

GENERAL AGREEMENT ON TARIFFS AND TRADE

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MINUTES OF MEETING

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on 5 February 1973

Chairman: Mr. H. KITAHARA (Japan)

	<u>Page</u>
<u>Subjects discussed:</u> 1. United Kingdom -- Restrictions on Cotton Textiles	1
2. Trade in Textiles	2
3. Australian Preferences for Developing Countries	2
4. Association EEC-African and Malagasy States	5
5. India - Renegotiation of Schedule XII	6
6. Consultations on Balance-of-Payments Restrictions in 1973	6
7. Agreements between the European Communities and some Mediterranean countries and Mauritius	7
8. International Trade Centre	7
9. Arrangements for the Ministerial Meeting	8

1. United Kingdom Restrictions on Cotton Textiles (L/3812)

The Chairman recalled that the Council at its meeting of 25 October 1972 had established a panel to investigate a complaint made by the Government of Israel concerning restrictions on imports of cotton textiles maintained by the United Kingdom. The report of the panel had been distributed in document L/3812.

Mr. Eastham (Canada), Chairman of the Panel, said that the Panel had held several meetings between November 1972 and January 1973 and had examined the facts of the matter under dispute in considerable detail, in particular the question whether Israel should be considered a low-cost, disruptive supplier of cotton textiles on the United Kingdom market for the purpose of the United Kingdom global quota scheme. Following consultations with both the Israeli and the United Kingdom delegations, and following further bilateral discussions between the parties, the Panel had been advised that a mutually acceptable settlement had been reached, the broad outlines of which were set out in paragraph 5 of the report. The Panel, therefore, considered that no further investigation was required.

The representative of the United Kingdom, with reference to the view of the British Textile Confederation as expressed in paragraph 6 of the report, said that his Government was now satisfied that Israel was not supplying cotton textiles at low cost nor was it causing disruption on the British market.

The representative of Israel said that his delegation took note of the statement made by the representative of the United Kingdom. His delegation accepted the report of the Panel and drew the attention of the Council specifically to paragraph 6 of the report in which the Panel noted the unanimous view of the Executive Committee of the British Textile Confederation that Israel was no longer a low-cost producer of cotton textiles. His delegation felt that the work carried out by the Panel had proved the effectiveness of the GATT mechanism in finding mutually acceptable solutions for disputes between contracting parties.

The Chairman expressed his thanks to the Chairman and the members of the Panel for the work which had enabled the two parties to reach a satisfactory adjustment of the matter.

The Council adopted the report.

2. Trade in Textiles (L/3797 and Add.1, 2)

The Chairman recalled that at its meeting in June 1972 the Council had set up a Working Party on Trade in Textiles to make a study of fact regarding the economic, technical, social and commercial elements which influence world trade in textiles. The Working Party had been instructed to present its report by the end of 1972. The report had been distributed on 29 December in document L/3797 and its two addenda.

The Director-General, Chairman of the Working Party, said that the Working Party, on which all the major textile producing and consuming countries were represented, had met in July, September, October and December and had completed its study by the end of the year in accordance with the mandate given to it by the Council. The report of the Group was now before the Council. He also pointed out that, as requested by members of the Working Party, the secretariat had prepared two papers dealing with production, consumption and trade in tops and man-made fibres.

The Chairman suggested that in view of the scope and volume of the report delegations would need more time to examine the matter of trade in textiles more closely before the Council took up further consideration of the matter. He also proposed that in view of the interest of the report to outside bodies such as industry, professional associations etc., the report be derestricted.

The Council took note of the report and agreed to defer consideration of the matter of trade in textiles. The Council also agreed to derestrict the report.

3. Australian preferences for developing countries (L/3798)

The representative of Australia said that since the introduction of the Australian system of tariff preferences in 1966, the scheme had been progressively expanded. As of 1 January 1973, tariff preferences were extended to 120 specified manufactured and semi-manufactured products admitted duty-free without quota limitations; 326 groups of specified manufactured and semi-manufactured products.

admitted at preferential rates of duty up to the level of annual quotas of \$A53.3 million; 65 categories of specified handicraft products admitted duty-free without quota limitations. The preferences on the 120 "no-quota" products, on an additional 85 quota items and a small additional number of handicraft products had become effective as from 1 January 1973. There were 137 countries and territories eligible for the tariff preferences.

Imports under the scheme in 1971/72 were valued at \$A16.7 million. Quotas were allocated only to importers resident in Australia, who had to apply to the Australian Department of Customs and Excise for an allocation from the available quota. He pointed out that quotas had been heavily under-utilized, with approximately half the total of the available quotas for 1971/72 having remained unallocated at the end of that year. This he attributed to: a lack of knowledge of the arrangements among exporters in developing countries; lack of selling experience and general commercial "know-how" among exporters in some developing countries; reluctance among some importers to take the necessary action to obtain quotas; inability of developing countries to compete even with a preference on certain products.

He recalled that all the products to which the preferences applied in 1971/72 were nominated by developing countries, or by importers in Australia as being of present or potential interest.

As to the future, he said that a detailed examination of the scope and functioning of the existing tariff preference system and possible future developments in Australia's assistance to developing countries had recently been initiated.

One major problem facing developing countries was their apparent inability to capitalize on existing import opportunities in the Australian market. The failure to take full advantage of quotas was one indication of this weakness. Factors such as lack of export financing facilities, difficulties in conforming to Australian standards, packaging and labelling requirements, prices, designs inappropriate for Australian tastes, irregular export availability, transport problems and so on, also had an important bearing on whether developing countries were able to take advantage of preferential market access accorded them. All these points would be subject to a careful review by the Australian authorities.

The representative of Indonesia noted that in many cases the quotas allocated were less than the quotas available. Furthermore, he found that there were many quotas allocated for which no import figures were recorded and that, according to Annex B, the quotas allocated for 1971/72 were about \$A1 million lower than in 1970/71. Regarding the difficulties of developing countries to make use of Australia's preferential system, he suggested that as much information as possible as to the functioning of the system be made available to the developing countries. He expressed satisfaction that his country's exports of handicraft products to Australia at preferential tariff rates had increased considerably. As Indonesia, however, was now in the process of industrialization, he requested that allocation for more semi-manufactured products coming from his country should be provided under the scheme.

The representative of Romania said that his country was among those which had drawn little benefit from the Australian system of preferences. It had exported only \$150,000.--- worth of handicraft articles and it was now in the process of investigating the reasons for this. His comment in this respect was that no hasty conclusions should be drawn, since the entry into a new market was a long-term phenomenon and it could not therefore be judged after the experience of only one or two years. His second comment was that the scheme proved for those countries which had not yet introduced their generalized system of preferences that there was no great threat for their market from products exported by developing countries.

The representative of Sri Lanka stated that the fact that only a limited number of developing countries had utilized the scheme should not be disheartening since it was only a beginning. He expected that a greater number of developing countries would make use of the scheme in the future. The problems faced by developing countries were problems of finance, shipping, and publicity, among others. As the Australian delegation had stated that these problems would be taken into account in a review he anticipated a fuller use of the scheme by developing countries in the future.

The representative of the United Kingdom, speaking on behalf of Hong Kong, welcomed the extensions of the scheme, in particular the introduction of the list of products which could be imported free of quota as well as free of duty, from the beneficiary countries. He also welcomed continuing review of the operation of the scheme and supported the point made by the representative of Indonesia in drawing attention to the fact that quotas which had been allocated were not utilized. He noted that a comparison of the Annexes showed the substantial extent to which, even when quotas were allocated, they were not used for imports at the preferential quota rates. Total figures taken from Annexes A and D showed that for the year 1971/72 quotas were available to a value of about 44 million dollars, of which about half - nearly 22 million dollars - were allocated. However, imports of quota products at preferential rates amounted to only some 9.7 million dollars - a little less than 45 per cent of the value of the quotas actually allocated for their import. Moreover comparisons of figures in Annexes A and C showed quite a number of cases in which the quotas available had been completely, or almost completely, allocated, but in which imports from developing countries at preferential quota rates had been nil. While previous speakers had indicated some possible reasons for this situation, he felt that the value of the scheme was reduced if part of the quota was "frozen" by being issued to importers who for one reason or another did not use it; and he therefore asked that the Australian authorities should give particular attention to this question in their review.

The representative of Australia, referring to the problems of non-allocation of quotas, stated that the points made would be taken into account in the review of the scheme which was taking place now. This applied also to the problem of quota allocations which were subsequently not taken up.

With respect to the problem of incomplete use of the scheme by developing countries he pointed out that trade commissioners in various countries had detailed information about the scheme and were in a position to discuss with exporters in those countries the operation of the scheme.

The Council took note of the report.

4. Association EEC - African and Malagasy States (L/3792)

The Chairman pointed out that in accordance with the Calendar of Biennial Reports on developments under regional agreements fixed by the Council in March 1972, the parties to the Agreement of Association between the EEC and the African and Malagasy States had submitted a report which had been distributed in document L/3792.

The representative of the European Communities stated that the Yaoundé Convention not only contained provisions concerning trade, but also provisions concerning financial and technical cooperation. He pointed out that the Yaoundé Convention had been concluded for a period of five years and would end on 31 January 1975. Eighteen months before this date the parties signatories to the Convention would examine the provisions that might be made for a further period. To this effect, negotiations would begin in the course of this year.

The representative of Japan stated that his delegation maintained the view that the Agreement did not meet the requirements of Article XXIV:8(b). He enquired whether the parties concerned could present trade statistics regarding those items on which tariffs or levies and quantitative restrictions were still to be removed.

The representative of Indonesia, noted that the report showed an unfavourable trade balance between the Far East and the EEC. He enquired what could be done by the EEC to correct the situation and whether a statistical breakdown according to country for the Far East could be presented.

The representative of the United States stated, with reference to paragraph 1 of the report, that in his view the Yaoundé Convention did not meet the requirements under Article XXIV. His delegation considered the statistical annexes on trade of limited usefulness, which reinforced its view that a standard outline was needed for these reports. The data should be sufficiently detailed to allow for analysis of trade flows by product groups and thus permit comparisons between regions.

The representative of the Community replied that it was not the purpose of this discussion to reiterate the positions taken two years ago. Many of the products traded were of too small a volume to affect the free-trade area provisions of Article XXIV, paragraph 8(b). It was furthermore not possible to obtain statistics on certain products in the breakdown requested. He was ready to supply the Indonesian delegation with statistics on EEC-Indonesian trade, but the question of why particular bilateral trade had developed in a certain way was a matter for bilateral discussion.

The representative of Senegal reiterated his country's position that the Convention was in conformity with the provisions of Article XXIV and that it was a free-trade area. The trade between the African and Malagasy States and the EEC had followed a similar trend as that of the European Communities and the developing countries as a whole. It would therefore not pose a threat to the development of any developing country.

The Council took note of the report.

5. Renegotiation of Indian Schedule (L/3809, C/W/217 and Corr.1)

The Chairman drew attention to document L/3809 which contained a request from the Government of India for a waiver from its obligations under Article II in order to enable it to introduce the necessary modifications in its tariff pending the conduct and completion of the renegotiations required under Article XXVIII.

The representative of India explained that his Government had decided to change over to the Brussels Tariff Nomenclature and that the Bill for adoption of the new nomenclature was expected to be introduced in the Indian Parliament in its February-May Session. At the same time, attempts had been made to rationalize his country's tariff structure. These steps could involve adjustments of rates of duties on a certain number of bound items. As it would not be possible to enter into and complete renegotiations before adjustments were made in the rates of duties on bound items, the Government of India had considered it necessary to request a waiver under paragraph 5 of Article XXV. During informal discussions some contracting parties had made some constructive and positive suggestions for modifications in the text of the draft decision. These were contained in a corrigendum to document C/W/217. These amendments were acceptable to his delegation.

The representatives of the European Communities, the United States, Indonesia, Canada and Brazil noted the amendments made in the draft and supported India's request for a waiver.

The Council approved the text of the draft decision (C/W/217 and Corr.1) and recommended its adoption by the CONTRACTING PARTIES.

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. Consultations on Balance-of-Payments Restrictions in 1973 (C/W/216)

The Chairman said that document C/W/216 contained a note prepared by the secretariat concerning the consultations on Balance-of-Payments Restrictions which were to take place in 1973. The note had been prepared taking into account the new procedures for regular consultations with developing countries which the Council had approved at its last meeting.

The Council took note of the document and requested the secretariat to make the necessary arrangements, in consultation with the consulting countries, the International Monetary Fund and with the Chairman of the Balance-of-Payments Committee for the carrying out of the consultations in the course of the year. The contracting parties would be informed in due course of the exact dates of the consultations by airgrams convening the Balance-of-Payments Committee.

7. Agreements between the European Communities and some Mediterranean countries and Mauritius

The representative of the European Communities informed the Council that the Communities had signed on 19 December 1972 an agreement of association and a complementary protocol with Cyprus and on 18 and 19 December 1972 an agreement and an additional protocol with the Arab Republic of Egypt. Finally, on 18 December 1972 an agreement had been signed with Lebanon. In accordance with the notification procedures the texts would be presented to the CONTRACTING PARTIES as soon as they were available.

He also pointed out that an agreement had been signed with Mauritius, which had acceded to the Yaoundé Convention. This agreement had been notified by letter to the secretariat for communication to the contracting parties.

The Council agreed that this item should be inscribed on the agenda of its next meeting so as to enable the Council to determine the procedures for examination of the agreements.

8. International Trade Centre

The Director-General recalled that at the last meeting of the Council proposals had been put forward by the Secretary-General of UNCTAD and the Director-General of GATT concerning certain modifications to the administrative and financial arrangements for the International Trade Centre. At that time it had been indicated that these modifications would be put into effect on 1 January 1973. However, because of certain technical problems encountered by GATT's partners, that target date had to be somewhat deferred. Nevertheless, it was anticipated that these problems would be settled by 1 March 1973 at the latest.

In the meantime necessary administrative arrangements had been made with the partner and with the management of the Centre so that the work of the International Trade Centre could proceed as in the past.

The Council took note of this information.

9. Arrangements for the Ministerial Meeting

The Director-General recalled that, in his summing up at the concluding meeting of the twenty-eighth session of the CONTRACTING PARTIES in November 1972, the Chairman of the CONTRACTING PARTIES had stated that there was a consensus at the session supporting the convening of a meeting at Ministerial level in September 1973 to consider the report of the Preparatory Committee set up at the session, to establish a Trade Negotiations Committee and to provide the necessary guidelines for the multilateral trade negotiations to be initiated within the framework of GATT in 1973.

He had now been advised by the Government of Japan that it would be pleased to host the meeting at Ministerial level in Tokyo during the period 12 to 14 September 1973. Invitations to be represented at the meeting would be extended to all contracting parties to GATT, to associated governments and to developing countries not contracting parties who had indicated their intention to participate in the preparatory work for the negotiations. Invitations would also be extended to such other non-GATT developing countries as notified him by 31 March of their desire to be represented at the meeting.

A great number of representatives spoke and expressed their appreciation for the invitation of the Japanese Government to host the Ministerial meeting in Tokyo, which they accepted.

The representative of Japan stated that his Government considered it a privilege to host the meeting in Tokyo and that it counted on the active participation of the governments. The Japanese Government would do its utmost to make the forthcoming meeting meaningful and successful.