

GENERAL AGREEMENT ON
TARIFFS AND TRADE

RESTRICTED

L/4789

16 March 1979

Limited Distribution

JAPANESE MEASURES ON IMPORTS OF LEATHER

Report of the Panel

1. The Council at its meeting on 24 July 1978 authorized its Chairman to take the necessary steps for the establishment of a panel with appropriate terms of reference if the matter under dispute between the United States and Japan had not been settled satisfactorily on a bilateral basis by 20 September 1978 (C/M/127, paragraph 7). As no agreement had been reached by that date (see C/M/128, paragraph 9), the Council Chairman in consultation with the two delegations concerned established a panel with the following terms of reference:

"To examine, in the light of the relevant GATT provisions, the matter referred to the CONTRACTING PARTIES by the United States, relating to quantitative restrictions maintained by Japan on certain leather goods, and to make such findings as will assist the CONTRACTING PARTIES in making recommendations or rulings, as provided for in Article XXIII:2."

At its meeting of 29 January 1979, the Council was informed (see C/M/132, paragraph 6) about the establishment of the Panel, its terms of reference and its composition which was as follows:

Chairman: Ambassador Nettel (Austria)

Members: Mr. Furulyas (Hungary)
Mr. Ostenfeld (Denmark)

2. The Panel met on 26 January and 26 February 1979.

3. The Panel based its deliberations on the following facts:

(a) In 1952 Japan had imposed a system of quantitative restrictions on the importation of certain leather items. Until 1963, these restrictions had been maintained as a balance-of-payments measure under Article XII. Since that time, Japan has continued to maintain the restrictions because of the difficulties the Japanese leather industry has experienced due to the small size and the backward character of its enterprises and above all due to the Dowa problem.

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- (b) The United States, considering that the Japanese restrictions were unjustifiable and inconsistent with Japan's obligations under the General Agreement and that they constituted a nullification or impairment of United States rights under the General Agreement, entered into consultations with Japan, which did not bring about a solution. The United States accordingly sought recourse to the provisions of Article XXIII:2 and asked that a panel be established (L/4691, C/M/127 and 128).

4. In the course of its work the Panel heard statements by representatives of the United States and Japan and obtained clarification on certain points from these representatives. Background documents and relevant information submitted by both parties, their replies to questions put by the Panel as well as all relevant GATT documentation served as a basis for the examination of the matter. In addition, the Panel received written information and heard oral statements by the delegations of Australia, Canada, India and New Zealand on the different aspects of the matter, in accordance with these delegations' requests made at the Council (C/M/127, paragraph 7).

5. On 26 February 1979 the Panel was informed that bilateral consultations between the United States and Japan had been brought to a successful conclusion and that the United States was withdrawing the complaint filed with the GATT under Article XXIII:2. The two parties have reserved their rights under the GATT; should the conclusions of the bilateral consultations not be put into practice to the mutual satisfaction of both governments, it was understood that the matter may be further subject to GATT proceedings.

6. The Panel was advised by the two parties that they were prepared, upon request and on a bilateral basis, to provide the substance of the conclusions reached to other interested parties and to consult with them.

7. The Panel draws the attention of the Council to the fact that agreement between the United States and Japan has been reached and expresses the view that this agreement constitutes a solution to the matter before it. Consequently, the Panel considers the proceedings under Article XXIII:2 to be terminated.