

**MULTILATERAL TRADE  
NEGOTIATIONS  
THE URUGUAY ROUND**

RESTRICTED

MTN.SB/11

15 December 1989

Special Distribution

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Surveillance Body

MEETING OF 29 NOVEMBER 1989

1. The Surveillance Body met on 29 November 1989. Part I of this note records the discussion under Agenda Items (a) (Standstill), (b) (Rollback), and (c) (Other business) except for the discussion on preparation of proposals for appropriate TNC action, which is recorded in Part II of this note.

PART I

Adoption of the Agenda

2. The Surveillance Body adopted the agenda proposed in the convening airgram GATT/AIR/2867.

Item (A): Standstill

(I) Examination of standstill notifications (MTN.SB/SN/- series) submitted in accordance with the agreed procedures (MTN.TNC/W/10/Rev.1)

3. The Chairman drew attention to the latest list of notifications on standstill (MTN.SB/W/3/Rev.6), pointing out that there had been no new submissions of standstill notifications to be examined at this meeting.

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

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

"Early warning"

5. The representative of India said that at the previous meeting of the Surveillance Body, his delegation had referred to the action taken by the United States on 25 May 1989, in identifying India as a priority country under the so-called "Super 301" provision in respect of certain investment measures and the insurance sector. His delegation had then stated that this action, along with India's identification by the United States as a priority watch country under the "Special 301" provision relating to intellectual property rights, constituted a breach of the standstill

GATT SECRETARIAT

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commitment undertaken by all participants of the Uruguay Round at Punta del Este. Such recourse to unilateral measures was an attempt by the United States at improving its negotiating position and could only serve to undermine the multilateral negotiating process. Nothing had happened over the past six months which persuaded India to change its views. In fact, the process was sought to be kept alive through another notification issued by the United States Trade Representative on 1 November 1989, announcing the results of the review under "Special 301" through which the date for the revaluation of the status of a number of countries including India was moved forward to late April 1990. His delegation continued to harbour the same serious doubts and deep misgivings at the continuation of this process as it had voiced at the previous meeting. Such action sought to challenge the relevance and utility of free and fair discussions in the multilateral negotiating process. India was deeply disappointed that the United States continued to disregard its concerns and, in fact, the concerns of a large number of other countries, which had spoken of the danger and threat that such an action posed to the health and vitality of the multilateral trading system. Although only one year remained for the conclusion of the Uruguay Round, the threat of unilateral retaliatory action loomed large over the heads of a number of participants in the negotiations, apparently with a view to exerting pressure on these countries to adjust their positions in the negotiations. The process of unilateral action on which the United States had embarked was fraught with serious consequences, not only for the negotiating process of the Uruguay Round, but equally, if not most importantly, for the negotiated results themselves: for what would be the guarantee that the United States would not seek to change the outcome in its favour by resort to similar measures should it not feel wholly satisfied with that outcome. India would, therefore, once again urge the United States to abandon the course which it had embarked upon, if the Uruguay Round was to be meaningful at all for all the participants.

6. The representative of Brazil recalled that under the "early warning" procedures, Brazil had brought to the attention of the Surveillance Body the steps taken by the United States authorities in implementing the Trade and Competitiveness Act and, in particular, the mechanisms referred to as "Super 301" or "Special 301" procedures. that reinforced the specific section of that law and which, in Brazil's view, had already produced a negative impact on the Uruguay Round. Brazil was once again singled out in the process concerning the implementation of Section 301 of that law. The United States Trade Representative had announced in Washington a review of the situation prevailing in the area of intellectual property protection in the countries included both in the watch list and in the priority watch list of the "Special 301" procedures. As on previous occasions, Brazil was maintained as a country for priority watch. The inclusion of a country in that particular list implied that its practices relating to intellectual property would continue under scrutiny of the United States authorities. If they found that the level of protection granted by the country did not conform to the patterns they considered as fair, the country might suffer severe trade restrictions. No country had the right of being judge and jury of its own causes and interests. Moreover, a Group in the Uruguay Round had the mandate to deal with the trade-related aspects of this matter. Its results and conclusions should not be prejudged. Participants

should abide by the commitment referred to in point (iii) of the General Principles Governing Negotiations in the Punta del Este Declaration which clearly indicated that participants agreed not to take any trade measures in such a manner as to improve its negotiating positions. Therefore, such action constituted another blow to the standstill commitment as defined in the Punta del Este Declaration which was essential to build up the necessary atmosphere of mutual confidence and cooperation that should prevail in the negotiations. This was not the only instance in which Brazil suffered from threats of unilateral action. However, the renewed determination of one participant to impose upon another the implementation of patterns defined by the former and related to an area under negotiation meant that Brazil's ability to participate fully in the negotiating process was impaired. Brazil followed attentively the declarations of the relevant United States authorities on this issue. Although these authorities continuously reassured other participants that their action did not in itself constitute a breach of any particular commitment, Brazil already suffered the burden of some retaliatory practices. It was a matter of concern to Brazil that the continuity of such a process jeopardized the confidence building thrust that had to prevail in the Round. With a view to making sure that the Uruguay Round process continued in such a way as to allow for all participants equal opportunity to express freely their views, Brazil believed that this matter should be kept under review in this Body.

7. The representatives of the European Communities and Japan said that they shared some concerns expressed by the representatives of India and Brazil. The representative of the European Communities said that the question of the use of unilateral measures would have to be dealt with as part of the results of the Uruguay Round.

8. The representative of the United States noted that each time concerns were raised in various fora regarding Section 301, his country gave detailed responses. His delegation took note of the renewed expressions of concerns at this meeting, and would transmit them to his authorities.

9. Turning to another issue, the representative of Chile said that his delegation wished to place on record certain measures which the United States was currently putting into effect and which could certainly, if actually carried into practice, constitute a violation of the standstill commitment. In 1937, when the world was just emerging from the longest peace-time recession in history, the United States Congress enacted the "Agricultural Marketing Agreement Act" which established the "marketing order". It was a para-tariff measure which euphemistically was supposed to control the quality of 40 domestic agricultural products, of which 18 were imported into the United States. In fact, the aim was to protect domestic producers at the expense of foreigners. The following details clearly showed the protectionist objective: (a) the measure applied precisely during the periods when the United States products appeared on the market and ceased to apply when that production ceased to be significant. If the aim was to protect consumer health or ensure a specific quality, it was hard to understand why that protection was provided only during short period of the year and not for the full 12 months; (b) normally the inspection of local products was carried out where they were produced,

whereas imported products were inspected at the ports of landing, without considering deterioration that might occur during transportation. In other words, different criteria - point of origin for domestic products and point of entry for foreign ones - applied for local and imported products;

(c) thirdly, it seemed odd that the country calling itself the champion of economic liberalism should change its policy in some cases and allow the Government to decide what should be the quality, size, class or degree of ripeness of agricultural products. Instead of leaving it to the consumer to choose the type of fruit to consume, it was the Government that decided what its population should consume, in the best centrally-planned-economy style. With the winds of change in Eastern Europe, it was perhaps time the United States reviewed so outdated a policy. So far, these arguments were more related with rollback, since the measures damaged free trade and should in any case be eliminated. However, presently United States Government agencies and ministries (Treasury, Agriculture, Commerce, the USTR, and so forth) were busy studying a Bill introduced by Senator Cranston for consideration by the United States Congress during its next session. The aim was to extend the coverage of the "marketing order" to the following fruits: kiwis, peaches, pears, nectarines and plums. This amounted to the application of a restrictive measure and therefore a threat of violation of the GATT national-treatment and most-favoured-nation principles. The protectionist nature both of the marketing order and of its possible extension were, according to the representative of Chile, apparent from Senator Cranston's Bill, as it appeared in the Congressional Record for 16 May 1989. According to his unofficial translation of certain extracts from the Bill, "These minimum quality provisions ensure that consumers receive high-quality products and help to intensify industry sales". It appeared that the aim was therefore to protect local industry. The Bill also said that "Consumers often cannot distinguish between locally-produced and imported fresh fruit and vegetables. Section 8 of the Agricultural Marketing Agreement Act provides the remedy to this problem ...". In other words, it seemed that imported products were as good as United States ones, so much so that people could not distinguish between them. Obviously, this was a problem for local industry if imported products were cheaper. Again, according to the Bill, "...Imports of peaches, pears, nectarines and plums have also increased substantially during the last five years. This rising trend is expected to continue". It meant, therefore, that the United States consumer preferred imported peaches, pears, nectarines and plums. However, the aim was to deprive the consumer of high-quality, reasonably-priced products. The representative of Chile concluded by saying that there could be no doubt that the "marketing orders" had a protectionist aim. Moreover, any extension in their coverage would constitute a violation of the standstill commitment agreed at the start of the Uruguay Round. He formally requested that his statement be considered an early warning notification.

10. The representative of the United States said that he had neither specific information on the issue or the Bill in question, nor had indications as to the chances of the passage of the Bill, which might be relevant to discussions under "early warning".

11. The representative of Australia raised several EC agricultural measures which were of concern to Australia and which, it believed, might contravene the standstill commitment, in particular paragraph (iii) of the commitments, and asked the European Communities' reaction on their consistency with the commitment. The first item related to increases in processing aids for dried vine fruits. The EC provided processing aids to producers of dried grapes, separately from the minimum price paid to the producer of fresh grapes, ostensibly to bridge the gap between world prices and higher EC prices, together with an allowance for processing costs. The aid increased from 74.657 ECU/100 kg to 81.478 ECU/100 kg for the 1989/90 period. This represented an increase of 9 per cent in ECU terms and some 30 per cent in drachma in Greece where production took place, and it did not reflect a similar increase in grape price disparities. The second item related to dairy quotas. The EC recently agreed on a one per cent increase in EC dairy quotas, which would result in an increase in dairy production which was eligible for EC price support. This would improve the EC's negotiating position in the Uruguay Round. The third item related to the consideration being given by the EC to the imposition of import securities on imports of peas and beans. The measure was apparently aimed at ensuring that the imported product did not attract support intended for the local product. However, it could impose extra hardship on third country imports as against intra-EC trade and might act to impede market access. The alleged, but unsubstantiated, fraud in EC arrangements should be dealt with internally by the EC, not at the cost of third countries. The fourth item related to the so-called "conversion scheme" within the EC. It was proposed that subsidies be paid to encourage production away from areas of surplus production towards previously unsubsidized products where self-sufficiency was not reached. This involved conversion to oilseeds, nuts, berries, small fruits, sub-tropical produce, ornamental plants or flowers, and so forth. Australia was concerned that this could affect Australian exports of speciality products. The scheme had the potential to become permanent and to broaden the scope of the Common Agricultural Policy.

12. The representative of Argentina asked that the EC's increases in price support for certain corn production be added to the Australian list, as his delegation considered them as a violation of the standstill commitment. In due course, his delegation would be notifying it to the Surveillance Body.

13. The representative of the European Communities said that he would report back on those measures mentioned above, and asked for detailed information, particularly from Argentina, about the products concerned so that the Communities could judge the appropriateness of the issues in the context of "early warning".

14. The representative of Argentina said that he would provide the information to the EC, independently of its notification to the Surveillance Body.

15. Turning to another issue, the representative of the European Communities raised concerns over Brazil's measure to increase the rate of

tax on a number of products including raw sisal. The measure was taken in January 1989, but its effects were presently coming through. The law in question was Number 4825, and the level of tax was increased to some 13 per cent. In theory, it was applicable to both raw and processed sisal. Brazilian sisal spinners were also taxed at the outset, but they were reimbursed. Exporters of the raw sisal, however, were not reimbursed, and as a consequence there was a discrimination in the tax system. The discrimination was particularly onerous for processors in the European Communities, who relied up to 70 per cent of their supplies of raw sisal on Brazilian producers. The measure was questionable under the standstill commitment, particularly paragraph (iii) of the commitment.

16. The representative of Brazil said that he would transmit the EC representative's statement to his authorities and, as soon as he had any information on the issue, he would give it to the EC either formally or informally.

17. The representative of the United States recalled the statement which his delegation had made at the last meeting of the Surveillance Body on the EC's Broadcasting Directive. He noted that consultations under Article XXII would be held between his country and the EC on 1 December 1989.

#### Item (B): Rollback

#### Consideration of statements concerning the rollback commitment, in the light of the agreed procedures (MTN.TNC/W/10/Rev.1)

18. The Chairman noted that since the last meeting of the Surveillance Body, there was only one communication concerning consultations on rollback, namely RBC/8/Add.4 on consultations between Japan and Hong Kong. He asked whether any delegations had information to report concerning further consultations, undertakings, or offers on rollback.

19. The representative of the European Communities, referring to the Official Journal of the European Communities (No. L 325/1) dated 10 November 1989, which was distributed at the meeting, said that the document contained the EC's offer on rollback and should be registered as a revision of the EC's earlier offer made in March 1988 (RBC/19). As was well known, the EC retained some quantitative restrictions which had a long history. They were fully notified to the GATT, and they had their justification. The EC was prepared to tackle them progressively, but they could not be abolished overnight. The offer tabled at this meeting was intended as a contribution to the rollback process, without prejudice to the standing of these quantitative restrictions under the General Agreement. The EC took the rollback commitment seriously, but considered it an inseparable part of the standstill undertaking. The EC regretted that the standstill commitment was not respected by a number of countries. There were no particular procedures to ensure that the commitment could be honoured. The absence of clear indications that participants were taking the standstill commitment seriously made it all the more difficult to carry

out a rollback programme. There was no doubt that the Surveillance Body should do whatever it could do to facilitate implementation of the standstill and rollback undertakings. There were also genuine efforts to establish concepts and a timeframe for the implementation of rollback, and, in this respect, New Zealand's proposal was particularly praiseworthy. However, the EC believed that no procedures could substitute for the political will of all participants to honour the standstill and rollback undertakings. For that reason, the EC continued to favour an autonomous course of rollback, bearing in mind that the implementation of rollback should, to the extent possible, be carried out in concertation to ensure that all participants played their part. Hitherto only the EC and Japan put forward autonomous rollback proposals. Japan had carried out its proposal, but that was, for the most part, implementation of a Panel report. The EC was now in a position to announce the unconditional elimination of a range of quantitative restrictions, without prejudice to their justification under the General Agreement. The distributed document was inspired by the EC's initial offer of March 1988. Since then, the EC had reviewed the offer, taking due account of comments made on it. The new offer should not be seen in isolation. The EC had undertaken a further programme of liberalization announced in the Official Journal of the European Communities of 8 August 1989, and essentially related to imports from Japan. The programme was contained in Regulation No. 2429/89, and constituted an amendment to the annex of Regulation No. 288/82. That announcement, if taken together with the document distributed at this meeting, went a long way towards allaying some of the fear and hesitation expressed by Japan at the time when the offer was first made. Similarly, a decision was taken on 6 November 1989 to eliminate the so-called specific QRs on imports from Poland and Hungary, which were contained in Regulation 3420. A new Regulation 3381/89 effectively eliminated all remaining specific QRs on imports from the two countries. These measures responded to the hesitation and criticism expressed by Hungary and Poland at the time when the offer was first made. In addition, a decision was taken on 27 November 1989 to suspend non-specific QRs on imports from Poland and Hungary. Thus, a series of substantial measures were taken by the EC to give substance to its commitments. With the present offer, the EC demonstrated its determination to move down the rollback path. The EC would wait to see what corresponding measures would be taken by other participants so as to ensure that coherent, concerted rollback undertakings as agreed upon in the Punta del Este Declaration be obtained.

20. The representatives of Hong Kong, Japan, Romania, Hungary, Poland, Chile, Australia, the United States, Argentina, and Brazil welcomed the EC's announcement of the rollback offer, and said that they would study the documents concerned carefully and reserve their comments to make in the future meeting.

21. The representative of Australia expressed his country's particular interest in the rollback action on non-specific QRs. While hopefully this was the beginning of a wider process of liberalization by the EC, Australia would wish to study the details and implications of this decision.

22. The representative of Japan noted that there still remained discriminatory restrictions on 91 items maintained by the EC against Japan. He expressed Japan's expectation that the EC would take speedy action on them.

23. The representative of Romania said that his delegation did not share the EC's opinion on the conditionality of implementation of rollback measures on respect for the standstill commitment. Such conditionality would be against interests of smaller countries.

24. The representative of the European Communities pointed out that he did not say that rollback undertaking was conditional on standstill. Indeed, there was an inseparable linkage between the two, but the EC could not have made the autonomous offer if it had made it conditional on standstill. By its action, it proved that there was no such conditionality attached.

25. The representative of Hong Kong, referring to the rollback consultation held between Hong Kong and Japan on 19 September 1989, said that it had been inconclusive. Hong Kong therefore concluded that the rollback consultations went as far as they could, and it had to reconsider its position on the long standing problem regarding Japan's prior-confirmation system on silk fabrics. In this regard Hong Kong reserved all its rights under the GATT. This being said, Hong Kong still hoped that Japan would respond positively to the problem, in particular in the light of its commitment to standstill and rollback as demonstrated in the autonomous rollback action it took in October 1988.

26. The representative of Japan said that at the consultation with Hong Kong, Japan had explained the rationale of the prior-confirmation system, including the GATT-consistency of the system. The two sides had not unfortunately reached an understanding, but it was Japan's hope that solutions to the problem be found in the near future.

Item (C): Other Business

27. The record of the discussion under this Item regarding preparation for appropriate TNC action in accordance with paragraph (h) of the Mid-Term Review decision is contained in Part II of this note.

28. The representative of Chile suggested that in order to facilitate participants' understanding of which measures were incompatible with the General Agreement, the Secretariat should make a list of measures which had been determined as incompatible with the GATT by Panel reports since the beginning of the GATT. Supporting New Zealand's proposal (MTN.SB/W/8), particularly its paragraph (c), Chile believed that such a list would be useful for the rollback process.

29. Some delegations supported Chile's suggestion, with one delegation pointing out that not only Panel reports but also other legal instruments in the GATT such as Protocols of Accession should be examined.



30. Other delegations said that as far as Panel reports were concerned, information was already available in the reports of the Director-General on the status of work in Panels and implementation of Panel reports. However, if the work involved any judgement on GATT-consistency or -inconsistency of measures concerned, it would be up to the CONTRACTING PARTIES, not the Secretariat, to do the work. Therefore, they wanted to reflect the issue more carefully.

31. The representative of Chile repeated his suggestion, stressing that he was simply asking the Secretariat to make a catalogue of Panel conclusions which stated that measures concerned were incompatible with the GATT.

32. The Chairman suggested that the representative of Chile allow the Secretariat an opportunity to review the information that was already available, including information before the Council or various Negotiating Groups, and to discuss the matter with him. Following that, it might be taken up again at the next meeting.

33. With regard to the date of the next meeting of the Surveillance Body, the Chairman proposed Wednesday, 14 March 1990. The Surveillance Body so agreed.

## PART II

### Preparation of Proposals for Appropriate TNC Action in accordance with Paragraph (h) of the Mid-Term Review Decision

34. The Chairman recalled that the Chairman of the TNC had suggested at the TNC's July meeting that, for its December meeting, the TNC should have proposals from the Surveillance Body for appropriate TNC action in accordance with paragraph (h) of the Mid-Term Review decision. The Chairman also noted that at the last meeting of the Surveillance Body, there were discussions on three communications submitted by Canada (MTN.SB/W/6), Australia (MTN.SB/W/7), and New Zealand (MTN.SB/W/8), in accordance with paragraph (g) of the Mid-Term Review decision. The summary of these discussions was contained in the record of the meeting (MTN.SB/10). Since the meeting, there were no new communications on the subject. In the light of the suggestion of the Chairman of the TNC, the Chairman asked whether there were any additional proposals or further comments on the three communications.

35. The representative of Brazil, referring to paragraph 8 of Australia's communication and paragraph (c) of New Zealand's proposal, said that the element should not be taken up in the context of the rollback commitment. Measures which were ruled as inconsistent with the GATT by Panel reports should be eliminated or brought into conformity with the GATT, following the normal GATT procedures. They had no direct relevance to the rollback mechanism that should deal with those measures which were not subject to Panels, but were directly inconsistent or likely to be inconsistent with the GATT. As there were already established procedures for Panels, there

were no need for specific decisions in the Uruguay Round. Brazil was disappointed with the relative lack of progress in rollback, but it did not think that a decision regarding what had been already decided upon should be brought into the rollback commitment in order to show that progress was made. For these reasons, Brazil was uneasy with the paragraphs concerned in communications from Australia and New Zealand, and it was not in a position to recommend them to the TNC.

36. The representative of Argentina, concurring with the representative of Brazil, said that the rollback commitment was a separate track from the Panel proceedings.

37. The representative of the European Communities, while appreciating New Zealand's efforts to put forward the proposal, said that with respect to paragraph (c) of the proposal, the whole question of how to implement recommendations on measures ruled as inconsistent with the GATT by Panels was on the agenda in a specific Negotiating Group. GATT Article XXIII:2 provided for complex procedures, including elimination of measures concerned, bringing them into conformity with the GATT, compensation, or retaliation. Therefore, the proposal could not be simply accepted without its implications for the dispute settlement procedures being taken into account. As the representatives of Brazil and Argentina had said, it would not be helpful to restate what were simply obligations under the GATT. Although the EC did not recommend the adoption of either Australia's or New Zealand's proposals by the TNC, it wanted to retain them on the table for further consideration. Discussions on these issues should continue through the rest of the Uruguay Round until final decisions be made on the manner in which standstill and rollback undertakings would be carried out.

38. The representative of Norway, speaking on behalf of Nordic countries, made comments chiefly on New Zealand's proposal. Paragraph (b) of the proposal dealt with the question of how to tackle "grey area" measures. Such measures should be phased out or brought into conformity with the GATT, to the extent that they were inconsistent with the GATT. In doing so, agreements on strengthened rules and disciplines reached in pursuance of negotiating objectives should be taken into account, in accordance with the decision on rollback in the Punta del Este Declaration. This particular provision was lacking in New Zealand's proposal. With regard to the question on implementation of Panel reports, New Zealand's proposal only referred to phasing out of the measures, but it should also include the possibility of bringing them into conformity with the GATT. The issue of implementation of Panel recommendations was one of the crucial items under consideration in the Negotiating Group on Dispute Settlement. In general terms, implementation of Panel reports was the essence of the dispute settlement procedures, and, as such, was not related to the rollback commitment. Regardless of the rollback commitment, Panel recommendations should be implemented.

39. The representative of the United States agreed with the view that reference to bringing inconsistent measures into conformity with the GATT should be added to paragraph (c) of New Zealand's proposal. His delegation also agreed that the implementation of Panel reports was an

independent procedure which existed irrespective of the Uruguay Round. Nonetheless, his delegation believed that, as Panels were an indisputable way of establishing GATT-inconsistency of measures, implementation of Panel reports had to be an integral part of the rollback process. Therefore, his delegation could not agree with the view that it was totally separate from the rollback commitment. Although the United States had some hesitation with New Zealand's proposal, it found the proposal interesting and worth keeping on the table for continued consideration.

40. The representative of Australia, while sharing the EC's disappointment at the paucity of unilateral rollback notifications, pointed out that the EC was not alone in putting forward liberalization measures without prejudice to their status under the GATT. Japan, Canada, and Australia had also communicated liberalization measures. With regard to comments made on the eighth paragraph of its communication, Australia was not in any way attempting to insert the element of compliance with Panel reports into rollback in an attempt to create a successful process. Rather Australia considered that implementation of Panel reports was a first minimum step towards building an effective rollback programme. With reference to comments on the phase-out of measures, Australia took note of the comment that a reference to the possibility of bring inconsistent measures into conformity with the GATT was necessary - Australia's submission had simply spoken of full and complete implementation of Panel reports. The panel process was one obvious way of assessing what was consistent or not with the GATT which was a central problem of the rollback process. Indeed, the rollback commitment and the Panel process were on separate tracks, but this did not mean they were unrelated. The rollback commitment provided an additional means of enticing or encouraging countries to fully and speedily implement Panel reports. The New Zealand proposal provided additional elements and was a useful means of assessing the outcome of rollback at the end of the Uruguay Round. At the moment, there appeared no consensus to putting forward any proposals to the TNC, but Australia wished that the proposals of Australia and New Zealand be kept on the table for further consideration over coming months.

41. The representative of Chile said that his delegation seconded the New Zealand proposal in general, and its paragraph (c) and paragraph 8 in the Australian communication in particular. In order to start making progress in concrete terms, measures found GATT-inconsistent by Panel reports which were adopted by the CONTRACTING PARTIES should first be eliminated. The purpose of rollback in the Uruguay Round went further, but implementation of Panel reports was the beginning of the rollback process.

42. The representative of Canada, referring to its communication, said that implementation of Panel reports was an integral part of rollback. The rollback commitment under the Punta del Este Declaration did not exclude measures covered by Panel reports. Canada had expected that there would be more than just three communications to be made according to the decision in the Mid-Term Review.

43. The Chairman, summing up the discussion, said that the three communications had been under consideration in the Surveillance Body both at its earlier meeting and in the course of informal consultations. What was said at this meeting would be reflected in the note on this meeting. The Chairman noted that while the proposals contained in these communications were welcomed as serious contributions to the task of securing implementation of the rollback commitment, there was no consensus that these proposals would serve the practical purpose of expediting the implementation of the rollback commitment. The Chairman enquired, in the circumstances, what positive recommendations the Surveillance Body would make to the TNC beyond inviting participants to report on the progress made so that the TNC could keep the situation under review.

44. The representative of the European Communities said that although the Surveillance Body did not have agreed proposals on procedures, there was movement as indicated by the EC's offer made at this meeting. While the Surveillance Body may not be in a position to report agreement on procedures, there were concrete results, and that was what mattered most.

45. The representative of Brazil said that while his delegation appreciated the EC's efforts to make an offer, it was difficult to conclude that the Surveillance Body had made substantial progress.

46. The representative of the United States hoped that his country would be able to notify its action before the December meeting of the TNC. Along with the EC's announcement, that would show that some progress was made. His delegation agreed with the EC that any communications of this Body should reflect this progress.

47. The Chairman, reflecting the discussion, said that the note on this meeting would be transmitted to the TNC. The note would include the statements made by participants on progress and would indicate that, while no specific suggestions on procedure were being advanced by the Surveillance Body, the communications from Australia and New Zealand remained on the table.

ANNEX I

RECORD OF EXAMINATION ON 29 NOVEMBER 1989 OF NOTIFICATIONS ON STANDSTILL

Item (A): Standstill

(I) Examination of standstill notifications (MTN.SB/SN/- series)  
submitted in accordance with the agreed procedures  
(MTN.TNC/W/10/Rev.1)

- New notifications on standstill

1. The Chairman noted that there had been no new notifications on standstill to be examined at the meeting.

- Previous notifications on standstill

Sweden - Increase in the levy on imports of sheepmeat  
(MTN.SB/SN/19)

2. The representative of Australia, recalling that at the Surveillance Body's meeting of 17 May 1989 Sweden had noted the review of its agricultural policy by a parliamentary working group and the review of sheepmeat levies due on 1 July 1989 and possibly also in October, said that his authorities had seen the direction of the parliamentary group's conclusions and applauded Sweden's readiness to reform its agricultural policies and to accept the implementation of the Mid-Term Review agreement on agriculture. The recent communication made elsewhere by Sweden on this matter reflected very great credit on their attitude to the Uruguay Round and his delegation would return to it in the relevant Negotiating Group. However, with regard to the specific issue of sheepmeat, his delegation was not aware of the outcome of the review of levies for the current and prospective period, and requested information from the Swedish delegation on that point.

3. The representative of Sweden said that the information, when obtained from the capital, would be transmitted to the delegation of Australia, and a short note would also be circulated to the Surveillance Body.

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

United States - Customs user fee (MTN.SB/SN/1)

4. The representative of the European Communities asked for information on developments regarding the Superfund tax and the customs user fee both of which had been subject to standstill notifications by the Communities.

5. The representative of the United States said that with regard to the Superfund tax on imported petroleum products, Congress had approved, on 22 November 1989, the Administration's proposal to amend the Superfund tax

legislation in effect. The legislation complied with the Panel's recommendation to apply uniform taxes on imported and domestic petroleum products. The legislation increased the Superfund excise tax rate on domestic crude oil and petroleum products to 9.7 cents per barrel (presently 8.2 cents per barrel), and lowered the rate on imported crude and petroleum products to 9.7 cents per barrel (presently 11.7 cents per barrel), thereby bringing both rates to the same level. The legislation would shortly be signed by the President and then go into effect. At that time the United States would make a formal notification to this body. As to the customs user fee, the United States continued to pursue legislation to bring the user fee into conformity with the General Agreement and the findings of the GATT Panel. Congress had chosen not to act on the Administration's proposal as a part of the budget reconciliation bill. However, the Senate Finance Committee agreed, as a matter of legislative priority, to report a new trade bill using the legislation considered and approved in the House containing, among other issues, amendments to the customs user fee. The Senate indicated that it would make "every best effort" to pass the new trade bill by 31 March 1990.

6. The representatives of Canada, and the European Communities welcomed the announcement on the Superfund tax made by the United States, and also took note of its statement on the customs user fee.