

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

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MINUTES OF MEETING

Held in the Centre William Rappard on 24 July 1978

Chairman: Mr. M. YUNUS (Pakistan)

	<u>Page</u>
<u>Subjects discussed:</u> 1. Provisional Accession of Thailand	2
2. Balance-of-Payments Import Restrictions	3
(a) Consultation with Finland	3
(b) Consultation with Israel	3
(c) Consultations with Brazil and Greece	4
3. International Trade Centre	4
- Report of the Joint Advisory Group	4
4. Committee on Budget, Finance and Administration	5
- Report of the Committee	5
5. Canada - Withdrawal of tariff concessions under Article XXVIII:3	6
6. Spain - Measures on imports of pulp	8
7. Japan - Restraints on imports of leather	9
- Recourse to Article XXIII:2 by the United States	9
8. Customs unions and free-trade areas; regional agreements	11
(i) Association EEC-Cyprus	11
(ii) Association EEC-Malta	11
9. Procedures for negotiations under Article XXVIII	11
10. Dates of the thirty-fourth session of the CONTRACTING PARTIES	11
11. Norway - Restrictions on imports of textiles from Hong Kong	12
12. OECD - Steel Committee	12
13. Secretariat study on the application of Article XIX	13
14. ASEAN Agreement	13

1. Provisional accession of Thailand (L/4680)

The Chairman said that in a communication contained in document L/4680 the Government of Thailand announced its decision to seek provisional accession in the context of the multilateral trade negotiations.

The representative of Thailand emphasized that Thailand maintained trade relations with a large number of contracting parties and that certain elements of its trade policy and practices were in line with the major principles and practices of the General Agreement. Notably, the principle of most-favoured-nation treatment was a standard provision in the trade agreements to which Thailand was a party. Thailand was a free-trade country with a free enterprise system. As a developing country Thailand was committed to the objective of achieving a better living standard for its people. Trade was a vital means in these developmental efforts. His Government believed that the liberalization of world trade would, in the long run, open up new opportunities for Thailand and for other developing countries. With these considerations in mind his Government had decided to participate in the Tokyo Round and had now decided to seek provisional accession to the GATT within the context of the MTN. Thailand's final decision on the question of full accession would depend largely on the results of the negotiations. His Government was ready to provide all information necessary for the consideration of the CONTRACTING PARTIES. He also asked that in order to be able to follow closely the activities of GATT, Thailand be granted observer status to the Council.

The representative of Indonesia, speaking also on behalf of the other contracting parties, member countries of ASEAN, expressed the hope that the CONTRACTING PARTIES would consider favourably Thailand's application for provisional accession. He said that the ASEAN countries considered Thailand's accession to GATT as a significant contribution to the multilateral trade negotiations. The ASEAN countries recognized the right of the Government of Thailand and also of the Government of the Philippines to take a final decision on their full accession after they had made an evaluation of the overall benefits they would derive from the MTN.

The Chairman welcomed on behalf of the Council the application of the Government of Thailand to accede provisionally to the GATT.

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

Terms of reference

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

Membership

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

Chairman

Ambassador Farnon (New Zealand) was appointed Chairman.

The Chairman invited the representative of Thailand to consult with the secretariat as to further procedures, in particular regarding the basic documentation to be considered by the Working Party.

The Council also agreed to grant observer status to the Government of Thailand in the Council and regular GATT committees and working parties.

2. Balance-of-Payments Import Restrictions

(a) Consultation with Finland (BOP/R/102)

Mr. Jagmetti (Switzerland), Chairman of the Committee on Balance-of-Payments Restrictions, said that during the consultation with Finland the question of the relationship between Articles XII and XXIV had been raised with respect to the non-discriminatory application of balance-of-payments measures and divergent views had been expressed in this respect. The Committee, welcomed the improvement in Finland's balance-of-payments position and recommended that Finland should initiate the process of relaxation of its import restrictions in parallel with the strengthening of its external position. The Committee also invited the Finnish authorities to relax further the cash payment scheme which, although primarily of a monetary nature, could be detrimental to trade.

The Council adopted the report (BOP/R/102)

(b) Consultation with Israel (BOP/R/101)

Mr. Jagmetti said that the Committee had congratulated Israel for the measures taken in October 1977 which had allowed an unprecedented degree of trade liberalization. The Committee noted, however, that Israel's large

trade deficit, the level of foreign reserves and the size of the foreign debt were factors of uncertainty for the future. The Committee welcomed the Israeli declaration that it would not resort to further import restrictions to reduce its deficit on the trade account.

The Council adopted the report (BOP/R/101)

(c) Consultations with Brazil and Greece (BOP/R/100)

Mr. Jagmetti said the Committee had carried out consultations under the simplified procedures with Brazil and Greece. The Committee had recommended that Greece be deemed to have consulted with the CONTRACTING PARTIES and to have fulfilled its obligations under Article XVIII:12(b). The Committee concluded that in the case of Brazil a full consultation should be held in the autumn.

The Council adopted the report (BOP/R/100) and noted that a full consultation would be held with Brazil under the applicable procedures.

The Council agreed that Greece should be deemed to have consulted with the CONTRACTING PARTIES and to have fulfilled its obligations under Article XVIII:12(b).

3. International Trade Centre
- Report of the Joint Advisory Group (ITC/AG(XI)/57)

Mr. Krzysztofowicz (Poland), speaking on behalf of Mr. Horoszkiewicz, Chairman of the Joint Advisory Group, introduced the report of the Group on its eleventh session and said, with regard to the Centre's assistance programme in 1977, that the Group had noted with concern the decreasing share of UNDP financing in the ITC's total assistance resources. However, although it was expected that this share would recover significantly in 1978, the Group had urged the Centre to undertake a strong fund-raising effort. In respect of the Centre's programme content and future direction the Group had underlined the need for a considerable increase in the flow of market information to facilitate trade among developing countries. The Group had endorsed the report of the Technical Committee concerning the rôle of the Centre's market development work and the future orientation of the market development activities, and as to the use of functional advisers, which provided practical assistance to developing countries, the Group had requested present and potential donor countries to take note of the need for this type of assistance and to provide additional financing. The Group felt that the Centre should build up its capacity to assist developing countries in their import operations. This could also contribute to strengthening trade among developing countries. The Group had emphasized that the least developed countries should continue to receive priority in the Centre's technical co-operation

activities, and also recommended that special least developed country trust funds should be sought to meet the needs of these countries in a flexible way. The Group expressed satisfaction with the ITC's work in the field of training and supported the trend towards decentralization training programmes to developing country locations. It was noted that many delegations had supported the work of ITC in promoting the establishment of the International Tea Promotion Association and the International Tropical Timber Bureau. The Group supported the Centre's collaboration with the International Institute for Cotton, and had also requested the Centre to undertake a comprehensive promotion programme in the field of jute and jute products. The Group had noted with satisfaction the continuing co-operative arrangements with FAO, UNIDO, the World Bank and other international bodies. Mr. Krzysztofowicz also stated that the Group had given consideration to the ITC's intergovernmental consultative mechanisms and had endorsed the recommendation of the Technical Committee that the Committee's composition should be based on the principle of self-election. Several delegations, finally, had expressed during the eleventh session their appreciation for the financial assistance provided to the Centre by donor countries.

The representative of Egypt voiced his delegation's appreciation of the work carried out by the Centre. He expressed concern at the declining financial contributions to the Centre by UNDP, and said that the financial contributions by certain donor countries for trade promotion programmes were of substantial assistance to the Centre and expressed the hope that other countries would also be able to contribute to the ITC trust funds in future.

The Council approved the recommendations made by the Group and adopted the report (ITC/AG(XI)/57).

4. Committee on Budget, Finance and Administration - Report of the Committee (L/4675)

Mr. Feij (Netherlands), Chairman of the Committee on Budget, Finance and Administration, introduced the report (L/4675) and said that the Committee had been convened in May principally to discuss the delay, until mid-August, of the presentation of the 1979 GATT budget estimates in the hope that account could be taken of the results of the MTN. At that meeting the Director-General had informed the Committee of a UNDP proposal to finance the GATT Commercial Policy Training Courses in a different manner, which could have detrimental effects on the high standards and the balanced selection of the participants for the courses. The Director-General was still negotiating with the UNDP, but unless other arrangements could be agreed upon it might become necessary to foresee a financing of the courses from the GATT budget, which would entail an annual cost of some Sw F 600,000. He then referred to what the Director-General had described as the present intolerable situation of the UN pension fund scheme. The great disparity between pensions of staff retiring in Geneva as compared to pensions of staff retiring in the dollar area, called for

a fundamental restructuring of the pension system. Such revision should be undertaken as a matter of urgency by the UN Pension Board and the International Civil Service Commission. Mr. Feij then referred to the Recommendation that the Council approve a minor adjustment of pension fund regulations (paragraph 18), made necessary by the present situation, which would bring GATT policy in line with the practice followed by the majority of the Geneva-based organizations. The Committee furthermore recommended approval of a revised contribution to the International Trade Centre for 1977, which had become necessary following a budgetary adjustment approved by the UN General Assembly in December 1977.

The representative of Egypt expressed his delegation's concern in respect of the proposed UNDP financing of the GATT training courses. He said that since the training courses were very important for the developing countries a satisfactory solution should be found for this problem, either by maintaining the same system of financing or by finding another system of financing.

The representative of India associated himself with the statement made by the representative of Egypt.

The Director-General said that he was in constant touch with UNDP on this matter and there was no doubt that UNDP would do everything possible to ensure that the training courses would not be affected in the future by changes that would have to take place within UNDP. Although both sides were earnestly trying to find a solution he had considered it necessary to inform the Budget Committee in advance about this situation and if the joint efforts did not lead to a satisfactory outcome, he would have to refer the matter to the CONTRACTING PARTIES.

The Council approved the recommendations contained in paragraphs 18 and 23 and adopted the report (L/4675).

5. Canada - Withdrawal of tariff concessions under Article XXVIII:3
(C/M/125, 126)

The Chairman recalled that this item had again been placed on the agenda of the Council at its last meeting by the European Communities, as there was a difference of opinion between the European Communities and Canada on the interpretation of the recommendations of the Panel. The Community had asked the Council to give an interpretation at its next meeting. The Council had agreed that the two parties should consider the matter further bilaterally, in order to arrive at an understanding and that it would return to this case at a subsequent meeting.

The representative of the European Communities recalled that the present matter resulted from a complaint by the Community under Article XXIII:2 concerning the withdrawal of tariff concessions by Canada. The Community had initiated a renegotiation of its bound duties on lead and zinc under Article XXVIII. In the negotiations with Canada the Community had made an effort in accordance with Article XXVIII:2 to maintain the general level of mutually advantageous concessions. As no agreement with Canada could be reached the Community had concluded the negotiations and had implemented the modified concessions as provided under Article XXVIII:3. Canada had the right, as foreseen in that paragraph, to withdraw substantially equivalent concessions. The Panel in the concluding paragraph of its report had found that the withdrawal of concessions by Canada should have been less than the equivalent of the total export volume of zinc to the Community. He enquired whether any delegation disagreed with this reading of Article XXVIII and the conclusion drawn therefrom.

The representative of Canada, after referring to the discussions that had taken place at the two previous Council meetings on this matter, said that the Panel had taken all factors into consideration in arriving at its finding. The finding, consistent with the objectives of Article XXVIII, was aimed at maintaining the highest possible general level of concessions. The position taken by the Community was in his view at variance with that objective. He recalled that the Council had agreed that the parties should make a renewed attempt to consider this matter further bilaterally in order to arrive at an understanding. The time might have been too short or developments in the MTN might have directed attention elsewhere, in any case the two delegations had not held consultations in the interval. In line with the Council's decision Canada remained open to a bilateral resolution of this issue and remained ready to consider any reasonable proposal by the Community for a settlement based on the Panel's report.

A number of representatives urged the two delegations to make a renewed effort to discuss the matter amongst themselves. They considered that this Council should refrain from discussing the issue until further bilateral discussions had taken place. This would give members of the Council also the opportunity for further reflection on this matter.

The representative of the European Communities said that every effort had been made throughout the renegotiation to reach an agreement with Canada. He acknowledged that no formal consultations had been held but it was his delegation's clear understanding that Canada had not changed its position. His delegation understood that more time was needed for reflection but expected the Council to give a ruling on this matter at its next meeting.

The Council agreed to revert to this matter at its next meeting.

6. Spain - Measures on imports of pulp (C/M/126)

The Chairman recalled that at the last meeting of the Council the question of restraints on imports of pulp by Spain had been raised by the representative of Sweden, speaking on behalf of three Nordic countries.

The representative of Spain recalled his delegation's statement at the last meeting of the Council that no official measures had been taken by his authorities with respect to imports of pulp. Therefore, no notification was required. He explained that his authorities were in the process of finding a solution for a difficult situation in the pulp sector, which had arisen from increased imports offered at extremely low prices and at unrealistic credit conditions. He mentioned that in the first three months of 1978 the Spanish authorities had issued import licences for 64,000 tons of pulp, of which 26,860 tons came from the Nordic countries, 20,384 tons from Canada, 5,545 tons from the United States and 8,521 tons from Portugal. This was double the quantity normally imported in the same period in the past two years. From January to May 1978 Spain had imported 126,683 tons of pulp, 70 per cent of which was bleached sulphate pulp. Of this amount 43,164 tons had come from the Nordic countries, 29,866 tons from Canada, 16,026 tons from the United States and 9,918 tons from Portugal. These figures should be compared with total imports of pulp in last year of 133,000 tons.

He stated that his authorities were following these developments with great attention and were carefully examining the issuing of import licences, but so far they had been able to avoid taking formal measures like anti-dumping measures, safeguard measures or increases in the customs duty in order to avoid temporary stagnation of imports. He confirmed that, on the other hand, the paper manufacturers and the pulp producers had amongst themselves agreed on a private arrangement with the objective of limiting imports in the hope of normalizing the market. He stressed that this was an agreement of the private industry and not an agreement with the Ministry of Commerce, as suggested by the representative of Sweden at the last meeting of the Council. He repeated that his authorities had no intention to reduce imports or introduce quota restrictions, but on the other hand it was also clear that they would take appropriate measures, foreseen under the General Agreement, if the situation so required. He repeated his delegation's readiness to enter into consultations with interested delegations on this matter, and noted that the matter had been brought before the Council before such consultations had taken place.

The representative of Sweden, speaking on behalf of the Nordic countries said that, according to his information, the unofficial quotas on imports of pulp did constitute a real obstacle to trade. While there could have been legitimate reasons for such measures, he felt that they should have been notified to the GATT in a normal way. He requested that the matter be kept on the agenda of the next Council meeting and if the situation could not be clarified, the Nordic delegations might request consultations with Spain under Article XXII.

The representative of Canada stated his delegation's concern at any possible action to limit pulp imports into Spain. He said that Spain was an important market for Canadian pulp exports and he expected that any action taken by the Spanish authorities would be consistent with the provisions of the GATT. He supported the request by the Nordic countries to keep this matter on the agenda of the next Council meeting.

The representative of the United States, after pointing out the United States trade interest in this matter, said that it appeared to him that the licensing system, as administered by the Spanish authorities, did have the effect of limiting imports of pulp, and he expressed concern at such limitations. He considered it appropriate that Spain should notify to GATT the measures which were introduced.

The Council agreed to keep this matter on the agenda for the next Council meeting.

7. Japan - Restraints on imports of leather - Recourse to Article XXIII:2 by the United States (L/4691)

The Chairman drew attention to a communication from the United States delegation (L/4691) in which the United States sought recourse to the provisions of Article XXIII:2 against Japanese import restrictions on leather.

The representative of the United States said that Japan in the post-war period had imposed a system of quantitative restrictions on the importation of certain goods among which was leather. These restrictions initially were justified under the provisions of Article XII for the safeguard of Japan's external financial position and its balance of payments. However, a justification for these restrictions had ceased to exist after the International Monetary Fund had made a finding in 1963 that Japan was no longer justified in maintaining restrictions for balance-of-payments reasons. The import restrictions on leather nonetheless remained in effect. He said that the import quotas were being maintained even though the tariffs of three of the six Japanese leather items were bound in GATT. Furthermore, administrative obstacles and the inability of exporters to obtain the necessary information made it virtually impossible for United States leather producers to fill even the small quotas made available. Thus, the Japanese authorities had refused to give any indication of the specific amount of the quota. Also, the holders of quota rights could only be identified with difficulty and even when identified they were not always willing to exercise their quota rights.

He said that his Government considered that the system of import restrictions in respect of leather in Japan constituted a nullification or impairment of benefits accruing to the United States and damaged the United States leather industry. In particular, Japan violated the provisions of Article XI prohibiting import restrictions; Article X:1, regarding publication of restrictions; Article X:3, requiring the administration of restrictions to be reasonable; and Article II, concerning the right to enjoy the benefits of tariff concessions.

His delegation had had extensive consultations with Japan, most recently in May and June under the provisions of Article XXIII:1. These had however, not led to a satisfactory resolution of the problem. His Government therefore requested the establishment of a panel to study the issue and an expeditious finding by the CONTRACTING PARTIES under Article XXIII:2 that the system of import restrictions on leather maintained by Japan was inconsistent with Japan's obligations under the General Agreement and constituted a nullification or impairment of United States rights under the GATT. His delegation requested furthermore a recommendation by the CONTRACTING PARTIES that Japan should remove the restrictions on imports of leather from the United States. If they were not removed, the United States should be authorized to suspend the application to Japan of concessions or other obligations under the GATT to the extent appropriate to redress the damage caused to the United States by the unjustified import restrictions. He expected the Council to take a decision at its present meeting.

The representatives of Australia, Canada, the United Kingdom, speaking for Hong Kong, and New Zealand, supported the statement made by the representative of the United States and the setting up of a panel, and stated that their exports of leather had also been affected by the quantitative restrictions imposed by Japan. They indicated their interest in making a representation to the panel.

The representative of Japan said that this question of quantitative restrictions in respect of leather touched upon a very sensitive political and social question in Japan. He expressed the hope that those who had discussed bilaterally the issues involved had realized the gravity of this issue in Japan. His Government was under a legal obligation to encourage the leather industry, which made it politically impossible to abolish or expand the quota on leather. He therefore had to ask that the Council should leave this matter to bilateral consultations for the time being in the expectation of a mutually agreeable solution. If such consultations should fail, he was willing to accept the suggestion of proceeding to the normal course of dispute settlement.

The representative of the United States agreed to the proposal made by the representative of Japan to continue with the bilateral consultations. He suggested that the Council should agree to a definite period of time, such as 20 September 1978, by which time the Council should proceed with the setting up of a panel if the bilateral consultations had not succeeded.

The representative of India expressed his delegation's interest in consulting bilaterally with Japan on this matter and, if a panel were to be established, in making a submission to the panel.

The Council requested the United States and Japan to pursue their bilateral consultations under Article XXIII:1 on this matter for a further period. The Council agreed that if these consultations did not lead to a mutually satisfactory solution, an appropriate procedure for consideration of the United States complaint under Article XXIII:2 would be the establishment of a panel. The Council authorized its Chairman to take the necessary steps for the establishment of a panel with appropriate terms of reference, if the matter had not been settled satisfactorily on the proposed bilateral basis by 20 September 1978.

8. Customs unions and free-trade areas; regional agreements

- (i) Association EEC-Cyprus (L/4685)
- (ii) Association EEC-Malta (L/4686)

The Chairman drew attention to documents L/4685 and L/4686 which contained biennial reports submitted by the parties to the Association Agreement between the EEC and Cyprus and the Association Agreement between the EEC and Malta respectively. Both reports covered the period 1 April 1976 to 31 March 1978.

The Council took note of the reports.

9. Procedures for negotiations under Article XXVIII (L/4651)

The Chairman drew attention to document L/4651 containing a note by the Director-General giving procedural guidelines for renegotiations under Article XXVIII. These guidelines had been revised and updated in the light of experience and following suggestions from and consultation with a number of delegations.

The representative of Canada noted that there was a major departure from the previous set of guidelines for these negotiations, namely that claims of interest should be made within ninety days following the circulation of import statistics. His delegation considered this a positive change to which it could give its support. He then mentioned a number of minor modifications, which he suggested for consideration.

A number of delegations suggested that a final review of this matter might be deferred to the next meeting of the Council so that the changes suggested and their implications could be fully understood.

The Council agreed that the comments made should be reflected in a revised version of the text to be drawn up in consultation with delegations and that the Council should return to this item when the revised version was ready.

10. Dates of the thirty-fourth session of the CONTRACTING PARTIES (C/103)

The Chairman recalled that the CONTRACTING PARTIES had agreed that their thirty-fourth session should be held in the week beginning 27 November 1978 and that the Council would be asked to fix the duration of the session and the actual dates in the course of the year.

The Council agreed that the session should be opened on Monday, 27 November 1978, and that its duration should be fixed at two to three days. The Council would be free to reconsider this date in due course if circumstances so required.

11. Norway - Restrictions on imports of textiles from Hong Kong (C/M/126)

The representative of the United Kingdom, speaking on behalf of Hong Kong, said that, as recommended by the Council on 6 June 1978, Hong Kong and Norway had held further consultations on 28-29 June. However, the two sides had failed to reach agreement on a mutually acceptable solution. The delegation of Hong Kong to those consultations had been informed that Norway would invoke Article XIX on a global basis for certain textiles, and that this would supersede the current restrictions on imports from Hong Kong to Norway. A formal notification of this decision had now been made by Norway in document L/4692, although the details of the new régime were still to be communicated. He said that as a result of this step the basis for Hong Kong's complaint was changed. He continued to believe, however, that Hong Kong's rights under the GATT had been impaired during the period when the discriminatory import scheme had been in force, i.e. from 1 January 1978. His delegation would wait for full details of the Norwegian measure and might decide to seek consultations with Norway under Article XIX.

The Chairman said that in the light of this statement and the notification by Norway it was not the Chair's intention to take any further steps for the establishment of the panel, as agreed at the last meeting of the Council. He expressed the hope that further consultations would lead to a satisfactory outcome of the matter, it remaining open to either party to raise the matter again at a later meeting of the Council.

This was agreed.

12. OECD - Steel Committee

The representative of India, raising a matter under Other Business, recalled his enquiry, at the meeting of the Council in May, on information relating to discussions on the setting up of an international monitoring and surveillance system concerning trade in steel. He now drew attention to the annex to document MTN/INF/33, in which the setting up of a steel committee under the auspices of the OECD was mentioned. He noted that this Committee should help to develop common perspectives regarding emerging problems in the steel sector and would provide a continuing forum for bringing into consultation interested parties. He noted that amongst the objectives of the Committee were keeping trade in steel as unrestricted as possible, the reduction of barriers to trade, the coping with crisis situations, the avoidance of encouraging economically unjustified investments and multilateral co-operation to anticipate and to prevent problems. While it was not clear to him what the implications of this action would be, he thought that the Council might wish to be informed of this matter and keep itself in touch with the developments.

The representative of the United States said that the United States was an active participant in the work on a Steel Committee in the OECD. He emphasized that the United States would not propose in any form measures that would restrict the free and fair flows of trade in this sector or that would tend to freeze the world steel supply. The United States would continue to keep trade investment and the flow of technology in the steel sector as free and responsive to market forces as possible. The United States opposition to cartels and all forms of market sharing, including allocation of capacity, was well established.

The Council took note of the statements.

13. Secretariat study on the application of Article XIX (L/4679)

The representative of India, speaking under Other Business, said that his delegation was among those that had requested the secretariat study on modalities of application of Article XIX. He expressed his appreciation for the study, which had been circulated in document L/4679. This study would be helpful in the understanding of the development of the application and interpretation of this Article.

The representative of Pakistan also expressed his appreciation for the study. He hoped that this study would put an end to attempts to introduce fundamental changes in these provisions in the form of interpretations. If changes were made they could only be introduced by consensus of the CONTRACTING PARTIES.

The Council took note of the statements.

14. ASEAN Agreement

The Chairman, speaking under Other Business, recalled that the Council had established in November of last year a working party for the examination of the provisions of the ASEAN Agreement and had authorized the Chair to nominate the Chairman of the Working Party in consultation with principally interested delegations. He now informed the Council that Mr. Selmer (Norway) had been appointed as Chairman of the Working Party.

The Council took note of the statement.

