

# GENERAL AGREEMENT ON TARIFFS AND TRADE

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## SUMMARY RECORD OF THE FOURTEENTH MEETING

Held at the Palais des Nations, Geneva on  
Wednesday, 22 November 1967, at 10.30 a.m.

Chairman: Mr. K.B. LALL (India)

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### 1. United States import restrictions (L/2927)

The CHAIRMAN said that the Working Party appointed to examine the annual report submitted by the Government of the United States (L/2881) under the waiver permitting the maintenance of import restrictions on agricultural products had submitted its report in document L/2927.

Mr. LACZKOWSKI (Poland), Chairman of the Working Party, recalled that the twelfth annual report submitted by the United States Government under the Decision of 5 March 1955, had been referred for examination to a Working Party established by the Council, with instructions to report to the CONTRACTING PARTIES. The examination had given the members of the Working Party an opportunity to discuss the issues that had led the United States to invoke the waiver and to maintain restrictions on four groups of commodities since 1955. While recognizing the restraint shown by the United States in the use of the legal freedom given under the waiver and the progress made towards liberalization through the withdrawal or relaxation of restrictions on certain products in the past, the Working Party expressed its regret that the United States found it necessary to maintain restrictions under the waiver. Members had expressed serious concern particularly that the United States had found it necessary to intensify restrictions in the dairy sector. Most members of the Working Party agreed that to the extent that the difficulties of the United States dairy sector reflected the world dairy situation, multilateral solutions should be sought that would be equitable and mutually acceptable to producers, exporters and consumers. Some members of the Working Party hoped that the CONTRACTING PARTIES would collectively try to find a suitable solution to this problem. Some members felt that the waiver should be discontinued, or at least modified so as to provide for a definite time-limit.

Mr. PRESS (New Zealand) said that the review of the United States waiver was a difficult annual exercise both for the United States and for the contracting parties affected by the waiver, the provisions of which did not commit the United States to take any action except to report. The report of the Working Party reflected his country's concern that it was time the waiver was seriously reconsidered in the light of past developments, present circumstances and future prospects. The United States had made considerable progress since the granting of the waiver in 1955. Of the "hard-core" items - wheat, cotton, peanuts, dairy products - it seemed that there was some agreement that import restrictions on wheat might soon no longer be required because of the new Grains Agreement; those on cotton and peanuts could be covered under paragraph 2(c) of Article XI of the GATT. In regard to dairy products, he recognized that there were serious problems in this sector, not only in the United States but also in the rest of the world. It was not unnatural, therefore, that the United States should ask why it alone should be criticized for its policies when others also produced surpluses with at least as adverse effects on international trade.

However, the item under consideration was the waiver from the provisions of the GATT, granted to the United States. The waiver had given it complete freedom to impose restrictions in accordance with its own domestic legislation, thereby placing on the authorities a great responsibility to ensure that this freedom was not misused. As his delegation had several times stated, the United States had, on the whole, acted in a responsible manner. In the dairy sector, however, there was cause for great concern, intensified by the recent further application and intensification of import restrictions. Paragraphs 15 and 16 of the report summarized the present situation. He stressed that his delegation could not agree that imports should be solely blamed for the change in the situation from the previous year. Any analysis of the market situation must take account of all elements, such as domestic production and imports on the supply side, domestic utilization, commercial utilization and special programmes in exports on the consumption side, with price as the basic factor particularly where market prices were subject to government interference. The report pointed out that members of the Working Party regretted that imports should bear the brunt of United States internal actions. Experience in the dairy sector so far had not given cause for expectations that a position would be reached where the United States could follow a more liberal import policy. The United States wished to achieve a soundly based dairy industry, but if this meant a level of production virtually equal with domestic consumption, with only marginal imports permitted, then it was clear that the waiver was not being used for the purpose for which it had been granted. New Zealand recognized that the existence of large surplus stocks elsewhere in the world, the prevalence of dumping and excessive subsidization could create difficulties for the United States in its endeavours to liberalize imports. In his view, the United States, by closing off one of the largest potential markets, had contributed to this situation.

Mr. Press said that, in the view of his delegation, import restrictions under the waiver were not justified merely on the grounds of need for protection against dumped or subsidized exports, since, as pointed out by the Working Party, other provisions of the GATT and of United States legislation could be invoked against

dumped or subsidized exports. Experience showed that restrictions on imports were likely to become a permanent feature. However, they would not permit a rational use of economic resources in the long-run; they would not help the United States dairy farmer or the consumer, nor international trade. Paragraph 28 of the Working Party report contained members' suggestions that the waiver should be discontinued, or at least modified so as to provide for a definite time-limit; and that the United States be called upon to present proposals at the next annual review for the progressive relaxation of restrictions on products covered by the waiver. All these alternatives no doubt presented difficulties to the United States. One was thus still faced with a waiver without a terminal date and without provisions for review. The CONTRACTING PARTIES could withdraw the waiver, but this was a drastic and difficult action. It was within the power of the United States to accept a modification of the waiver or to assume an obligation to report on progress towards removal of the necessity for the waiver. He doubted whether it was enough for the CONTRACTING PARTIES to express dissatisfaction and to accept assurances that their views would be conveyed to the United States Government. The granting of this kind of waiver to a major contracting party was responsible for many of the present difficulties faced by GATT in agriculture. Individual contracting parties could not do more than put these facts before the CONTRACTING PARTIES and hope that the United States would take notice of the need to meet the situation, as brought out by the discussions, and would not only report, as formally required, on continued action under the waiver, but would also report on the effective consideration it was able to give to dispensing with the waiver or accepting a time-limit or other limitation on its operation. The nature of the waiver was such that apart from drastic action by the CONTRACTING PARTIES to terminate the waiver, the matter was in the hands of the United States.

Mr. RYAN (Australia) registered his country's continued concern at the restrictive aspects of the United States dairy support policies and their disruptive effects on trade of traditional and efficient producers and exporters. Australia supported the conclusions of the Working Party. Like New Zealand, Australia was concerned about the continued restricted access to the United States market and would like to see the situation soon reached where it would no longer be necessary for the United States to take action under the waiver. This, he stressed, implied that fundamental action must be taken. In the view of his delegation, conclusions reached by the Working Party served to emphasize once again the need for urgent action in respect of dairy products.

Mr. BOGAARDT (Netherlands) noted that the number of commodity sectors covered by the waiver had been reduced over the years. The discussions in the Working Party thus concentrated on the fact that the United States Government had found it necessary to intensify import restrictions on dairy products; and on the difficulties in the United States dairy sector which were the reason for this action. He considered that in this connexion many other contracting parties shared his delegation's concern at the open-ended nature of the waiver, and the use made of it in extending restrictions to further dairy products. The waiver

had originally been intended for a limited duration but had now lasted for twelve years. The rôle of the CONTRACTING PARTIES had so far been limited to receiving information and hearing complaints. His delegation felt that the waiver should be discontinued or at least modified so as to provide for a definite time-limit. The waiver could not be justified on the grounds of protection against the severe price competition resulting from the world dairy situation. Other provisions of the General Agreement and of United States legislation could be invoked for this purpose. To the extent that the difficulties in the United States dairy sector were a reflection of the world dairy situation, he drew attention to the possibility of helping to solve them through multilateral solutions. This topic was under discussion at the current session of the CONTRACTING PARTIES. He expressed the hope that the United States Government would consider submitting a somewhat fuller report to the next session.

Mr. BRODIE (United States) shared the regret expressed by previous speakers that his country had had to restrict the imports of dairy products and that the waiver had endured for so long. The United States would prefer to be in a situation where, in the absence of import controls, the volume of dairy imports would be determined by the real needs of the market, and where the Government would not have to be concerned with excess supplies being directed to the United States market. Referring to remarks concerning the duration of the waiver and the alleged failure of the United States to take adequate steps to eliminate the need for restrictions, he queried whether the world dairy market was really in a better condition at present than when the waiver had been granted. In 1955 there had been a substantial surplus of dairy products in the United States. Over the years, however, the United States had been able to eliminate its surplus in a manner which caused a minimum of disruption of markets of other suppliers. During 1967 surpluses existed again in a number of countries, but not in the United States. Exports elsewhere were being heavily subsidized and prices were being undercut, so that traditional markets were being invaded. In spite of this surpluses were still getting bigger, because the underlying causes which had created them still remained. The United States had done its part to correct the situation. United States milk production in 1955 was 55 million metric tons; in 1966 it was 54 million metric tons. This was in contrast to substantial increases elsewhere. Another example was butter production in the United States which had dropped by almost 200,000 tons between 1955 and 1966, again in contrast to substantial increases in other major producing countries. The United States had thus not used its waiver as a screen for expanding its output.

Mr. Brodie assured the CONTRACTING PARTIES that his country was conscientiously trying to deal with the underlying problems and was in no way responsible for the present world dairy surplus situation. It was, therefore, not reasonable to expect his country to take over the excess supplies of other producers. The United States alone could not stabilize the world market dairy situation. Until order was brought into the world dairy situation, his country had no choice but to protect itself with the help of the waiver which was used with the greatest possible restraint.

The CHAIRMAN noted that all contracting parties shared in the dissatisfaction and regret that the United States found it necessary to maintain import restrictions under the waiver. He also noted the concern expressed at the intensification of restrictions in the dairy sector. The delegate from the United States would no doubt convey to his authorities the intensity of criticism voiced in the discussions and would also report the general views expressed that imports should not bear the brunt of necessary readjustments in the United States dairy sector. There seemed to be a widespread desire to revert to the matter at the twenty-fifth session to see how these problems could be resolved, in particular whether adjustments could be made in the waiver or whether a time-limit could be set for its termination. It was, however, also clear that some problems could not be resolved by unilateral action on the part of one government. The CONTRACTING PARTIES might wish to undertake during 1968 an examination and analysis of the problems involved, and try to devise ways to increase consumption and trade of dairy products without restricting imports. The problem was a difficult one; at the present stage the CONTRACTING PARTIES could do no more than express their common concern and their joint determination to seek a solution to the problem.

The report was adopted.

2. Import restrictions applied contrary to GATT and not covered by waivers

The CHAIRMAN recalled that there had been a full discussion of the proposal of New Zealand to set a date as from which no residual restrictions could continue except pursuant to waivers or programmes agreed by the CONTRACTING PARTIES for the removal of such restrictions. It had not been possible to reach a decision at that time; now, however, a decision could no longer be deferred. He noted also that there had been full agreement on the need to remove the restrictions in question and to complete the liberalization process at the earliest possible date. Mention had been made of hopeful bilateral discussions now under way, and it seemed reasonable to expect that the high-level meeting about to begin would approve the establishment of panels. Both of these developments seemed to promise some advance in elimination of restrictions. Nevertheless, the New Zealand proposal could provide a basis for action by the CONTRACTING PARTIES at their twenty-fifth session if supplementary action were still required.

Mr. PRESS (New Zealand) agreed that the Chairman had described the position as reasonably as possible, both as to the present and as to the probable evolution. In the debate, a large number of developing countries had expressed themselves vigorously in favour of his proposal, but it was also true that considerable reservations had been expressed by the developed countries, the criticism centering on the short notice given for consideration of the matter. If the matter were now allowed to take its course for one more year, no one could claim next year that full notice had not been given. He believed, in short, that even without formal action now the purpose of focusing attention on the urgency of the problem had been accomplished and that the groundwork had been laid for even more substantive consideration of the problem next year.

The CHAIRMAN proposed that the matter be left at that for this year; but that all contracting parties would take due note of the understanding that they were to come next year fully prepared to deal with the problem definitively.

This was agreed.

3. GATT/UNCTAD Trade Centre (L/2932)

Mr. KAUFMANN (Netherlands), Chairman of the Working Party, in introducing the report, document L/2932, said that the Working Party had been able to reach agreement on all essential points. In particular, he wished to stress the support given by the Working Party to the proposal by the GATT and UNCTAD secretariats to create a strong, dynamic and flexibly functioning Trade Centre. The Working Party felt that the Trade Centre should be entrusted with sufficient responsibility and authority to meet the urgent and growing demands of the developing countries in the export promotion field. He referred to the various aspects of the arrangements for the joint Centre which the Working Party had dealt with in the report, i.e. its functions, governmental supervision, direction of the Centre and its resources.

Dr. KRUSE (Federal Republic of Germany) asking for clarification on the question of participation in the proposed joint advisory group (paragraph 11 of the report), was informed that participation in the group would be open to any government member of UNCTAD or GATT. The Working Party had noted that when a matter under consideration was of interest to such a government it was important that the opportunity should be offered for participation by such government, even if it was not in a position to furnish an expert at all meetings of the advisory group.

Mr. von SYDOW (Sweden) speaking on behalf of all five Nordic countries, expressed his appreciation at the efforts to reach agreement. He found that the report, while giving sufficient guidelines for proceeding further, was flexible and pragmatic. He hoped the report would be adopted without reservation, and that action elsewhere would follow shortly. He said the joint operation of the Centre was a useful step towards closer co-operation between GATT and UNCTAD.

Mr. BRODIE (United States) expressed the hope that when the Secretary-General of UNCTAD had studied the report, he would be able to endorse its conclusions. He suggested that the CONTRACTING PARTIES might wish to see the Working Party continued.

The CHAIRMAN, in summing up, proposed that the report, including the unanimous support for the Trade Centre expressed in paragraph 4, and the recommendations contained in paragraphs 5, 6, 7, 14 and 16, should be adopted and that the Director-General should be authorized to implement the recommendations in consultation with the Secretary-General of UNCTAD. It was however clear from the report of the Working Party that additional matters would require consideration

next year. He therefore proposed that the Working Party be kept in existence and that should any difficulties arise, which he hoped would not be the case, the Director-General would refer them to the Council, who would decide on any action required. In such a situation the Council might wish to consider reconvening the Working Party.

The report was adopted.

4. Derestriction of documents

In order that the United Nations could feel free to reproduce, in whole or in part, the report on the Joint Trade Centre, which had just been adopted, the Chairman proposed the derestriction of that report (L/2932).

The CHAIRMAN pointed out that a document (COM.TD/48), prepared by the secretariat for the Committee on Trade and Development, summarizing the results of the Kennedy Round for developing countries, had been revised to take account of comments and additional information provided by a number of contracting parties. The Chairman suggested that this document (COM.TD/48/Rev.1) should also be derestricted.

It was agreed to derestrict forthwith documents L/2932 and COM.TD/48/Rev.1.

The meeting adjourned at 11.45 a.m.