

**MULTILATERAL TRADE
NEGOTIATIONS
THE URUGUAY ROUND**

RESTRICTED

MTN.SB/7

22 November 1988

Special Distribution

Surveillance Body

MEETING OF OCTOBER/NOVEMBER 1988

1. The Surveillance Body met on 27 October, 9 November and 21 November 1988.

Adoption of the Agenda

2. The Surveillance Body adopted the agenda proposed in the convening airgram GATT/AIR/2678.

List of notifications and communications on standstill and rollback

3. The Chairman drew attention to the most recent list of notifications and communications on standstill and rollback in MTN.SB/W/3/Rev.3, and noted that it would be revised for circulation before the TNC meeting at Ministerial level in Montreal.

Item 2(A): Standstill

- (I) Examination of standstill notifications (MTN.SB/SN/- series) submitted in accordance with the agreed procedures (MTN.TNC/W/10)

4. The record of the Body's examination of notifications on standstill, drawn up in accordance with paragraph 3 of the agreed procedures, is annexed.

- (II) Consideration of statements by participants concerning other aspects of the standstill commitment

"Early Warning"

5. The representative of Argentina¹ noted that his delegation was submitting a standstill notification¹ concerning US agricultural export subsidy programs and targeted export assistance.

¹Subsequently circulated in MTN.SB/SN/18 on 7 November.

6. The representative of Australia said that his delegation would shortly submit a standstill notification¹ concerning the 41 per cent increase, since 1 July 1987, of Sweden's levy on imports of sheepmeat. He noted that Sweden's action had been discussed at the special Council meeting on 19 October (C/M/225, page 12). It was a measure of his Government's concern at the damage caused by Sweden's action that Australia had decided to notify the action to the Surveillance Body. The levy was now set at such a level as to effectively prohibit imports from suppliers, including Australia, trading on an m.f.n. basis. Australia considered this action to be inconsistent with paragraph (iii) of the standstill commitment; the levy increase had clearly been introduced in such a manner as to improve Sweden's negotiating position in the Uruguay Round negotiations on agriculture. Australia saw no justification for Sweden's action in terms of changes in trade flows or the circumstances of domestic producers. No justification for the measure in these terms had been offered to Australia by the Swedish Government in the numerous bilateral consultations which had been held on this matter. His delegation noted that a recent study by the Swedish Defence Research Institute, into that country's agricultural support policies, had questioned the validity of the food security argument traditionally tendered by Sweden as justification for the high levels of protection given to its agricultural sector. Australia hoped that Sweden would take early action on this matter so that it would not be necessary for the Surveillance Body to have to examine Australia's notification at the Body's next meeting.

7. The representative of Sweden confirmed that his country had increased its levy on imports of sheepmeat. He noted that Sweden had an agricultural regulatory system which provided for reviews of the levies every six months; the increases were made within the framework of this regulatory system which was governed by many basic factors. After the latest increase, Swedish importers had requested the authorities to examine the matter again. This request had been followed up at a meeting with the Swedish National Agricultural Market Board on 24 October 1988. It had been decided to decrease the levy by SEK 1.45 from 1 December 1988. Consequently, as from 1 December 1988, the new levy would be SEK 19.00 per kilo. The whole procedure had been carried out within the framework of the regulatory system. Sweden considered that neither that system, nor the changes of levies within it, could in any way be held to breach the standstill commitment. His delegation hoped that the action taken by his authorities would satisfy Australia's interests.

8. The representative of New Zealand said his authorities had discussed this matter at Ministerial level with the Swedish Government. New Zealand, as the largest supplier of sheepmeat to world markets, considered Sweden's measure to be contrary to the standstill commitment. The measure was

¹Subsequently circulated in MTN.SB/SN/19 on 15 November.

effectively part of the death-rattles of an old system established in the 1950s which had been the model for the EEC's Common Agricultural Policy. The system was clearly outmoded and his delegation noted that there was considerable debate now in Sweden as to the appropriateness of this policy; New Zealand awaited the outcome of that debate with interest.

9. The Chairman noted that the upcoming notifications by Argentina and Australia would be examined, in accordance with the agreed procedures, at the Surveillance Body's next meeting.

10. Turning to a separate matter, the representative of the European Communities said his delegation was particularly concerned over two aspects of the new US Omnibus Trade and Competitiveness Act which contravened paragraph (iii) of the standstill commitment, in that they were aimed at improving US negotiating positions in the Uruguay Round. The first concerned Section 4301 of the Act which provided for automatic triggering of marketing loans and export enhancement if significant progress was not being achieved, in the opinion of the United States, in the Uruguay Round negotiations. This was a blatant breach of paragraph (iii). The second concerned Section 1326 of the Act, which amended the definition of domestic industry for countervailing measure purposes in the area of processed agricultural products. This provision codified the practice already followed by the US International Trade Commission (ITC) during recent years and was helpful in providing greater clarity; however, the new definition sharply conflicted with existing GATT disciplines, including those of the Anti-Dumping Code.

11. The representatives of Hong Kong and Brazil said their delegations shared the concerns expressed by the European Community on this matter.

12. The representative of the United States said her delegation would report to her authorities the concerns which had been expressed.

13. On a separate matter, the representative of the United States said her delegation was pleased to report that the Administration's efforts aimed at defeating protectionist trade legislation in domestically sensitive sectors had proved successful when, on 4 October 1988, the House of Representatives had sustained the President's veto of the Textile, Apparel and Footwear Trade Bill of 1988.

14. The representative of Canada said that the US House of Representatives' sustaining of the Presidential veto, to which the representative of the United States had just referred, was an obvious case of the standstill commitment having been implemented. The Surveillance Body naturally tended to focus on breaches of the standstill commitment; however, Canada believed that the commitment had been operating in a less visible, although effective way in various capitals since it had taken effect in September 1986. His delegation considered that the fact that the Uruguay Round negotiations had been carried on, and that there was a firm

and clear commitment to standstill in the Ministerial Declaration, had exercised important beneficial effects on the trading environment by retarding the development of protectionist measures since Punta del Este. These effects were difficult to document; many proposals for protectionist action had been put forward in various countries, including his own, which governments had considered would violate the standstill commitment; in many of these cases, governments had decided that it was inappropriate to proceed with such action, because to do so would breach the commitment and would impede the Uruguay Round negotiations.

15. The representative of Brazil said his delegation did not share the view just expressed by the representative of Canada. Recent developments in world trade indicated clearly that no such optimistic evaluation of the effectiveness of the standstill commitment was justified.

16. The representative of Canada maintained his delegation's view that the standstill commitment had had beneficial effects, for the reasons set out in paragraph 14.

17. The representative of Japan said his delegation considered that the Surveillance Body's discussions over the past two years, concerning cases raised under standstill, had assisted in ensuring transparency in the trade measures taken by Uruguay Round participants and in preventing the adoption of protective measures. Japan supported the views expressed by Canada on this point. The Surveillance Body had examined the relationship between measures notified and the standstill commitment, but Japan was concerned that the Body had made no progress on ruling whether or not the commitment had been violated.

18. On a separate matter, the representative of Nigeria said that reports reaching his authorities indicated that the European Community had recently imposed a 30 per cent tax on vegetable and marine oils and fats. As a producer and potential exporter of these products, Nigeria requested that the measure, if it was in effect, be withdrawn, as it would violate the standstill commitment. His delegation would also appreciate consulting with the Community on this matter in the very near future, so that Nigeria would not have to make a standstill notification.

19. The representative of the European Communities said his delegation would consult with its authorities on this matter so as to be able to provide a satisfactory response to the point which Nigeria had raised.

20. The representative of Malaysia, noting that his country was a large exporter of vegetable oils, mainly palm oil, said his delegation would appreciate information from the Community on the point raised by Nigeria.

21. The representative of the European Communities said his delegation was not aware of any new measures taken by the Community which would breach the standstill commitment. As for the Community's proposed stabilizing

mechanism on oils and fats, this proposed measure had not been enacted and there was no prospect at the moment of it being enacted so far as he was aware.

Item 2(B): Rollback

Consideration of statements concerning the rollback commitment, in the light of the agreed procedures (MTN.TNC/W/10)

22. The representative of Japan noted that consultations had been held on most of the rollback requests listed in MTN.SB/W/3/Rev.3. His delegation wanted to stress that rollback was a political commitment which was to be implemented autonomously notwithstanding the difficult domestic situation which some governments faced. Japan attached great importance to the standstill and rollback commitments as a key element in promoting the Uruguay Round negotiations. It was important to send a positive message to the world at the meeting of the TNC at Ministerial level in Montreal, and that participants should not only reaffirm their commitments to standstill and rollback, but should also demonstrate concrete results, especially on rollback. Japan had made its utmost efforts in this regard and was pleased to be able to notify to the Surveillance Body certain measures on rollback.¹ Japan's rollback measures were to be implemented autonomously through termination of the import allocation systems on the items listed in the notification, within the time-frames indicated. His delegation wanted to emphasize that this action constituted the first real step taken by any participant in implementing the rollback commitment. The measures would be implemented without conditions and on an m.f.n. basis. Japan had decided to take these measures, despite the fact that there had -- until now -- been no undertakings resulting from consultations on rollback requests, because his Government believed that such concrete action would give an impetus to the process of implementation of the rollback commitment by all participants in the Uruguay Round. Japan urged other participants to come forward with substantial rollback measures. In order to enhance such contributions by other participants, Japan believed it was important that rollback measures could be implemented without prejudice to having them included in the evaluation of progress in the relevant Uruguay Round negotiating groups. With respect to other Japanese measures on which requests for rollback had been made, Japan did not consider that these contravened the General Agreement, and therefore considered that the measures were not subject to the rollback commitment. However, with respect to some of the measures requested for rollback, Japan had notified to the GATT market-opening measures on such products as beef and citrus, although these should not be regarded as actions under rollback as such.

¹Japan's notification was subsequently circulated in MTN.SB/RBN/1.

23. The representatives of Hong Kong, European Communities, Canada, United States, Republic of Korea, Australia, Hungary, Romania and Poland welcomed Japan's notification as the first decision to implement rollback measures, and as an important step forward in the Uruguay Round. Even though Japan's measures were limited in scope and responded to a panel recommendation (L/6253) adopted by the CONTRACTING PARTIES, participants welcomed the fact that the offer would be implemented unilaterally, without conditions and on an m.f.n. basis. The point was made that Japan's action was a decision, not an offer, and hopes were expressed that Japan would follow this up with further action, and that other participants would follow suit.

24. Some delegations, while recognizing the usefulness of autonomous actions on rollback, said that these should nevertheless not detract from the basic agreed procedures for requests and consultations, followed by undertakings on rollback.

25. The representative of Hong Kong said her delegation was disappointed that except for one item on which an Article XXIII:2 panel had ruled to be GATT-inconsistent, all the other items included in Hong Kong's rollback request to Japan (RBC/8) were not covered by Japan's announced measures. Hong Kong hoped that Japan would make further decisions on rollback in keeping with its commitment, and specifically looked forward to early agreement on a date for the third round of consultations concerning the request in RBC/8.

26. The representative of the United States noted that the products covered in Japan's notification covered only some of those included in the US request to Japan (RBC/1). The United States looked forward to progressive rollback by Japan of all the measures included in that request. Her delegation noted that Japan's measures liberalizing access for beef and citrus imports had not been taken formally under rollback, but the United States welcomed the action as being in the spirit of the rollback commitment.

27. The representative of Australia welcomed this opening of parts of Japan's market for agricultural products. Even though Japan, in making its notification on rollback, seemed to be making a virtue of a necessity in that the measures covered had been ruled GATT-inconsistent by the CONTRACTING PARTIES, Japan was setting a good example by implementing the recommendation. This was important not just in terms of rollback but for the operation of the GATT dispute settlement system. He also noted Japan's recent liberalization of access for beef which was of great importance to Australia.

28. The representative of the European Communities noted that his delegation's rollback offer had been on the table since March 1988. It had been the subject of consultations resulting from the requests made to the

Community by two participants, the United States (RBC/18) and Japan (RBC/17). Those consultations were still continuing.

29. The representative of Japan noted that the rollback consultations which his delegation had held with the European Community on 13 June 1988 had not concerned the EEC offer but referred to Japan's request to the EEC for rollback of discriminatory quantitative restrictions on a range of imports from Japan (RBC/17).

- Proposal by Brazil (MTN.SB/W/5/Rev.1)

30. The representative of Brazil, introducing his delegation's revised proposal on rollback procedures (MTN.SB/W/5/Rev.1), said it remained basically the same as the original proposal put forward at the Body's meeting in June 1988. The main difference was that since some delegations had expressed doubts about the feasibility of establishing the specific time-frame suggested in the original proposal, Brazil was now suggesting that the Ministers meeting in Montreal would agree on the specific time-frame.

31. A large number of delegations supported Brazil's revised proposal. It was noted in this connection that apart from Japan's action (MTN.SB/RBN/1), no rollback undertakings had so far been made in response to requests, despite the understanding by the Chairman of the TNC in January 1987 that some would be made by the end of 1987 (MTN.TNC/W/10, page 6).

32. Some other delegations, while supporting the spirit behind Brazil's proposal, said they had serious difficulties with its specific elements. These delegations stressed that rollback was a process which Ministers had agreed should continue progressively until the end of the Uruguay Round. Many consultations on rollback were still underway and it was possible that, in some cases, the consultations would result in some participants concluding that measures which had been the subject of requests were not subject to rollback. They added that rollback was a political undertaking, to be implemented autonomously, and the process would not necessarily be assisted by developing further elaborate procedures and deadlines which would yield no results if the main factor of political will was absent.

33. The Chairman noted that many delegations had supported Brazil's proposal in MTN.SB/W/5/Rev.1. Some other delegations, while supporting the spirit behind it, which was to secure more effective action towards implementing the rollback commitment, had serious difficulties with the time-frame suggested. Concerns had also been expressed about the manner in which the proposal could be seen to interpret the rollback commitment. He noted, therefore, that at the present time there was no common view in the Surveillance Body on the proposal.

Item C: Other Business

(I) Review of situation in the context of the meeting of the TNC at Ministerial level in Montreal

34. The Chairman presented for discussion a draft report of the current situation on implementation of the standstill and rollback commitments, drawn up on his responsibility as Chairman. The report gave a factual account of what had, and had not, been achieved so far, assessed the situation, and made recommendations for agreement by Ministers.

35. Participants commented on the draft. The Chairman proposed that the present meeting be held open to allow for further informal consultations in order to complete consideration of this item. The revised report was subsequently discussed by the Surveillance Body on 9 and 21 November; at the latter meeting, the Surveillance Body agreed that the Chairman's report (MTN.SB/8) be submitted to the TNC meeting at Ministerial level in Montreal.

(II) Future work and the date of the next meeting

36. The Surveillance Body agreed to hold its next meeting on Tuesday, 7 March 1989. This date could be changed if circumstances so required.

ANNEX

RECORD OF EXAMINATION ON 27 OCTOBER 1988
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/W/10)

- New notification on standstill

United States - Restrictions on imports of 22 products from Brazil
(MTN.SB/SN/17 and Rev.1)

1. The representative of Brazil said that since his delegation's notification against the United States had been circulated, the problem which it raised had become much more serious. On 20 October 1988, the US Administration had announced prohibitive, 100 per cent tariff increases on imports of 22 products from Brazil. What had been announced in July as an intention to impose a coercive measure had now become a fact. Brazil was requesting circulation of a revised version of its notification (MTN.SB/SN/17/Rev.1)¹ containing a listing of the Brazilian products affected and a description of the US measures. He drew attention to the points raised in the revised notification, noting that in July 1988, the United States had announced its intention to impose trade restrictions on products imported from Brazil, following an investigation under Section 301 of the Trade Act of 1974. The announcement had made an immediate negative impact on Brazilian sales to the United States. On the day of the announcement, a US Presidential spokesman had made an explicit link between the unilateral US action and the enhancement of the US negotiating position in the Uruguay Round Negotiating Group on Trade-Related Aspects of Intellectual Property Rights. The statement thereby constituted an acknowledgement of a breach of paragraphs (i) and (iii) of the standstill commitment and threatened the foundation upon which the current negotiations were being conducted. Brazil intended to pursue this matter in GATT and on 22 August had requested Article XXIII:1 consultations with the United States. The US reply, dated 9 September, had stated that consultations were premature since the measures had not yet been taken. Now that the damage initiated by the US announcement had been aggravated by

¹Subsequently circulated on 10 November.

the imposition of unilateral restrictions, Brazil was determined to fully exploit all possibilities under the General Agreement to redress and defend its nullified and impaired rights. Accordingly, his country intended to propose dates for the unduly delayed consultations, reserving the right to resort to further remedies should those consultations fail to provide a satisfactory restoration of Brazil's rights. It was also appropriate to raise the breach of the standstill commitment in the Surveillance Body, although Brazil was aware of the limitations faced by this Body in giving an adequate response to standstill violations, even when they were, as in this case, indisputable. The reasons for this frustrating feeling of impotence were to be found in the nature of the standstill commitment, which was viewed as a political engagement deprived of a dispute settlement mechanism such as that provided in the General Agreement. This was not to say, however, that the standstill commitment was intended for purely unilateral application; such an interpretation would make a mockery of a solemn engagement central to the success of the Uruguay Round and would transform the undertaking into a dead letter. Political did not mean unilateral. Standstill was a multilateral, collective commitment made by all participants at Punta del Este. What had been collectively undertaken, had to be monitored and guaranteed in a multilateral way, as provided for in Part C of the Ministerial Declaration, which stated that "standstill and rollback shall be subject to multilateral surveillance". This case concerned a unilateral decision which the United States had not attempted to justify on any ground other than that of a national law. Such action should give little comfort to those who hoped that the new US trade legislation and its Section 301 would never be put into practice. Brazil was not only concerned with the damage caused to its rights and interests by this specific case, but also with the fact that unilateralism per se constituted a threat to the multilateral trading system and to the Uruguay Round. It appeared pointless to expect that unilateral restrictions could be cured by more unilateralism. The challenge to the standstill commitment had to be met in the multilateral body set up for this purpose as provided by Part G(ii) of the Ministerial Declaration. He concluded by noting that his Government had already stated that "pressures such as those we are now suffering are illegal and illegitimate, acquiring furthermore a particularly negative connotation at a time when, in the GATT, through the Uruguay Round, we are attempting to reform the basic rules of international economic exchanges. The US decision is not good omen for the Uruguay Round".

2. The representative of the United States noted that on 21 July 1988, the President had determined under Section 301 of the Trade Act of 1974, as amended, that Brazil's failure to provide process and product patent protection for pharmaceutical products was "unreasonable" and burdened or restricted US commerce. The President had stated his intention to take appropriate action in response to Brazil's policy. On 20 October, the President had decided to impose prohibitive tariffs on imports from Brazil averaging US\$39 million. The Administration estimated that US pharmaceutical and fine chemical companies had incurred annual losses at

least this large as a result of Brazil's shortcomings in patent protection. The United States regretted that it had been found necessary to take this step, considering that retaliation should be an action of last resort in any trade dispute. The United States had made every effort to resolve this issue over the past two years. However, since all other feasible means of resolving the issue had been exhausted, the Administration had been left with no alternative but to impose sanctions under Section 301 if the legitimate economic interests of the United States were to be defended. The United States hoped it would be possible to lift these sanctions in the near future, and was prepared to do so as soon as the Government of Brazil responded fully to US concerns. Her country considered Brazil as a friend and an important trading partner. However, patent protection was vital for developing an efficient, competitive pharmaceutical and fine chemical industry in any country, and the United States called on Brazil to adopt effective patent protection. Brazil's policy of denying any patent protection for pharmaceutical products was clearly detrimental to international trade in such products. Apart from Malawi, Brazil was the only country which failed to provide patent protection for pharmaceuticals; other governments provided at least process patent protection for methods of producing pharmaceuticals. The fact that the United States had been forced to respond to Brazil's shortcomings in patent protection in order to defend US economic interests underscored the importance of successful negotiations in the Uruguay Round on the protection of intellectual property rights. She concluded by saying that the United States had confirmed to Brazil that it was willing to consult bilaterally on this matter.

3. The representative of Argentina said his delegation supported Brazil's statement. Argentina considered there was a contradiction, in terms of the standstill commitment, in the fact that a participant in the Uruguay Round which was making proposals in the negotiations on trade-related aspects of intellectual property rights, and which had its own system of intellectual property protection, should take retaliatory measures against another participant which had a different level of intellectual property protection. Furthermore, Argentina found no reference in the General Agreement to levels of protection which contracting parties should grant to specific products such as pharmaceuticals or chemicals.

4. The representatives of Cuba, Chile, Uruguay, Mexico, Colombia, Egypt, India, Peru and Yugoslavia supported Brazil's statement and the points made by Argentina. These delegations considered that the unilateralism of the US measure, and its clear aim to improve the US position in the Uruguay Round negotiations on trade-related aspects of intellectual property rights, constituted violation of paragraphs (i) and (iii) of the standstill commitment. The measure not only damaged Brazil's trade, but undermined the GATT multilateral system and the Uruguay Round negotiations as a whole. The unilateral action of the United States in applying Section 301 of the Trade Act of 1974 against a developing country was particularly regrettable. Delegations saw no reference in the US statement to that

country's GATT obligations in this matter. They also saw no reason for the United States delaying the Article XXIII:1 consultations which had been requested by Brazil.

5. The representative of the European Communities said it was important to note that the US measure had been taken under the Trade Act of 1974, rather than under the new Omnibus Trade and Competitiveness Act. It would be difficult to find a better and stronger case than the one under discussion for bringing the problems associated with patent protection, as well as the wider issue of intellectual property rights, into the GATT framework. The Community understood the dilemma which some countries faced in this area, particularly the problems in the pharmaceuticals industry which had worldwide ramifications, since the industry depended on international exchange. At present, sufficient patent protection was apparently lacking in Brazil's pharmaceutical industry, causing a very real problem. Nevertheless, the Community was seriously concerned that in this case, unilateral action had been threatened, and then taken; the standstill commitment had been breached, particularly its paragraph (iii). The Community agreed that such unilateral action should be avoided. However, the only way to avoid having to take such action in the last resort would be to have the right framework in GATT which would provide for multilateral solutions to such problems. It was to be hoped that the Uruguay Round negotiations would lead to agreement on such a framework. He concluded by saying that the Community hoped that the US offer of consultations responded to the Article XXIII:1 consultations sought by Brazil.

6. The representative of the United States confirmed that her delegation had accepted to hold Article XXIII:1 consultations with Brazil on this matter.

7. The representative of Brazil thanked all those delegations which had supported his Government's position on this matter. His delegation was surprised at the silence of some participants, since the US measure contravened the General Agreement, and therefore threatened the interests of all contracting parties, and it violated the standstill commitment, whose implementation it was the responsibility of all Uruguay Round participants to ensure. Brazil continued to believe that its request for Article XXIII:1 consultations should have been met in August and that the US argument for delaying the consultations was unjustified. He added that Brazil had a long-standing tradition of defending intellectual property rights; his delegation's views on that aspect of the matter had been fully expressed at the Council's meeting on 22 September (C/M/224, item 14). Commenting on the statement by the representative of the European Communities, he said that strength, coercion, threats and unilateral action should not guide countries' behaviour; reason, law and justice should be the basis of international relations.

8. The representative of Canada said his delegation considered this an important issue and would report on the discussion fully to his authorities. Canada would continue to reflect carefully on the issues and implications involved.

9. The Chairman concluded that the Surveillance Body had discussed the relationship of the US measure to paragraphs (i) and (iii) of the standstill commitment, to the GATT multilateral framework and to other areas of the Uruguay Round negotiations and had noted the large number of statements made. Although there had been no reference in the US statement to the standstill commitment, the Body had heard the United States' views on the reasons why it had taken the measure, and had noted the United States' readiness to consult with Brazil under Article XXIII:1.

- Previous notifications on standstill

United States - Tax on imported petroleum and petroleum products
(MTN.GNG/W/1 and MTN.SB/SN/1)

10. The representative of Mexico asked whether there had been any new developments concerning the United States removing its tax on imported petroleum, which the CONTRACTING PARTIES had ruled inconsistent with the General Agreement and which therefore also violated the standstill commitment.

11. The representative of the United States said that Congress had not yet taken action on the Administration's proposal to bring the US law on this measure into conformity with the CONTRACTING PARTIES' recommendation. The Administration hoped that the issue could be resolved by early 1989, and would continue to work closely with Congress to ensure that this was done. She added that the US Trade Representative had meanwhile authorized the opening of negotiations with affected contracting parties on the issue of compensation concerning the US measure.

Indonesia - Prohibition of exports of tropical woods (MTN.SB/SN/1)

12. The representative of the European Communities, referring to the Community's notification in MTN.SB/SN/1, said there had been an aggravation of the situation in that, on 1 July 1988, Indonesia had imposed a total ban on exports of semi-finished rattan. The ban had originally been due to take effect on 1 January 1989. His delegation continued to be very concerned by the ban, believing that it was difficult to justify the measure under paragraph (ii) of the standstill commitment. The Community did not consider that Indonesia's justifications for taking the measure were acceptable, and had asked for further consultation with Indonesia on its latest legislation and on its overall policy concerning exports of tropical woods.

13. The representative of Indonesia recalled the statements made by his delegation on this matter at previous Surveillance Body meetings (MTN/SB/2, 3 and 6), at which Indonesia had explained the reasons for its prohibition of exports of tropical woods. He would communicate to his authorities the concerns expressed by the Community.