

# GENERAL AGREEMENT ON TARIFFS AND TRADE

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COUNCIL

## COUNCIL OF REPRESENTATIVES

### Draft Report on Work since the Thirtieth Session

#### Addendum

A draft report on the work of the Council, covering the period November 1974-September 1975, is contained in document C/W/264 of 16 October 1975. The present addendum takes into account the discussion at the Council on 31 October 1975, as well as amendments to certain subjects which have been given to the secretariat.

The following subjects are included in this addendum:

5. Emergency action and temporary import restrictive measures
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22. Application of Article XXXV to Japan

24. International Trade Centre

- (b) UNCTAD Resolution 135(XV) Export Promotion

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5. Emergency action and temporary import restrictive measures

(b) Brazil

- Prior import deposits (C/M/108, 109)

At its meeting on 25 September 1975 the Council was informed by the representative of Brazil of the introduction on 16 July 1975 of a system of prior import deposits. The scheme was part of a package of monetary and trade policy measures. Products for which the customs duty was 37 per cent or more and certain other products specifically listed were subject to an import deposit of 100 per cent of the f.o.b. value, refundable after six months.

The Council agreed to revert to the matter at its next meeting after the notification of the measures taken by Brazil had been circulated.

At its meeting on 31 October 1975 the Council considered the notification by Brazil of its import deposits system and agreed to refer the examination of the measure to the Committee on Balance-of-Payments Import Restrictions.

(i) Japan - Restrictions on imports of beef and veal and Article XXII consultations (C/M/102, 109)

The question of Japanese import restrictions on beef and veal had been raised by the representative of Australia at the meetings of the Council on 21 October and 8 November 1974. At the meeting of the Council on 29 November 1974 the representative of Australia referred to information on the recent situation of beef imports into Japan circulated by the Japanese delegation (L/4120). Australia regarded this submission as a notification of an intensified residual import restriction under the procedures laid down by GATT and requested entry into Article XXII:1 consultations with Japan on this matter.

At its meeting on 31 October 1975 the representative of Australia informed the Council that two rounds of consultations had been held and that the United States and New Zealand had joined in these consultations. He recalled that Japan had always maintained restrictions on imports of beef and veal and that there had been a progressive expansion of global quotas until February 1974. The Japanese market had been practically closed to imports between February 1974 and June 1975. Although the consultations had been conducted in a spirit of co-operation the exporting countries could not record satisfaction with their outcome. The embargo on beef and veal imports had been relaxed since June 1975 but, in particular the limited quantities permitted to be imported could not be accepted as a restoration of the previous position which was itself a restriction of trade. The delegations concerned therefore, reserved all rights under the GATT.

The representative of Japan recalled the circumstances which had led to the severely depressed market situation. Meanwhile, demand had recovered considerably and it was expected that total imports for the current year would be substantial. He informed the Council of a new scheme of price stabilization which should make it possible to curtail fluctuations in supply and demand. The scheme should also minimize undesirable fluctuations in imports.

The Council took note of the statements made.

(k) Sweden - Import restrictions on certain footwear (C/M/109)

At its meeting on 31 October 1975 the Council was informed by the representative of Sweden of the imminent introduction by the Swedish Government of global quotas on imports of certain footwear. As a result of relatively high production costs of the Swedish shoe industry, combined with Sweden's traditional liberal trade policy, the volume of shoe imports had increased very substantially. Production had continued to decrease and now accounted for only 25 per cent of total supply. This had become a critical threat to the emergency planning of Sweden's economic defence as an integral part of its security policy. In spite of various adjustment assistance measures already undertaken it had become necessary to resort to temporary emergency measures. The global quotas would be determined on the basis of average imports for the period 1972-1974. A formal notification of the measure would be submitted to the CONTRACTING PARTIES forthwith. Sweden was ready to enter into immediate consultations with interested contracting parties.

Many representatives expressed concern at the Swedish decision taken at a time of high unemployment in their own countries and without provision for a terminal date or detailed economic justification. They expressed doubts as to the justification of the measure under the General Agreement. Many representatives took note of Sweden's offer to consult and reserved their rights under the General Agreement.

The representative of Sweden stated in reply that the measure was taken in conformity with the spirit of Article XXI, but his Government did not wish to deprive contracting parties of the possibility to enter into consultations.

The Council took note of the statements made and noted that the measure would be notified to the CONTRACTING PARTIES. The Council also noted Sweden's readiness to consult with the contracting parties concerned although no consultations were provided for under Article XXI of the General Agreement.

6. Export credit insurance schemes (C/M/105, 106)

At the meeting of the Council in March 1975 the representative of the United States expressed his Government's concern over a United Kingdom proposal for the establishment of an insurance plan designed to compensate British exporters of certain capital equipment to non-EEC markets for increases in the cost of production. Such a system was in his view a subsidy which should be notified to the GATT under the provisions of Article XVI. It furthermore constituted a violation of the provisions of Article XVI:4. In June 1975 he recalled this earlier intervention and pointed out that other countries had similar systems in force which had not been notified to the GATT and he requested that all countries having export credit insurance schemes should notify them in accordance with the provisions of Article XVI.

The Council agreed to keep open the possibility of reverting to the matter at a forthcoming meeting.

7. Customs unions and free-trade areas; regional agreements

(a) Information on developments furnished by member States

(vii) European Free Trade Association and Finland/EFTA Association (C/M/109)

At the meeting of the Council on 31 October 1975 the member States of the EFTA and Finland/EFTA Association presented a report on developments under the Association Agreements, which had taken place since October 1973 (L/4233). The report illustrated that EFTA's imports per capita were higher than in any other trading area in the world.

Some representatives expressed their continued concern at the stringency of the EFTA rules of origin, as compared to the rules of origin previously applied in the member countries. They noted that Article XXII consultations on the rules of origin were in progress and expressed the hope that it would be possible for the EFTA member States to make these rules more liberal.

The Council took note of the report.

9. Agreements concluded with Finland

(a) Finland-Hungary (C/M/103, 109)

At its meeting in June 1974 the Council had been informed of the signature of an Agreement between Finland and Hungary on the reciprocal removal of obstacles to trade, taking into consideration the provisions of Article XXIV of the General Agreement.

The text of the Agreement was circulated in January 1975 (L/4136/Add.1).

At its meeting on 3 February 1975 the Council agreed to initiate the customary procedure for the examination of the provisions of the Agreement and set up a working party open to all contracting parties.

The Working Party met in September and October 1975 and submitted its report (L/4230) to the Council on 31 October 1975. The Working Party had been unable to reach unanimous conclusions as to the compatibility of the Agreement with the provisions of the General Agreement and in particular those of Article XXIV. The parties to the Agreement, supported by two other members of the Working Party, were of the opinion that the Agreement was in full conformity with the provisions of Article XXIV. The other members who had spoken could not, on the basis of the available information, express a view on this question and requested that the Working Party should continue the examination at an appropriate time on the basis of additional information.

A number of representatives at the Council supported the request that the Working Party should continue the examination at an appropriate time. One representative recalled the doubts expressed by his delegation concerning the application of Article XXIV to a free-trade agreement with a country which did not have a market economy system.

The representative of Hungary recalled the statement made by his delegation in the Working Party that Hungary did not take a stand on the advisability of the continuation of the work of the Working Party. He also recalled a conclusion adopted by the CONTRACTING PARTIES on 24 November 1967 to the effect that the CONTRACTING PARTIES' approach to the question of trade relations with countries with centrally planned economies should continue to be on a pragmatic, country-by-country basis.

The Council agreed that the Chairman of the Working Party, in consultation with the delegations and in the light of further experience, should fix an appropriate time for the examination of the Agreement. The Council adopted the report of the Working Party.

9 bis Bangkok Agreement (C/M/109)

At its meeting on 31 October 1975 the Council was informed by the representative of Korea, speaking also on behalf of Bangladesh, India, the Philippines and Sri Lanka, of the conclusion of the so-called Bangkok Agreement between seven member States of ESCAP. The Agreement was to promote economic development through a continuous process of trade expansion among the developing member countries in the region.

The Council agreed to revert to the matter when the text of the Agreement had been notified to the CONTRACTING PARTIES.

11. Waivers under Article XXV:5

(a) Brazil - Increase of bound duties (C/M/107, 108, 109)

At the meeting of the Council on 11 July 1975 the representative of Brazil stated that his Government had put into effect, as of 27 May 1975, Schedule III, which had resulted from the Article XXVIII renegotiations under the Decision of 27 February 1967. His Government had however, considered it necessary to review some of the concessions granted and to introduce certain modifications (L/4191 and Add.1). The changes had been kept to the minimum necessary to protect certain infant industries and were, in his view, justified in the spirit of Part IV of the General Agreement.

At the meeting of the Council on 25 September 1975 the representative of Brazil stated that his Government had decided to request a waiver from the provisions of Article II to the extent necessary to enable Brazil to apply the rates of duty, which exceeded those bound in Schedule III. This request was made on the understanding that the negotiations to be carried out in accordance with the usual procedures under Article XXVIII would be guided by the pertinent provisions of Part IV, including Article XXXVI:8.

The Council agreed to refer the matter to its next meeting.

At its meeting on 31 October 1975 the Council agreed to postpone consideration of the Brazilian request for a waiver to its next meeting.

To be concluded

15. Consultation on trade with Hungary (C/M/103, 109)

The Protocol for the Accession of Hungary provides for consultations to be held biennially between Hungary and the CONTRACTING PARTIES, in order to carry out a review of the operation of the Protocol and the evolution of reciprocal trade between Hungary and the contracting parties.

At its meeting on 3 February 1975 the Council set up a Working Party to conduct the first consultation with the Government of Hungary.

The Working Party met in September 1975 and presented its report to the Council on 31 October 1975 (L/4228). The Working Party had examined the quantitative restrictions, not consistent with Article XIII, which were still in force as of 1 January 1975, and had noted that such discriminatory restrictions were still maintained in three customs areas. Some members of the Working Party were of the opinion that they had presented the economic motivations for maintaining, for exceptional reasons, discriminatory restrictions, as provided for in the Protocol of Accession. The Hungarian delegation had regretted that it had been unable to obtain indications as to the future elimination of these restrictions.

The Council adopted the report of the Working Party.

19. Review under paragraph 4 of the Protocol of Accession of Switzerland (C/M/109)

Under paragraph 4 of its Protocol of Accession the Government of Switzerland reserved its position with regard to the application of the provisions of Article XI of the General Agreement to permit it to apply certain import restrictions pursuant to existing internal legislation. The Protocol requires the CONTRACTING PARTIES to conduct a thorough review of the application of the provisions of paragraph 4 every three years.

At its meeting on 31 October 1975 the Council carried out the third triennial review on the basis of the three annual reports furnished by the Government of Switzerland (L/3894, L/4087, L/4221), which covered the years 1972-1974. Some representatives commented on the information provided in the reports and asked for additional information relating to certain imports. The representative of Switzerland explained the objectives of the Swiss import policy, which were to maintain the possibility for development of traditional trade flows, while providing sufficient opportunities for imports from new exporting countries and taking into account the evolution of demand in the domestic market.

The Council took note of the reports.

22. Application of Article XXXV to Japan (C/M/109)

At the meeting of the Council on 31 October 1975 the representative of Japan expressed his Government's appreciation to the governments of three contracting parties which since the thirtieth session had disinvoked Article XXXV in respect of Japan. He expressed regret, however, that the Governments of six contracting parties: Austria, Cyprus, Haiti, Kenya, Senegal and South Africa, had still not found it possible to enter into a normal legal GATT relationship with his country.

The Council took note of the statement and appealed to the contracting parties concerned to give again serious consideration to this question.

24. International Trade Centre

(b) UNCTAD Resolution 135(XV) Export Promotion

At its meeting on 31 October 1975 the Council concurred with a decision of the UNCTAD Trade and Development Board (Resolution 135(XV) Export Promotion), relating to the work of the International Trade Centre.

25. Training activities (C/M/109)

At the meeting of the Council on 31 October 1975 the Director-General presented a report on the activities of GATT in the field of training (L/4232). He stressed the importance he attached to the two commercial policy courses, one in English and one in French, held each year. The courses dealt with commercial policy and current international economic problems. The Director-General also expressed appreciation for the interest shown by all governments concerned in the programme and for the hospitality extended to the participants in the courses during the practical study tours.

The Council took note of the report.