COUNCIL
27 June 1972

MINUTES OF MEETING

Held in the Palais des Nations, Geneva,
on 27 June 1972

Chairman: Mr. C.H. Archibald (Trinidad and Tobago)

Subjects discussed:

1. India - Regulatory Duty
2. United Kingdom - Waiver from Article I
3. United Kingdom - Special problems of dependent territories
4. Trade in Textiles
5. Customs Unions and Free-Trade Areas - Procedure
6. Main findings concerning trade at most-favoured-nation and at other rates
7. UNCTAD III - Resolutions
8. United States - Emergency Action on Ceramic Tableware
9. Date of the Twenty-Eighth Session

1. India - Regulatory Duty (L/3711, C/IV/203)

The Chairman recalled that by a Decision of 18 April 1972 the CONTRACTING PARTIES had granted a waiver to the Government of India to enable it to maintain for a limited period the temporary regulatory duty to the extent that this duty was also imposed on products in respect of which India had undertaken tariff bindings. The waiver was due to expire on 30 June 1972.

The representative of India noted that document L/3711 stated the reasons which had compelled his Government to continue the imposition of the regulatory duty for a further period of one year, to 15 May 1973. The measure had to be viewed against the background of developments in the past year: the economy had to face the problems created by the influx of refugees and by natural calamities in certain areas. The regulatory duty had been one of several measures introduced by his Government. Steps had been taken to curb the expenditure on non-developmental programmes; changes had been made in the system of direct taxation; certain excise duties had been increased; for many items a new excise had been introduced. The total additional revenue due to these measures was estimated to amount to Rs 1,830 million. From this only about
Rs 86 million were expected to be contributed by the regulatory duty. On the bulk of the items, the rate of the regulatory duty was 2.5 per cent and was, therefore, not likely to have a significant impact on the total volume of imports. He therefore asked the CONTRACTING PARTIES to give their approval to the extension of the waiver.

The representative of Pakistan objected to what he considered the reference made to political factors by the representative of India, since this was a trade forum.

The representative of India stated that he had endeavoured to confine himself purely to the economic reasons which made the request for an extension of the waiver necessary.

Several representatives expressed support for the proposed extension.

The representative of Australia, while also expressing support, stated that his authorities had hoped that the situation would not have required the continuation of the waiver for a full year, particularly in light of the fact that the effect of the duty was only limited compared to the effect of the totality of the measures. He furthermore noted that the list of bound items to be covered by the waiver had been somewhat extended.

The representative of India emphasized that, although this was the case, the trade coverage of the measure had not been extended. The volume of imports of bound items affected by the 10 per cent duty was Rs 603 million in 1970-71. On the basis of the waiver granted in March the volume of imports affected in the same period would have amounted to Rs 994 million. The volume of trade in items bound under the GATT affected by the 10 per cent duty would therefore now be less than before.

At the suggestion of the Chairman, the Council agreed to amend the text of the draft waiver so as to limit the period of validity of the waiver to 15 May 1973.

The Council agreed on the extension, approved the text of the draft decision as amended 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.

2. United Kingdom - Waiver from Article I (L/3707)

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 seventeenth annual report by the United Kingdom had been circulated in document L/3707. The report recorded action taken since the previous report.

The Council took note of the Report.
3. United Kingdom - Special problems of dependent overseas territories (L/3706)

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 sixteenth annual report, circulated in document L/3706, recorded that the Decision had not been invoked since the previous report.

The Council took note of the Report.

4. Trade in Textiles (C/N/77, C/W/202/Rev.1)

The Chairman recalled that at the last meeting of the Council the Director-General had made certain proposals regarding international trade in textiles. After a preliminary discussion on these proposals, the Council had agreed to revert to this matter at its present meeting. As requested by the Council the Director-General had circulated his proposals in writing in document C/W/202/Rev.1.

The Director-General recalled his statement made at the last Council meeting and the request made by some Council members at that meeting that a note by the secretariat setting draft terms of reference for a working party on trade in textiles be circulated. A first draft had been circulated in document C/N/202. A series of consultations had then been held with the delegations most interested or most concerned and as a result of these consultations the present draft text contained in document C/N/202/Rev.1 was being submitted.

The representative of Korea said that while the immediate purpose of the proposed working party was said to be merely to study facts, this was clearly motivated by a desire to establish a multilateral arrangement at a later stage. Although it was true that any such scheme could just as well be aimed at expanding trade in textiles, the prevalent protectionist attitude in importing countries would seem to indicate that any multilateral arrangement that might be set up was likely to be restrictive in nature. The proposed working party would, therefore, constitute another step towards strengthening the controls and restrictions which had been adversely affecting exports of developing countries. His Government, therefore, would wish to place on record that it would not be prepared to take part in any such arrangement that might follow the factual study, having regard to the heavy dependence of the Korean economy on textile exports for foreign exchange earnings. While, therefore, it was not in a position to endorse any such future proposals, his Government would be prepared to take part in the factual study to be conducted by the Working Party, which seemed to have received the consent of the majority of the contracting parties. One important subject which should be included in the study was the proportion of textiles in the exports of individual developing countries and the importance of these exports to their foreign exchange earnings and development planning.

The representative of the United States, commenting on the points proposed by the Korean representative in the study, pointed out that these could be regarded as falling within the scope of item (a) mentioned on page 2 of the Director-General's note.
The representative of Brazil emphasized the great importance of the textile sector for a large number of developing countries. The comparative advantages of developing countries in the production of textiles were, however, often offset by restrictive measures applied by developed countries, including the so-called "voluntary export restraints". Quoting paragraphs 49, 50, 51, 53 of the First Report of the Group of Three (L/3610, BISD 18S/83f) and recalling the Group's view on the need for a study of the trade problems in textiles, he expressed full support for the Director-General's proposal, which was particularly timely in view of the broad negotiations envisaged for 1973. His authorities understood the reference to the "principles and objectives" of GATT in the draft decision to mean that any future proposals for action that might emerge from the study would be conducive to trade liberalization in the interest of developing countries. The suggestion made by the representative of Korea was, therefore, well taken.

The representative of Israel expressed the view that this was an appropriate moment to carry out such a fact-finding exercise. The past decade had been one of rapid change in technology and in the composition and volume of world trade. As a result of such changes the textile industry in Israel was no longer competitive in primary textile goods, and had to switch over to other branches of textile production. It would be invaluable for governments to have an objective analysis of the evolution, showing the extent to which the textile industry of today differed from the one existing a decade ago.

The representative of Canada, in support of the proposal, said that a factual study could be undertaken without prejudging its outcome, although at a further stage one would have to consider the policy implications of the findings.

The representative of Spain drew attention to the parallel situations which faced the cotton textile industry in the early 1960's and which now faced the textiles industry as a whole. When the Cotton Textiles Arrangement was adopted in 1962, one had taken comfort in the belief that it was to be a minor evil of a transitory character. His Government, which had often expressed dissatisfaction with the Cotton Textiles Arrangement and had suggested ways and means of making it less restrictive, had to reserve its position regarding this new proposal since the factual study obviously aimed at preparing the ground for a new arrangement which was likely to involve trade restrictions. His delegation could accept the proposal on the understanding that the Working Party would limit itself to studying the facts and would in no case venture into the formulation of solutions involving the regulation of trade. The Korean proposal was therefore to be supported.

The representative of Australia supported the proposal, as well as the view that the broad terms of reference proposed should enable the Working Party to embrace the points raised by the Korean delegation on the study.
The representatives of Egypt and Pakistan, in supporting the proposal, laid special emphasis on the importance of cotton textiles to their economies.

The representatives of Argentina, Greece, Poland, and Switzerland also indicated support for the proposal.

The representative of Portugal expressed support and stressed the importance of the reference in the draft decision to "the principles and objectives of the General Agreement" which would preclude any attempts at multiplying restrictions under the cover of multilateralization. He shared the view of the United States that the Korean points were covered by item (a) in the document before the Committee.

The representative of Romania considered that the proposed factual study would be an exercise in constructive co-operation, looking towards a non-discriminatory solution to the problems in this sector of international trade which was of particular importance to developing countries.

The representative of Yugoslavia stated that textile production and trade, especially in cotton textiles, had an important place in his country's economy, textile exports accounting for approximately one eighth of total industrial exports. His Government was, consequently, strongly in favour of measures leading to the removal of obstacles to the further expansion of trade in this sector. The GATT was the proper forum for the carrying out of such a study, which could serve as a basis for a liberal solution of the problems facing international textile trade, consistently with the objective of enabling developing countries to expand their sales in world markets, and to increase their export earnings.

The representative of Turkov expressed the hope that collection of data and their analysis would prepare grounds for improving the trade conditions in this sector and enabling developing countries which had recently developed their textile industry to substantially increase their export earnings. He supported the views expressed by the representative of Korea.

The representative of Uruguay, in endorsing the proposal, stressed the particular interest of developing countries in the removal of restrictions to trade in cotton textiles, so as to permit them to increase their export earnings.

The representative of India stated that his authorities would have welcomed a more explicit declaration on the urgent need to find ways and means of increasing the export earnings of developing countries from textiles, particularly cotton textiles, but would support the proposed decision which seemed implicitly to recognize that need. Cotton textiles continued to be an important source of foreign exchange earnings for many developing countries, including India. His Government would, therefore, participate in the Working
Party on the understanding that one of its main tasks would be to ascertain how conditions could be created for improved access to world markets for these products. Participation naturally did not imply any commitment as regards the future of the Long-Term Arrangement, or any particular course of action with regard to other textiles. The study must not lead to the introduction of new restrictions which were inconsistent with the principles of the General Agreement. His delegation expected that the study would result in positive action in increasing export opportunities for developing countries.

The representative of Japan expressed gratification that the terms of reference under consideration unequivocally confirmed that the work of the Working Party would be limited to fact finding. His Government's participation in the Working Party was predicated on this understanding, as well as on the condition that the Working Party would approach the task against the background of the principles and objectives of GATT. The study of fact should take as its starting point the recognition that the current unsatisfactory situation in international textile trade, if allowed to continue, would not only be detrimental to the textile trade, but would also undermine the principles of free trade. Special emphasis should be given in the study to the existence of injury caused, or threatened to be caused, by textile imports in the importing countries. His authorities supported the proposed terms of reference, including the clause concerning the time schedule for the study. From Japan's point of view, it was most important for the Working Party to conduct a full and thorough examination of the facts so that one could obtain a real understanding of the actual situation. In its work, the Working Party should (a) ascertain and analyze the current situation of international trade in textiles, (b) review various problems that impeded development of international trade in textiles, (c) identify and analyze in detail injuries caused, or threatened to be caused, to the textile industries in various countries, (d) analyze structural changes that had taken place in textile industries and in world textile trade, and (e) study adjustment policies, with specific reference to textile industries, followed by different countries and their consequences for world trade.

The representative of the European Economic Community agreed that the study should consist of determining and analyzing all economic, technical, social and commercial factors which influenced the trade in textiles. Noting that the proposed decision referred to cotton, wool and man-made fibre textiles, he thought that whether this list was sufficient was a question which might be looked into again at a later stage. The EEC assumed that the study would be carried out in depth and that the time-limit provided for in paragraph 2 of the terms of reference should be no obstacle to this goal.

The Council agreed to the proposal in document C/1/202/Rev.1, thereby establishing a Working Party on Trade in Textiles with the terms of reference set out in that document. The Working Party was open to all interested countries.
The Council appointed the Director-General as Chairman of the Working Party. The Council agreed that the Working Party's first meeting should be held on 10 and 11 July 1972. The Council directed the Working Party, when elaborating a detailed work programme, to take account of the suggestions, made by the Director-General as regards certain elements that could be included in the study (C/M/202/Rev.1, page 2), and of the views expressed by contracting parties in the Council.

The Council agreed to make the results of the discussion on this item together with the Working Party's terms of reference, available to the press.

5. Customs Unions and Free-Trade Areas - Procedure (C/M/77, C/M/201)

The Chairman recalled that at the last meeting of the Council the representative of the United States had made certain proposals as regards procedures for the submission and first consideration of basic information concerning newly-established customs unions and free-trade areas. The text of the United States proposal had been circulated in document C/M/201.

Several representatives expressed appreciation for the proposal in principle and shared the concern voiced by the United States. In their view a rule of reason was necessary to ensure a closer adherence to the provisions of the General Agreement. They thought, however, that the time-table envisaged in the proposal was somewhat too tight and not quite realistic. Some countries faced constitutional and administrative problems which could make it impossible to adhere to the time-limits proposed. Similarly, the legal nature of such a rule would require some consideration.

The representative of the EEC agreed that delays had, in fact, been occurring. It was, however, important, not to generalize and exaggerate the problem. Thus, the wording of the United States statement could create a wrong impression as to the size of the problem. It was important also not to under-estimate the difficulties involved, not only for the parties to an agreement, but also for other contracting parties. There was the problem of the availability of the text of the agreement and, furthermore, of statistical data, especially if it referred to developing countries. The parties to the agreement usually also needed a certain time for co-ordinating their views. His authorities shared the view that the procedure should be efficient, but the solution to be adopted should also take into account the practical aspects of the matter.

The representative of the United States noted the principally favourable reaction his proposal had met. His authorities were well aware of the practical difficulties and they did not insist on the timing envisaged in the proposal. It was, however, important to recall that the General Agreement required contracting parties to notify agreements "promptly" and, furthermore, that his proposal referred only to a first consideration of the agreement.

The Council agreed to revert to the matter at a later meeting.
6. Main findings concerning trade at most-favoured-nation and at other rates (L/3708)

The Chairman recalled that at their twenty-seventh session the CONTRACTING PARTIES had decided to ascertain as far as possible the statistical facts concerning their trade at most-favoured-nation and at other rates. The CONTRACTING PARTIES had requested the secretariat to make the necessary calculations in accordance with the directives given by a working party.

The Director-General, in introducing the main findings, recalled that the CONTRACTING PARTIES had requested the secretariat to determine for each of them, and for all of them as a group, the total imports at most-favoured-nation rates, as well as at preferential and at other rates, from all sources by country, including imports from other parties to customs unions, free-trade areas and special trading arrangements, for the period between 1955 and 1970. With regard to the methodological problems arising, a working party had given the secretariat guidance; in the actual work the secretariat's statisticians had been aided by national statistical authorities. The main findings, derived from import statistics of thirty-three contracting parties and Hong Kong in the years 1955, 1961, 1964 and 1970 had been circulated in document L/3708.

Because of the little time delegations had had to study the document, the Council agreed to revert to the matter at a later meeting.

7. Resolutions of the Third UNCTAD

The Chairman said that this being the first opportunity since the Third UNCTAD, it seemed to him proper that, as Chairman, he should draw the Council's attention to resolutions adopted at that conference which related to GATT and, in particular, to the trade negotiations proposed for 1973 in which certain countries had already announced their intention of participating. He did not doubt that everyone was aware of the resolutions and their contents so that, having drawn the Council's attention to them, he suggested that, as of now, the Council take note of them.

The representative of Chile agreed that it would not be appropriate for the Council to analyze or discuss resolutions adopted elsewhere. He also understood that some of the subjects dealt with in the resolutions might better be discussed at a later date. Nevertheless, he suggested that the Council go somewhat further than merely noting the resolutions, especially since the resolution relating to multilateral trade negotiations addressed itself directly to GATT. Furthermore, it was important to express clearly the view that the participation of developing countries not members of the GATT in the preparatory work was welcome and that the necessary facilities would be provided. There was a need for early evidence of the developed countries' readiness to implement the resolutions.

A number of representatives considered that this was not the appropriate time to consider this matter in depth. They supported the Chairman's proposal that, for the time being, the Council take note of the resolutions. Many delegations
were also in favour of enabling non-contracting parties to participate in the preparatory work for the multilateral trade negotiations to be held in 1973.

The Chairman said that he had found only sympathy with the idea that there would be no difficulty for countries which were not contracting parties to associate themselves with the work of the committees which were concerned with preparations for the negotiations. The GATT secretariat would get in touch with non-contracting parties, as had been done before, and inform them of the Council's proceedings and of the possibilities of associating themselves with the work which was now being carried out. At the appropriate time and places further consideration would be given to the resolutions.

The Council took note of the resolutions.

8. United States - emergency action on ceramic tableware (L/3700)

The representative of Japan drew the Council's attention to document L/3700 containing a communication from the United States to the effect that the United States Government had decided to take action under Article XIX of the General Agreement with regard to certain ceramic tableware articles. It was his Government's considered view that imports from Japan of such articles did not compete directly with United States domestic production and that consequently they did not cause any serious injury. His Government had made representations at the hearings of the Tariff Commission and sincerely regretted that the United States had resorted to action. The Japanese Government hoped that the United States would be able to withdraw this measure as soon as possible and reserved their rights under Article XIX.

The representative of the United States stated that the action undertaken by his Government was in accordance with the provisions of Article XIX. Although domestic consumption of the goods in question had remained about constant in the period 1966 to 1970, the share of imports had increased by 33 per cent. By 1970, imports accounted for 54 per cent of the United States market. Domestic employment in the industry had been in 1970 about 20 per cent smaller than in 1968. Several firms had stopped production of earthenware in recent years, including two in 1971. The Tariff Commission had therefore found a situation of serious injury to the domestic earthenware industry. His authorities were of course prepared to consult with all contracting parties having a substantial interest as exporters of the products concerned.

The Council took note of the matter.

9. Date of the twenty-eighth session

The Council agreed that, as suggested by the Director-General at its last meeting, the twenty-eighth session be held within the period of 1 to 14 November 1972.