

**GENERAL AGREEMENT
ON TARIFFS AND TRADE**

RESTRICTED
DS44/2
8 September 1993
Limited Distribution

COUNCIL
22 September 1993

Original: Spanish

UNITED STATES - LEGISLATION CONCERNING THE USE OF IMPORTED
TOBACCO BY DOMESTIC CIGARETTE MANUFACTURERS

Communication from Chile

The following communication, dated 7 September 1993, has been received from the Permanent Mission of Chile, with the request that it be circulated to contracting parties and that the matter be inscribed on the Agenda of the Council meeting on 22 September.

The Permanent Mission of Chile presents its compliments to the Director-General of GATT and requests that the following item be placed on the agenda of the Council meeting to be held on 21 September 1993:

United States - legislation concerning the use of imported tobacco by domestic cigarette manufacturers.

At the Council's latest meeting, Chile expressed concern at the tabling of a bill in the United States Congress that would limit the use of imported tobacco in the manufacture of cigarettes to 25 per cent.

This bill was adopted and signed by the President of the United States, Mr. Clinton, on 10 August 1993.

This Act, which will effect Chilean tobacco exports to the United States, is in breach of the provisions of the General Agreement, in particular Article III:5. The Government of Chile has therefore requested consultations under Article XXIII:1. A copy of the letter sent to the United States Mission to GATT in Geneva is attached hereto, with the request that it be circulated to the other contracting parties.

I wish to inform you that I have been instructed by my Government to request the United States of America to hold consultations under Article XXIII:1 of the General Agreement on Tariffs and Trade concerning the legislation on the use of imported tobacco in the manufacture of cigarettes, as adopted in the "Omnibus 1993-1994 Budget Reconciliation Act".

This legislation restricts the use of imported tobacco in the manufacture of cigarettes to 25 per cent. Consequently, a cigarette manufacturer failing to use 75 per cent of domestic tobacco will be fined. This legislation is in breach of Article III:5 and other relevant provisions of the General Agreement, which is why we request these consultations.

I also wish to inform you that we shall inscribe this item on the agenda of the forthcoming Council to be held on 22 September.