

3 March 1978

JAPANESE MEASURES ON IMPORTS OF THROWN SILK YARN

*Report of the Panel adopted on 17 May 1978
(L/4637 - 25S/107)*

1. The Panel was established by the Council on 26 July 1977 with the following terms of reference (C/M/122, paragraph 5):

"To examine, in the light of the relevant GATT provisions, the matter referred to the CONTRACTING PARTIES by the United States, relating to Japan's measures on imports of thrown silk, and to make such findings as will assist the CONTRACTING PARTIES in making recommendations or rulings, as provided for in Article XXIII:2."

2. The composition of the Panel was as follows:

Chairman: Mr. B. Ekblom (Finland)

Members: Mrs. N. Breckenridge (Sri Lanka)
Mr. R. Hall (Australia)

3. The Panel met on 19 and 21 September, 10 November and 13 December 1977 with the Parties, and in closed session on 19 and 20 September, 21 October, 2 November and 5 December 1977 and on 22 and 28 February 1978.

4. The Panel based its deliberations on the following facts:

- (a) In September 1974 contracting parties were notified that pursuant to the (1951) Cocoon and Raw Silk Price Stabilization Law the Government of Japan had decided that the Japan Raw Silk Corporation should be authorized as the sole importer of raw silk, effective 1 August 1974 (L/3833/Add.13). In July 1975 contracting parties were advised of the extension of the measure until 31 May 1976 (L/4140/Add.8/Suppl.1), and in May 1976 of a further extension "for some time" (L/4296/Add.7).
- (b) In February 1976, Japan introduced a "prior confirmation system" with respect to imports of thrown silk yarn, in accordance with the (1949) Cabinet Order No. 414 concerning Control of Import Trade (C/M/122, paragraph 5). This was replaced by a "prior permission system", effective 18 May 1977, "with a view to ensuring the function of the State trading of raw silk" (L/4509). The prior permission system applied to all countries and areas having past performance or possibility of exports to Japan of silk yarn (CCCN 50.04 and ex 50.07) and knitted or crocheted fabric made of silk (CCCN ex 60.01-1-(4)).
- (c) The United States, claiming that its exports of thrown silk yarn had been denied entry into Japan between February 1 976 and the inception of the prior permission system and severely restricted under the latter, entered into consultations with Japan, which did not bring about a solution. The United States accordingly sought recourse to the provisions of Article XXIII:2 and asked that a panel be established (C/M/122 and 123, L/4530).

5. In the course of its work the Panel heard statements by representatives of the United States and Japan. Background documents and relevant information submitted by both parties, their replies to questions put by the Panel as well as all relevant GATT documentation served as a basis for the examination of the matter. In addition, the Panel heard the spokesman for the European Communities on the different aspects of the matter, in accordance with his delegation's request made to the Council

(C/M/122, paragraph 5), and received written information from the European Communities that was requested by the Panel. During the proceedings, the Panel attempted to bring about a compromise between the two parties in the matter before it.

6. On 13 December 1977 the Panel presented its findings orally to the parties and invited them to inform the Panel by the end of the year whether they thought it possible to arrive at an agreement on the basis of bilateral consultations. An affirmative indication to this effect was given within the specified time-limit.

7. On 15 February 1978 the Panel was informed that the bilateral consultations between the United States and Japan had been brought to a successful conclusion and that, as a result of these consultations, the Government of the United States is satisfied with the way in which the Government of Japan will implement the prior permission system on thrown silk yarn.

8. Since the terms of reference of the Panel were to make such findings as would assist the CONTRACTING PARTIES in making recommendations or rulings in accordance with paragraph 2 of Article XXIII, the Panel draws the attention of the Council to the fact that the parties have arrived at a bilateral solution. Consequently, the Panel considers that it is unnecessary to undertake further investigation of this matter.