

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

C/M/70

6 July 1971

Limited Distribution

COUNCIL

29 June 1971

MINUTES OF MEETING

Held in the Palais des Nations, Geneva,
on 29 June 1971

Chairman: Mr. Erik Thrane (Denmark)

	<u>Page</u>
<u>Subjects discussed:</u> 1. Accession of the Democratic Republic of the Congo	1
2. United States - Agricultural Import Restrictions	2
3. Joint Working Group on Import Restrictions	5
4. Article XXVIII:1 - Renegotiations 1969	5
5. Advisory Committee to the UNCTAD Board and the Committee on Commodities	6
6. Uruguayan Import Surcharges	6
7. Industrial Pollution Control	8

1. Accession of the Democratic Republic of the Congo (L/3541 and Corr.1 and 2)

The Chairman recalled that in April 1970 the Council had established a working party to examine the application for accession by the Democratic Republic of the Congo. The Working Party had recently met to conclude its work. Because Mr. Pradhan (India), Chairman of the Working Party, had been prevented from presiding over the meeting of the Working Party, the Chairman had approached Mr. Samaranayake (Ceylon), who had accepted to be Chairman of the Working Party.

The Council confirmed the Chairmanship of Mr. Samaranayake.

In introducing the report, Mr. Samaranayake said that a major part of the proceedings of the Working Party had consisted in a discussion of the revenue duty applicable to imports to the Congo. The Working Party had agreed that the question of the relationship between revenue duties and bound customs duties could best be solved by the delegation of the Congo making a Declaration of Intent. This Declaration of Intent was contained in Annex I and formed an integral part of the report. The Working Party had reached the unanimous conclusion that the Democratic Republic of the Congo should be invited to accede to the General Agreement under the provisions of Article XXXIII.

Several delegations expressed support for the report's recommendation in favour of the accession of the Democratic Republic of the Congo to the GATT.

The representative of Australia supported the adoption of the report on the understanding that the Congolese Declaration of Intent did not lessen in any way the commitments accepted by all acceding countries under Article II:1(b) of the General Agreement. He expressed his Government's full understanding for the difficulties of the Congo resulting from its heavy reliance on exports of primary products. His authorities had taken note of the statement by the Congo with regard to revenue duties and the need for them, as well as the reference to Article XXIV:8 of the General Agreement, to the effect that the revenue duty was not a restrictive measure within the meaning of that provision. It was important to note that this reference was a unilateral statement made by the representative of the Democratic Republic of the Congo.

The representative of the EEC supported the adoption of the report. This did, however, in no way imply that the EEC was subscribing to all considerations of fiscal policy expressed in the different paragraphs of the report.

The representative of Japan welcomed the statement made by the representative of the Congo to the Working Party that the country's foreign trade system was based on the principle of non-discrimination and that no preferences were granted to any suppliers; should preferences be granted in the future they would be in accordance with Article XXIV of General Agreement.

The Council approved the terms of the draft Protocol (Annex II to the Report of the Working Party, as corrected by L/3541/Corr. 1 and 2) and the text of the draft Decision (Annex III).

The Council adopted the report as a whole. The text of the Decision was submitted to a vote by the CONTRACTING PARTIES. The Chairman invited members of the Council having authority to vote on behalf of their governments to do so. Ballot papers would be sent by mail to contracting parties not represented at the meeting. In accordance with Article XXXIII, the terms of accession required the approval of two thirds of the contracting parties. The result of the vote would be announced as soon as the required number of affirmative votes (52) had been received. Thereafter, the Protocol would be open for signature and the Democratic Republic of the Congo would become a contracting party thirty days after its acceptance of the Protocol.

The representative of the Democratic Republic of the Congo thanked the members of the Council for their support in adopting the report of the Working Party.

2. United States - agricultural import restrictions (L/3511)

The Chairman recalled that the Decision of 5 March 1955 required the CONTRACTING PARTIES to make an annual review of any action taken by the United States under the waiver on the basis of a report to be furnished by the United States Government. The fifteenth annual report had been circulated in document L/3511.

The representative of the United States, in introducing the report, noted that the report included a detailed review of the situation with respect to commodities currently subject to Section 22 Import Regulations, and described steps taken to deal with the problem of agricultural surpluses. Since the last report, there had been no policy changes that would have affected the operation of Section 22 regulations. His Government regretted the necessity to maintain import restrictions but, in the present state of agricultural trade, it had no other choice. The United States could not be expected to solve the problem by itself through liberalization. A typical case was dairy products where the United States market was a principal target for excess stocks. It was to be noted that other countries in similar positions had also had to strengthen their import controls during the period covered by the report.

The representative of the United Kingdom expressed his Government's serious concern over the fact that import restrictions on certain dairy products had been intensified in 1970, and that the Tariff Commission had been directed to conduct an investigation into the need for additional import controls on certain types of cheese. In the view of his authorities, these developments were not consistent with the terms of the waiver. In the case of certain dairy products, viz milk chocolate crumb, imports amounted to less than 0.1 per cent, in terms of milk equivalent, of United States domestic consumption; they could not therefore be regarded as materially interfering with the domestic price support programme. In the case of cheese, United States domestic consumption was continuing to rise, thus reflecting increasing demand for both American and imported varieties of cheese. The representative of the United Kingdom expressed the hope that, once the Tariff Commission had reported, these factors would be taken into account more fully than in the past in determining the need for further import controls.

The representative of the United Kingdom also emphasized his Government's regret over the extension of import quotas to low fat chocolate crumb which only would encourage protective tendencies. The quotas imposed on such goods nullified the advantages arising from a tariff concession granted in the Kennedy Round. United States imports had increased in response to demand from manufacturers of chocolate confectionery whose requirements had not been fully met by domestic production. His Government reserved all its rights in GATT in relation to the tariff concession on this product.

The representative of Denmark noted with regret that there had been a further increase in the import restrictions on dairy products. Since the import of dairy products into the United States was negligible, compared to the total milk production in the United States, he considered that efforts should rather be made to ease the existing restrictions. His Government was also viewing with concern the possibility of placing additional restrictions on the importation of certain high-priced varieties of cheese. The representative of Denmark recalled that since 1968, the free importation of such cheese had been conditioned on a purchase price of 47 cents or more per pound. His Government would take a sympathetic view to an adjustment of this price-break level and was willing to assist in the preventing of evasion of the existing price-break arrangement. The introduction of quantitative restrictions, however, would be most regrettable

The representative of New Zealand pointed out that the conditions which existed with respect to dairy products at the time the waiver had been granted, had now largely changed and were not as bad as suggested by the United States in its fifteenth report. Prices for most dairy products had lately increased substantially, subsidization of exports had been very significantly reduced or eliminated altogether, stocks had gone down to levels barely adequate in major markets and the declining trend in dairy production had continued in many countries. Nevertheless, the United States had introduced a number of additional restrictions on dairy products. Moreover, public hearings were scheduled to examine the price-break of 47 cents per pound for some varieties of cheese. In view of the recent significant changes in world marketing conditions for dairy products, his Government was seriously urging the United States to re-examine its policies in this sector with a view to reducing the severity of, and eventually eliminating entirely, its quantitative restrictions on dairy products. If subsidization recurred, it was always open to the United States to apply countervailing duties, the proper device to counter the harmful effects of subsidized competition in the domestic market.

The representative of Austria noted that his country had a great exporting interest in cheese and that his authorities would very much regret the United States introducing new restrictions or increasing existing ones without carrying out prior consultations with the interested contracting parties. It was particularly to be avoided that countries which had, like Austria, strictly observed the 47 cents price-break, should be affected again by new or increased restrictions. If the United States was having difficulties with cheese imports at prices below the minimum price, then these difficulties could perhaps be met by increased import controls.

The representative of Australia recalled that his Government had supported the United States application for the waiver. Since then, however, conditions had changed very substantially, and it looked now as if the United States was in no way intending to adhere to the terms of the waiver. The time had now come for the United States to take a thorough look at the matter and to undertake some action, pending action on a world-wide basis. In the dairy sector, no effort had been made by the United States to bring the supply and demand situation into greater balance apart from the surplus disposal programmes. The support price for milk had steadily risen. Supplying countries had - if at all - only a very limited possibility to participate in the United States market. He recalled that his Government had negotiated a tariff concession on butter as early as 1947. He also stated that his authorities were facing more and more pressure for a change in Australia's open import policy with regard to dairy products. It was high time for the United States to undertake steps in the proper direction.

The representative of the European Economic Community noted that the EEC's views on the waiver were unchanged. The waiver had three characteristics: it was unlimited in time, legally global and had been granted without reciprocity. More and more, the waiver was constituting an anachronism requiring a fundamental re-examination. The EEC was not intending to propose the establishment of a working party at the present time, but it was reserving its right to do so in case developments made it necessary.

The representative of the United States in reply said that his delegation could not agree with the statements that the United States programmes were not in accordance with the terms of the waiver. With regard to chocolate crumb he recalled the statement made by his delegation during the review of the fourteenth report, viz that these rapidly rising imports were in fact a circumvention of the import controls and that the relatively small quantity of the imports in relation to production was immaterial because of the cumulative effects of such imports. As to the importation of certain varieties of cheese, it was impossible to anticipate either the results of the investigation by the Tariff Commission or of the subsequent presidential review.

The representative of Greece suggested that future reports might refer separately to measures relating to products of particular interest to developing countries, such as cotton and peanuts.

The Chairman said that the Council had hereby carried out the annual review required under the Decision. The Council took note of the fifteenth annual report submitted by the United States under the Decision.

3. Joint Working Group on Import Restrictions (L/3391/Rev.1)

The Chairman recalled that at its meeting in April, the Council had considered the final report of the Joint Working Group on Import Restrictions and had had a preliminary discussion on action to be taken.

In accordance with a proposal made by the Chairman, the Council agreed that:

1. The Joint Working Group should continue with its work.
2. The data assembled by the Joint Working Group should be kept up to date and that contracting parties should be invited to notify annually, on 30 September, any changes which should be made concerning the restrictions contained in the consolidated document.
3. The future work of the Joint Working Group should be subject to the same understandings as those specified in the Council's report when the Group was initially established.
4. The Group would carry out its review annually or every second year.

4. Article XXVIII:1 - Renegotiations (C/W/180)

The Chairman drew attention to document C/W/180 and noted that some contracting parties which were conducting negotiations under Article XXVIII:1 had indicated that they were not going to have the negotiations completed within the time-limit, which had been extended to 30 June 1971 by a Council Decision of 2 December 1970. It was, therefore, proposed that the time-limit for the conclusion of the negotiations should be further extended to 31 December 1971.

The Council agreed to the proposed extension of the time-limit.

5. Advisory Committee to the UNCTAD Board and the Committee on Commodities
(L/3543)

The Chairman drew attention to document L/3543 and recalled that the current term of office of the Advisory Committee to the UNCTAD Board and the Committee on Commodities was coming to an end in February 1972. Since the terms of reference of the Committee provided for one member to be nominated by the CONTRACTING PARTIES, the Secretary-General of UNCTAD had asked to be advised on the nomination by the GATT for this position with effect from February 1972. The Chairman further recalled that the Council had nominated Ambassador Nioupin (Ivory Coast) as a member of this Committee in September 1969. This had been an interim nomination necessary to replace Mr. Osman Ali who had been elected Chairman of the Committee.

The representative of the European Economic Community proposed that Ambassador Nioupin be nominated again.

The Council agreed to nominate Mr. Nioupin on behalf of the CONTRACTING PARTIES as a member of the Advisory Committee. The Director-General was requested to inform the Secretary-General of UNCTAD accordingly.

Ambassador Nioupin thanked the Council for his nomination.

6. Uruguayan Import Surcharges (G/W/181, L/3546, G/W/182)

The Chairman recalled that by a Decision of 8 May 1961 the CONTRACTING PARTIES had waived the provisions of Article II to the extent necessary to enable the Government of Uruguay to apply, as a temporary measure, import surcharges to those items of which the duties were bound in the Uruguayan Schedule. The Decision had been amended and extended a number of times and was due to expire on 30 June 1971, as provided in the Decision of 28 August 1970. A request on behalf of the Uruguayan Government for a further extension, provisionally for four months only, had been circulated in document L/3546.

The representative of Uruguay, in presenting his Government's request, noted that his country's import system was as liberal as possible considering the state of Uruguay's economy. There was a non-discriminatory system of import surcharges which could not be removed for the time being because of the balance-of-payments situation. In June of this year, the rates of these charges had been modified. Since full data on these modifications were not available at present, his delegation was asking for a provisional extension of the waiver for four months, on the understanding that it would present a full report on the new system in the autumn.

Several delegations supported the request for a provisional extension of the waiver.

The representative of Sweden, speaking on behalf of the Nordic countries, and the representative of Australia expressed their serious concern over the discriminatory element in the application of the surcharge system in connexion with transportation. The representative of Sweden said that the Nordic countries could not vote in favour of any extension of the waiver until this discrimination had been completely abolished.

The representative of the United Kingdom suggested that Uruguay also furnish information on the content of the decrees of 8 and 14 May 1971 concerning the import of capital goods and foreign currency premiums payable for certain overseas payment transactions. The representative of the United Kingdom also suggested that the time to be granted for the temporary extension be, for practical reasons, slightly increased.

The Chairman, in supporting the suggestion made by the representative of the United Kingdom, proposed that the period of the extension requested be changed to five months, i.e. until the end of the twenty-seventh session of the CONTRACTING PARTIES.

The Council approved the text of the draft decision as amended and decided to submit the text of the decision to a vote by the CONTRACTING PARTIES. The Chairman invited members of the Council having authority to vote on behalf of their governments to do so. Ballot papers would be sent by mail to contracting parties not represented at the meeting.

The Chairman suggested that the Council make arrangements for a detailed and careful examination of the effects of the Uruguayan import surcharge system as recently modified, on its obligations under Article II of the General Agreement. This examination should be carried out in time for the Council to consider the matter again in October. The Council should instruct the Balance-of-Payments Committee to consult with the Uruguayan delegation on the balance-of-payments aspects of the import surcharge measure, to examine the effects of the revision of the Uruguayan Surcharge System on the Uruguayan obligations under Article II of the General Agreement and to report to the Council. This examination should preferably be held in the middle of October in conjunction with the meetings of the Balance-of-Payments Committee scheduled for that period. Any contracting party having an interest in this examination which was not a member of the Committee should, upon request, be co-opted as a full member of the Committee for this purpose.

The Council agreed to these proposals.

The Chairman asked the Director-General to invite the International Monetary Fund to consult with the CONTRACTING PARTIES on this matter in accordance with Article XV, and invited the representative of Uruguay to make the necessary information available as soon as possible, so as to give contracting parties time to prepare for the examination.

7. Industrial pollution control (L/3538)

The Director-General recalled that the GATT had been asked by Mr. M. Strong, Secretary-General of the United Nations Conference on the Human Environment, to contribute to the preparatory work for the Stockholm Conference in 1972. The secretariat had informed Mr. Strong that it was ready to collaborate, concentrating on those problems that could be created for international trade by anti-pollution measures concerning industrial processes. Document L/3538 was the first contribution of the GATT secretariat to this request. It did not, of course, engage the CONTRACTING PARTIES in any way. Nevertheless, it would be of advantage if contracting parties did follow these matters from the beginning, reflected upon them seriously and made comments on any issue relating to pollution and international trade. The Council would perhaps wish to consider this matter at its autumn meeting.