

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

L/5042

20 October 1980

Limited Distribution

JAPAN'S MEASURES ON IMPORTS OF LEATHER

Report of the Panel

1. The Panel was established at the request of the Canadian delegation by the Council on 16 November 1979 with the following terms of reference (C/M/136, paragraph 6):

"To examine, pursuant to the provisions of Article XXIII:2, the compatibility with the General Agreement of Japanese restrictions on imports of leather; and to make such findings as will assist the CONTRACTING PARTIES in making recommendations or rulings as appropriate."

The Council authorized its Chairman to nominate the chairman and members of the Panel in consultation with the two parties concerned. On 26 March 1980 the Council was informed about the composition of the Panel (C/M/139, paragraph 21) which was as follows:

Chairman: Ambassador Ewerlöf (Sweden)

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

2. The Panel held meetings on 26 March, 5 May, 13 May, 20 May, 28 May, 2 June, 6 June and 30 June 1980.

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 liberalized many leather items. However, a few leather items have continued to be restricted because of the difficulties which the Japanese leather industry has experienced for socio-political as well as economic reasons.

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- (b) Canada, 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 Canadian rights under the General Agreement, requested consultations with Japan in April 1979. Consultations under Article XXIII:1 were held between Canada and Japan in September and November 1979 and in April 1980. In the absence of agreement Canada sought recourse to the provisions of Article XXIII:2 and asked that a panel be established (L/4856, C/M/135, 136 and 139).

4. In the course of its work the Panel held consultations with Canada and Japan. Arguments and relevant information submitted by both parties, replies to questions put by the Panel as well as all relevant GATT documentation served as a basis for the examination of the matter. During the proceedings the Panel encouraged bilateral efforts to develop a mutually satisfactory solution between the parties in the matter before it.

5. On 30 June 1980 the Panel was informed that an agreement in principle had been reached between Canada and Japan. In a joint communication dated 6 October 1980 the parties advised that they had now successfully concluded their bilateral consultations and had signed a Record of Discussions on 22 September 1980 containing a solution to the dispute and a statement that Canada would be withdrawing the complaint filed under Article XXIII:2. The two parties have reserved their rights under the GATT; should the conclusions of the discussions not be put into practice to the satisfaction of either government, it is understood that the matter may be subject to further GATT proceedings. The two parties intend to provide the substance of the agreement reached to other interested delegations upon request.

6. In view of the fact that the agreement reached between Canada and Japan constitutes a solution to the matter before it, the Panel considers the proceedings under Article XXIII:2 to be terminated.