

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

C/M/50

24 September 1968

Limited Distribution

COUNCIL

13 September 1968

MINUTES OF MEETING

Held at the International Labour Office, Geneva,
on 13 September 1968

Chairman: Mr. Carlos BESA (Chile)

	<u>Page</u>
<u>Subjects discussed:</u>	
1. Advisory Committee to the Trade and Development Board and to the Committee on Commodities of UNCTAD	1
2. Trade Arrangement between India, the United Arab Republic and Yugoslavia	2
3. Balance-of-Payments Import Restrictions Report on Consultation with New Zealand	4
4. United States Waiver on Automotive Products	4
5. Australian Waiver on Products from Papua/New Guinea	6
6. Israeli Tariff Reform	6
7. Programme of Meetings	7

1. Advisory Committee to the Trade and Development Board and to the Committee on Commodities of UNCTAD (L/3058)

The Chairman said that members of the Council would have learned with regret of the death of Mr. S.A. Hasnie who served for some years as nominee of the CONTRACTING PARTIES as Chairman of the ICCICA and, more recently, as the CONTRACTING PARTIES' nominee on the Advisory Committee to the UNCTAD Board. A communication from the Secretary-General of the UNCTAD, inviting the CONTRACTING PARTIES to nominate a successor to Mr. Hasnie had been distributed in document L/3058. The Government of Pakistan had advised that it would be prepared to make available, as Mr. Hasnie's successor, Mr. Osman Ali. No other candidate had been proposed in response to the Director-General's enquiry.

Many representatives expressed their governments' full support for the candidacy of Mr. Osman Ali, his capacities and experience qualifying him particularly for this appointment.

It was agreed to nominate Mr. Osman Ali on behalf of the CONTRACTING PARTIES as a member of the Advisory Committee, and the Chairman requested the Director-General to inform the Secretary-General of the UNCTAD accordingly, it being understood that the nomination was for the remainder of the term of three years until February 1969, and for the following three-year term.

The representative of Pakistan thanked the members of the Council for the support they had expressed for Mr. Osman Ali's nomination and assured them that Mr. Ali would do his utmost to secure the interests of the CONTRACTING PARTIES in his task.

2. Trade Arrangements between India, the United Arab Republic and Yugoslavia
(L/3032)

The Chairman recalled that at its meeting in March the Council had established a Working Party to examine the Agreement on Trade Expansion and Economic Co-operation between India, the United Arab Republic and Yugoslavia. The Working Party had met in June and its report had been distributed in document L/3032.

Mr. Gros Espiell (Uruguay), Chairman of the Working Party, presented the report. He recalled the terms of reference of the Working Party; "to examine the Trade Expansion and Economic Co-operation Agreement between India, the United Arab Republic and Yugoslavia, in the light of all relevant provisions of the General Agreement, having regard to the objectives of the contracting parties with respect to trade expansion among developing countries and taking into account the discussion in the Council; and to report to the Council." The Working Party had met in the period from 6 to 14 June and had prepared the report contained in document L/3032, which included in Annex C a draft decision which the Working Party recommended for adoption.

He said that, without commenting on the text of the report, he wished to point out that many members of the Working Party had expressed sympathy for the desire of the countries participating in the Agreement to make a positive contribution towards trade expansion and co-operation among developing countries. Some members of the Working Party had expressed certain concern over this Agreement, signed on 23 December 1967. These concerns had been analyzed by the three signatory States, in their detailed explanatory statements, in a sincere attempt to dispel them.

The representative of Brazil stated that his Government was interested in the expansion of trade among less-developed countries, but not in this way. A united front of less-developed countries was essential to secure a stronger position in their dealings with the developed countries. A trade arrangement such as the one in question could set a dangerous precedent, which could possibly be followed by other developing countries, and would soon lead to a division into several weak blocs. His Government was divided between a desire to support this Agreement and concern over its possible consequences. The position of his Government was therefore neutral - it would not oppose the Agreement, but could not support it wholeheartedly.

The representative of Italy, speaking on behalf of the member States of the European Economic Community, said that the Community's delegation had attached great importance to the different aspects of this Agreement during its discussion in the Working Party. In their view this was an experiment which could be of great importance, particularly as it remains open. They fully supported the conclusions of the Working Party.

The representative of Poland said that, although his delegation had not taken part in the deliberations of the Working Party, his Government had, from the start, a favourable attitude towards any project that sought to better the trade conditions among developing countries. His delegation would vote in favour of the draft Decision in Annex C, but wished to specify the meaning of this vote. The Agreement was within the terms of both Part IV and Article XXV:5 of the General Agreement; the three countries concerned were developing countries and this fact, in their point of view, fulfilled the condition of exceptional circumstances mentioned in Article XXV:5. Furthermore, it was not conceivable that the Agreement could set a precedent for developed contracting parties to follow.

He also drew attention to his country's special situation and quoted from document L/2806, paragraph 10, of 23 June 1967, to the effect that trade between Poland and the developing countries had progressed rapidly during the past year and that Poland would, from the date of its accession, apply Part IV of the General Agreement. In accordance with the terms of Part IV, Poland had taken into consideration the priority to be applied to its trade with developing countries. He did not think that the Agreement in question could influence the actual trend towards rapid expansion of Polish trade with developing countries. However, independently of paragraph 1(c) of the draft decision, Poland reserved its right, pursuant to the provisions of paragraph 1(a), to return to this problem in the course of the Working Party on Trade with Poland when it undertook its second annual consultation and when his Government would be in a position to present its targets as regards imports from contracting parties in 1970.

The representative of Argentina said that his Government shared the concern that had been expressed by the representative of Brazil. With this reservation, his Government would support the adoption of the report.

The representative of Cuba recalled that, in the course of the discussion in the Working Party, his delegation had expressed concern regarding Article IX of the Agreement. The substance of that Article was in conflict with fundamental principles of the General Agreement and of its Part IV. During the course of the debate and further to the statements made by India, the United Arab Republic and Yugoslavia, on the interpretation of the Article, his Government had re-examined its position and he was now instructed to say that Cuba was in a position to withdraw the reservation it had expressed. He would therefore support the report and vote in favour of the decision on the confident understanding that in applying the Agreement all developing contracting parties would have equal rights.

The Council approved the report and agreed to recommend to the CONTRACTING PARTIES that it be adopted at the twenty-fifth session.

The representatives of India, the United Arab Republic and Yugoslavia expressed their appreciation to the Council, to the Chairman of the Working Party and to the Director-General, for their constructive contribution in this matter. The representative of India thanked the representative of Poland and noted the clarification he had given on a point raised by his delegation in the annual consultation with Poland. The representative of Yugoslavia added that, in the course of the preparation of the Agreement, the three participants had always kept in mind the need for trade expansion and trade co-operation among developing countries and among contracting parties in general. He emphasized that the Agreement was open to all interested developing countries.

3. Balance-of-Payments Import Restrictions - Report on Consultation with New Zealand (BOP/R/25)

Mr. Petrie (Canada), Acting Chairman of the Committee on Balance-of-Payments Restrictions, presented the Committee's Report (BOP/R/25) on its consultation with the Government of New Zealand, under paragraph 4(b) of Article XII, concerning the import restrictions maintained under that Article.

The report was approved and the Council recommended its adoption by the CONTRACTING PARTIES at their twenty-fifth session.

The Chairman thanked the representative of the International Monetary Fund for the valuable assistance afforded by the Fund in the conduct of the consultation and for the excellent documentation which had been provided.

4. United States Waiver - Automotive Products (L/3020)

The Chairman recalled that the Decision of 20 December 1965, authorizing the United States to eliminate customs duties on automotive products from Canada, required the United States Government to submit an annual report and, further, required the CONTRACTING PARTIES after two years to review the operation of the waiver and to consider "how far, in the circumstances then prevailing, the United States would continue to need cover to implement the Agreement with Canada, having regard to the provisions of paragraph 1 of Article I of the GATT". The Council had decided the previous year that it would conduct this review in 1968.

A report by the Government of the United States for the year 1967 had been distributed on 7 June in document L/3020. At the meeting of Council on 21 June (C/M/47), the report had been presented by the representative of the United States who had said that the operation of the waiver did not appear to have caused diversion of trade and that the United States continued to need the waiver in order to implement the Agreement with Canada. It was agreed that the examination of the report should be postponed until a later meeting.

The representative of the United States referred to the statement on page 2 of document L/3020: "In accordance with Article IV(c) of the Agreement, the two Governments began in December 1967 a joint review of experience under the Agreement during which they are considering whether any further steps are now necessary or desirable for the full achievement of the Agreement objectives. The review is expected to be completed by the summer of 1968." At the previous meeting the representative of Japan had asked whether this review had been completed and with what results. He could now confirm that the review had been completed and that as a result the United States Administration would not recommend to Congress any modification of the product coverage under the Agreement.

The representative of Japan said that in his Government's view such agreements, requiring waivers, were not to be encouraged. He associated his delegation with the view expressed by the representative of the United Kingdom, at the last Council meeting, and agreed that the implication of paragraph 6 of the Decision was that preferences would become unnecessary in due course. It was his understanding that the statement made by the representative of the United States at the last Council meeting was not intended to alter the terms of the Decision of 1965, nor the requirement of a biannual review.

The representative of the United States confirmed that his statement at the last Council meeting had not been made with the intention of modifying the terms of the Decision; he had merely asked the Council to agree that it would be appropriate to continue the waiver.

The representative of Italy, speaking on behalf of the member States of the European Economic Community, said that they had studied the report and that, despite some doubts concerning the conclusions, they considered that they could approve it in its broad lines.

The Council took note of the report.

The Chairman said that the matter would come up again for consideration on future occasions, as provided for in the Decision.

5. Australian Waiver - Papua/New Guinea (L/3045)

The representative of Australia presented his Government's fourteenth annual report (L/3045) under the waiver which had been granted in 1953 permitting special customs treatment for imports into Australia of products of Papua and New Guinea. He recalled that the purpose of the waiver was to provide advantages to the products of the territory in order to encourage its economic development without causing material injury to the trade of any contracting party. The report indicated that no new measures had been taken since the thirteenth report and gave statistics showing the effects on trade of the measures which had already been taken.

The Council took note of the report.

6. Israeli Tariff Reform

The representative of Israel said that her delegation wished to give the Council advance notice of a forthcoming request for renegotiation of the Israeli Schedule, although precise information was insufficient at this stage for the matter to be placed on the Council's agenda.

The Government of Israel was in the course of preparing considerable changes in its import régime affecting both tariffs and administrative regulations, with the overall aim of stimulating competitiveness in local industry and expanding exports.

As regards the administrative regulations, on 29 April 1968, on the occasion of Israel's last balance-of-payments consultation, the Israeli representative had declared that in order to expedite the process of liberalization the Government had decided that within a year the policy for classifying products under restrictive or automatic licensing, or free treatment would be reversed. While at present a case had to be made for the liberalization of products, in the future a case would have to be made for applying restrictive measures to it. On 12 August 1968, the Minister of Commerce and Industry had announced that this step would take effect on 1 January 1969, and that as of that date administrative restrictions would be retained only in respect of those industrial products for which there existed special reasons. A "negative list" of restricted products, giving for each item the reason for its inclusion, would be made public.

In the process of liberalization, a number of industries would be exposed to severe international competition. Some of these industries were still in the infant stage. This would require the increase of import duties on a limited number of items for which Israel had negotiated tariff concessions, mainly during the Dillon Round. Accordingly, her delegation would have to seek authority to renegotiate a small number of concessions and a request to this effect would shortly be addressed to the CONTRACTING PARTIES in accordance with Article XXVIII, paragraph 4. In his statement the Minister of Commerce and Industry had announced

a programme of tariff reductions on industrial products ranging from 10 to 30 per cent of the existing rate. Thus it would be possible for the Israeli Government to offer compensatory adjustments which would more than ensure the maintenance of the level of existing concessions. The principal aim of the programme was to stimulate competitiveness and to expand exports. Israel was simultaneously moving towards an improved and more liberal licensing system and initiating a programme of tariff reductions affecting a very important sector of its imports. It was expected that these measures would lead to a significant reduction of trade barriers and it was therefore hoped that the request for renegotiation, when formally made, would meet with the understanding and approval of the CONTRACTING PARTIES.

The Chairman thanked the representative of Israel for giving advance notice of this request for renegotiation of its Schedule.

7. Programme of Meetings (C/W/128/Rev.1)

The Council approved the Programme of Meetings proposed for October/November by the Director-General in document C/W/128/Rev.1.