

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

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on 19 December 1972

Chairman: Mr. H. KITAHARA (Japan)

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1. French import restrictions

The Chairman said that the representatives of the United States and France had indicated to him that bilateral consultations were still being carried out and had, therefore, asked him to suggest that the item be deferred to the next meeting of the Council.

It was so decided.

2. United Kingdom - Dollar Area Quotas

The representative of the United States said that, as agreed by the Council on 25 October, consultations with the United Kingdom had been further pursued, but, as his delegation had indicated during the twenty-eighth session of the CONTRACTING PARTIES, these consultations had terminated without leading to a satisfactory adjustment of the matter. He recalled that import restrictions on certain products were maintained only to the so-called "dollar area" consisting of eighteen countries: Mexico, the Central American countries, Panama, Bolivia, Canada, Colombia, Cuba, the Dominican Republic, Ecuador, Haiti, Liberia, the Philippines, the United States and Venezuela. It was estimated that the existence of these quotas would impair United States exports to the United Kingdom to the value of approximately \$20 million in 1973. This figure referred to an annual basis and did not show the cumulative damage. He suggested that if the Council was not ready to act on this matter without more detailed examination of the case his delegation would have no objection to the establishment of a panel to examine the matter. In this case, the United States would expect the panel to make a finding that the United Kingdom dollar area quotas on the items listed in document L/3753 were in violation of Articles XI and XIII, to recommend that the United Kingdom eliminate these quotas, and to authorize the United States to suspend concessions or other obligations as the CONTRACTING PARTIES determined to be appropriate on United Kingdom trade until the quotas were removed. His delegation would discuss with the panel the level of concessions which it considered appropriate to suspend.

The representative of the United Kingdom replied that his country maintained these restrictions solely in the interest of the Commonwealth countries in the Caribbean area. His delegation was prepared to continue the bilateral discussions and considered that the Commonwealth countries concerned should also be included in such consultations. His delegation would, however, accept the setting-up of a panel if the Council so decided.

The representative of Jamaica pointed out that the arrangements by the United Kingdom ensured a market for certain primary commodities from the Commonwealth Caribbean countries and that it was an example of the manner in which a developed country could assist small developing countries without adversely affecting other developing countries. He referred in this connexion to similar assistance given by other contracting parties to territories in the Caribbean for which they had responsibility, or, more generally, with which they had historic and traditional links.

He also referred to the Resolution on "Expansion of Trade" drawn up by the General Assembly of the Organization of American States in Costa Rica in 1971, which urged the countries engaged in negotiations for the enlargement of the European Economic Community to take into account the need to avoid adversely affecting the exports of developing countries, and in particular to provide secure

markets in the enlarged Community for the exports of those developing countries members of the OAS which are traditional suppliers of the countries being integrated into the Community. He felt heartened by the fact that the United States delegation had participated in drawing up this resolution. He was sure that the United States delegation was fully aware that to disturb the traditional arrangements for safeguarding the exports of primary products from the Commonwealth Caribbean to the United Kingdom would jeopardise the social, economic and political stability of these small territories. Indeed, it would be tantamount to destroying any hope that these countries had of survival and would create serious problems in the region. He pointed out that unemployment in Jamaica was estimated at 25 per cent of the working population and that his country was currently faced with critical balance-of-payments problems. His delegation recognized the strength of the citrus lobby in the United States, but he drew attention to the fact that there were also other important interests, in particular the bauxite alumina companies, which operated to the mutual benefit of both countries. As the United States did not provide a market for most of the commodities now being safeguarded by the United Kingdom, it was his delegation's hope that the United States delegation would be persuaded that it was fair and right for the United Kingdom foremost to continue to fulfil its traditional obligations to the small Commonwealth Caribbean countries.

The representative of Trinidad and Tobago said that he shared the views of the representative of Jamaica. The measures maintained by the United Kingdom were maintained in order to prevent the collapse of certain industries in the small Commonwealth Caribbean countries. The preferences granted by the United Kingdom meant a great deal to these countries, where production and employment were limited. More consideration should, therefore, be given to this aspect of the question. The restrictions were not maintained by the Government of the United Kingdom for any balance-of-payments problems but rather to preclude a worse fate befalling the Commonwealth Caribbean countries. Under these circumstances, he hoped that the Council would agree to further consultations which should include the Caribbean countries as well.

The representative of the United States replied that this problem had been discussed bilaterally for twelve years. This was not only a question of obligation under GATT, but also of who was really benefiting from these restrictions. The OAS resolution was not intended to cover the maintenance of restrictions inconsistent with the GATT. The time had come for a consideration of this problem and a panel was the proper way to proceed. There was nothing in this procedure to prevent Jamaica, Trinidad and Tobago and other interested countries from presenting their views to a panel. The United States delegation, therefore, maintained its request that the Council proceed with this matter and that it was appropriate now to form a panel.

The representative of the United Kingdom said that the discussion had shown the interest of other countries in this matter and hoped that the Council would consider carefully the requests made by the representatives of these countries that the consultations should continue.

The Chairman considered that the consultations had been useful but suggested that the matter be studied in a more profound way by a small group of competent people to seek a positive solution.

The representatives of Japan, Canada and Israel expressed the view that the CONTRACTING PARTIES had an obligation to investigate the matter. A panel could be instrumental in facilitating further consultations.

The Council agreed to establish a panel with the following terms of reference:

"To examine the matter referred by the Government of the United States to the CONTRACTING PARTIES pursuant to paragraph 2 of Article XXIII relating to import restrictions maintained by the United Kingdom, and to make such findings as will assist the CONTRACTING PARTIES in making the recommendations or rulings provided for in paragraph 2 of Article XXIII."

The Council nominated Mr. K.A. Sahlgren (Finland), Chairman of the Panel, and authorized the Chairman of the Council, in consultation with the two parties concerned and with the Chairman of the Panel, to nominate not more than three members to the Panel.

The representative of Cuba requested that his delegation be heard by the Panel.

The Chairman said that the Panel would certainly wish to hear representatives of Jamaica, Trinidad and Tobago and Cuba on this matter.

3. Turkey - stamp duty (L/3787)

The Chairman recalled that at its meeting on 25 October 1972 the Council had received a request from the Government of Turkey for an extension of the waiver concerning the maintenance of the Stamp Duty and had referred the request to the Committee on Balance-of-Payments Restrictions for examination. The report of the Committee was contained in document L/3787.

Mr. Dunkel, Chairman of the Committee on Balance-of-Payments Restrictions, said that the Committee considered that, having regard to the fact that the measure was maintained for the purpose of safeguarding the balance of payments, it was not possible to examine it in isolation from the other measures, including quantitative import restrictions, which were being used for the same purpose. In the expectation that a consultation with Turkey under the provisions of Article XVIII:12(b) would take place early in 1973, the Committee recommended that an interim extension be granted to Turkey so as to allow time for the Committee to accomplish the assigned task at that time.

The Council approved the text of the draft decision proposed by the Committee and recommended its adoption by the CONTRACTING PARTIES.

The draft decision was submitted to a vote by postal ballot. The Chairman invited representatives having authority to vote on behalf of their Governments to do so. Ballot papers would be sent by mail to those contracting parties not represented at the meeting.

The Council adopted the Report.

4. Balance-of-payments restrictions

(a) Report on the Consultation with Iceland (BOP/R/64)

The Chairman recalled that in October 1972 the Committee on Balance-of-Payments Restrictions had carried out a consultation with Iceland on the import restrictions maintained for balance-of-payments reasons. The report on the consultation had been distributed in document BOP/R/64.

The Council adopted the Report.

(b) Regular consultations with developing countries (L/3772)

Mr. Dunkel, Chairman of the Committee on Balance-of-Payments Restrictions recalled that as far back as October 1971 the Council had been informed of the practical difficulties of scheduling and conducting consultations with developing countries under Article XVIII:12(b). While the GATT provisions required such consultations to take place, in the majority of cases consultations at the prescribed intervals seemed to serve only limited purpose. The work involved, both for the governments concerned and for the CONTRACTING PARTIES, was not always commensurate with the results. While the value of the consultations was thus in doubt, contracting parties were reluctant to suspend or indefinitely postpone the consultations altogether because this would not only be contrary to the rules of GATT, but might actually affect the rights and the genuine trade interests accruing to some contracting parties under the Agreement. Some developing countries themselves also felt disinclined to forego the opportunity provided by a consultation to discuss their problems with developed countries.

The general feeling among the contracting parties concerned was that a way should be found to enable the consultations to take place whenever there was a genuine interest in examining the balance-of-payments position and restrictions of a country, while those of less interest could be omitted without infringing the GATT rules.

The proposal before the Council had been formulated after very careful consideration in the Committee, and after ascertaining the views of all developing countries having an interest in the matter. Essentially, it was proposed that in fulfilment of the requirements of Article XVIII:12(b), all developing countries would supply basic information on their balance-of-payments position and their

restrictions to the CONTRACTING PARTIES at the prescribed interval, but no detailed consultation would take place unless, in the light of that information, the Committee and the Council felt that it was desirable to have one. It was also proposed that developing countries applying restrictions which up to now had not been classified in relation to GATT provisions be requested to clarify their position.

The representative of Sri Lanka expressed his support for the proposal. In addition, he considered that the more extensive type of consultation as had been used occasionally in the past, should be discontinued.

The Council approved the procedures proposed by the Committee for regular consultations with developing countries.

The Director-General, reverting to the statement of the representative of Sri Lanka, recalled that the procedure of extended consultations was introduced to give particular attention to the possibilities for alleviating the problems of developing countries and was conducted on a voluntary basis. It would not take place if it was not requested by the country itself.

The representative of Sri Lanka replied that he would not like to revert to the procedure of extended consultations, even if it was voluntary.

5. United States automotive products (L/3764)

The Chairman recalled that under the Decision of 20 December 1965 the CONTRACTING PARTIES had waived the obligations under Article I of the General Agreement to enable the Government of the United States to eliminate customs duties on imports of automotive products from Canada. The Decision provided for a review of its operation every two years on the basis of annual reports submitted by the United States. The fifth report under the Decision had been circulated early this year in document L/3686, and had been noted by the Council. The sixth report, which had now been received, was contained in document L/3764.

The representative of the United States said that production in the United States and Canadian automotive industries had now been largely integrated. Automotive products trade between the United States and Canada had increased by 28 per cent in 1971, reaching a level of \$7.8 billion for the year, compared with \$6.1 billion in 1970 and \$715 million in 1964. The United States had no evidence that expanded automotive trade with Canada had damaged the interests of other trading partners. In fact, the United States automotive imports from countries other than Canada had increased by 47 per cent over 1970 to \$3,307 million in 1971. No requests had been received for consultation under paragraph 2 of the Decision of 20 December 1965.

The Council took note of the Report.

6. Association between the EEC and Tunisia and Morocco (L/3769)

The Chairman said that a report prepared by the parties to the Association Agreements between the EEC and Morocco and between the EEC and Tunisia had been circulated in document L/3769. The report contained information on the implementation of the Agreements.

The representative of the EEC drew attention to paragraph 5 of the report which stated that measures for adapting the agreements to take account of the enlargement of the Community were to be negotiated in the very near future. An additional protocol was almost ready and would enter into force early next year. Negotiations for a new agreement on a broader basis would be initiated early next year. In notifying these modifications the EEC would follow the procedures laid down under the General Agreement.

The representative of the United States, while welcoming the submission of the report, stated that his delegation would have liked to have more detailed trade data so that an adequate analysis of the trade effects of the agreements could have been undertaken. He had wanted to know what was the trade during the last year or two, both with the Community and with third countries in commodity groups which were subject to preferential duty reductions under these agreements. The United States' position on the agreements had not changed and it continued to regard these agreements as inconsistent with Article I and not justified under Article XXIV. His delegation was opposed to arrangements of this type and reserved all its rights under the GATT.

The representative of Japan stated that his delegation shared the views expressed by the representative of the United States. He pointed out that it was clear from the figures given that these association agreements had not made a considerable contribution to the export trade of Morocco and Tunisia. He wondered, therefore, whether they could not better be incorporated in the Generalized System of Preferences of the EEC.

The representative of Tunisia said that he was in full agreement with the Report. The Agreement had contributed substantially to the development of a country like Tunisia, as would the further enlargement of the Community.

The representative of Australia associated himself with the countries which had expressed misgivings about the nature of these agreements. The statistics showed that the Community's share in the total imports of Tunisia in the years 1969, 1970 and 1971 had risen from 52 per cent to 54 per cent and to 56 per cent. In Morocco's import trade, where the Community had not been granted tariff preferences, the Community's share had declined from 52 per cent to 49 per cent.

The Council took note of the Report.

7. Article XXVIII:1 Renegotiations 1972

The Chairman drew attention to document C/W/213 and pointed out that some negotiations which were being carried out under paragraph 1 of Article XXVIII would not be completed by 31 December. It was, therefore, proposed that the time-limit for the conclusion of the negotiations should be extended to 30 June 1973.

The Council agreed to the proposed extension of the time-limit.

8. Assessment of contributions (L/3790)

The Chairman drew attention to document L/3790 in which it was proposed that, following its accession to the GATT, a contribution to the 1972 budget and to the 1973 budget and an advance to the Working Capital Fund be assessed on the Government of Bangladesh.

The Council adopted the assessments proposed in paragraphs 1 and 3 of the document.

9. Adjustment of contribution (L/3793)

The Chairman drew attention to document L/3793 and pointed out that certain adjustments to the 1972 and 1973 contributions of Pakistan were proposed.

The Council adopted the proposed adjustments.

10. Review of the administrative and financial arrangements for the International Trade Centre UNCTAD/GATT (C/W/212)

The Director-General stated that the administrative and financial arrangements which were made in respect of the joint International Trade Centre UNCTAD/GATT on its establishment in January 1968, were provisional and subject to review in due course. The Secretary-General of UNCTAD and he, in consultation with the Centre Directorate, had reviewed these arrangements and their proposals for certain modifications to them were contained in document C/W/212.

The conclusion drawn was that, in view of the Centre's rate of growth and in order to ensure maximum efficiency, and to overcome difficulties experienced in the administrative and financial control of the Centre, it had now become necessary to delegate to the Centre wider responsibilities for administrative and financial matters. The extent to which these functions, which had until now been carried out by the GATT's Administrative and Financial Division, be delegated to the Centre were clearly set out in the document. He emphasized that, notwithstanding the extent to which responsibilities would be delegated to the Centre, overall policy guidance in respect of size of budget, including the personnel requirements of the Centre, and overall orientation would continue to be provided by the two parent organizations.

These proposed modifications involved the reinforcement of the administrative infra-structure of the International Trade Centre and could, therefore, also involve some additional cost, referred to in paragraph 13, subsection (xii). After a first examination by the Centre Directorate of the financial implications for 1973 of the modifications envisaged, an estimate of some \$60,000 was made. This was equivalent to one additional professional staff member and five general service staff.

He assured the Council that nothing would be done until he was completely satisfied that all other possibilities, such as redeployment of existing staff resources, had been fully examined.

He felt that the final additional cost to be covered within the 1973 approved budget would be insignificant when compared with the overall \$7 million available to the Centre in 1973. Special circumstances in 1973 would make it possible to cover any additional cost by utilizing exceptionally overhead funds which were earmarked for administrative and substantive backstopping, and consequently, no programme reduction would result from these measures. In fact, the measures proposed would give the Centre a higher degree of operational flexibility, would increase the efficiency of the Centre, and would thus enable it to cope successfully with an even heavier work programme.

He then proposed that the Council take note of the report and, furthermore, approve the two technical changes, the proposed change in the procedures for the certification and the signature of the Centre's accounts and the transfer of the audit to the United Nations auditors.

Several delegations spoke on the subject and expressed sympathy for the basic objectives of the proposal to make the ITC responsible for the details of its own administration. This would not only facilitate the implementation of projects but would also ensure the effectiveness of the Centre and create greater operational flexibility to meet the requirements of developing countries.

Many delegations expressed the importance their governments attached to the arrangement whereby the Director-General of GATT and the Secretary-General of UNCTAD continued to exercise policy control and overall budget responsibility over the Centre on an equal basis.

Many delegations also expressed concern about the possible implications regarding expenditures and additional costs resulting from these changes. They noted the Director-General's indication that for 1973 these costs, which were estimated at \$60,000, could be met without a budget increase and without programme reductions, but noted also that it was only the special circumstances foreseen in 1973 which permitted the exceptional use of overhead funds. They hoped that the changes would not mean that there would be an increase in funds requested for 1974 nor any corresponding reduction in the work programme. They sought assurance that any change in the budget for 1974 resulting from these administrative changes

would be subject to examination in the normal manner next year. Several delegations expressed the view that these administrative costs should be covered by the regular budget. One delegation, in this connexion, urged a more thorough evaluation of the overhead expenses of the Centre. Another delegation indicated that it would, in due time, request a detailed account of decisions taken in 1973 concerning the recruitment of additional personnel and the transfer of existing personnel as a result of the arrangements now being considered.

The Director-General, gave the assurances that any change in the budget for 1974 resulting from these administrative changes would be subject to examination in the normal manner next year. The 1974 budget for the Trade Centre was still to be established and it would in due time be presented to the CONTRACTING PARTIES for examination and approval. This meant that decisions on the 1974 budget would be in the hands of member governments. He shared the feeling of the delegates who had expressed the view that there should be a better and more efficient Trade Centre while saving money in the process. He assured those delegates that he would do whatever he could to achieve this aim as far as it was possible.

The Council took note of the report and approved the proposed change in the procedures for the certification and the signature of the Centre's accounts and the transfer of the audit to the United Nations' auditors.

11. Working Party on Trade with Romania

The Chairman said that paragraph 5 of the Protocol for the Accession of Romania provided that early in the second year after the entry into force of the Protocol consultations should be held between Romania and the CONTRACTING PARTIES in a working party to be established to review the development of reciprocal trade and measures taken under the terms of the Protocol. Arrangements should, therefore, be initiated to carry out the consultation and a working party should be established for that purpose.

The Council established a working party with the following terms of reference:

"To conduct, on behalf of the CONTRACTING PARTIES, the first consultation with the Government of Romania provided for in paragraph 5 of the Protocol of Accession, and to report to the Council."

Membership:

Argentina	European Communities	Romania
Australia	and their member States	Spain
Austria	Greece	Sweden
Brazil	India	Switzerland
Canada	Israel	Turkey
Cuba	Japan	United Kingdom
Czechoslovakia	Nigeria	United States
	Poland	Yugoslavia

Chairman: Mr. Archibald (Trinidad and Tobago).

12. Brazil - Renegotiation of Schedule (L/3794)

The Chairman recalled that at the meeting of the Council on 25 October the representative of Brazil had informed the Council of progress made in the renegotiation of the Brazilian Schedule and had indicated that should the renegotiation not be fully concluded before the end of the year his delegation would present a request for a further extension of the waiver.

The representative of Brazil said that at their twenty-seventh session the CONTRACTING PARTIES had decided to extend until 31 December 1972 the waiver granted to Brazil for the renegotiation, under Article XXVIII of the GATT, of Schedule III - Brazil. At that time Brazil had formally closed negotiations with the great majority of its partners and with only three of them had it been impossible to find agreement.

Within the present extension of the waiver, the Brazilian Government had formally concluded negotiations with two partners, namely Japan and the European Communities. As no agreement had so far been reached with the Government of the United Kingdom, his Government asked for a new one-year extension of the waiver.

The Council approved the text of a draft decision (C/W/214) and recommended its adoption by the CONTRACTING PARTIES by postal ballot. The Chairman invited representatives who had authority to vote on behalf of their governments to do so at the close of the meeting. Ballot papers would be sent by mail to contracting parties not represented at the meeting.

13. Working Party on Dairy Products

The Director-General announced that the Working Party on Dairy Products which had been established on 5 December 1967 had met in December 1972 to continue the negotiation on butter oil. The Working Party would have its next meeting in February 1973. The members of the Working Party had expressed the hope that any countries interested in imports or exports of butter oil should participate actively in the work.