

GENERAL AGREEMENT ON TARIFFS AND TRADE

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SUMMARY RECORD OF SECOND MEETING

Held in the Palais des Nations, Geneva,
on Tuesday, 27 November 1979, at 10 a.m.

Chairman: Mr. JUAN JOSE REAL (Uruguay)

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1. Accession of the Philippines

The CHAIRMAN recalled that the draft Decision on the Accession of the Philippines had been submitted to a vote by postal ballot on 24 October. He informed the CONTRACTING PARTIES that the last votes required for obtaining a two-thirds majority had been received. The Protocol for the Accession of the Philippines therefore was open for signature. He invited the representative of the Philippines to sign the Protocol of Accession on behalf of his Government.

Mr. VEGA (Philippines), following his signing of the Protocol of Accession, stated his delegation's appreciation for the welcome expressed by the contracting parties. He said that the Philippines had for a number of years had a provisional relationship with the GATT. The signing of the Protocol put this relationship on a binding and permanent basis. He referred to the escape clauses in the GATT and expressed the hope that any safeguard action taken would be within the terms of the multilateral understanding and would take into consideration the interests of all parties concerned. He also expressed the hope that with the co-operation of all contracting parties GATT would continue to be the useful institution which it had proved to be in the past. In concluding, he stated that the vote given by the contracting parties was considered by his delegation as a vote of confidence in the Philippines as a trading nation.

2. Report of the Council (L/4884 and Add.1)

The CHAIRMAN referred to the Report of the Council of Representatives on its work since the thirty-fourth session of the CONTRACTING PARTIES. The following comments were made in connexion with the items dealt with in the report.

Item 4 - Consultative Group of Eighteen .

The Chairman pointed out that the Council had agreed to the establishment of the Consultative Group as a permanent body and also agreed on the terms of reference and on the composition for 1980 of the Group.

Mr. PREM KUMAR (India) said that the mandate of the Group of Eighteen should not imply either that any of the matters to be substantively discussed in any of the bodies of the GATT had first to be considered by the Group of Eighteen, or, because a subject was under discussion in the Group of Eighteen, it could not be considered or decided upon in any of the substantive bodies of the GATT.

Item 6(a)(i) - EEC - Refunds on exports of sugar
- Recourse by Australia

Mr. RYAN (Australia) said that Australia's views had already been outlined in the Council. He wished to underline, however, the importance of this case for Australia and for other sugar exporting countries, many of which were developing countries. He expected the Council to revert to this matter at its next meeting.

Item 6(b)(i) - Japan - Restraints on imports of leather

Mr. FARNON (New Zealand) reiterated the concern of New Zealand over the Japanese restraints on its imports of leather. His delegation was fully aware of the sensitiveness of this matter in Japan, but he considered this to be no reason for the Japanese authorities not to make satisfactory arrangements which would allow Japan's suppliers a more certain and expanding place in the Japanese market. He hoped that the consideration of the Canadian complaint would lead to a satisfactory solution for all suppliers. He reiterated New Zealand's willingness to undertake bilateral discussions with the Japanese authorities if this would be a more fruitful avenue to an outcome satisfactory to all sides.

Mr. HUSSAIN (India) also stressed the interest of his delegation in this matter.

Item 7 - Export inflation insurance schemes

Mr. MARTIN (Canada) stated that Canada had a particular interest in this matter. His authorities were of the view that the report of the Panel confirmed that schemes maintained by some contracting parties, which had involved significant cash transfers from the national budget, were export subsidies. He referred to the Agreement on Subsidies and Countervailing Measures under which contracting parties might pursue their interests and rights on this question. He said that Canada might wish the Committee on Subsidies and Countervailing Measures to examine this issue as a matter of priority.

Item 9(c) - Pakistan - Renegotiation of Schedule

The CHAIRMAN drew attention to the recommendation of the Council that the draft decision reproduced in Annex I of the Report of the Council be adopted by the CONTRACTING PARTIES.

The decision was adopted by 58 votes in favour and none against.

Item 9(d) - Turkey - Stamp Duty

The CHAIRMAN drew attention to the recommendation of the Council that the draft decision reproduced in Annex II of the Report of the Council be adopted by the CONTRACTING PARTIES.

The decision was adopted by 58 votes in favour and none against.

Item 10(b) - United States Agricultural Adjustment Act

Mr. FARNON (New Zealand) stated that his delegation had for many years expressed concern that the United States continued to maintain restrictions against imports of dairy products under its agricultural waiver. He pointed out that the waiver had been applied for well over two decades. He recalled that when this matter was last discussed in the Council early this year the United States representative had expressed the hope that mutually satisfactory solutions on dairy products would be found in the multilateral trade negotiations. His delegation considered it unfortunate that the results of the MTN would have little impact on this matter. He noted that the United States imports of dairy products had remained at less than 1 per cent of consumption, and that the quotas on imports of butter amounted to only a few hundred tons. These quotas would not be changed as a result of the MTN. He welcomed the adjustments made by the United States in the MTN to its cheese imports, but considered that these had little impact on total import levels and would remain strictly controlled in the future. His delegation therefore had little hope for an improvement in the overall situation. He believed that the United States had not made any attempt to meet its GATT obligations under the waiver by moving towards adjusting its support measures so that it could work towards the removal of the Section 22 quotas. It even appeared to him that the United States was moving in the opposite direction by increasing support which would stimulate production. This might lead to a building up of stocks, and the possibility of exporting subsidized products which would further distort the world market. He said that the approval of the waiver in the past by way of an adjustment period had been meaningless. New Zealand therefore seriously questioned the real justification for the waiver.

Mr. RYAN (Australia) said that his delegation maintained its concern about the continued failure by the United States to meet its obligations under the waiver and to work towards dismantling its Section 22 quotas on dairy products. He regretted that the result of the United States negotiations in the MTN had been to firmly entrench its quotas on dairy products. Virtually all cheese imports had been placed under quotas. Therefore, through negotiations which were aimed at freeing trade the United States had effectively closed its market to any expansion of cheese imports. He said that the United States had furthermore sought price undertakings on cheese imports from supplying countries and had thus, in effect, placed cheese outside the provisions of the MTN Countervailing Duties and Subsidies Code. He recognized that the expanded quota entitlements had been negotiated with the major beneficiaries and also that the world dairy situation continued to be characterized by problems stemming from subsidized exports. It was understandable therefore that the United States had not yet relaxed the high levels of support and protection for its dairy products, but as a result, there would be a continuing risk of periodic build-up and disposal of surplus stocks with disruptive effect on the world market. He said that this had been evidenced by the large disposals of skim milk powder at concessional prices to Latin American countries. He expressed particular concern if, following the quotas on cheese products, the United States would extend the quotas to include casein imports. He was of the view that this would be against the spirit of the GATT waiver since there had never been a demonstrable case that casein imports were harmful to the United States dairy industry. Referring to the sugar import arrangements under Section 22, he noted that legislation to implement a new domestic sugar support programme was recently defeated in Congress. The flexible import fee system, which provided for automatic mandatory adjustments of the fees in response to changes in world prices, was therefore likely to continue. He was concerned that this might become a permanent arrangement and expressed the belief that this system was detrimental to world trade in sugar and would encourage the alternative sweetener market in the United States to develop. He also expressed concern that the delay in ratifying the International Sugar Agreement had adversely affected the operation of the Agreement. In view of this, Australia, even though it remained opposed to the import fees system, could consider the possibility of a trade-off and accept, for United States domestic political reasons, a continuation of the import fee system, in order to achieve ratification of the International Sugar Agreement. Ideally, however, the United States should ratify the ISA and dismantle its import system.

Mr. SMITH (United States) stressed that the United States had meticulously complied with the terms of the waiver and that the quotas applied under Section 22 were continuously being reviewed. He noted in this respect that the CCC Stocks of 30 September 1979 were substantially below those of the same period of 1978.

He pointed out that the problems in the dairy sector were world-wide and could therefore not be solved unilaterally by any one country. This required the combined efforts of all countries concerned. The United States had therefore actively participated in the negotiations which resulted in the International Dairy Arrangement. The United States would be an active participant in the Arrangement. He considered that the Arrangement, while not being the final answer to all problems in the dairy sector, was a significant step in the right direction. Referring to the International Sugar Agreement he said that the Foreign Relations Committee of the United States Senate had approved the Agreement and that the full Senate Ratification was expected in the near future.

Item 12(a) - Accession of Colombia

The CHAIRMAN drew attention to the fact that the Council had approved the terms of the Protocol on the Accession of Colombia and recommended that the draft Decision on the Accession of Colombia, reproduced in Annex III of the Report of the Council, be adopted by the CONTRACTING PARTIES.

The CONTRACTING PARTIES proceeded with a ballot on the draft decision.¹

Item 12(b) - Accession of Mexico

The CHAIRMAN said that the Council had foreseen the possibility that the CONTRACTING PARTIES might be able to take a vote on the accession of Mexico at this session. Since it had, however, not yet been possible to circulate the Schedule of Mexico he stated that the decision would be submitted to a vote by postal ballot in due time.

Mr. FARNON (New Zealand) expressed New Zealand's satisfaction for the approval by the Council of the draft Protocol on the Accession of Mexico. New Zealand considered the accession of Mexico, and of Colombia, as a further step forward in the evolution of GATT as a truly representative body of trading nations. However, he recalled that his delegation had misgivings about the provisions relating to the agricultural sector as set out in the draft Protocol. New Zealand was aware of the particular importance of agriculture in the Mexican economy and its special significance. He had however some reservations that Mexico could not move further towards full compliance with GATT provisions in the agricultural sector, especially in those areas of agriculture in which Mexico was efficient or had no local production. His delegation therefore put considerable weight on the undertaking given by Mexico as set out in the Protocol, that it would continue to remove quantitative restrictions and prior permits on most of its imports in regard to the agricultural sector.

Mr. RYAN (Australia) recalled his delegation's statement on this matter as contained in the Minutes of the Council of 6 November 1979.

¹The required majority of two thirds of the contracting parties was obtained on 28 November; there were 58 votes in favour and none against.

Item 12(d) - Provisional Accession of Tunisia

The CHAIRMAN drew the attention of the CONTRACTING PARTIES to the fact that the Council had received a request for an extension of the arrangements for the Provisional Accession of Tunisia at its meeting on 16 November and had referred the matter to the CONTRACTING PARTIES for their consideration.

Mrs. BENAJMIA (Tunisia) pointed out that the arrangements for the Provisional Accession of Tunisia to the GATT would expire on 31 December 1979. She stated that Tunisia was currently examining the most adequate means and procedures for full accession to the GATT, and that the extension of the arrangements would allow the Tunisian authorities to make a better study of its trade and economic situation with a view to definitive accession.

The CHAIRMAN drew attention to the draft of a Procès-Verbal Extending the Declaration on the Provisional Accession of Tunisia (reproduced in Annex 1 to document L/4879) and to the draft Decision Extending the Invitation to Tunisia to participate in the work of the CONTRACTING PARTIES (reproduced in Annex 2 to document L/4879). A third annex showed the present status of contracting parties which had accepted the Declaration as extended. The CONTRACTING PARTIES approved the text of the Procès-Verbal and adopted the Decision Extending the Invitation to Tunisia to Participate in the Work of the CONTRACTING PARTIES.

Item 16 - Multilateral Agricultural Framework

Mr. PREM KUMAR (India) recalled the statement by his delegation at the meeting of the TNC on 11 April 1979. He stated that it was the understanding of his delegation that the proposed work in the GATT would aim at promoting international trade in agriculture and would concentrate its activities on trade-related questions. He believed that the proper fora for the co-ordination of farm and food policies were the FAO and the World Food Council. He therefore suggested that it was necessary to define the parameters of the area of work which might be undertaken as a result of the consultations. He suggested in this connexion that the Director-General might consult with his counterparts in the FAO and the World Food Council and other commodity councils before initiating consultations with interested delegations. He expressed the interest of his delegation in participating in this work.

Mr. NYERGES (Hungary) recalled his statement at the last meeting of the Council and reiterated that his country considered itself an interested party in the terms of the decision of the Council.

Item 18 - Trade in Textiles

Mr. PREM KUMAR (India), referred to the Conclusions of the Textiles Committee attached to the Protocol Extending the Arrangement Regarding International Trade in Textiles, that any jointly agreed reasonable departures would be temporary and that participants using such provisions would return in the shortest possible time to the framework of the Arrangement. He expressed the hope that, since half the period of validity of the extension of the Arrangement had elapsed, efforts would be made to eliminate any such departures as soon as possible. He further stated that his Government attached the highest importance to those elements of the Arrangement that related to adjustment assistance measures and wished the Textiles Committee to concentrate its attention on such measures so that policies would be followed to ensure that the Arrangement did not become a permanent feature of international trade in textiles and that necessary movement of factors of production which had become uncompetitive were facilitated. He also stated that restrictive measures should be taken under the Agreement only in the event of actual market disruption or serious threat thereof.

Item 20 - Training Activities

The CHAIRMAN, in reflecting the feelings of all contracting parties, expressed their satisfaction with the training activities of the secretariat.

Item 21(a)(ii) - Arrears of Contributions

The CHAIRMAN drew attention to the discussion on arrears of contributions in the Budget Committee, reflected in the Committee's report L/4853, and to the discussion on this matter in the Council. He stated that the Council had agreed to draw the attention of the CONTRACTING PARTIES to this matter as the situation was steadily deteriorating.

Item 21(a)(iii) - Report of the Committee on Budget, Finance and Administration

The CONTRACTING PARTIES adopted the report of the Budget Committee (L/4852), including the recommendations contained therein and the Resolution on the expenditure of the CONTRACTING PARTIES in 1980 and the ways and means to meet such expenditure.

The CONTRACTING PARTIES adopted the report of the Council (L/4884).

The meeting adjourned at 11.10 a.m.