

# GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

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COUNCIL  
30 April 1973

## MINUTES OF MEETING

Held in the Palais des Nations, Geneva,  
on 30 April 1973

Chairman: Mr. H. KITAHARA (Japan)

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### 1. Trade in textiles (C/W/220)

The Chairman recalled that the terms of reference of the Working Party on Trade in textiles called for a study of facts regarding the economic, technical, social and commercial elements which influenced world trade in textiles. This study was distributed on 29 December 1972 and presented to the Council at its meeting in February. Because of the scope and volume of the study, the Council had decided to defer consideration of the matter of trade in textiles to a later meeting. The Director-General, as Chairman of the Working Party, had in the meantime had consultations with various delegations as to how best the next phase of the work could proceed.

The Director-General explained that most of the considerations set out in the preamble of the draft decision before the Council (C/W/220) were the same or closely followed those in the original mandate (L/3716). In addition, a reference had been made to the objectives of the multilateral trade negotiations. Having regard to these various considerations, it was proposed that the Working Party, on the basis of its study, L/3797 and its addenda, should, first, identify and examine the problems that exist in international trade in textiles and textile goods and, second, with regard to such examination seek possible alternative multilateral solutions to these problems. The search for multilateral solutions to textile trade problems would be without prior commitment as to the position of any participant. He also proposed that the Working Party should make a progress report not later than 30 June. This would enable the Cotton Textiles Committee to meet in July so as to consider, in the light of the developments in the Working Party, the future of the Cotton Textiles Arrangement which was due to expire on 30 September 1973.

The representative of Japan stated that the fact that his country agreed to the new terms of reference of the Working Party did not prejudice its future position with regard to the handling of the textiles problem. He was of the opinion that the Working Party should identify and examine the problems in international trade in textiles before it proceeds to the search for multilateral solutions.

The representative of Brazil also endorsed the draft decision before the Council and emphasized the importance of the reference in the preambular paragraphs of the decision to the objectives of the multilateral trade negotiations, which called for greater liberalization and expansion of trade and to the importance of the trade in textile goods, especially cotton products, for the economic and social development of developing countries and for their export earnings. He agreed with the proposal that the Working Party organize its work in two stages: identification and examination of the problems, and when this was concluded, the seeking of multilateral solutions.

The representative of Korea also indicated his support for the draft decision and hoped that the Working Party would identify problems and would seek reasonable and fair solutions. Such solutions should be based on GATT principles and objectives and should not impose undue restrictions on exports of textiles from developing countries.

The representative of India stated that his country attached considerable importance to the preambular paragraphs which referred to the objectives of the multilateral trade negotiations and the importance of trade in textiles for developing countries. The objectives of the multilateral trade negotiations had been approved by the CONTRACTING PARTIES at their last session. He hoped, therefore, that the Working Party would evolve solutions which would expand the export earnings of the developing countries from textiles.

The representative of Spain stated that the situation in textile trade was undoubtedly unsatisfactory to all countries and warranted a correct analysis. The multilateral solution of the problems thus analyzed should be in conformity with the spirit of the objectives contained in the preamble.

The representative of Pakistan expressed his satisfaction with the amended terms of reference of the Working Party and assured his active participation in the identification of problems and search for reasonable multilateral solutions.

The representative of Poland also subscribed to the amended terms of reference and expressed the hope that in the search for reasonable multilateral solutions the interests of all countries would be taken into account and the principle of non-discrimination in international trade observed.

The representative of Egypt reiterated that trade in cotton textiles was of particular importance to his country and stated that in view of the expected expiry of the Long-Term Arrangement on 30 September 1973, the need for seeking alternative solutions was most urgent.

The representative of Portugal also expressed his approval of the amended terms of reference of the Working Party on Textiles and hoped that fair and satisfactory solutions to the problem would soon be found.

The Council adopted the decision set out in document C/W/220 thereby amending the terms of reference of the Working Party.

The Chairman announced that the Working Party would reconvene on 2 May to carry out the new tasks conferred upon it by the Council.

## 2. Negotiations under Article XXVIII:4 - request by Sweden (L/3825)

The Chairman recalled the Council's decision of 22 March to defer until its next meeting consideration of the request by the Government of Sweden for authority under Article XXVIII:4 to enter into renegotiations on some items in its Schedule. This allowed time for further clarification as to whether "special circumstances" were prevailing.

The representative of the United States said that his authorities were unable, on the basis of the existing material, to take a definite stand on the request since they had not sufficient information to judge whether the granting of the authority requested was justified. Although United States trade in the products affected was small, he was concerned about the apparent intention of the Swedish Government to introduce a variable levy system for processed agricultural products at a time when trading partners were preparing for the multilateral trade negotiations. He added that the cost of domestic support for agriculture should be borne internally, and not passed on to third countries.

The representative of Sweden considered that his Government had given sufficient information and he believed that their request was fully justified. He pointed out that the interpretation of "special circumstances" under Article XXVIII:4 should not be too restrictive because this could lead to a more frequent invocation of paragraph 5 of that Article, which would undermine confidence in the bindings. Sweden had not invoked Article XXVIII for a number of years and, in his view, the Swedish request was limited in scope for the number of commodities involved and the trade concerned. Invocation of paragraph 5 would have provided an easy solution but this would have been out of proportion to the importance of the matter. The variable levy was intended only to compensate for the difference in world market prices and the Swedish domestic prices for raw materials. It was impossible to say whether the variable levy would result in the present GATT bound rate being exceeded. There was no intention, however, on the part of the Swedish authorities that this should happen. He stated finally that, in accordance with the procedures of GATT, the Swedish authorities were willing to take third countries' interests into account and to enter into consultations.

The representatives of the European Communities, Austria and Finland supported the Swedish request.

The Chairman concluded that, while noting the reservation made by the United States, the Council considered that there were special circumstances in the sense of Article XXVIII:4 and agreed to grant the authority requested.

The representative of Canada stated that although his country had no direct trade interest in the products concerned, his delegation regretted that a variable element was to be introduced in the duties for certain processed agricultural products. This could only create uncertainty in the conditions of access. He was concerned that a variable levy which had been notified as an important barrier to trade was being adopted just before the multilateral trade negotiations. These views were supported by the representatives of Brazil and Uruguay.

In concluding, the Chairman requested that any contracting party which considered that it had a supplying interest or a substantial interest, as provided for in Article XXVIII:1, should communicate such claim in writing and without delay to the Swedish Government, at the same time informing the Director-General. Any such claim recognized by the Swedish Government would be deemed to be a determination by the CONTRACTING PARTIES within the terms of Article XXVIII:1.

### 3. United Kingdom - dollar area quotas (L/3843)

The Chairman recalled that the Council had, at its meeting in December 1972, considered the complaint by the United States under Article XXIII:2 regarding the maintenance by the United Kingdom of certain quotas against dollar area countries, and had decided to establish a Panel to examine the matter.

Mr. Sahlgren, Chairman of the Panel, said that the Panel had held several meetings and had heard representations from and consulted with all the delegations which had expressed interest in this matter. The Panel had conducted a factual analysis of the situation and had considered various possible solutions. It had, however, refrained from making formal recommendations at this stage, in the earnest hope that the parties concerned, who were actively consulting amongst themselves, would be able to come quickly to a mutually satisfactory settlement which, in the view of the Panel, should pay due regard to the importance to the Caribbean countries and territories of the products in question. Should no such solution be reached, or appear to be within reach, within one month, the Panel would revert to the matter and make appropriate recommendations. The Panel was submitting a progress report (L/3843) in order to inform the Council, and was asking the Council only to take note of it at this stage.

The Chairman confirmed that nothing more by way of action by the Council seemed to be needed at this time since the Panel itself was still considering the matter.

The representative of the United States said that he did not wish to discuss the substance of the issue. He expressed appreciation for the time and effort devoted by the Panel to this matter and accepted the request to resume bilateral consultations, provided the United Kingdom was agreeable to discussing the details and the feasibility of the various alternatives proposed by the Panel, or could make counter-proposals of its own. He considered that one month should be adequate for that purpose, bearing in mind the extensive discussions which had already been held.

The representative of the United Kingdom welcomed the statement by the Chairman of the Panel that the search for any mutually acceptable solution should pay due regard to the interests of the Commonwealth Caribbean countries. He regretted that the United States saw this complex problem as a simple one. Although the volume of trade involved was small, it was of very great importance to the Commonwealth Caribbean countries, which were heavily dependent on the United Kingdom market for their exports. His delegation was ready to respond positively to the Panel's request to seek actively a mutually acceptable solution. He understood the parties concerned to include the Caribbean countries. He went on to say that the quotas brought no trading advantage to the United Kingdom, did not contain a protectionist element, and were maintained solely for the development of the Caribbean countries. Any solution should reflect that. The interim report had shown how complex the problem was. In view of this he thought it would be impossible in thirty days to arrange and carry out the tripartite talks which were called for. He added that the lack of a solution so far was due to the fact that it had not been possible to have a confrontation between all parties concerned. He asked that the Council request the United Kingdom, the United States and the Caribbean countries to meet together and revert to the matter when all the parties concerned could indicate that a constructive solution was in sight.

The representative of Trinidad and Tobago stated that the quotas gave vital assistance to the Caribbean countries. His delegation had supplied the Panel with indisputable evidence of the value of these quotas in terms of employment and export earnings in the product sectors concerned. He agreed that further time should be allowed for consultation, but the period of one month suggested was too short to arrive at an arrangement to be agreed by all parties. Such an arrangement should safeguard the protection which the quotas now gave to the Caribbean countries in the United Kingdom market. The general consultations yet to be undertaken between the United States, the United Kingdom and all interested parties required time. He said that any dispute under any particular article of the General Agreement must be viewed within the context of the General Agreement as a whole, including Part IV, which was a vital element of balance between developed and developing contracting parties. In concluding, he requested the Council to extend the period envisaged by the Panel from one to three months.

The representative of the United States regretted that the United Kingdom had thought it necessary to deal with the substance of the United Kingdom position. He said it was not proper for the dispute to be debated in the Council when the matter was still being discussed in a Panel established by the Council. He would not go into the substance of the United States position now but he hoped that the final report would duly reflect the situation. The procedural suggestion by the United Kingdom was not acceptable to his delegation and they could not agree to a trilateral or multilateral meeting. His country had a clear cut dispute under the GATT with the United Kingdom. He confirmed that the United States was not seeking a solution which would in any way damage the interests of Caribbean countries, but the issue related to legal obligations of the United Kingdom under the General Agreement and that explained why the United States had brought a case under Article XXIII:2.

The representative of Jamaica said he was satisfied that the Panel was trying to find an equitable solution which would not jeopardize the economies of the Commonwealth Caribbean countries and this was in accordance with repeated American assurances that the United States had no wish to harm those interests. The quotas were maintained by the United Kingdom for the benefit mainly of the Caribbean countries, thus representing help to small farmers in a number of weaker developing countries. The quotas ensured the survival of high employment industries which accounted for a significant proportion of foreign exchange earnings in countries with serious balance-of-payments difficulties. The United States had been seeking for some time to open up the United Kingdom market for United States citrus fruit and citrus products despite prohibitive tariff and non-tariff barriers protecting its own market. However, the dismantling of the quotas would be of merely marginal benefit to the United States, having regard to its large internal market and the volume and value of its total exports. The Caribbean countries maintained that disputes arising from any particular section or article should be viewed in the context of the agreement as a whole and that, accordingly, in keeping with Part IV and Article XXXVII:3(c) in particular, no legitimate solution could properly be found which adversely affected the essential interests of Commonwealth Caribbean countries.

He appreciated the Panel's decision to refrain from formal recommendations and to allow for more time to seek a mutually acceptable solution which would give due regard to the importance to the Commonwealth Caribbean countries of fresh grapefruit and orange juice. He also found the period of one month too short and suggested that the Council should revert to the subject when all interested parties had signified that a constructive solution was in sight.

The representative of Israel said that the problem should be looked at within the context of international trade in citrus and citrus products as a whole and not in the narrow angle of the United Kingdom market only. He added that while the United States was asking for equal conditions of access to the United Kingdom market, they were maintaining excessively high tariff barriers on their own imports. He did not deny that the United States had a legitimate trade interest in the United Kingdom market, but drew attention to the fact that the United States had a very important domestic market while Israel was exporting nearly all its citrus production. The citrus industry in Israel had been set up originally in World War II and the United Kingdom had since remained the most important single market for his country's citrus products. Any change in the status quo in the United Kingdom market would cause serious economic upheavals and even serious unemployment in Israel's citrus sector. Any such change should, therefore, be accompanied by a parallel relaxation in United States restrictions, i.e. excessively high tariffs, which had no less an influence on the present situation than the non-tariff barrier the United States were complaining about.

The representative of Cuba, in welcoming the Panel's constructive spirit, stated that he hoped that in its final report the Panel would take account of both the spirit and the letter of Part IV and would bear in mind the interests of the Commonwealth Caribbean countries and also of Cuba. He hoped that these same considerations would be present in the consultations between the interested parties.

The representative of Guyana stated that what had been said by the representatives of other Caribbean countries had to be seen in the context of the unique characteristics of the region, i.e. small size, in terms of population, and national product, commodity and geographic dependence on a single market for a preponderant share, disproportion between production and employment structure. For these reasons, he said, these commodities constituted the underpinnings of the social and political structure. In the case of Guyana rum was of specific importance, as were the other commodities for the other Caribbean countries. These countries had planned their future development on the continued access to the United Kingdom market for their products. He said he was grateful to the Panel for having paid special attention to the interests of the Caribbean countries in the search for a mutually acceptable solution. He was grateful for the pause of one month, but supported the proposal of the United Kingdom for an extension. Given the complexity of the matter, the search for a constructive solution should not be hampered by considerations of time.

The representative of Canada said he thought it not useful or appropriate for the Council to discuss the substance of the matter at the time. As to the request for more time, he considered it should be left to the Chairman of the Panel to see how the negotiations were progressing, and that the Council need not

decide on the length of time needed to reach a settlement. The request for time was clear enough and the Council should rely on the Panel's wisdom.

The Chairman of the Panel said that he recognized the significance of the points made by the representatives of the United Kingdom, Trinidad and Tobago, Jamaica, and Guyana concerning the time element, and acknowledged that the Panel, in considering the timing of its recommendations, would take into due account the state of the discussions that the Panel had requested, especially if there were indications that they were productive.

The representative of Sweden also considered that the Council should not intervene in the Panel's procedures.

The representative of the United Kingdom recalled his request for a meeting of all parties concerned, under the Panel's auspices, or elsewhere.

The Chairman summed up by noting that the work of the Panel had progressed satisfactorily and suggested that the task of the Panel should be left as the Council had determined in the terms of reference of the Panel. He added that it would not be proper for the Council to intervene in the middle of the Panel's proceedings. He suggested that the Council should take note of the interim report and leave the other points to the Panel and revert to the matter later on. The Panel would, of course, take into account the points made today.

The Council took note of the Panel's interim report.

Administrative and financial questions

(a) Final position of the 1972 budget of the GATT (L/3844)

The Chairman drew attention to document L/3844 which contained the annual report on the final position of the 1972 budget of the GATT.

As was shown in Annex C of the report, an amount of \$46,599 was required from the Working Capital Fund to cover a deficit on the General Fund due to the increased level of contracting parties' contributions in arrears as at 31 December 1972. The contributions in arrears from contracting parties as at 31 December 1972 were listed in Annex B. Certain contributions had been received in whole or in part since 1 January 1973, as was shown in the annex. This left a total outstanding as of today of \$284,858.

Paragraph 4 of the Report referred to certain excess expenditures in particular sections of the budget. Authority was sought to increase the appropriations accordingly. The method of financing of the excess expenditures was proposed in paragraph 6 and details of proposed transfers were set out in Annex A to the document.

The Council authorized the increases in the appropriations and approved the proposed financing.

(b) Final position of the 1972 budget of the International Trade Centre UNCTAD/GATT (L/3845)

The Chairman drew attention to the report on the final position of the 1972 budget of the International Trade Centre UNCTAD/GATT (L/3845). This report had been made in view of the GATT responsibility for budgetary and financial control of the Centre's funds and in accordance with GATT practice. Paragraph 11 indicated that the surplus account showed an unappropriated balance of \$11,754. It was proposed that this amount be earmarked towards the 1974 expenditure.

In paragraphs 7 and 8 authority was sought to increase certain appropriations by transfer of savings between budgetary sections. Details of the proposed transfers were set out in the annex to the document.

The Council granted the authority requested in paragraph 8 and approved the proposal in paragraph 11.

(c) Committee on Budget, Finance and Administration

-- Establishment of Committee

The Council appointed the Committee on Budget, Finance and Administration for 1973 with the following terms of reference and membership:

Terms of Reference:

- (i) To examine any questions arising in connexion with the audited accounts for 1972, the financing of the 1973 budgets and proposals for the budget for 1974 of the GATT and of the International Trade Centre UNCTAD/GATT.
- (ii) To study any financial and administrative questions which may be referred to it by the Council or submitted to it by the Director-General, and undertake such other studies as may be assigned to it by the Council.

Membership:

Australia	Germany	Sweden
Canada	India	Switzerland
Czechoslovakia	Israel	United Kingdom
France	Japan	United States
Gabon	Nigeria	Uruguay

Chairman: Mr. R. Moehler (Germany)

5. Working Party on Dairy Products

The Director-General, Chairman of the Working Party, recalled that the Arrangement concerning certain dairy products had entered into force in May 1970. The Arrangement applied to skimmed milk powder but, as provided in its Article I, other dairy products might be added at a later date. He was pleased to announce that the Working Party at its meeting of 2 April 1973, had drawn up the text of a Protocol relating to Milk Fat. The text of the Protocol and the record of the meeting of 2 April were contained in documents L/3835 and L/3837 respectively. The Protocol was open for acceptance by governments and the competent authorities of the European Communities. In principle, the Protocol should enter into force, for those participants having accepted it, on 14 May 1973. The representatives of Australia, the European Communities and their member States and New Zealand had declared their intention to seek the acceptance by their authorities of the Protocol and the representative of New Zealand had today fulfilled the formalities of signature. These representatives had also agreed to observe the provisions of the Protocol on a de facto basis as from 9 April 1973. The representative of Switzerland had stated that his authorities intended to accept the Protocol. The representative of Japan had stated that his Government would explore positively the possibility of accepting the Protocol in due course. The Director-General added that some members of the Working Party had expressed the hope that it would soon resume work on other dairy products.

The representatives of New Zealand and Australia expressed their appreciation for the drawing up of the Protocol which would contribute to bring order in the international market for dairy products. The representative of Australia added that he would soon receive authority to sign the Protocol before 14 May. He also expressed the hope that the Working Party would soon resume its work in order to enlarge the scope of the Arrangement.

The Council took note of the report made by the Director-General.

6. Free Trade Area Agreement between the European Communities and Norway

The representative of Norway informed the Council that on 16 April 1973 negotiations for a free-trade area agreement between the European Communities and Norway had been concluded. The Agreement would be signed shortly and the ratification procedures would be initiated immediately thereafter. Examination could be carried out, as for the other free-trade area agreements, in a new working party under the same chairmanship.

The Council took note of the information presented by the representative of Norway.

7. European Communities - Article XIX action in respect of magnetophones (L/3847)

The Japanese representative referred to recent action taken by the European Communities under Article XIX of the General Agreement relating to imports of magnetophones into Italy (L/3847). He expressed regret that the measure was taken before consultations between Japan and the European Communities could lead to a satisfactory solution of the matter. He noted that the import restrictive measure did not apply to the associated countries and the other members of the Community, while Article XIX required global application. His authorities wished to enter into consultation with the European Community and hoped that satisfactory agreement, including global application of the Article XIX action, could be reached.

The representative of the European Communities drew attention to the fact that the measure had been taken in critical circumstances as provided in Article XIX:2. The measure was of a provisional nature and his authorities were ready to enter into consultations with interested contracting parties. As regards the scope of application, he pointed out that the measure did not apply to countries which had an agreement with the Community in accordance with Article XXIV. Questions regarding the scope of application of Article XXIV were being discussed elsewhere.