

GENERAL AGREEMENT ON TARIFFS AND TRADE

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MINUTES OF MEETING

Held in the Palais des Nations, Geneva,
on 28 March 1974

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

	<u>Page</u>
<u>Subjects discussed:</u> 1. Lebanon -- observer status at Council meeting	1
2. Agreements between European Communities and Norway	1
3. Association between the European Economic Community and Turkey	2
4. Agreement between the European Economic Community and Lebanon	3-
5. Romania -- Customs Tariff	4
6. Provisional accession of Colombia	6
7. United States Imports of Automotive Products -- Seventh Annual Report	8
8. Brazil -- Renegotiation of Schedule	8
9. India -- Auxiliary Duty of Customs	8
10. Indonesia -- Renegotiation under waiver	10

1. Lebanon -- observer status at Council meeting

The Council approved the Chairman's proposal that Lebanon should be represented at this meeting of the Council by observers in connexion with the discussion of the Agreement between the European Economic Community and Lebanon.

2. Agreements between the European Communities and Norway (L/3996)

The Chairman recalled that the Council had established a Working Party to examine the provisions of the Agreements concluded between the European Communities and Norway in May 1973. The report of the Working Party had been distributed in document L/3996.

Mr. Tomić (Yugoslavia), Chairman of the Working Party, said that the Working Party had met in December 1973 and in February of this year. In the examination of the Agreements it had dealt in particular with the trade coverage of the Agreements, import and export duties, quantitative restrictions, agriculture, relations with developing countries and rules of origin.

He explained that some members of the Working Party considered that the Agreements constituted a preferential arrangement rather than a free-trade area, while the parties to the Agreements, together with some other members of the Working Party were of the opinion that the Agreements effectively created a free-trade area in full conformity with Article XXIV of the General Agreement. The Working Party therefore could not reach unanimous conclusions and it limited itself to reporting to the Council the opinions expressed by its members.

The representative of the United States said that his delegation considered that some aspects of the Agreements were inconsistent with the provisions of GATT. He also noted his delegation's special concern about the rules of origin. His delegation had, therefore, requested special consultations under Article XXII concerning these rules and concerning their application under certain other agreements.

The Council adopted the report of the Working Party.

3. Association between the European Economic Community and Turkey
(L/3980, C/M/93)

The Chairman pointed out that the Council had been presented at its meeting in January with the texts of the Agreements supplementary to the Association Agreement between the EEC and Turkey contained in document L/3980. It was agreed at that time to revert to this matter at the next meeting in order to establish a working party to examine the 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, the provisions of the Agreements supplementary to the Association Agreement between the European Economic Community and Turkey, signed on 30 June 1973, and to report to the Council.

Membership:

Membership would be open to all contracting parties indicating their wish to serve on the Working Party.

Chairman: Mr. Tan (Singapore)

It was agreed that contracting parties wishing to submit questions in writing to the parties to the Agreements should be invited to send such questions to the secretariat by 3 May 1974 and that the parties should supply the answers to these questions by 15 June 1974.

4. Agreement between the European Economic Community and Lebanon (L/4002)

The Chairman recalled that the representative of the European Communities had informed the Council at its meeting in February 1973 of the conclusion of agreements with some Mediterranean countries. The text of the Agreement between the EEC and Lebanon had now been circulated with document L/4002.

The representative of the EEC stated that the Community had concluded on 18 December 1972 an agreement with Lebanon. The Council had been informed of this agreement at its meeting on 5 February 1973. Then, on 6 November 1973 the European Economic Community signed a protocol to the Agreement in connexion with the accession of three new members to the EEC, whose text, together with the text of the Agreement, were transmitted to the G.I.T.T. secretariat as soon as the official versions were available. He explained further that this Agreement was similar to other Agreements concluded by the Communities with Mediterranean countries which had been signed in order to strengthen the traditional ties with countries of this region and to facilitate and intensify the commercial relations with them.

He continued by stating that the Agreement with Lebanon started a process of eliminating obstacles to substantially all the trade between the two parties and that it corresponded, in letter and spirit, with the provisions of Article XXIV:5-9. In his view, the Agreement was an interim agreement under Article XXIV:5(b), leading to the formation of a free-trade area. At a later stage, as provided in the preamble, it would be determined how the modalities for reaching this goal, in accordance with the provisions of the General Agreement, were to be defined.

He then explained that in the first stage about 85 per cent of industrial imports into the Community coming from Lebanon would be subject to a zero tariff or to a reduced tariff. In the agricultural sector the corresponding figure would be 79 per cent. On the Lebanese side, about 60 per cent of Community exports to Lebanon would benefit from reduced or zero tariffs after the Agreement had entered into force. These figures showed the validity, taking into consideration the economic situation and the level of development of both parties, of the objective of setting up a free-trade area.

He concluded by pointing out that the Community was ready to supply the CONTRACTING PARTIES with any information and explanations asked for in accordance with the usual procedures under Article XXIV.

The representative of Lebanon pointed out that the Agreement between the European Economic Community and Lebanon of 18 December 1972 and the Protocol of 6 November 1973 to take into consideration the enlargement of the Community, showed the desire of the Community and of Lebanon to improve their trade relations and to eliminate progressively obstacles to their trade in the spirit of the General Agreement. After referring to the Community policy with respect to the whole Mediterranean area, Lebanon included, he stressed the importance of this policy for the development of the developing countries, such as the creation of new markets, the setting up of new industries to provide more employment in order to prevent or reduce the exodus of labour from the area. His Government, therefore, considered this Agreement to be a very important undertaking and he expressed the hope that the CONTRACTING PARTIES would be able to find that the Agreement concluded between the European Community and Lebanon was in full agreement with the General Agreement.

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, the provisions of the Agreement between the European Economic Community and the Lebanese Republic, signed on 18 December 1972, and to report to the Council.

Membership:

Membership would be open to all contracting parties indicating their wish to serve on the working party.

Chairman: Mr. Mariadason (Sri Lanka).

It was agreed that contracting parties wishing to submit questions in writing to the parties to the Agreement should be invited to send such questions to the secretariat by 3 May 1974 and that the parties should supply the answers to these questions by 15 June 1974.

It was also agreed that the Government of Lebanon would be invited to be represented by observers at the meetings of the working party.

5. Romania - Customs tariff (L/3989)

The Chairman said that the Romanian Government had introduced a customs tariff on an experimental basis as from 1 January 1974. Copies of this customs tariff had been made available to contracting parties.

The representative of the European Communities stated that his delegation would like to have the opportunity of examining, preferably within a working party, the customs tariff introduced by Romania. He asked the Romanian delegation whether it would be possible for them to supply a document describing in an analytical way the rôle of the Romanian customs tariff within the Romanian economic system.

The representative of Romania recalled the provision in the Protocol of Accession of Romania under which Romania reserved the right to introduce a customs tariff and to renegotiate its commitment in its Schedule. The tariff entered into force on an experimental basis for a period of twelve months on 1 January 1974. It had been published, in accordance with Article X of the General Agreement, in the Official Bulletin of the Socialist Republic of Romania No. 179-180 of 17 November 1973. It had also been communicated to the contracting parties as mentioned in document L/3989 and it had furthermore been published in the International Customs Journal of the International Customs Bureau in Brussels No. 32 (February 1974). In view of the experimental nature of this tariff, Romania did not have the intention to renegotiate its commitment in 1974.

He considered that the interest shown by the Community and by other countries in the rôle of the customs tariff in the Romanian economy was evidence of their wish to develop economic relations with Romania. His delegation was, therefore, ready to establish a working party for the examination of the tariff and the customs regulations. They were also ready to prepare a memorandum explaining the rôle the tariff was playing in the economic system and to follow the customary procedure of written questions and answers. He also informed the Council that the tariff had been introduced within the framework of measures to improve the organization and functioning of the national economy and the foreign trade. The tariff was not to reduce the level of imports but to ensure that imports took place on the most economic and efficient basis. He assured the Council that the forecast for 1974 and following years indicated a sharp increase in imports from all countries, including contracting parties.

In conclusion, he expressed the hope that the Romanian customs tariff would enable Romania to participate more adequately in the trade negotiations among developing countries and in the multilateral trade negotiations. He requested that both in the examination of the tariff and during the multilateral trade negotiations the level of economic development of Romania, a socialist developing country, should be taken into account and that Romania should benefit from the same conditions as other developing countries having a similar level of development.

Several delegations expressed the wish to participate in the working party.

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, the customs tariff and the regulations on the customs tariff introduced by Romania, and to report to the Council.

Membership:

Membership would be open to all contracting parties indicating their wish to serve on the working party.

Chairman: Mr. Colliander (Sweden).

The Council noted the readiness of the Romanian delegation to prepare an explanatory memorandum on the rôle of the tariff in the foreign trade régime of Romania for the working party.

The Council agreed that contracting parties wishing to submit questions in writing should be invited to do so within five weeks of the distribution of the memorandum of the Romanian delegation. The questions should, therefore, be sent to the secretariat by 31 May 1974 and the replies should be ready for distribution by 1 July 1974. The working party should be convened at a time to be determined in consultation with the Chairman of the Working Party and the Romanian delegation and other interested delegations.

6. Provisional accession of Colombia (L/3997)

The Chairman recalled that the CONTRACTING PARTIES had received an application for provisional accession from the Government of Colombia in November 1968. Although the regular procedures for the examination of the request were initiated at that time and a working party was established by the Council in January 1969, the matter had not proceeded as anticipated. He then referred to document L/3997, containing a communication from the Permanent Representative of Colombia, which brought this matter again to the attention of the CONTRACTING PARTIES.

The representative of Colombia informed the Council that he had been instructed to reiterate to the Council his Government's decision to activate its application for accession to GATT submitted in November 1968. He recalled Colombia's application for provisional accession to the General Agreement of 17 December 1968, circulated to contracting parties in document L/3162. The Council had established a Working Party to examine the application on 29 January 1969 and the Colombian Government had been invited to submit a memorandum on its commercial policy, including a description of the tariff régime and of other measures affecting its foreign trade. This memorandum had been circulated in document L/3203. He pointed out that changes in the domestic

situation of his country and the need to formalize Colombia's participation in LAFTA and in the Andean Common Market had led to a delay in the Colombian authorities going ahead with the process of provisional accession to the General Agreement. This did not mean that Colombia had ceased to be interested in being associated with the work of the CONTRACTING PARTIES. On the contrary, Colombia had continued to participate in the work of the GATT and of its bodies as an active observer.

He emphasized that his Government had taken the decision to reactivate its application for provisional accession having in mind the Tokyo Declaration which initiated the multilateral trade negotiations. His Government trusted that these negotiations would secure additional benefits for the international trade of developing countries so as to achieve a substantial increase in their foreign exchange earnings, the diversification of their exports, the acceleration of the rate of growth of their trade, taking into account their development needs, an improvement in the possibilities for those countries to participate in the expansion of world trade and a better balance as between developed and developing countries in the sharing of the advantages resulting from this expansion.

In conclusion, he stated that his delegation expected to submit shortly an updated Memorandum of the foreign trade régime of Colombia. After circulation of the Memorandum his delegation would be ready to answer any questions contracting parties wished to put to it and he hoped that the working party to be set up would be able to meet at an appropriate early date to finalize the examination of the application.

The Chairman recalled that the working party set up more than five years ago had never met, and that its Chairman, Ambassador Archibald, was no longer in Geneva. The Council agreed to establish a new working party with the following terms of reference and membership:

Terms of Reference:

To examine the request of the Government of Colombia to accede provisionally to the General Agreement and to submit recommendations to the Council.

Membership:

Argentina	India
Australia	Israel
Brazil	Japan
Canada	Peru
Chile	Romania
European Communities and their member States	Spain
Finland	United States

Chairman: Mr. Tomić (Yugoslavia)

The Council noted that the Colombian delegation intended to prepare and circulate shortly a revised and up-dated version of the Memorandum on the Foreign Trade Régime of Colombia.

The Council agreed that contracting parties wishing to submit questions in writing on the Memorandum should be invited to do so within a period of five weeks following the circulation of the Memorandum.

7. United States imports of automotive products - Seventh Annual Report (L/4008)

The Chairman stated that under the Decision of 20 December 1965 concerning the elimination of customs duties by the United States on imports of automotive products from Canada, the United States Government was required to report annually on the operation of the Decision. The Seventh Annual Report under the Decision covering the year 1972 had been circulated in document L/4008.

The Council took note of the report.

8. Brazil - Renegotiation of schedule (L/4006, C/W/238)

The Chairman pointed out that in December 1973 the Council agreed to recommend to the CONTRACTING PARTIES a three-month extension of the time-limit in the Decision of 27 February 1967, in order to enable the Government of Brazil to complete the negotiations conducted under Article XXVIII. This Decision, as extended, was due to expire at the end of March 1974. A request by the representative of Brazil for a further extension of one month had been circulated in document L/4006.

The representative of Brazil stated that the negotiations had not yet been concluded with one country, the United Kingdom. However, he could inform the Council that the substantive part of the negotiations had now been finished. The extension requested therefore was only for the purpose of formalizing the results.

The representative of the United Kingdom said that his delegation agreed to the extension of one month.

The Council approved the draft decision contained in document C/W/238 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.

9. India - Auxiliary duty of customs (L/4007, C/W/239)

The Chairman recalled that under the Decision of 15 November 1973 the Government of India was authorized to maintain, on a temporary basis, an auxiliary duty of customs on certain items in respect of which the duty had been bound. The waiver granted at that time was due to expire at the end of March 1974. The

representative of India had now informed the contracting parties of a decision by his Government, distributed in document L/4007, to maintain the auxiliary duty for another year.

The representative of India, pointed out that the special circumstances which had necessitated the imposition of the auxiliary duty of customs last year continued to exist and had in fact been aggravated. The Government of India therefore proposed to continue this duty for another year subject to approval by Parliament.

He then explained that, as in the previous years, provision had been made to levy the auxiliary duty on both imported and indigenous goods. The levies had been limited to the level needed to raise resources for the central government by granting exemptions wherever and to the extent necessary. While last year the rates of auxiliary duty of customs had been 20 per cent, 10 per cent and 5 per cent, the corresponding rates this year were 20 per cent, 15 per cent and 5 per cent respectively. The only change proposed to be introduced this year was that items which were subject to an auxiliary duty of 10 per cent would now be subject to a duty of 15 per cent. However, the rate of auxiliary duty applicable to almost all GATT-bound items continued to be either nil or 5 per cent only as in the past, except in the case of three items of insignificant import value. He assured the Council that the levies would not have any adverse effect on imports into India within the framework of India's obligations under the GATT.

He referred then to his country's domestic situation and pointed out that the financial year 1974-75 was the first year of the country's Fifth Plan and it was necessary to provide for larger outlays, particularly in the core sectors of the economy like agriculture, power, steel, non-ferrous metals, fertilizers and coal. Taking into account all the provisions for expenditure and the estimates of resources, the budgetary gap at existing rates of taxes amounted to Rs 3,110 million. His Government had, therefore, been compelled to resort to further measures to raise additional resources to reduce this gap. While such measures had been confined mostly to excise duty levies on indigenously manufactured goods, in the matter of customs duties the only proposal was to continue the auxiliary duty of customs with a slight modification.

In summing up he stated that the purpose of the duty was to keep the budgetary deficit within manageable limits, to raise resources vitally needed for development and to ensure that the basic goals and objectives of India's development were not put in jeopardy by the current economic problems.

Many delegations supported India's request for an extension of the waiver by one year.

In response to questions raised by the representative of Canada with respect to the effectiveness of the auxiliary duty of customs as a revenue source, its effect on imports and its conformity with Article III, the representative of India stated that the amount of revenue raised in this way was substantial and that the duty did not have an adverse effect on imports. He took note of the question regarding the conformity of the measure with Article III which he would bring to the attention of his authorities.

The Council approved the text of the draft decision contained in document C/W/239 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.

10. Indonesia - Renegotiations under waiver

The representative of Indonesia recalled that on 13 November 1973 the CONTRACTING PARTIES granted to Indonesia a waiver which authorized his Government to apply rates of duty contained in Indonesia's new Customs Tariff of 1 February 1973 which might exceed Indonesia's bound rates. A condition of this waiver was that Indonesia should carry out before 31 December 1975 renegotiations pursuant to Article XXVIII with interested contracting parties, taking into account Part IV of the General Agreement.

In this connexion, he invited contracting parties, in particular principal suppliers, to notify, through the secretariat or directly to the Indonesian delegation, their interest in the renegotiations. He also asked the contracting parties concerned to supply relevant statistical data such as export and import figures from and to Indonesia for the last few years, relating both to tariff items bound vis-a-vis Indonesia in their respective Schedules, and to tariffs bound by Indonesia.

The information would be very helpful to the Indonesian authorities in the preparation for the renegotiations. Indonesia in turn would supply the countries concerned with the relevant documentation as soon as it was feasible.

The Council took note of the statement.