information was reproduced in the Annex to the Committee's report in TAR/267. With respect to the substantial changes in the HS nomenclature to be introduced on 1 January 1996, the representative of the Customs Co-operation Council (CCC) had explained to the Committee the reasons for and the importance of those changes, as well as the impact they might have on the GATT Schedules of Concessions. The CCC had forwarded to the Secretariat the Correlation Tables between the 1992 and 1996 versions of the HS, which had then been circulated to all contracting parties on 20 June 1994 in the three official GATT languages. These Tables would constitute the basis for the preparation of the required documentation. The Committee had also examined the existing procedures to implement changes in the HS and had felt that in the light of the prevailing situation following the conclusion of the Uruguay Round there should be some flexibility in implementing these procedures, in particular as concerned the time for the submission of the documentation on the proposed changes. In view of the complexity of the task, and the fact that the situation differed greatly from one country to another, the Secretariat had been requested to prepare guidelines including a time-frame related to the steps to be taken by contracting parties to fulfil the necessary procedures. It was agreed that the Committee would revert to this question at its next meeting.

The representative of the European Communities said that the Community had no objections to the requests for extensions of waivers currently under consideration. However, the duration of such waivers should not be too long, and the Uruguay Round could no longer be used as a pretext to request

²See TAR/243.

such extensions. Work had to be conducted in such a way so as to bring these waivers to a close as soon as possible.

The representative of Sweden, speaking on behalf of the Nordic countries, welcomed the Committee's report which in its Annex 1 contained the factual information on HS waivers which had been requested by Sweden on behalf of the Nordic countries at the Council meeting of 16 June 1993. However, his delegation was less satisfied with the outcome of the implementation of the Harmonized System. The information indicated slow progress with respect to the finalization of this process, and he shared the Community's hope in seeing a speeded-up process.

The Council took note of the statements and adopted the report in TAR/267 and Corr.1.

(b) Harmonized System

- Requests for extensions of waivers
 - (i) Argentina (C/W/808, L/7481)
 - (ii) Bangladesh (C/W/805, L/7476)
 - (iii) Bolivia (C/W/803, L/7474)
 - (iv) Israel (C/W/802, L/7473)
 - (v) Jamaica (C/W/811, L/7485)
 - (vi) Mexico (C/W/806, L/7479)
 - (vii) Morocco (C/W/798, L/7469)
 - (viii) Pakistan (C/W/804, L/7475)
 - (ix) Peru (C/W/800/Rev.1, L/7471)
 - (x) Sri Lanka (C/W/807, L/7480)
 - (xi) Trinidad and Tobago (C/W/801, L/7472)
 - (xii) Venezuela (C/W/796, L/7467)

The Chairman drew attention to the communications from Argentina, Bangladesh, Bolivia, Israel, Jamaica, Mexico, Morocco, Pakistan, Peru, Sri Lanka, Trinidad and Tobago and Venezuela, in which each Government had requested an extension of a waiver already granted in connection with the HS implementation. In connection with these requests, he recalled that at its meeting of 6 December 1993, the Committee on Tariff Concessions had agreed to report twice a year to the Council on its activities, and that under the item related to "ongoing negotiations and submissions of HS documentations by contracting parties under waivers", factual information on the extension of the waivers would be provided by the delegations concerned (TAR/M/36, paragraph 2.1). This information was contained in the Annex to the Committee's report (TAR/267 and Corr.1).

He drew attention to the draft decisions contained in the documents: C/W/808, Argentina; C/W/805, Bangladesh; C/W/803, Bolivia; C/W/802, Israel; C/W/811, Jamaica; C/W/806, Mexico; C/W/798, Morocco; C/W/804, Pakistan; C/W/800/Rev.1, Peru; C/W/807, Sri Lanka; C/W/801, Trinidad and Tobago; C/W/796, Venezuela. He noted that these draft decisions extended the time-limit in each case until 31 December 1994, with the exception of that for Peru. In the case of Peru, the extension of the waiver had been requested until the date of entry into force of the World Trade Organization, since Peru had renegotiated the replacement of its Schedule in the context of the Uruguay Round negotiations and was one of the countries to which paragraph 7 of the Marrakesh Protocol applied. He then reminded delegations that the documentation still to be submitted and any negotiations or consultations that might be required should follow the special procedures relating to the transposition of the current GATT concessions into the Harmonized System, adopted by the Council on 12 July 1983 (L/5470/Rev.1).

The Council took note of the statement, approved the texts of the draft decisions referred to by the Chairman, and recommended their adoption by the CONTRACTING PARTIES by postal ballots.

(c) Egypt - Renegotiation of Schedule LXIII
- Request for extension of waiver (C/W/810, L/7484)

The Chairman drew attention to the request by Egypt (L/7484) for an extension of a waiver granted to it in connection with the renegotiation of its Schedule, and to the draft decision which had been circulated to facilitate consideration of this item (C/W/810). Extension until the entry into force of the World Trade Organization had been requested, since Egypt had renegotiated the replacement of its Schedule in the context of the Uruguay Round negotiations and was one of the countries to which paragraph 7 of the Marrakesh Protocol applied.

The Council approved the text of the draft decision in C/W/810 and recommended its adoption by the CONTRACTING PARTIES by postal ballot.

(d) Malawi - Renegotiation of Schedule LVIII
- Request for extension of waiver (C/W/799, L/7470)

The Chairman drew attention to the request by Malawi (L/7470) for an extension of a waiver granted to it in connection with the renegotiation of its Schedule, and to the draft decision which had been circulated to facilitate consideration of this item (C/W/799).

The Council approved the text of the draft decision in C/W/799 and recommended its adoption by the CONTRACTING PARTIES by postal ballot.

(e) Senegal - Renegotiation of Schedule XLIX
- Request for extension of waiver (C/W/797, L/7468)

The Chairman drew attention to the request by Senegal (L/7468) for an extension of a waiver granted to it in connection with the renegotiation of its Schedule, and to the draft decision which had been circulated to facilitate consideration of this item (C/W/797).

The Council approved the text of the draft decision in C/W/797 and recommended its adoption by the CONTRACTING PARTIES by postal ballot.

(f) Uruguay - Renegotiation of Schedule XXXI
- Request for extension of waiver (C/W/809, L/7482)

The Chairman drew attention to the request by Uruguay (L/7482) for an extension of a waiver granted to it in connection with the renegotiation of its Schedule, and to the draft decision which had been circulated to facilitate consideration of this item (C/W/809). Extension until the entry into force of the World Trade Organization had been requested since Uruguay had renegotiated the replacement of its Schedule in the context of the Uruguay Round negotiations, and was one of the countries to which paragraph 7 of the Marrakesh Protocol applied.

The Council approved the text of the draft decision in C/W/809 and recommended its adoption by the CONTRACTING PARTIES by postal ballot.

(g) Zaire - Renegotiation of Schedule LXVIII
- Request for extension of waiver (C/W/812, L/7486)

The Chairman drew attention to the request by Zaire (L/7486) for an extension of a waiver granted to it in connection with the renegotiation of its Schedule, and to the draft decision which had been circulated to facilitate consideration of this item (C/W/812).

The Council approved the text of the draft decision in C/W/812 and recommended its adoption by the CONTRACTING PARTIES by postal ballot.

14. Free-Trade Agreements between the Czech Republic and Slovenia and the Slovak Republic and Slovenia (L/7447 and Add.1, L/7448 and Add.1)

The Chairman recalled that at the Council meeting in February, the Czech Republic, also on behalf of the Slovak Republic, had informed the Council of the signing of Free-Trade Agreements between the Czech Republic and Slovenia, and the Slovak Republic and Slovenia. Since that meeting, the Czech Republic and the Slovak Republic had provided information on these Free-Trade Agreements (L/7447 and Add.1 and L/7448 and Add.1, respectively).

The Council took note of the statement and agreed to establish a working party with the following terms of reference and composition:

Terms of reference:

"To examine, in the light of the relevant provisions of the General Agreement, the Free-Trade Agreements between the Czech Republic and Slovenia and the Slovak Republic and Slovenia, and to report to the Council".

Membership:

The Working Party would be open to all contracting parties indicating their wish to serve on it.

The Council authorized its Chairman to designate the Chairman of the Working Party in consultation with the contracting parties primarily interested.

15. EEC - Restrictions on imports of lemons³
- Communication from Argentina

The representative of Argentina, speaking under "Other Business", recalled that at its meeting in September 1993, Argentina had informed the Council of its request for consultations with the European Community under Article XXII:1 of the General Agreement to consider the consequences on Argentina's lemon exports of the application of reference prices and countervailing charges system that was part of the organization of the market in fruit and vegetables provided for in the Community Regulation 1035/72 and supplementary provisions thereto. Since no reasonable solution had been found with the Community, Argentina had recently submitted to the Secretariat a notification requesting consultations

³ Carried in earlier Council minutes as "EEC - Countervailing charges on lemons" .

with the Community under Article XXIII:1, under urgency procedures, which spelled out in detail its reasons for this request (DS45/2).

The representative of the European Communities noted that the number of items raised under "Other Business" at the present meeting appeared to be as large as those raised under the regular part of the Agenda. He recalled that the working practices agreed to by the Council at its meeting in June 1993⁴ indicated that delegations raising points under "Other Business" should be brief and their statement should only be an indication of other business and not an accusation. With respect to the matter under consideration, the Community had noted Argentina's request and reserved its position on the question of urgency procedures.

The Chairman said he wished to draw members' attention to the working practices referred to by the Community, and suggested that delegations consider making short statements on items under "Other Business" and, if they wished a substantive debate thereon, to include these items on the regular agenda of a forthcoming Council meeting.

The representatives of Australia and Uruguay said they did not wish to begin a debate on this item but wished to underline that the operation of the Community's reference price and compensatory duty system on a large number of agricultural products was a matter of concern to a large number of countries.

The representative of Brazil shared the concern expressed by previous speakers on the Community's measures.

The representatives of Australia and Brazil sympathized with Argentina and hoped that the Community would respond positively to the Article XXIII:1 consultations that Argentina was requesting.

The representative of Uruguay said that his country had also suffered in the past from some damage in trade of similar products. With respect to the Article XXIII:1 consultations requested by Argentina, Uruguay reserved its rights to participate in this process if deemed necessary.

The representative of Argentina said that his delegation had raised this matter under "Other Business" in order to fulfil its obligations under the April 1989 Decision on improvements to the GATT dispute settlement rules and procedures (BISD36S/61) to inform the CONTRACTING PARTIES of Article XXIII:1 consultations. This matter had not been put on the regular agenda because Argentina had attempted until the last moment to avoid having to request these consultations.

The Council took note of the statements.

16. EEC - French regulations concerning the trade description of scallops (DS43/1)

The representative of Canada, speaking under "Other Business", recalled that on 28 March 1993, France had adopted an order that required a change in the designation and labelling of Canadian scallops, which damaged his country's traditional exports to the French market. Following unsuccessful efforts to resolve the issue bilaterally with France, Canada had requested Article XXII:1 consultations with the European Community in August 1993. In January 1994, the French Government had published a temporary order which permitted scallops to be labelled in a manner acceptable to Canada, but only until 31 December 1995, when the order would revert to the unacceptable version of March 1993. Canada welcomed the interim resolution of this issue and pressed for it to be made permanent. Now,

⁴See C/M/264, Item 26.

Canada had learned that the French Government planned to introduce a new modification to the order, effective in two weeks time, i.e. on 1 July. This would, once again, damage exports of scallops from Canada. This latest change had been proposed without consultation or adequate notice to Canada and nullified the temporary order of last January which had satisfied Canada's concerns, at least until the end of 1995. Canada was frustrated by the continual changes being made to French regulations, which nullified or impaired benefits accruing to Canada under the General Agreement. Therefore, his Government asked the European Community to take rapid action to ensure that Canada's access to the French scallop market was maintained on its traditionally acceptable basis.

The representative of Chile said that his country had similar concerns to those of Canada as Chile's exports would also be adversely affected by the new change in French regulations. He supported the request by Canada that the European Community take action to prevent the introduction of another measure incompatible with GATT that would further prejudice access for Chilean products to the French market.

The representative of the European Communities said that his delegation had noted the concerns expressed by Canada and Chile regarding their exports of scallops to the Community.

The Council took note of the statements.

17. CAIRNS Group Ministerial Meeting
- Communication from Australia (MTN.TNC/W/148)

The representative of Australia, speaking under "Other Business", said that the Cairns Group had met on 19-20 May in Montevideo to review the outcome of the Uruguay Round negotiations on agriculture and to agree on a future work programme and strategy for the Group. The Cairns Group Ministers had declared their intention to continue to work together in the post-Uruguay Round environment as an effective force in promoting fair trade in agriculture. They recognized the achievements of the Uruguay Round in bringing agricultural support and protection more into line with GATT rules including tariffication of quantitative restrictions on imports, the reduction on both a volume and value basis of export subsidies, reductions in domestic support and a sanitary and phytosanitary agreement (SPS Agreement). However, the Ministers had expressed some disappointment that more was not achieved. Against this background, Cairns Ministers had stressed the importance of ensuring that agreements reached in the Round be strictly adhered to by all participants and recognized the rôle that both the Agriculture Committee and the SPS Committee of the WTO would play in ensuring that this was achieved. Cairns Ministers had emphasized the critical importance of implementation of the results of the Round from 1 January 1995 and had called on the major participants in world trade to ensure that ratification procedures were finalized in time to achieve this. Finally, Cairns Group Ministers had declared their intention to take a close interest in the future development of agriculture protection and support policies in those countries which have a significant impact on world agriculture trade.

The Council took note of the statement.

18. Free-Trade Agreement between Colombia, Venezuela and Mexico

The representative of Colombia, speaking also on behalf of Venezuela and Mexico, under "Other Business", informed the Council that on 13 June 1994, Mexico, Venezuela and Colombia had signed the "Treaty of Free Trade Between the Republic of Colombia, the Republic of Venezuela and the United Mexican States", also known as the Treaty of the Group of Three or G3. This Treaty, scheduled to enter into force on 1 January 1995, would be notified to the contracting parties after completion of the ratification process in each of the three countries. Under the Treaty, Colombia and Venezuela, which had already liberalized all their trade within the Andean Group framework, would begin a process of linear tariff reduction with Mexico, for almost the entire customs tariff, over 10 years. The automotive sector would be liberalized over 12 years. With regard to trade in goods, the Treaty included chapters on rules of origin, safeguards, unfair practices and competition. The Treaty also included agreements in other areas such as investment, services, financial services, government procurement, sanitary and phytosanitary measures, intellectual property, technical standards and dispute settlement.

He added that in some of the areas such as services, including financial services and investment, the G3 Treaty provided for a further negotiating process so that within eight months from its entry into force the manner in which the commitments would be fulfilled would be clearly spelled out. This Treaty was set in the framework of the Latin American Integration Association (LAIA) as a partial-scope economic complementary agreement within the terms of Article 8 of the 1980 Treaty of Montevideo. G3 members were also parties to other integration agreements in the American region: Colombia and Venezuela were in the Andean Group, while Mexico was a party to the North American Free-Trade Agreement. The G3 Treaty also contained an accession clause allowing the other countries of Latin America and the Caribbean to become members.

The Council took note of the statement.

19. Application of Article XXXV to South Africa
- Withdrawal of invocation by Morocco

The representative of Morocco, speaking under "Other Business" informed the Council that his Government had decided to desinvoke the application of Article XXXV to South Africa which had been invoked by Morocco at the time of its accession to GATT in 1987. The decision to withdraw the invocation of Article XXXV against South Africa had been notified to the Secretariat for information of the contracting parties.

The representative of South Africa welcomed the withdrawal of application of Article XXXV by Morocco. This step was a further example of Northern Africa and Southern Africa moving closer to one another as regards trade relations. The decision taken by Morocco would not benefit only the two countries but also other African countries. South Africa would reciprocate the decision taken by Morocco and extend to it full GATT treatment.

The Council took note of the statements.

20. Central European Free-Trade Agreement

The representative of Poland, speaking under "Other Business", and also on behalf of the Czech Republic, Hungary and the Slovak Republic, signatories to the Central European Free-Trade Agreement (CEFTA), informed the Council that the text of the Agreement together with all its annexes and protocols had been submitted to the Secretariat for circulation to contracting parties in pursuance to the provisions of Article XXIV:7(a). He recalled that the CEFTA had been signed on 21 December

1992 and was being applied on a provisional basis since 1 March 1993. The Agreement covered Chapters 1 to 97 of the Harmonized System and provided for the establishment of a free-trade area over a period ending not later than 1 January 2001. The CEFTA also contained provisions pertaining, inter alia, to state monopolies, competition, state aid, government procurement and protection of intellectual property. These provisions aimed at securing an equal economic and legal framework for the economic entities of the Parties to the Agreement. Since the entry into force of the Agreement, the four signatories had agreed to accelerate the elimination of customs duties on most industrial products and to implement substantive additional tariff reductions and other concessions on agricultural products. As a result of these measures the transitional period was expected to be shortened. To this effect, an Additional Protocol to the CEFTA had been signed on 29 April 1994 and would be notified after its entry into force scheduled for 1 July 1994. The signatories to the Agreement were prepared to submit it for examination by a working party in the light of relevant GATT provisions.

The Council took note of the statement.

21. Enlargement of the European Communities

The representative of the United States, speaking under "Other Business", said that while his Government fully supported the integration and expansion of the European Communities, it was also concerned that the balance of rights and benefits under the GATT not be altered as a result. Given the limited time available for consultations and negotiations, the United States wished to begin the Article XXVIII process immediately following the signing of accession agreements of Austria, Finland, Norway and Sweden to the European Communities, which was scheduled on 24-25 June in Corfu, Greece. The United States intended to request the establishment of a working party to examine the GATT consistency of those agreements and the commencement of parallel bilateral negotiations with the European Community to determine appropriate compensation for breaches of GATT bindings and Uruguay Round commitments. The United States also intended to exercise its rights under Article XXIV:6 so that appropriate compensation, if any, would take effect simultaneously with the implementation by the four acceding countries of the Community's Common External Tariff on 1 January 1995. In order to expedite the Article XXVIII process, the United States requested that the Community provide its notification on increases in tariff rates as soon as possible following the signing of the accession agreements. The United States also requested that the Community provide all relevant trade data, at 8-digit codes, to the Secretariat, to permit interested contracting parties to begin their preparatory work for the compensation negotiations.

The representative of the European Communities said that he was somewhat surprised by the United States' statement. While his authorities appreciated the interest shown by the United States in the enlargement of the European Communities, he would note that this was not the first enlargement of the Community and, as in the past, the Community would, of course, meet all its obligations under the GATT. However, one should not be overhasty. The first step of the process was the signing in Corfu of the Agreements, the second was the ratification of the Agreements by the acceding countries, and the third was the implementation of the Agreements, i.e. the accession to the Community of the countries concerned, in principle by January 1995. The Community wished to recall in this connection, that eight months after the ratification of the North American Free-Trade Agreement (NAFTA), its examination in GATT had not yet started. The Community intended to perform better in regard to the examination of its enlargement.

The Council took note of the statements.

22. United States - Subsidized exports of poultry meat to the Middle East

The representative of Brazil, speaking under "Other Business", expressed his Government's concern at the negative consequences of practices under the Export Enhancement Programme (EEP) by the US Government and traders on poultry meat in Brazil's traditional markets, namely the Middle East, and in particular the Gulf States. Subsidies as high as US\$ 808.28 per tonne, approved by the United States, were causing severe damage to Brazil's exports to that area. While Brazil's non-subsidized and competitive prices were US\$ 1,250 per tonne plus cost and freight the US heavily subsidized poultry meat was being offered at US\$ 1,120 c.i.f. already in containers. Brazil's customers in the Middle East had been requesting price reductions and that request had already been met by Brazil's exporters who had reduced their prices by US\$ 50 per tonne. This seemed to be insufficient, however, and from this low level downwards there was not much that private non-subsidized exporters could do. This situation was particularly harmful as summer was approaching, a period when orders from the Middle East traditionally decreased and the market was temporarily depressed. Brazil wished to recall the spirit which had gathered contracting parties in one of the largest efforts to harmonize the trade relationship among nations. The GATT and the World Trade Organization (WTO) resulted from a successful attempt to address one aspect of that relationship that had been historically at the root of many a conflict. Indeed, fair trade was the ultimate reason why contracting parties were here in GATT. The fact that the United States had engaged in unfair trade practices was a cause for serious concern. This was against the GATT spirit and set a bad example. The desirable course of action was very much the opposite. Brazil accordingly called on the United States to set the trend for an early start of the WTO rules and disciplines and stressed its expectations that the United States would reconsider its practice of subsidizing poultry meat which was causing injury to Brazil's interests in third markets.

The representative of Argentina said that contracting parties had witnessed such cases quite frequently on several occasions for a number of products. Argentina therefore, wished to support Brazil's statement.

The representative of Australia supported Brazil's concerns and said that, as Brazil had pointed out and as Cairns Group countries throughout the Uruguay Round negotiations and also in Montevideo had emphasized, all collectively had a very great concern about the operation of the export subsidies system in agriculture in world markets. As Brazil had said, a lot of effort had been put into concluding an understanding on export subsidies in the Uruguay Round negotiations that would help to deal with this problem, which contracting parties had faced for a long time in the past. However, there were difficulties of getting through this transitional period between the conclusion of the Uruguay Round and its implementation. Australia was, therefore, sympathetic to the concerns raised by Brazil. The particular prices that had been quoted were a good indication of the price-depressing effect of export subsidies on world markets. Australia strongly supported Brazil's call for the United States to respect the spirit of the Uruguay Round agreements by not increasing export subsidies during the transitional period.

The Council took note of the statements.

23. Communication from the Chairman of the Preparatory Committee

The Chairman, speaking under "Other Business", informed the Council that the Chairman of the Preparatory Committee had addressed to him a communication in which he drew his attention as Chairman of the Council to the process agreed to by the Preparatory Committee at its meeting on 31 May, regarding the implementation of its mandate under Paragraph 8(b)(i) of the Decision on the Acceptance of and Accession to the Agreement Establishing the World Trade Organization. As contracting parties were aware, the arrangements agreed to by the Preparatory Committee, as contained

in document PC/M/2, dealt, among other things, with the process of verification of schedules that might be submitted following accession negotiations in working parties which had been established or might be established by the Council. In connection with these matters he recalled the proposal made by Sweden under Item 3 of the Agenda which was also relevant to the arrangements made by the Preparatory Committee.

The Council took note that these arrangements had been adopted by the Preparatory Committee and that they had been duly communicated to the working parties concerned.