

GENERAL AGREEMENT ON
TARIFFS AND TRADE

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COUNCIL
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MINUTES OF MEETING

Held in the Palais des Nations, Geneva,
on 2 February 1971

Chairman: Mr. Erik THRANE (Denmark)

	<u>Page</u>
<u>Subjects discussed:</u> 1. Membership of the Council	1
2. Agriculture Committee	1
3. International Trade Centre - Joint Advisory Group	3
4. Trade with Poland	4
5. Jamaica - Increase in margins of preference	5
6. Ceylon - Increase in bound duties	6
7. EEC Association with certain non-European countries and territories	6
8. United States imports of automotive products	8
9. Turkey - Stamp duty	8
10. United Kingdom - Waiver from Article I	9
11. United Kingdom - Problems of dependent overseas territories	9
12. Balance-of-payments import restrictions	9
13. Financial and administrative questions	10
14. Brazil - Renegotiations of Schedule	10
15. Trade Arrangement between India, the United Arab Republic and Yugoslavia	11
16. Meetings of the CONTRACTING PARTIES	11

1. Membership of the Council

The Chairman announced that the Government of the People's Republic of the Congo (Brazzaville) and the Government of Gabon had requested membership in the Council. On behalf of the Council, the Chairman welcomed the People's Republic of the Congo and Gabon as members.

2. Agriculture Committee (L/3472)

Mr. Patterson (Assistant Director-General), speaking on behalf of the Director-General, Chairman of the Agriculture Committee, introduced the Committee's report. He recalled that at their last session, the CONTRACTING PARTIES had instructed the

Committee "to proceed with the task of formulating conclusions on possibilities for concrete action that might appropriately be taken to deal with the problems that arise in the field of agricultural products and that this task should be completed during 1970". During the year the Committee carried forward this work in Working Groups dealing respectively with measures which affect exports, imports, production and other relevant measures, as well as in the Committee itself.

The Committee also attempted during the year to complete the basic documentation needed. Among other things, the Committee had agreed to draw up a document containing factual information on tariffs, quantitative restrictions, variable levies and other special charges as well as information on health and sanitary regulations. Most of the information was available and it was hoped that certain technical problems which had prevented some delegations from furnishing part of this information, would be solved in the near future.

He pointed out that a wide spectrum of suggestions as to how the principal problems might be dealt with had been assembled. In this respect the Committee had noted that none of the suggested solutions was at the present stage mutually acceptable. The report, therefore, simply set out the suggested solutions. On behalf of the Director-General, he made suggestions as to the future work of the Committee.

Several representatives expressed their delegations' disappointment at the relative lack of progress achieved in the past year. It was their hope that the search for solutions would be more fruitful in the future.

Some delegations pointed out that the lack of progress had caused particular frustration for developing countries. Tropical products and non-tariff barriers to agricultural products of interest to developing countries should be given greater attention.

Two delegations pointed out that part of the proposed decision was of special relevance to the activities of the Working Party on Dairy Products. They understood this to be an endorsement of efforts to move rapidly forward with discussions on extending the coverage of the Agreement on Dairy Products.

The Council, in agreement with the suggestions of the Director-General, took note of, and adopted, the report and decided that:

- (i) the Committee will continue its task as set out in its terms of reference;
- (ii) delegations should be invited to put before the Committee, as soon as possible, further suggestions as to ways in which the principal problems facing trade in agricultural products might be dealt with, to make more specific the suggestions that had been made where this had not already been done and the Committee should carry out such analyses of the suggestions as it considers appropriate;

- (iii) without prejudice to the right of any contracting party to invoke established GATT consultation procedures, the Committee should pursue, at any time, such opportunities as might arise for the settlement of particular trade problems.

3. International Trade Centre - Joint Advisory Group (ITC/AG/16)

The Chairman recalled that the Joint UNCTAD/GATT Advisory Group on the International Trade Centre had held its fourth session in January to review the activities of the Trade Centre and to recommend a work programme for 1972. The Group's report had been distributed in document ITC/AG/16.

Mr. von Sydow (Sweden), Chairman of the Group, stated that the Advisory Group had been satisfied that the direction and orientation of the Centre's services conformed with the overall policy and guidelines established in 1970 by the governing bodies of UNCTAD and GATT. The Group had agreed on an examination in depth next year of the Market Research Service. It had extensively examined issues relating to the Centre's rôle with respect to the provision of programming and substantive support for a rapidly expanding volume of assistance programmes requested by developing countries and financed from extra-budgetary resources. The Group recommended that the implications for the Centre of this development be examined by governments. The Advisory Group had also discussed its own rôle and there had been a general consensus that its function should be reviewed by the governing bodies of UNCTAD and GATT in order that it could play a more effective part on behalf of the parent bodies with respect to the evolution of the Centre's work programme and base organization. Finally, he stated that there had been general endorsement by the Group of the work programme proposed for the Centre for 1972.

The representative of Trinidad and Tobago stressed the vital function of the Export Promotion Techniques Research Service and expressed his hope that there would be no reduction in the quantity and quality of publications of the International Trade Centre.

The representative of Austria noted the urgent need for international assistance in the field of export promotion assistance for developing countries. His government had paid great attention to the shift in emphasis from information through research activities to assistance through the operation of the Trade Promotion Advisory and Training Services.

The representative of Malaysia pointed to the problems created by the weak infrastructure of the International Trade Centre and to the need for an increase of the overhead element of extra-budgetary contributions or of the regular budget.

As regards the review of the future rôle of the Advisory Group, some delegations favoured the setting up of a working party, while other delegations felt that a review could more appropriately be handled by an informal Group of Experts. Several delegations emphasized that it was important to avoid any duplication in respect of such a review and pointed out that the UNCTAD Board would soon be required also to look into the matter.

The Council agreed that some more time was needed for reflection and asked the Chairman of the Advisory Group to co-ordinate informal consultations on the matter. Any special proposals or suggestions on the procedure for the review could be taken into account in such consultations. The Council agreed to revert to the matter at an early meeting.

The report of the Joint Advisory Group was adopted.

4. Trade with Poland (L/3475)

The Chairman recalled that the Working Party on Trade with Poland had conducted the third annual review on trade between Poland and contracting parties, and had considered the question of establishing a date for the termination of the transitional period referred to in paragraph 3(a) of the Protocol. The Working Party had also been requested to carry out negotiations with a view to modifying the Polish import commitments laid down in the Polish Schedule. The report of the Working Party had been circulated in document L/3475.

Mr. Larsen (Denmark), Chairman of the Working Party, expressed disappointment over the fact that more than forty contracting parties had not replied to the invitation to submit notifications on discriminatory restrictions on imports from Poland. He stressed that such notifications were essential for a comprehensive and meaningful review. He pointed out that Poland's imports from GATT countries had increased from 1968 to 1969 by 9.3 per cent and that in 1970 they were estimated to increase by about 10 per cent - well above the 7 per cent of the Polish commitment.

He further stated that, despite great efforts, the Working Party had not been able to agree on a formula for the establishment of a terminal date for the maintenance of discriminatory restrictions on imports from Poland, although a clear majority had been in favour of a compromise solution suggested by Poland.

Referring to the renegotiation of the Polish import commitment, he stated that the proposed new commitment was like the previous one, based on a 7 per cent annual increase, but the increase would be no longer calculated on a yearly basis, but over a longer period of initially two years' duration and thereafter of three years. New provisions dealing with possible shortfalls in the fulfilment of the commitment and with annual minimum figures had also been agreed.

The representative of Poland stated that his Government fully endorsed the report. He noted that there had been considerable progress on the question of the elimination of discriminatory quota restrictions on imports from Poland, and on the question of the establishment of a terminal date. He expressed the hope that at the next annual review an agreement on this issue might be reached.

The Chairman drew attention to the fact that as stated by the Chairman of the Working Party only thirty-two contracting parties had responded to the invitation to notify whether they maintained restrictions on imports from Poland. He also pointed out that, since no date for the termination of the transitional

period had been established, this question would, in accordance with paragraph 3(c) of the Protocol, be re-examined at the next annual consultation with Poland.

The Council approved the text of the modification of Schedule LXV - Poland, proposed by the Working Party in paragraph 54 of the report, and recommended its adoption by the CONTRACTING PARTIES. The matter was submitted to a ballot and the Chairman invited members of the Council having authority to vote on behalf of their governments to do so. Ballot papers would be sent by mail to contracting parties not represented at the meeting. Contracting parties would be informed when the required majority and acceptance by the Government of Poland had been formally established. The modification in the Polish Schedule would then be incorporated in the regular procedure of certification of changes to Schedules.

The Council adopted the Report.

5. Jamaica - Increases in margins of preference (L/3485 and Corr.1)

The Chairman recalled that at its meeting in September the Council had discussed a question submitted by the Government of the United States, regarding increases in margins of preference in respect of certain items by the Government of Jamaica. The Council had established a Panel to investigate the matter in accordance with Article XXIII:2. The Panel's report had been distributed in document L/3485 and Corr.1.

Mr. Pasin (Turkey), Chairman of the Panel, introduced the report. The Panel had examined closely the facts of the case and had heard statements from both parties. The Panel had taken, on the one hand, a position in respect of the legal side of the issue and held that Article I:4, establishing 10 April 1947 as the base date for permissible margins of preference, was in fact applicable to Jamaica. On the other hand, the Panel was not satisfied with this purely legalistic approach and had also taken into account the uniqueness of the Jamaican case. The Panel therefore suggested that the CONTRACTING PARTIES consider taking a decision in accordance with Article XXV:5 to change, with respect to Jamaica, the base date referred to in Article I:4 from 10 April 1947 to 1 August 1962. He drew attention to the statement of the Jamaican representative laid down in paragraph 16 of the report that Jamaica would take immediate steps to reduce the margins to the 1962 levels on all items where the present margin was higher.

The representative of Jamaica confirmed the statement laid down in paragraph 16. Work on the restoration of the margins of preference was now in progress. No restoration would be undertaken where this would result in an increase in the present margin of preference.

The representative of the United States supported the proposed decision on the understanding that a restoration would be undertaken only where it did not entail an increase in the present margins of preference.

The Council approved the text of the draft Decision recommended by the Panel whereby the base date referred to in Article I:4 would, in the case of Jamaica, be replaced by 1 August 1962.

The Council adopted the Report.

The draft Decision was submitted to a vote and the Chairman invited members of the Council 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.

6. Ceylon - Increase in bound duties (L/3486)

The Chairman recalled that under a Decision of 25 November 1968 Ceylon had been authorized to maintain in effect certain duties higher than those specified in the Ceylonese Schedule, and certain margins of preference exceeding those permitted under paragraph 4 of Article I. The waiver had been granted for the time necessary to enable Ceylon to initiate and complete any necessary renegotiations under the provisions of Article XXVIII, but not to extend beyond 31 December 1970. At the December meeting of the Council the representative of Ceylon had given some preliminary information on the results of the recently implemented Ceylon tariff reform. From his statement it had been evident that a simple extension of the waiver would not meet the changed situation. The Council had, therefore, agreed to revert to the matter at its present meeting. Ceylon had now submitted a request for a new waiver (document L/3486).

The representative of Ceylon clarified the intent of the waiver requested, viz to permit the completion of renegotiations under Article XXVIII on the same basis as had been envisaged under the Decision of 25 November 1968. He stated that he had just received information on the particulars of the trade coverage of the various items involved. Information on the countries to which the duties were bound was also available. There did not seem to be the need for a working party at this stage and problems of individual contracting parties could perhaps best be dealt with on a bilateral basis.

The representative of the United States expressed satisfaction that information on trade coverage was available, and pointed out that such data was necessary in order to appreciate the significance of the proposal under discussion.

The Council agreed to revert to the matter at an early meeting.

7. EEC Association with certain non-European countries and territories (L/3467)

The Chairman recalled that the Decision of the Council of the European Communities of 29 September 1970 concerning the Association of the overseas countries and territories with the EEC, the text of which had been submitted for the information of the contracting parties (L/3467), defined the terms of the Association for a further period of five years.

The representative of the EEC stated that the progressive elimination of customs duties and other barriers to trade between these non-European countries and territories and the EEC had been realized at the same pace as the elimination of these trade barriers within the EEC, which had led to the full realization of the EEC Customs Union. The objective of the new Decision, therefore, was, inter alia, to define the dispositions and modalities of the Association in the light of the situation reached in 1969. Like the Yaoundé Convention, this decision in no way questioned the principle of free trade, but took into account that the application of this principle was subjected to the needs of development.

The representative of the United States pointed out that the new Decision was not merely an extension of the previous one, but contained significant changes. There was, therefore, a need for its examination through the usual procedure. He proposed the appointment of a Working Party for this purpose.

This proposal was supported by a number of delegations. Some of these also expressed an interest in participating in the proceedings of the Working Party.

The Council agreed to appoint a Working Party, based on the composition of the Working Party which had recently examined the Yaoundé II Convention, with the following terms of reference and membership:

Terms of Reference:

"To examine in the light of the relevant provisions of the General Agreement, the provisions of the Decision of the Council of the European Communities of 29 September 1970 concerning the Association of the overseas countries and territories with the European Economic Community, and to report to the Council."

Membership:

Argentina	Greece	Norway
Australia	India	Switzerland
Brazil	Indonesia	Trinidad and Tobago
Canada	Israel	United Arab Republic
Ceylon	Jamaica	United Kingdom
Chile	Japan	United States
Cuba	Nigeria	Yugoslavia
Ghana		

European Communities and their member States

Associated African and Malagasy States

Chairman: Mr. E. von Sydow (Sweden)

8. United States Imports of automotive products (L/3469)

The Chairman recalled that under a Decision of 20 December 1965 the provisions of Article I of the General Agreement had been waived to enable the United States to eliminate duties on imports of automotive products from Canada. The Decision provided for an annual report by the Government of the United States on the operation of the waiver and a review of its operation every two years, to consider how far in the circumstances then prevailing the United States would continue to need cover to implement the Agreement with Canada. The United States' Fourth Annual Report had been submitted in document L/3469. The first biennial review had been held by the Council in July and September 1968 and it was now therefore, time for the second review.

The representative of the United States pointed to the very rapid expansion of trade between the United States and Canada under the Agreement. His Government had, on the other hand, no evidence that this trade expansion had damaged the trade interests of other contracting parties. No requests for consultations had been received.

The representative of Japan stated that his delegation had no objection to taking note of the report. However, he expressed the hope that in the not too distant future the United States would eliminate on a most-favoured-nation basis the customs duties on products covered by the Agreement.

The Chairman pointed out that the Council had hereby carried out the biennial review.

The Council took note of the Report.

9. Turkey - Stamp duty (L/3483 and Corr. 1)

The Chairman recalled that under the Decision of 24 August 1969 the provisions of Article II were waived to the extent necessary to enable the Turkish Government to maintain in effect a stamp duty on imports of products for which the duties were bound in the Turkish Schedule. The Decision provided for an annual report by the Turkish Government on the application of the stamp duty with particular regard to the need for its continued application. The Turkish delegation had circulated its annual report in document L/3483 and Corr. 1.

In introducing the report, the representative of Turkey confirmed that his Government considered the stamp duty as a provisional measure, necessary in view of his country's adverse economic situation. His Government continued to keep the operation of the stamp duty under constant review, especially with regard to its balance-of-payments situation. Provisional figures indicated that imports in 1970 totalled \$935 million. In 1971, imports were expected to amount to approximately \$1,045 million. He recalled that, as had been notified to the CONTRACTING PARTIES, the rate of the stamp duty had been decreased from 25 to 10 per cent in August 1970.

The Council agreed on a proposal by the representative of the United States that the Committee on Balance-of-Payments Import Restrictions in its consultations with Turkey in 1971 be requested to give also consideration to the stamp duty and the need for its continuation.

The Council took note of the Report.

10. United Kingdom waiver from Article I (L/3471)

The Chairman recalled that under the Decision of 24 October 1953 the Government of the United Kingdom was required to make an annual report on the use made of the partial waiver from the obligations under Article I of the General Agreement. The sixteenth annual report by the United Kingdom had been circulated in document L/3471. The report recorded a reduction in the most-favoured-nation duty in respect of certain fatty alcohols.

The Council took note of the Report.

11. United Kingdom - Special problems of dependent overseas territories (L/3470)

The Chairman recalled that under the Decision of 5 March 1955, the Government of the United Kingdom was required to submit annually a report on action taken under the waiver. The fifteenth annual report, circulated in document L/3470, recorded that the Decision had not been invoked since the previous report.

The Council took note of the Report.

12. Balance-of-payments import restrictions - Programme for 1971 consultations (L/3476)

The Chairman recalled that the secretariat had circulated a tentative programme of consultations to be conducted this year with contracting parties maintaining import restrictions for balance-of-payments reasons. This programme was purely tentative, as the exact dates would have to be fixed in the light of circumstances and with the agreement of the countries concerned. It now appeared that some consultations (those with Korea, Iceland and Finland) would take place later than shown in the proposed schedule. On the other hand, other discussions might be initiated in the light of new developments and notifications. Contracting parties would be informed of the exact dates in the usual airgrams convening the Committee in question.

The Council took note of this tentative programme for the 1971 consultations.

The Chairman informed the Council that Mr. Petrie (Canada), Chairman of the Committee on Balance-of-Payments Import Restrictions, had resigned from the chair. He therefore proposed that Mr. Abbott (United Kingdom) who had served as acting chairman since Mr. Petrie's departure, be nominated as Chairman.

The Council agreed on the nomination of Mr. Abbott.

13. Administrative and financial questions - Establishment of the Committee on Budget, Finance and Administration

The Chairman recalled that although the Committee on Budget, Finance and Administration established for 1970 had only concluded its work just before the last Council meeting, there was an advantage in establishing the Committee for 1971 now so that it could start examining certain aspects of its work whenever this was required. The Chairman suggested that, in view of the complexity of some of the issues raised during the Committee's 1970 session, the membership of the Committee for 1971 be kept the same as it had been in the past year.

The representative of Malaysia felt that it might be helpful if more opportunity for consultation was given in selecting members of the Committee.

The Council appointed the Committee on Budget, Finance and Administration with the following terms of reference and membership:

Terms of Reference:

- "(i) To examine any questions arising in connexion with the audited accounts for 1970, the financing of the 1971 budgets and proposals for the budget for 1972 of the GATT and of the International Trade Centre UNCTAD/GATT.
- "(ii) To study any financial and administrative questions which may be referred to it by the Council or submitted to it by the Director-General, and undertake such other duties as may be assigned to it by the Council."

Membership:

Australia	Gabon	Japan
Belgium	Germany, Fed. Rep.	Poland
Brazil	Ghana	Sweden
Canada	India	Switzerland
France	Israel	United Kingdom
		United States

Chairman: Mr. M.H.E. Moerel (Netherlands).

14. Brazil - Renegotiation of Schedule

The representative of Brazil reported on the progress made in the negotiations and consultations for the recomposition of Schedule III. On a few remaining questions regarding only a reduced number of trade partners it had not yet been possible to reach agreement. His delegation was actively engaged with these few remaining interested contracting parties in an effort to finalize the Article XXVIII negotiations as soon as possible. He appealed to these contracting parties for their co-operation. Agreement had been reached with South Africa, Canada,

Czechoslovakia, Finland, Sweden, the United States, Norway, New Zealand, Denmark, Austria and India. Negotiations were still under way with Japan, the United Kingdom and the EEC.

Since satisfactory agreements had been reached with the great majority of the countries concerned, his Government felt that the implementation of the results of these negotiations should no longer be delayed and it intended therefore to put into effect the results of the negotiations already concluded.

15. Trade Arrangement between India, the United Arab Republic and Yugoslavia

The representative of India recalled that under a Decision of the CONTRACTING PARTIES of 20 February 1970 the States participating in the Trade Arrangement between India, the United Arab Republic and Yugoslavia were required to report annually on the operation of the Arrangement. Due to certain difficulties it had not been possible to assemble all statistical information in time for the 1970 report. This information was now available and he expected that the participating States would be able to submit their report in the very near future.

16. Meetings of the CONTRACTING PARTIES

Mr. Patterson (Assistant Director-General), speaking on behalf of the Director-General, said that in consultation with the Chairman of the CONTRACTING PARTIES, the Director-General had been giving thought to the timing of the next session of the CONTRACTING PARTIES. They had come to the conclusion that the most suitable time would be during the last fortnight of November this year and the Director-General therefore proposed the dates of 15 to 26 November. He would appreciate hearing the reactions of delegations to the proposal.

At the same time the Director-General felt that perhaps the contracting parties should meet before the November meeting and suggested, therefore, for consideration by delegations, a three-day informal meeting from 14 to 16 April. The Director-General further suggested, if the idea of such an informal meeting were acceptable, that contracting parties wishing to participate in this meeting be represented by people responsible in capitals for trade policy matters. In his view, for an informal meeting of this sort, where there would be no formal record or conclusions, a very broad agenda would be desirable. He therefore suggested that the theme for such a meeting might be "A review of the work programme and preparations for the twenty-seventh session". The morning sessions could be devoted to a review of the work programme, including the special problems of the developing countries, both non-tariff barriers and tariffs for industrial products, and agricultural products. The afternoons could be used for small informal gatherings. If it were decided to hold such a meeting, delegations should, in the weeks immediately ahead, consult with each other and with the secretariat, with the object of agreeing on the particular questions that could best be handled in informal discussions in such small groups.

The representative of Chile, speaking in his capacity as Chairman of the CONTRACTING PARTIES, said that once the technical work was completed the CONTRACTING PARTIES should take decisions and could not merely continue with further studies. He recognized that the CONTRACTING PARTIES were faced with enormous problems, due to developments outside the organization. As a result, a session held at an early date was not likely to be productive. Therefore, in order to bridge the gap if the session were held later in the year, he supported the suggestion for an informal meeting at a high level of representation.

In the following discussion a number of representatives expressed a preference for having a session of the CONTRACTING PARTIES at regular intervals, be it in the spring or in the autumn. This would avoid a situation in which the timing of the session was subject to developments elsewhere, which was the one in which the CONTRACTING PARTIES found themselves at present. Governments should be prepared to come to a session held at regular intervals and not wait for developments outside the GATT to reach the conclusive stage. Some delegations, on the other hand, saw merit in the GATT retaining flexibility in determining when sessions might be held. In their view a factor to be taken into account was that the Council had assumed new responsibilities and had developed into an effective instrument. It was recognized that the question of establishing a regular schedule of sessions of the CONTRACTING PARTIES need not be decided now and should be taken up by the CONTRACTING PARTIES in due course.

As regards the timing of the twenty-seventh session, a few representatives felt that a formal session in spring would have been preferable. One representative stated that his Government had considered proposing an early session at ministerial level to discuss several subjects in the broadest sense. Whether this was opportune or not was a matter of judgment. Most representatives, however, considered that in the present circumstances a session of the CONTRACTING PARTIES in spring would be premature. They supported, therefore, the proposal that the session be held in the autumn and were prepared to recommend to their governments the suggested dates of 15 to 26 November. The level of representation at the session would be decided later in the year.

As regards the proposed informal meeting in April, some representatives had hesitations. They felt uncertain about the results an informal meeting could achieve much would depend upon the willingness of the major trading nations to initiate meaningful discussions on major issues. Some of these representatives felt that further information was needed, others indicated that if there was a general consensus in favour of the informal meeting they would advise their governments to be represented.

Several representatives strongly supported the proposal for an informal meeting in April. They felt that a substantive exchange of views could take place on the work programme, on the long-range rôle of the GATT in the framework of developments in world trade, and on the preparation of the formal session in the autumn. Some representatives felt that discussions should not only concentrate on trade problems

among developed countries, but also on the economic and social problems of developing contracting parties. Special consideration should be given at the informal session to the report of the recently established high-level Group to the Committee on Trade and Development.

As regards the level of representation, there was a large consensus that the informal character of the April meeting precluded participation by Ministers. While it was naturally up to each government to decide on its own representation, several representatives were prepared to recommend to their governments to send high-level representatives from capitals. This question was, however, related to the subjects which would be discussed.

The Council agreed to revert to the matter at the next meeting. In order to enable representatives to hold consultations in the meantime, the next meeting would be convened on 23 February.