

MULTILATERAL TRADE
NEGOTIATIONS
THE URUGUAY ROUND

RESTRICTED
MTN.SB/4
16 December 1987
Special Distribution

Surveillance Body

MEETING ON 9 DECEMBER 1987

Adoption of the Agenda

1. The Surveillance Body adopted the agenda proposed in the convening airgram GATT/AIR/2509.

Item 2(A): Standstill

- (I) Examination of standstill notifications (MTN.SB/SN/- series) submitted in accordance with the agreed procedures (MTN.TNC/2; MTN.SB/2, paragraphs 20 and 21)

2. The record of the Body's examination of notifications on standstill, drawn up in accordance with paragraph 3 of the agreed procedures (MTN.TNC/2), is annexed.

Item 2 A(II): Consideration of statements by participants concerning other aspects of the standstill commitment

3. The representative of Brazil made a statement, subsequently circulated in full as MTN.SB/W/2, concerning the announcement by the US Administration that it intended to raise tariffs on certain imports from Brazil and to prohibit imports of certain Brazilian computer products. He noted that the announcement of the intended prohibition, and of the tariff increases with the declared intention of causing a loss of US\$105 million to Brazilian exports, had been followed by the publication of a list of Brazilian products (with a trade value of more than US\$700 million in 1986) that could be affected by such measures. Brazil considered that such actions were not consistent with US obligations under the relevant provisions of the GATT. Furthermore, in signifying its intention to initiate proceedings to unilaterally impose discriminatory commercial restrictions against Brazil, the United States seemed resolved to contravene the standstill commitment, which specifically bound participants in the Uruguay Round "not to take any trade restrictive measures inconsistent with the provisions of the General Agreement". The simple announcement of those intended measures was already disrupting trade and damaging Brazilian interests. He recalled that at the Forty-third Session of the CONTRACTING PARTIES, Brazil had drawn attention to what it considered as "an unprecedented threat posed to Brazil's rights under the General Agreement" and had stated that instead of self-righteous and negative behaviour, what was needed was a prompt return to the consensual and constructive spirit that had given birth to GATT. In order to resist a further weakening of the multilateral trading system, it was essential to respect and fulfil the commitments inscribed in the

Punta del Este Ministerial Declaration. He concluded by saying that in order to deal with the serious threat of injury to Brazil's rights and interests created by the announced intentions of the US Administration, his delegation reserved its right to notify to the Surveillance Body any restrictive measures that the United States might choose to adopt.

4. The representative of the United States quoted from a statement on 13 November 1987, in which the US President had said that Brazil's national informatics policies since the 1970s severely restricted foreign participation in that country's computer and computer-related market. The United States had raised its concerns with Brazil in bilateral and multilateral consultations since 1983, but without success. In September 1985, the President had initiated an investigation of Brazil's practices under Section 301 of the 1974 Trade Act, and in October 1986 had determined that Brazil's informatics policies were unreasonable and constituted a burdensome restriction on US commerce. The President had suspended parts of this investigation after Brazil made commitments to implement its informatics law in a more flexible, reasonable and just manner. Recent developments in Brazil had made clear that those commitments were not being kept; in particular the Brazilian Government had rejected efforts by a US software company to license its product in Brazil, asserting that a domestic company made a product that was functionally equivalent. The Brazilian decision established a precedent which would effectively ban US companies from Brazil's software market, and was also likely to increase piracy of foreign software since demand for the prohibited product would continue. Referring to paragraph 5 of MTN.SB/W/2, the United States did not see what was "self-righteous" in its position, considering that US traders were being seriously harmed by being embargoed from a market after five years of effort to secure access and after commitments had been broken. He emphasized that the proposed US measures would not be taken until public hearings had been held in the United States and until the Administration had selected appropriate items for retaliation. The United States would not impose sanctions if Brazil reversed its recent actions and kept its commitments, which is what the United States hoped would happen.

5. The representative of the European Communities said it was clear from the US statement that however this matter was resolved, the United States was taking a view, outside the GATT, on Brazil's policies and practices. The Community had great doubts about Brazil's practices in this matter. However, the US approach did not respect the commitment which all Uruguay Round participants had undertaken that in the event that a particular measure was deemed to be inconsistent with GATT obligations, the problem should be resolved in GATT. Such action outside the multilateral GATT framework, on this and other trade problems, would create major dangers for the GATT and for the Uruguay Round.

6. The representative of Canada, without wanting to go into specifics on this particular case, supported the general concerns expressed by the Community. Canada considered that it was incumbent on all participants in

the Surveillance Body to address any issue raised under standstill in the context of that political commitment by Ministers.

7. The representative of Hong Kong recalled that at earlier meetings of the Surveillance Body, his delegation had referred to legislative proposals pending in the United States Congress, with particular reference to the proposed Textile and Apparel Trade Act of 1987. That bill had since been passed by the House of Representatives and was now pending in the Senate. Hong Kong had noted in the Textiles Committee on 4 December that it remained concerned about the proposed bill and had noted the commitment of the US Administration to resist it. His delegation's purpose at the present meeting was to refer to another piece of proposed textiles legislation, which was apparently of less significant proportion. Nonetheless, there was a cumulative disruptive effect in present restrictions on textiles, particularly in a situation where developing exporters were already faced with high tariffs and the whole paraphernalia of MFA restraints. Now there were additional proposals, including in particular the proposed Cotton Research and Promotion Program Act. This proposed bill would extend to imported cotton products and imported raw cotton a tax which was currently applied only to some types of domestic raw cotton. Hong Kong noted with satisfaction that the US Administration had actively opposed the passage of the proposed bill through the participation of a representative of the Treasury Department in Congressional hearings. The proposed legislation had recently been amended in a way which affected its possible GATT consistency, and which also restricted the scope of the proposed measure to raw cotton only, whether domestically produced or imported. Under the circumstances, Hong Kong was reassessing its view of the proposed legislation and reserved its right to revert to this matter if necessary at a future meeting. Hong Kong hoped that the US Administration would continue opposing all protectionist legislation, particularly on textiles which was already a heavily over-protected sector.

8. The representative of the United States confirmed that the Administration was opposing the proposed Cotton Research and Promotion Program Act now pending before Congress, and had urged Congress not to enact any such legislation. The Administration had succeeded in some degree in getting the House of Representatives Ways and Means Committee, on 2 December 1987, to offer a substitute for the proposed legislation. The substitute appeared to address some, if not all, of the Administration's concerns over the original proposal. The Administration was still evaluating the amended version and in doing so would be mindful of US obligations.

9. The representative of Chile said his delegation was concerned about the protectionist tendencies which had been appearing in the countries of two major participants represented in the Surveillance Body. Chile was particularly concerned about market access for its exports of products including apples, oils and cheese. His delegation appealed to these two major participants to convey to their authorities the concerns of such

delegations as his own concerning the threats of proposed or potential legislation.

10. The representative of Malaysia reiterated the concerns which his delegation had expressed at the Body's meeting in October (MTN.SB/3, paragraphs 3-7) over the protectionist features in the EC Commission's proposed measure on oils and fats. Given that the December 1987 summit meeting of the European Communities in Copenhagen had decided to revert to considering outstanding matters at a further meeting in February 1988, his delegation wanted to know what was the position on the proposed measure concerning oils and fats. Malaysia would also appreciate an update on what had happened concerning the proposed legislation before the US Congress which was aimed at changing the requirements for labelling tropical oils.

11. The representative of the European Communities confirmed that the Commission's proposed stabilizing mechanism for oils and fats was still pending, and would be considered again during 1988. His delegation could therefore give no information beyond this and what it had said at the Body's meeting in October (MTN.SB/3, paragraph 3). He suggested that the matter be addressed again at a future meeting of the Body.

12. The representative of the United States said that the Community's proposed measure on oils and fats would double the price of soybean oil in the Community. As a result, consumption of vegetable oils would inevitably be reduced. The measure would discriminate against vegetable oils in favour of marine oils, which would be taxed at a lower rate, and in favour of animal products such as lard, tallow and butter, which would not be taxed at all. For these reasons, the United States believed that the measure, if enacted, would violate the Community's zero GATT binding on soybeans, which was of great importance to his country and represented the major benefit so far from any multilateral trade negotiation on agriculture between the United States and the Community. It appeared to the United States that the Community was searching for a way to reduce the value of that binding enough to be able to withdraw it and pay minimal compensation. The United States objected to such possible action. Moreover, the proceeds from the measure would be used to subsidize the Community's own uneconomic oilseed production, adding insult to injury. The measure would be a poor substitute for the Community's need to control its agricultural subsidy spending so as not to exceed its budget. The United States considered that the Community should balance its books on its own back, not on the backs of others. Turning to the question from Malaysia, he said that the US Administration, following expressions of concern both bilaterally and in the Surveillance Body, had opposed the proposed legislation which would require the labelling of tropical oils. The Administration had told Congress of possible damage to the United States' bilateral trade relations, specifically with major suppliers of tropical oils, and of concern that such oils could face further discrimination worldwide if the legislation were to be enacted. He was pleased to report that the effort to attach such legislation to a US Department of Agriculture budget reconciliation bill had been defeated in Congress shortly after the

Administration had expressed its opposition. This issue had, however, not been entirely removed from the agenda as there were other relevant legislative questions still pending. His delegation would continue to give updated information at the Body's future meetings until, as he hoped, he could report that this matter should no longer be a subject of concern.

13. The representatives of the Philippines and Malaysia thanked the representative of the United States for the information which he had given.

14. The representative of Malaysia said his delegation was heartened to know that the United States also was opposing the EC Commission's proposed measure on oils and fats. Apart from the proposed legislation before the US Congress on food labelling, Malaysia continued to be concerned over what he described as a smear campaign by the American Soybean Association against imports of tropical oils; he hoped that the US Administration would oppose such unfair trade practices.

15. The representative of Chile said his delegation would, if certain reported proposals turned into fact, make a notification to the Body to the effect that a large group of States would apply their GSP in a discriminatory manner. Under footnote 3 to paragraph 2(a) of the Enabling Clause (BISD 26S/203), application of the GSP to developing countries should be non-discriminatory.

Item (B): Rollback

Consideration of statements concerning the rollback commitment, in the light of the agreed procedures (MTN.TNC/2; MTN.SB/1, paragraph 21; and MTN.SB/2, paragraphs 20 and 22)

16. The Chairman noted that eight requests for consultations on rollback had so far been circulated: from the United States to Japan in RBC/1; from Uruguay to the European Communities, Japan and the United States in RBC/2, 3 and 4; from Argentina to the European Communities, Japan and the United States in RBC/5, 6 and 7; and from Hong Kong to Japan in RBC/8. So far, only one consultation had been held: between Uruguay and the United States on 5 November (RBC/4/Add.1). Japan had very recently given notice of consultations that it intended to hold, on 10 and 11 December, concerning the communications from the United States, Uruguay, Argentina and Hong Kong (RBC/1/Add.1, RBC/3/Add.1, RBC/6/Add.1 and RBC/8/Add.1 respectively).

17. The Chairman enquired, from the participants concerned, when consultations on the other communications so far circulated would take place, i.e. between Uruguay and the European Communities; between Argentina and the European Communities; and between Argentina and the United States.

18. The representative of Uruguay said his authorities were currently studying the outcome of the consultations between his country and the United States, which a number of other participants had attended, on 5 November. Uruguay would consult with Japan on 11 December, and was continuing its preparations for consultations with European Communities. He added that Uruguay had experienced no difficulty in arranging dates for consultations with any of the participants to which it had addressed requests for consultations. The fact that several months had passed between the circulation of the requests and the actual consultations was due to the complicated process of preparing for the consultations.

19. The representative of Argentina confirmed that his delegation would consult with Japan on 10 December, and hoped to consult with the European Communities and the United States as soon as possible.

20. The Chairman noted that out of the eight rollback consultations so far requested, one consultation had been held, and four others had been arranged. The Surveillance Body could perhaps draw a measure of encouragement from these facts. It was nevertheless also apparent that the operation of the rollback procedures had not proceeded as expeditiously as expected in the Understanding by the Chairman of the TNC (MTN.TNC/2, page 4), which clearly reflected an expectation that some undertakings on rollback might be communicated to the Surveillance Body by the end of 1987. Some relevant factors had been mentioned in this connection by Uruguay (see paragraph 18 above). However, the Body would need to reflect on what might practicably be done to speed up the operation of the existing procedures, and the Body would consider, later in the present meeting, Korea's proposals on rollback procedures (see paragraphs 26-30) which still remained to be decided upon.

21. The representatives of Canada and the European Communities shared the Chairman's concern on the need to ensure expeditious operation of the rollback procedures.

22. The representative of Canada informed the Body that his delegation was addressing rollback communications to: Brazil (RBC/9); the European Community (RBC/10); Finland (RBC/11); Japan (RBC/12); Norway (RBC/13); Sweden (RBC/14); and the United States (RBC/15)¹. Canada trusted that dates would be fixed for consultations on all these communications in the very near future. His delegation was examining the possibilities of sending further communications on rollback.

23. The representative of the European Communities said that the Community was fully mindful of its obligation to rollback, and this would be reflected in some future action.

¹ The communications were circulated on 16 December.

24. The representative of Korea noted that the rollback communication from Hong Kong to Japan (RBC/8) concerned products including silk fabrics. The relevant Japanese measure was of trade interest to Korea, which would be interested to hear of any progress in consultations on this matter.

25. The representative of Japan confirmed that Korea would be welcome to participate in the consultation (RBC/8/Add.1) to be held on this matter on 11 December.

Proposals by Korea on rollback procedures

26. Referring to earlier comments on the need to operate the existing rollback procedures more effectively, the Chairman drew attention to Korea's proposals (MTN.SB/1, paragraph 18) which had been discussed at the Body's previous meetings. During those discussions, there had been considerable support for the first element in the proposals, notably that there should be greater transparency in the operation of the procedures. However, it had also been suggested that more experience was needed of how the existing procedures operated before the Body could decide on any specific changes. He proposed that delegations keep in mind the second element in Korea's proposals, concerning the need to start consultations as soon as practicable and to complete them within a reasonable period of time (Korea had suggested 6 months), which might provide a useful indicative target for delegations in operating the existing procedures.

27. The representative of Hungary suggested that given the support for Korea's proposals which had been expressed at earlier meetings, the Body could agree now that the Chairman organize informal consultations in 1988 with a view to implementing the proposals.

28. The representative of Canada supported Hungary's suggestion.

29. The representative of the European Communities said his delegation would not object to such consultations. However, participants were still feeling their way on rollback, and perhaps it would be wise not to start the informal consultations on Korea's proposals too quickly in 1988.

30. The Chairman concluded that participants should continue to reflect on the various proposals, suggestions and comments which had been made concerning the operation of rollback procedures. All participants had a common interest in ensuring that the procedures worked as effectively as possible, and he would keep in touch with delegations on this subject. The Surveillance Body so agreed.

Statistical information concerning rollback communications

31. The Chairman recalled that in October the Body had discussed the possibility of the secretariat circulating statistical information on rollback communications (MTN.SB/3, paragraphs 27-29), and had agreed that this point could be raised at a future meeting. While there was an

explicit provision in the Ministerial Declaration (final sentence of Section C) for the secretariat to provide further relevant information on notifications, there was no such explicit provision for communications on rollback. Considering the volume of work that might be involved, and also bearing in mind that the rollback exercise was more complicated and circumscribed than that on standstill, he proposed that one way to deal with this matter would be that if any participant had data to offer which would help the other participants in their consideration of rollback communications, it should be open for them to do so. Likewise, if any participant needed factual information on specific points, the secretariat could be requested to provide such information. However, the secretariat would not provide such information on rollback communications routinely in the same way that it did for standstill notifications. The Surveillance Body so agreed.

Item C: Other Business

United States - Termination of import relief for certain heavyweight motorcycles

32. The representative of the United States noted that on 9 October 1987 the President had terminated import relief under Section 201 for certain heavyweight motorcycles. It was significant that the relief had been originally scheduled to expire on 15 April 1988, and that the early termination had been decided at the request of the petitioner, Harley Davidson. That company had felt that it had used the relief period successfully to accomplish the necessary adjustment which would, in its own view, enable it to meet import competition without relief.

33. The Chairman said he was sure that the Body welcomed such announcements of restrictive trade measures being terminated early rather than prolonged.

Date of next meeting

34. The Surveillance Body agreed to hold its next meeting on Tuesday, 8 March 1988.

Conclusion

35. The Chairman noted that, unlike the Uruguay Round Negotiating Groups, the Surveillance Body did not have an initial phase. It was engaged in a continuing process and had accomplished serious work over the past months. In statistical terms, the Body had examined standstill notifications by five participants concerning nine different measures introduced by four participants. It had also allowed participants to make statements and invite discussion on a number of measures which were under consideration in various legislatures or administrations, thus availing themselves of what had been described as an "early warning" system. On rollback, there had so

far been communications by five participants concerning measures maintained by seven participants¹; the process of consultations on rollback had got underway, although the Body had recognized that perhaps there was more that could be done to expedite the operation of the rollback procedures. The Body had also decided on practical arrangements for its operation and would continue to be concerned with improving the efficiency with which the surveillance mechanism operated.

¹Including Canada's communications (RBC/9-15 inclusive) circulated on 16 December.

ANNEX
RECORD OF EXAMINATION ON 9 DECEMBER 1987
OF NOTIFICATIONS ON STANDSTILL

Item 2 (A): Standstill

- (I) Examination of standstill notifications (MTN.SB/SN/series)
submitted in accordance with the agreed procedures (MTN.TNC/2;
MTN.SB/2, paragraphs 20 and 21)

New notifications on standstill

European Economic Community - Subsidy program for long-grain rice
(MTN.SB/SN/6 and Add.1)

1. The representative of the United States drew attention to the points made in the US notification (MTN.SB/SN/6), saying that the European Community's new subsidy program, which had come into effect on 1 September 1987, was designed to stimulate the Community's production of long-grain rice, currently being imported from the United States and other suppliers. This subsidy threatened to reduce access for some US\$76 million worth of US rice exports to the Community, as it would have the likely effect of replacing imports with domestic production of long-grain rice. As a result the United States would lose a market which it had developed over the past 30 years. It was disturbing that the Community had introduced new agricultural subsidies at a time when major efforts were being made in the Uruguay Round to negotiate fundamental reforms of the rules governing agricultural trade. The Community claimed in its comments not to have violated the standstill commitment, but the United States considered that the program was clearly inconsistent with that commitment. The program was designed to improve the Community's negotiating position on agriculture and constituted a trade-restrictive and distorting measure. The Community had drawn attention, in its comments on the notification, to the support measures maintained in the United States for the production of medium- and short-grain rice. In the comprehensive US proposal for reforming agricultural programs and trade policies, submitted in the Negotiating Group on Agriculture, domestic support programs for agriculture, including those maintained by the United States, would be phased out within 10 years beginning as soon as possible, provided that other governments did the same. The Community's proposal on agriculture in that Group was confusing and seemed to imply that subsidy programs, such as the Community's one for long-grain rice, would remain in effect after the completion of the Uruguay Round. If that interpretation were correct, the Community's recent action on rice was all the more troubling and even more contrary to the standstill commitment.

2. The representative of the European Communities noted that his delegation had made detailed comments in MTN.SB/SN/6 on the US notification. It was difficult to see how the United States reached the

conclusion that in this case the Community had breached the standstill commitment. The US allegations did not correspond to the facts. The program was not intended to reduce US exports of long-grain rice to the Community. The objective was to establish a program which would provide necessary balance between the supply and demand of different varieties of rice. The program was designed to last between 3 and 5 years and therefore, under paragraph (iii) of the standstill commitment, could not be used to improve the Community's negotiating position. The Community therefore rejected the US allegations and considered that this program was entirely consistent with its GATT obligations and with the standstill commitment. In summary, he said that the program was not designed to improve the Community's negotiating position, nor did it breach GATT rules, nor was it a measure in excess of what was required to protect the Community's markets.

3. The representative of Thailand recalled that at the October meeting of the Surveillance Body, her delegation had expressed concerns about the United States Export Enhancement Program (EEP) which included extended support for rice production. The European Community's support program was designed to encourage the production of long-grain rice of a type which it currently imported. The program would therefore inevitably have adverse effects on rice exporters, especially on small producers of this product, including Thailand. Her country was among the Community's main suppliers of long-grain rice, as was indicated by the statistics in MTN.SB/SN/6/Add.1. Rice exports were of vital importance for a developing country such as Thailand, where 12 million farmers were living in poverty and depended on exports of agricultural products for their survival. Since climatic conditions in the Community did not favour the production of long-grain rice, the objective of the new subsidy program was not clear. It would not only encourage diversification of production into deficit crops but would also divert trade flows in the future. Council Regulation No.1907/87 had not indicated the area to be covered by the program or its duration. Thailand was also deeply concerned by the broad mandate given to the Community's intervention agencies to offer paddy rice, bought from EC farmers, for export to third countries or for sale on the internal market. This mandate would have trade-distorting effects on imports into the Community and on its exports to third countries. She emphasized that at Punta del Este, Ministers had undertaken commitments to standstill and rollback and had also agreed to negotiate on agriculture with a view, inter alia, to improving market access and the competitive environment by strengthening disciplines relating to subsidies or other measures affecting agricultural trade. The subsidy program for the production of long-grain rice was inconsistent with the standstill commitment in which every participant undertook "not to take any trade measures in such a manner as to improve its negotiating positions". Thailand therefore called on the Community to abide by this commitment and immediately withdraw the subsidy program.

4. The representatives of Chile, Pakistan, New Zealand, Uruguay, Argentina, China and Australia shared the concerns and views expressed by

Thailand. Speaking in some cases as rice exporters, they were concerned about the negative effect that subsidies, such as the Community's program on the production of long-grain rice, had on trade in agricultural products and on the interests of established suppliers, especially the smaller countries, which could not compete with subsidies by major powers. They were not convinced by the justifications provided by the Community to support its argument that the subsidy program did not violate the standstill commitment, and called on the Community to reconsider the program.

5. The representative of Chile said that the Community's subsidy program for rice blatantly negated the principle of comparative advantage. The Community, not content with producing temperate zone products, was now going to compete in the growing and trading of crops normally produced in tropical countries.

6. The representative of New Zealand said his delegation continued to believe that the standstill commitment would stand or fall depending on the spirit and the degree of political commitment in which it was implemented, particularly as concerned paragraph (iii) where agriculture was involved. New Zealand was very sceptical about the Community's comments in MTN.SB/SN/6, and this scepticism was fully justified by past experience of what the Community had effectively meant by such words as "temporary" and "internal measure of management of a common market organization".

7. The representative of Argentina pointed to the risk that once subsidy programs were introduced, it grew increasingly difficult to end such assistance. The Community's insistence on the temporary nature of the measure was therefore questionable. The Community had argued in the Negotiating Group on Agriculture that the adjustment measures which it had taken in specific sectors should be viewed as a credit in the negotiations. Measures such as the Community's rice subsidies should, by the same token, be put on the debit side.

8. The representative of Australia, referring to the history of the Community's adjustment of its markets, particularly as concerned trade in beef, sugar and dried vine fruits, shared New Zealand's scepticism about what the Community effectively meant by such words as "temporary". His delegation considered that when entrepreneurs worked to meet a greater demand for a product, they should not need subsidies if they were competitive.

9. The representative of the United States, referring to the Community's statement that the subsidy program was not designed to displace imports, drew attention to Council Regulation No.1907/87 which mentioned the imbalance between supply and demand for different types of rice. The United States considered that this was the kind of situation which many countries dealt with by international trade, as the Community itself had done over the past 30 years. The Community was now instead preparing to

eliminate its deficit in long-grain rice through increased production, thereby eliminating its international trade in that product. The 3-5 year program would not end before 1990-92, by which time the Uruguay Round was due to be over. He asked what the Community intended to do with the subsidy program in the context of its proposal on agriculture.

10. The representative of the European Communities responded that his delegation had endeavoured to be explicit in its written comments on the notification. The language of those comments did not, in the Community's view, allow for much difference in interpretation. There was not much that the Community could do if some participants chose to misinterpret or ignore clear language. The Community had stated that the program was foreseen to last 3-5 years, and that it would "produce a more rational deployment of Community resources without affecting the current import flows, while at the same time substantially reducing the quantities exported on the world market". The bulk of the complaint about this measure was that it was a trade measure designed to improve the Community's negotiating position. In fact, the program was not a trade measure. Its purpose was to restore balance of rice production in a small area: 40,000 hectares compared to the two million acres where long-grain rice was grown in the United States. In answer to the question by the United States, he said it was impossible to foresee at this stage how the program would be affected by the agriculture negotiations, and participants should draw their own conclusions from the Community's statement that this was not a measure designed to improve its negotiating position.

11. The representative of Thailand said that under EEC Council Regulation 1907/87, intervention agencies were authorized to engage in trade operations, buying and selling rice, which led to the conclusion that the subsidy program was a trade measure.

12. The representative of Yugoslavia had difficulty in linking the statistics provided in MTN.SB/SN/6/Add.1 with specific data for the "japonica" and "indica" varieties of rice mentioned in the US notification. She hoped that at the next meeting of the Surveillance Body the Community would provide information on the quantities grown and traded of each of these varieties.

United States - Restrictions on imports of specialty steel
(MTN.SB/SN/5 and Add.1)

13. The representative of Sweden said that he had little to add to his country's notification in MTN.SB/SN/5, which spoke for itself. In July 1983, the United States had imposed certain restrictions and additional tariffs on imports of specialty steel. When these measures were extended in March 1986, the tariffs were continued for Sweden but not for other suppliers. Consultations were held with the United States but without result. The additional tariffs were extended again in 1987, and again not on an m.f.n. basis. Sweden considered that this action contravened Articles I and XIX of the General Agreement as well as the

standstill commitment. When the measure had been introduced in July 1983, the President of the United States had followed the recommendation of the International Trade Commission (ITC), but when the tariffs had been prolonged, this had been done even though the same Body had found that the additional tariff was not necessary for the US steel industry.

14. The representative of the United States explained that in Section 201 cases, when imports were found by the International Trade Commission to be a substantial cause of serious injury, the President could, if he decided it was in the overall national interest, grant relief from imports for a period of up to five years which could be extended once for up to three years. The President was free at any time to ask for advice from the International Trade Commission, which was an independent body, on the economic effects of the termination of a measure. Relief was sometimes terminated before the expiration of the period for which it was granted. This was all part of a single process, with the original measure and its extension being based on a single injury determination. In 1983, the ITC had found that import relief was justified for the specialty steel industry and quantitative restrictions were imposed on "long" products, i.e. stainless steel bars, rods and alloy tool-steel. Some of these restrictions were negotiated, others were imposed as a basket category. A declining tariff was imposed on flat-rolled steel in addition to the existing tariff. Before the original relief period expired, the Administration had asked the ITC for an opinion on the economic effect of terminating the relief at that point. However, because many of these products had been incorporated into VER's which were due to expire on 30 September 1989, it had been decided to extend specialty steel relief on a similar basis. The tariff no longer applied on an m.f.n. basis because countries which had agreed to the VER system had been exempted from it. Sweden had decided not to conclude a VER agreement with the United States, and the additional tariff therefore continued to apply to Sweden. This was a time-limited measure which the United States had tried to implement in accordance with US law and with GATT provisions. Unfortunately, because Sweden had made certain choices in this matter, it was one of the few suppliers against which the extra tariff was still applied.

Previous notifications on standstill

United States - 100 per cent increase in customs duties on imports of certain Japanese consumer electronic goods (MTN.SB/SN/3)

15. Referring to Japan's standstill notification against the United States (MTN.SB/SN/3), which had been examined at the Body's meeting in October, the representative of the United States noted that on 4 November the US Administration had suspended a further portion of the sanctions against which Japan had complained; this followed a finding by his authorities that Japan had improved its implementation of the bilateral Arrangement with the United States on trade in semi-conductors. The Administration had already suspended US\$84 million worth of the sanctions concerning products

incorporating dynamic random access memory semi-conductor chips (DRAMs) and erasable programmable read-only semi-conductor chips (EPROMs). Such products included low-performance desk-top computers, 18- and 19-inch colour televisions and various types of hand power-tools. He recalled the US position that the Administration wanted to lift all the sanctions as soon as trade data showed clear and convincing evidence that Japan was fully complying with the Arrangement. The United States hoped that the data would very soon be forthcoming to enable it promptly to remove the sanctions on the remaining US\$165 million worth of trade still affected.

16. The representative of Japan reiterated his Government's request to the United States to withdraw all the measures in question, which infringed the General Agreement and the standstill commitment.

17. The representative of the European Communities recalled his delegation's concern at the bilateral Arrangement and at the US measures against Japan, both of which were doubtful under GATT. The Community welcomed the fact that some of the intensity of the measures against Japan had been reduced, but was worried that the judgement as to the applicability of these measures was being made in Washington and not in GATT. Such measures were part of a continuing pattern of efforts to resolve problems unilaterally, without regard to the GATT multilateral framework. The Community had expressed great concern over such actions in this and other GATT bodies.

18. The representative of Hong Kong said his delegation shared the Community's concerns and views on this matter.

Notifications by the European Communities in MTN.SB/SN/1

19. The representative of the European Communities said that at the Body's next meeting his delegation would raise the follow-up to the Community's standstill notifications in MTN.SB/SN/1 concerning: (i) US customs user fee; (ii) US tax on imported petroleum and petroleum products; and (iii) Brazil's expansion of the list of products for which the issue of import licenses is temporarily suspended.

Further relevant information provided by the secretariat

20. The Chairman, referring to the statement by Yugoslavia (paragraph 12), suggested that participants reflect on the type and usefulness of the further relevant information so far provided by the secretariat in the addenda to standstill notifications, in the light of the final sentence of paragraph C of the Ministerial Declaration, and of the Body's agreed procedures (MTN.TNC/2; and MTN.SB/1, paragraph 21). Having due regard to the agreed time constraints for circulating notifications together with comments and further relevant information, participants might want to suggest additional points which the secretariat could usefully cover, while continuing to limit itself to material that was essentially factual. He

suggested that the Surveillance Body could revert to this matter at a future meeting if any participant wanted to put forward some specific views.

Conclusion

21. The Chairman noted that any of the standstill notifications could be further examined, as required, at future meetings of the Surveillance Body. The Body's examination of standstill notifications at the present meeting would be transmitted in this record to the next meeting of the Trade Negotiations Committee (TNC), due to be held on 17 December. The record would also be transmitted to the GNG for its information. At that meeting, according to the agreed procedures, the TNC would have an opportunity to carry out its periodic evaluation of the implementation of the standstill commitment on the basis of the records so far transmitted to it (MTN.SB/1-4).