

RESTRICTED

# GENERAL AGREEMENT ON TARIFFS AND TRADE

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COUNCIL

19 December 1973

## MINUTES OF MEETING

Held in the International Labour Office, Geneva,  
on 19 December 1973

Chairman: Mr. P.S. LAI (Malaysia)

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### 1. Membership of the Council

The Chairman announced that the Government of the Philippines had requested membership of the Council. He welcomed the Philippines as a new member and Mr. Brillantes as the Philippines representative.

### 2. Brazil - Renegotiation of Schedule (L/3972)

The Chairman recalled that at the meeting of the Council on 7 November the representative of Brazil had informed the Council that it had not yet been possible to complete fully the negotiations. Negotiations with one contracting party were still to be concluded. A request for an extension of the time-limit for the completion of the negotiations had now been submitted by the delegation of Brazil in document L/3972. The Chairman also drew attention to the text of a draft decision circulated in document C/W/233.

The representative of Brazil stated that it had not yet been possible to conclude the negotiations under Article XXVIII with one country and that it could not be expected to complete the negotiations before the end of the year. His delegation, therefore, requested an extension of the time-limit by an additional six months so as to enable the negotiations to be formally concluded.

The representative of the United Kingdom said that his Government regretted very much that the Brazilian Government had found it necessary to request a further six months extension of the waiver to complete the re-negotiation of her Schedule under Article XXVIII. He knew of no obstacle to the conclusion of Brazil's negotiations with the United Kingdom before the end of 1973 and he could not agree that any renewal of the waiver was needed.

He recalled that the negotiation dated from the reform of the Brazilian Tariff Schedule in 1967. While not underestimating the magnitude of the task of negotiating with a number of contracting parties, he felt that six years were more than sufficient to bring the negotiations to an end. He pointed out that during this time Brazil had enjoyed the benefits of the reform of the Schedule without granting compensation to any of its negotiating partners. As regards the negotiations with his country, Brazil had made a conclusive offer of compensation in November 1972. Although his country did not feel that it was fully compensated by this offer, it had eventually agreed to accept the offer and had formally notified its acceptance in June 1973. Since then nothing further had been heard despite repeated reminders. His Government still did not know the nature of the difficulties which prevented signature of the Agreement. Having compared Brazil's offer to the United Kingdom with those which had been signed with other countries, the differences appeared so slight that it was hard to see in them a justification for a further delay. However, he accepted that it was difficult to make the necessary arrangements before the end of the year and he was prepared to agree to an extension of the waiver for a short period of one month.

Several representatives expressed understanding for the Brazilian request. They were confident that a solution to conclude the negotiations could be found within the time requested by the Brazilian delegation and supported, therefore, the request for an extension of the waiver.

The representative of Switzerland suggested that a time-limit between one and six months might be acceptable to both parties.

The Chairman suggested by way of compromise between the parties concerned that the Council should agree to recommend an extension of the waiver of three months, i.e. until 31 March 1974. This was agreed.

The Council approved the draft decision, as amended by the Chairman, and recommended its adoption by the CONTRACTING PARTIES.

The draft Decision was submitted to a vote and 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 those contracting parties not represented at the meeting.

### 3. United States - Agricultural import restrictions (L/3958)

The Chairman recalled that under the Decision of 5 March 1955 the CONTRACTING PARTIES were required 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 seventeenth annual report by the United States had been distributed in document L/3958.

The representative of the United States pointed out that the report covered the period from June 1972 to August 1973, a period during which impending changes in world supply and demand in agricultural commodities became evident. He also drew attention to the three addenda to document L/3958 pertaining to later developments indicating further action towards liberalization which had been, or ultimately would be, accomplished. All these matters remained under constant review by the United States Government which was seeking to liberalize its practices as related to the waiver wherever possible.

The representatives of Canada and Australia welcomed the signs of relaxation and the increase of import quotas under Section 22 of the United States Agricultural Adjustment Act. They hoped that this would lead to permanent changes and to a review of the need for the waiver.

The representative of the European Communities mentioned that bilateral talks were taking place with the United States with respect to one product and he hoped that a solution would be found.

The representative of New Zealand said that there were some encouraging trends in the United States market for dairy products. While, over the past decade, a continuing decline in the impact of the United States on the world dairy market, particularly in its surplus disposal operations, had taken place, he noted a dramatic reversal over the last twelve months. The United States had significantly increased imports of those dairy products which had been most tightly controlled under the provisions of Section 22 of the Agricultural Adjustment Act. He welcomed particularly the four authorizations covering a total of 265 million pounds of non-fat dried milk, and the two authorizations covering cheese and butter respectively.

He pointed out that the initial authorizations for non-fat dried milk, which were administered on a first-come first-served basis, had had some inequitable repercussions for distant suppliers, who found that the time-limits prescribed placed themselves at a disadvantage. However, this problem was recognized in the final allocation for milk powder, and in the more recent authorization for butter.

He considered that the case for discontinuance of the waiver had never been stronger.

The representative of Sweden also expressed his satisfaction at the increases in the quotas. His authorities, however, were in consultation with the United States regarding the administration and allocation of the quotas for skimmed milk powder and hoped that a solution would be found.

The Chairman said that the Council through its discussion had hereby carried out the annual review required under the Decision.

The Council took note of the seventeenth annual report.

4. Balance-of-payments restrictions (BOP/R/70-72)

Mr. Dunkel (Switzerland), Chairman of the Committee on Balance-of-Payments Restrictions, said that the Committee had consulted with India under Article XVIII:12(b), and with Iceland under Article XII. It had also examined a statement submitted by Pakistan under the simplified procedures for consultation under Article XVIII:12(b).

During the consultation with India the Committee had examined in particular the Indian import control system. It recommended that the Indian authorities should consider, when changing the customs tariff nomenclature, as announced, the adoption of the same nomenclature for import control. The Committee felt that it was most desirable that the system should be more readily understandable by exporters to India.

As regards Iceland, the Committee had deferred reaching conclusions, pending the determination of the International Monetary Fund. The consultation with Iceland was expected to be completed in March 1974.

The third report by the Committee under the new procedures (BOP/R/72) contained a recommendation to the Council that Pakistan be deemed to have fulfilled its obligations under Article XVIII:12(b) for 1973.

The Council adopted the reports on the consultations with India (BOP/R/70) and Iceland (BOP/R/71). The Council agreed that Pakistan be deemed to have consulted in fulfilment of its obligations under Article XVIII:12(b) and adopted the report on the consultation with Pakistan (BOP/R/72).

##### 5. Agreement between the European Communities and Finland

The Chairman recalled that at the meeting of the Council on 19 October the representative of Finland had informed the Council of the conclusion of a Free Trade Agreement between the European Communities and Finland. The texts of these agreements would be distributed to contracting parties in the course of the week. He, therefore, suggested that the Council should set up machinery for the examination of these agreements.

The representative of the European Communities stated that the Agreement would enter into force on 1 January 1974. The Agreement provided for the setting up of a free-trade area covering substantially all the trade in accordance with a plan and schedule. In the industrial field it provided for the elimination of duties. In the agricultural field, the objective was a progressive development of trade between the parties. Duties on industrial products would be eliminated in five steps of 20 per cent between Finland and the six original members of the Community and Ireland. Freedom of trade existed already for industrial products between Finland on the one hand and the United Kingdom and Denmark on the other. The Community was ready to accept the suggested procedure for the examination of the Agreement.

The representative of Finland confirmed that his Government was ready to follow the normal GATT procedure for the examination of free-trade agreements.

The Council agreed to set up a working party with the following terms of reference and membership:

###### Terms of Reference:

To examine, in the light of the relevant provisions of the General Agreement on Tariffs and Trade, the provisions of the agreements between, on the one hand, the European Economic Community, the member States of the European Coal and Steel Community, and the European Coal and Steel Community and, on the other hand, the Government of Finland, signed on 5 October 1973, and to report to the Council.

###### Membership:

Argentina	Greece	Portugal
Australia	Iceland	Romania
Austria	Indonesia	Spain
Brazil	Israel	Sweden
Canada	Ivory Coast	Switzerland
Egypt	Japan	Turkey
European Communities and their member States	Malta	United States
Finland	Norway	Yugoslavia
	Poland	

Chairman: Mr. Tomic (Yugoslavia)

The Chairman pointed out that, as for the other working parties, the membership would be open to all contracting parties which indicated their wish to participate.

The Chairman suggested that the usual procedure be initiated under which contracting parties wishing to submit questions in writing would be invited to do so.

The Council agreed that the time-limit for the submission of questions to the secretariat would be 8 February 1974 and that the Communities and Finland would be requested to submit their replies by 29 March 1974.

#### 6. Working Party on Rules of Origin

The Chairman recalled that at the meeting of 19 October, in connexion with the discussion on the agreements concluded between the European Communities and the EFTA countries, the United States delegation had proposed a detailed examination of the problems of trade deflection and rules of origin in free-trade areas and had proposed also that this study should be entrusted to a special working party established for this purpose. The Council had agreed to defer the item to a later meeting.

The representative of the United States said that in his proposal he had made special reference to the agreements concluded between the European Communities and the EFTA countries. While there had been an extensive discussion of rules of origin in the working parties which had examined the individual agreements, he felt that these discussions had not been exhaustive enough. They did not go into such points as the negotiating history of the relevant GATT provisions, the analysis of the rules of origin in free-trade areas that had been examined in the GATT, an analysis of alternative ways of handling of trade deflection problems or, more specifically, an analysis of the rules of origin provided for in these agreements in relation to specific tariff differentials. His delegation still maintained the proposal and hoped that the Communities would be willing to agree to the formation of a working party.

The representatives of Canada, Japan, Australia, Poland, Czechoslovakia, Brazil and Korea supported the United States.

The representative of the European Communities explained that his delegation did not consider it necessary to embark on a study of this sort. He repeated that the rules of origin applying to each agreement had been examined each time and that the Community was ready to give additional information to any contracting party that wanted it; that it was open to bilateral talks and ready to consider any reasonable question put to it on problems arising from the rules. He also

pointed out that the agreements provided for the possibility of re-examining the rules of origin in the light of circumstances.

The representative of the United States was disinclined to press the proposal further. Since the Communities and their partners had expressed their readiness to discuss the problems in bilateral consultations, he informed the Council that it was the intention of the United States to pursue this question by means of the normal procedures through consultations between the United States and the Communities and their partners. His delegation would request consultations under paragraph 1 of Article XXII of the GATT and called attention to the procedures under Article XXII as had been adopted in November 1958 (BISD, 7S/24). According to these procedures, any contracting party seeking consultations was called upon to inform the Director-General for the information of all contracting parties. Furthermore, any other contracting party having a substantial interest in the matter could notify the Director-General of its desire to join in the consultations. His delegation intended to proceed in accordance with these procedures.

: The Council took note of this declaration.

7. Israel - Import surcharge (L/3976)

The representative of Israel stated that he had informed the Director-General on 11 December 1973 of his Government's decision to increase the present rate of the import surcharge from 20 per cent on the c.i.f. value of the imported goods to 25 per cent. The decision was taken in the light of the present economic situation of his country and with a view to financing larger budgetary expenses. Details of this matter were contained in document L/3976.

He proposed that this matter should be referred to the Balance-of-Payments Committee for examination during its consultations with Israel early in 1974.

The Chairman suggested that, as consultations on Israel's balance-of-payments restrictions would take place early in 1974, the Committee on Balance-of-Payments Restrictions be asked also to carry out the examination of the import surcharge during these consultations.

The Council agreed to refer this matter to the Committee on Balance-of-Payments Restrictions.

8. Caribbean Community and Common Market

The representative of Jamaica informed the Council that four members of the Caribbean Free Trade Association (CARIFTA), namely Barbados, Guyana, Jamaica and Trinidad and Tobago, had ratified the Caribbean Community Treaty which led to the

establishment of the Caribbean Community and Common Market with effect from 1 August 1973. Other members of CARIFTA had agreed to sign the Treaty with a view to becoming contracting parties on 1 May 1974. The Council would be informed of the completion of this arrangement as soon as possible.

The representative of the United States, in referring to Article XXIV:7(a), mentioned that it was necessary to inform the CONTRACTING PARTIES promptly regarding such an arrangement. While subsequent accessions should be reported too he did not feel that this was a reason or justification for delay.

The representative of Trinidad and Tobago pointed out that the Governments concerned were fully aware of their obligations under the GATT. It was the earnest desire of the four countries which had accepted the Common Market Treaty that the other countries mentioned would also accede and it was the intention of the Governments concerned to notify the Agreement as soon as possible.

The Chairman asked the representatives of the Caribbean countries to notify the CONTRACTING PARTIES as soon as possible of the text of the Agreement, in accordance with the provisions of Article XXIV:7.

The Council would revert to the matter as soon as the text of the Treaty had been circulated.