COUNCIL ADOPTS REPORT CONDEMNING CANADIAN LIQUOR BOARD PRACTICES

On 22 March, the Council adopted the report of the Panel, requested by the European Community, on certain practices of provincial agencies which market alcoholic beverages (i.e. liquor boards) in connection with imported alcoholic drinks. The Panel examined two main matters: (1) whether such practices were in accordance with the provisions of the General Agreement; and (2) whether Canada had carried out its obligations under Article XXIV:12 of the General Agreement.

In Canada, the provincial liquor boards have a monopoly of the importation and distribution of alcoholic beverages within a province. The federal authorities are responsible for regulating importation and exportation across national borders, but have no say in the distribution of imported or domestic products within each province.

The EC considered that the liquor board's practices, such as mark-ups, discounts allowed for domestic alcoholic drinks in restaurants, restrictions on points of sale and procedures for listing and delisting alcoholic drinks in their catalogue, discriminated against imported products and were incompatible with Articles II, III, XI and XVIII of the General Agreement. The EC argued that these practices concerned products subject to customs duties which Canada had bound. It also considered that Canada had not taken "such reasonable measures as may be available to it to ensure observance of the provisions of this Agreement by the regional and local governments and authorities within its territories", as enjoined by Article XXIV:12.

In a detailed statement of its legal position, Canada argued that these practices were not inconsistent with the provisions of the General Agreement in question and that it had fulfilled its obligations under Article XXIV:12, because the practices in question were the exclusive responsibility of the provincial governments. It also considered that Canadian provinces had acted in accordance with the Statement of Intentions concluded in 1979 between the EC and Canada relating to improvement of the treatment of EC alcoholic drinks with respect to mark-ups and listings. It also pointed out that community exports had increased substantially since 1979.

The Panel considered that the provincial Statement of Intentions did not modify Canada's obligations, and that since the higher mark-ups on imported alcoholic beverages were not fully justified by additional costs, they were contrary to Article II:4 of the General Agreement.

It concluded that requirements relating to listing, delisting and access to sales outlets discriminated against imported alcoholic drinks and were restrictions made effective through State-trading operations contrary to Article XI:1 of the General Agreement.

In its recommendations, the Panel requested Canada:
- to take such reasonable measures as may be available to it to ensure observance of the provisions of Articles II and XI by the provincial liquor boards in Canada;
- to report to the Contracting Parties on the action taken before the end of 1988, to permit the Contracting Parties to decide on any further action that might be necessary.

When the Report was adopted by the Council, the EC said that the Panel had carefully analysed this complex case and had reached sound findings, which includes the fact that Canada had not taken all reasonable measures available to it. It noted, however, that the delay granted to Canada was unusual and should not be regarded as a precedent.

Canada expressed its appreciation to the Panel for its sensitivity in dealing with delicate constitutional matters. While it did not concur with the Panel's arguments concerning its obligations under Articles II and XXIV:12, Canada would not stand in the way of the Council's adoption of the report. The Government of Canada would work with the provinces and report to the contracting parties on action taken before the end of 1988.

(Continued on page 2)

Costa Rica accedes to MFA

On 14 March, Costa Rica, which is not a GATT member, acceded to the Multifibre Arrangement governing international trade in textiles.

The representative of Costa Rica said that his country's textiles industry was only now beginning to develop and had recently begun exporting. In developing its textiles industry, Costa Rica would maintain open trade relations with all its partners.

This accession brings the number of countries currently parties to the Multifibre Arrangement to thirty-nine (the European Community counting as one signatory).
Adoption of the report on Canadian measures affecting exports of unprocessed herring and salmon

The Council considered a panel report on Canada's ban on exports of unprocessed sockeye salmon, pink salmon and herring.

The United States claimed that these restrictions were inconsistent with Article XI:2(b) and not justified by any of the exceptions provided in that Article or in Article XX. Canada argued that these export prohibitions were justified under Article XI:2(b), as they allowed the application of quality standards, and under Article XX(g), in that they were measures relating to the conservation of exhaustible natural resources.

The Panel noted that these measures were not necessary for the application of quality-control standards, since Canada prohibited the export of such products regardless of whether or not they met Canadian standards. Neither were they necessary for the international marketing of such products. Thus, the measures were not justified by Article XI:2(b). Furthermore, the prohibitions could not be considered as primarily related to the conservation of salmon and herring stocks, and therefore were not justified by Article XX(g). In its conclusions, the Panel recommended that Canada should bring these export prohibitions into line with the General Agreement. It stressed that its mandate was limited to the examination of Canada's present measures in the light of the relevant provisions of the General Agreement and that its report had no bearing on questions of fisheries jurisdiction.

The United States pointed out that the report was being considered by the Council for the third time and urged its adoption.

Canada argued that it would not stand in the way of the adoption of the report. It recalled that at the Council's previous meeting it had expressed strong reservations about the Panel's restrictive interpretation of Article XX(g), by insisting that measures had to be primarily related to conservation of species. In the circumstances, it was not surprising that the Panel had found Canada's measures to be unjustified.

Canada also considered that the present balance of obligations on importers and exporters was unsatisfactory and should be improved in the ongoing multilateral trade negotiations. It announced that it would remove the measures in question as soon as possible. However, in order to address its legitimate fishery conservation and management concerns, it intended to put in place by 1 January 1989 a landing requirement system consistent with the General Agreement.

The United States reserved its right to object if the new Canadian system was not in conformity with Canada's obligations.

Establishment of two new panels

- Norwegian restrictions on imports of apples and pears

The United States informed the Council that for many years it had been seeking liberalization of Norway's seasonal prohibition on imports of apples and pears during the harvest season for such fruit in Norway. It had twice held consultations under Article XXIII:1 in 1987, without results, and requested that a panel be established to examine the matter.

Norway stated that it considered its import restrictions on apples and pears to be in full conformity with its GATT obligations; they were based on legislation that had existed well before the General Agreement, and thus were covered by its Protocol of Provisional Application. Nevertheless, out of respect for the GATT dispute settlement system, it would not oppose the establishment of a panel.

The Council decided to establish a panel. Australia, the European Community, Hungary and Canada reserved the right to make a submission to the panel, in view of their interest in this matter.

- Japanese imports of certain spruce-pine-fir (SPF) dimension lumber

Canada raised in the Council the question of the levying by Japan of a duty of 8 per cent on imports of these products, whereas dimension lumber made of other species of wood enters Japan duty-free. Canada considered that this tariff was inconsistent with the provisions of Article I:1 on equality of treatment of like products and impaired its commercial benefits. Canada added that it had held two rounds of consultations under Article XXIII:1, in 1987 and 1988.

Japan pointed out that the tariff species classification was based on the necessity of importing lumber made of a specific species of wood and of protecting (Continued on page 3)
COUNCIL (continued)

Korean restrictions on imports of beef

The United States informed the Council that for almost three years Korea had banned the import of bovine meat. In its consultations under Article XXIII:1 in February and March 1988, Korea had neither offered an acceptable justification for the ban nor offered to lift it. The United States wished the Council to establish a panel to examine the Korean restrictions. Korea said that it would be premature to establish a panel, as it had not fully exhausted all consultation procedures with the United States; furthermore, it was going to hold consultations under Article XXIII:1 with Australia on the following day.

Australia confirmed that it had a major trade interest in the matter, having been Korea’s principal supplier prior to the abrupt closure of that market. It reserved the right to make a submission to the panel, should one be established, and should the outcome of its consultations with Korea not be satisfactory.

Canada and New Zealand also expressed their interest and supported the United States’ request.

Korea repeated that it considered that all possibilities of reaching agreement had not yet been exhausted.

The Council agreed to revert to this matter at its next meeting.

Implementation of the recommendations of certain panels

- The European Community, Canada and Mexico recalled that eight months after the adoption of the report, the United States had not yet implemented the Panel’s recommendation that it bring its tax on petroleum products, which was in breach of the principle of national treatment, into line with the General Agreement. The Community said it wished to be authorized by the Council to take retaliatory action under Article XXIII:2, and requested the Council to establish a working party to examine its request. Canada and Mexico reserved the right to have recourse, at the appropriate time, to the options for suitable action.

- The European Community recalled that five months after the adoption of the report requesting Japan to bring its taxes on imported wines and alcoholic beverages into line with the General Agreement, Japan had still not given precise information on the time-frame and content of its intended implementation of the Panel’s recommendations.

Finland, Sweden, Canada and the United States said they had an interest in the matter and shared the Community’s concern.

Japan replied that its Government was engaged in necessary internal procedures with a view to revising the liquor tax law; the principle of the abolition of the grading system for whiskies and brandies had already been decided, and the narrowing of the difference in tax rates applied to distilled liquors was being studied.

The United States hoped that this reform would not lead to a specific tax increase on wines.

The Community said it was disappointed by Japan’s vague reply. Furthermore, the mere narrowing of the tax differences planned under the Japanese reform was insufficient and inadequate. It reserved its right to revert to this matter unless Japan furnished further information.

Article XXIII:1 consultations under way

- The United States said it intended to request an additional Council meeting as early as possible in April to discuss Japan’s import restrictions on certain agricultural products (beef and citrus fruit). The United States explained that consultations on this matter had been taking place for some time without producing satisfactory results, and that the bilateral agreement which had permitted some access to Japan’s market for these products was to expire on 31 March. In the United States’ view, it was therefore time to examine the compatibility of these restrictions with the General Agreement.

Australia and Canada, as beef exporters, supported the United States’ request.

Japan said that its offer to hold bilateral consultations without any precondition had so far not been taken up by the United States, and said that in the circumstances it was premature to take any decision.

- The United States drew the Council’s attention to the prohibition by Greece on imports of almonds since November 1987. This action was a clear violation of Article XI and the Community’s binding commitment in the matter. It damaged the United States’ trade interests.

The European Community said that it would very shortly hold bilateral consultations with the United States, during which it would provide explanations concerning the legal justification for the measure.

(Continued on page 5)
GATT Articles

GATT members decided at Punta del Este to review the GATT provisions that seem to require amendment. Although the Declaration does not say so, it may be assumed that there are two objectives underlying this review: to correct any shortcomings (for example, lack of precision) that have come to light in the application of GATT provisions; and to adapt provisions in regard to developments that have taken place since the General Agreement was drafted forty years ago.

This is not the first time GATT members have engaged in this kind of rule-making activity: over the years they have drafted interpretative notes for a number of GATT Articles. Furthermore, the Tokyo Round non-tariff codes are largely based on provisions of the General Agreement, whose scope they sometimes clarify.

It is important for GATT members to have a thoroughly adequate set of rules, since it constitutes the basis of their rights and obligations as well as their entitlement to compensation (through negotiation or dispute settlement) in the event of non-compliance.

The Protocol of Provisional Application of the General Agreement, as well as a number of GATT Articles, in particular Articles II, XII, XIV, XV, XVII, XVIII, XXI, XXIV, XXVI, XXVIII, XXXV and XXXVI, have been proposed for review. Negotiations relating to Articles VI and XVI (subsidies and countervailing measures) and XIX (safeguards) are taking place in other Negotiating Groups. The Punta del Este Declaration does not specify which articles are to be reviewed, nor the criteria according to which the negotiations should be conducted. Participants are left a free hand in this respect. The negotiating plan drawn up in February 1987 by the Trade Negotiations Committee merely states that countries interested in the review of GATT articles, provisions and disciplines should indicate why they consider that these should be the subject of negotiations.

The initial phase of the negotiations has involved the submission of requests and preparation of factual background papers by the secretariat on the articles identified. The negotiating process proper consists of tabling specific texts by participants on the issues identified for negotiation, and negotiations on the basis of those texts.

Work in this field is midway between the initial stage and the tabling of specific negotiating proposals. So far, delegations have explained why they consider changes should be made in certain provisions of the General Agreement, and the direction in which those changes should go. Some delegations have reserved the right to submit other requests at a later stage.

The order in which these provisions are discussed here does not imply any kind of ranking of their priority.

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**Article XXVIII**

Article XXVIII is one of the key technical provisions of the General Agreement, governing the conditions in which a country can modify its tariff concessions or, in other words, raise bound tariffs or unbind them. It is, therefore, linked with Article XXIV (customs unions and free-trade areas) which provides that the procedures of Article XXVIII apply to negotiations on compensation. Furthermore, like Article XIX, it is a safeguard provision in that it permits tariff protection to be increased.

In its present form, Article XXVIII was drafted at the third review session in 1955. It provides for three types of negotiation:

1. renegotiations which may normally be carried out every three years, under paragraph 1;
2. renegotiations in special circumstances under paragraph 4, subject to authorization from the Contracting Parties;
3. renegotiations following the formulation of a reservation, under paragraph 5.

In addition, an Interpretative Note to Article XXVIII specifies the procedures to be followed in connection with paragraphs 1 and 4, in particular as regards notification and the identification of the contracting parties “primarily concerned”, those with an initial negotiating right, a principal supplying interest, or a “substantial interest”.

Guidelines for negotiations under Article XXVIII were adopted by the GATT Council in November 1980. Since then they have governed all renegotiations.

What issues have been raised in connection with Article XXVIII?

- **Determination of suppliers’ rights**

In the view of a number of delegations, the existing provisions for determining which contracting parties will be entitled to compensation – those parties which have a “principal supplying interest” or a “substantial interest” – are unsatisfactory. According to the criteria established by Article XXVIII and the Interpretative Notes, these rights are concentrated on a small number of countries; other countries do not have the possibility of defending their interests. Therefore, the value of the benefits they enjoyed until then is reduced and eroded.

In addition to specific proposals submitted by some of them, fifteen countries, developed, developing and centrally-planned, belonging to various geographical areas, submitted a joint communication to the other members of the Negotiating Group. They consider that, because trade in many products is concentrated in favour of larger countries, they have lost suppliers’ rights they originally possessed, and therefore the present situation should be improved. They believe that account should be taken not only of the share of imports of a product in the market of an importing country, as is currently the case, but also of additional, objective criteria. They requested the secretariat to examine the possibility of implementing these criteria and to study their impact. The criteria include the importance of a product as a source of income or export

(Continued on page 5)
earnings for a supplying country and the per capita value of exports of a product in the exporting country.

There is already a possibility of taking the interests of small suppliers into consideration; an Interpretative Note to Article XXVIII:1 provides the possibility for the Contracting Parties to determine that a country has a principal supplying interest if the concession in question affects trade which constitutes a major part of its exports. It has been suggested that this exceptional procedure should be generally applied. Another suggested approach would be to allow a supplier without a negotiating right to negotiate recognition of such a right in exchange for concessions.

Other countries consider that negotiating rights should be determined not only on the basis of trade during a reference period, but take account of potential exports and production of new entrants in a market.

In contrast with these proposals, other countries consider that the present method of determining suppliers with negotiating rights for compensation has worked satisfactorily and allowed countries to accept a high degree of commitment. They have also argued that, while some countries have a very high degree of tariff binding, so that Article XXVII procedures must be resorted to if a duty is increased, other countries have a very low level of binding of their tariffs, and therefore are free to increase them at any time.

- **Calculation of compensation and new products**

A number of countries expressed views that the present procedures suffer from shortcomings, particularly in the case of potential trade. A duty on a high-technology product with a promising future can be raised in anticipation, before any substantial trade in the product has developed. The case was mentioned of a duty raised even before the product was marketed. Under the present rules, compensation is based on the value of trade during a reference period, rather than on the growth potential for exports of the product.

Another issue raised was whether supplier's rights should be calculated so as to exclude trade carried out under contractual preferential arrangements, since the latter are not affected by the modification of the concessions.

- **Instability of concessions**

The increasing recourse to the possibilities offered by Article XXXVIII:5, to renegotiate without authorization all or some of a schedule, led a number of participants to express concern about the undermining of the value of tariff concessions. They pointed out that this provision was being used more and more as a safeguard measure, and should therefore be subject to stricter conditions.

The discussion of other provisions of the General Agreement will be pursued in FOCUS No. 55.

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### COUNCIL (continued)

**Concern over the EEC import licensing system for apples and pears**

Chile expressed concern over the import licensing system for apples and pears for the period 22 February to 31 August 1988. This surveillance system coincided with the harvest period for such fruit in the Southern Hemisphere, and was in fact a hidden restriction to trade which imposed additional costs to apple exporters and created uncertainties.

The United States, New Zealand, Argentina, Australia and Canada supported Chile's point of view; South Africa said it expected the surveillance system to be administered in such a manner as not to represent an impediment to trade.

The EC said that its import licensing system was intended only to survey imports. Licences were issued automatically within five days. The refundable deposit required, which represented 2 per cent of the value of the imports, was intended simply to avoid frivolous requests which would disorganize surveillance.

**Further Meeting on 8 April**

The Council held an additional meeting on 8 April, as a result of a communication from the United States on 29 March. At the meeting it reverted to several matters which had been discussed at the meeting on 22 March, without any decision being taken.

In its communication, the United States stated that all its bilateral consultations with Japan, and more recently those held under Article XXIII:1, had failed to lead to a satisfactory solution with regard to Japan's restrictions on imports of beef and citrus fruit. It therefore requested that a panel be established under Article XXIII:2. Japan opposed the establishment of a panel. The United States told the Council that it would not insist that a decision be taken at that session, and agreed to pursue its (Continued on page 8)
**Textiles and Clothing**

9 February

Delegations started to focus on the examination of "techniques and modalities" to be submitted by participants which would, as called for in the Ministerial Declaration, permit the eventual integration of the textiles and clothing sectors into the GATT. In this connection, an exporting country tabled a programme divided into four phases. The first stage would involve the removal of the current Multifibre Arrangement (MFA) criterion of "low prices" for the invocation of import restrictions as well as the elimination of restrictions on non-apparel textile products. The second phase would limit restrictions on apparel products, and the third would allow the imposition of such restrictions only after a determination by the Textiles Surveillance Body. The programme envisaged the removal of all MFA-type restrictions on apparel by the fourth and last phase.

A group of developing countries indicated that they were in the process of preparing proposals for the next meeting scheduled for the first week of May, while others flagged their intention to submit proposals at a later date.

The view was expressed that the work of the Group should also include an examination of the current situation in textiles and clothing trade in order to arrive at a convergence of views on the real difficulties encountered in this area and the possible solutions. A suggestion was made that the Group should, in examining modalities, consider a transitional phase to facilitate the passage from the MFA to GATT rules.

**Non-tariff measures**

22–23 February

Participants agreed on practical steps, laid down in a Chairman's proposal, to move the negotiations forward. Under the approved timetables, members are to submit proposals relating either to the establishment of multilateral rules, to a formula approach, or to request-and-offer "to the extent possible" by the end of June. These will be examined the following month. Specific proposals regarding procedures for the conduct of negotiations are to be tabled by the end of September. All submissions on the table will be subjected to scrutiny in October.

Members of the Group also discussed the Australian suggestion that offers on tariffs and non-tariff measures might be assessed using a new measurement system referred to as the "effective rate of assistance of industry" (ERA).

Another participant raised the need to examine pre-shipment inspection (used by a number of developing countries to assess imported goods). Although the matter was under discussion in the Committee on Customs Valuation, it was suggested that the issue more rightfully belonged to this wider forum.

**Tariffs**

24–26 February

Following discussion of an initial proposal calling for the abolition of all tariffs in the industrial sector, a participant submitted a supplementary communication proposing that developed countries should agree on the highest possible proportion of their tariffs to be eliminated. Other tariffs would be subjected to a tariff-cutting formula of the kind used in the Tokyo Round. This approach would apply to industrial products, but exclude agricultural, fishery and forestry products and petroleum. Developing countries would be expected to make efforts to reduce and bind their tariffs commensurate with their stage of economic development.

A further proposal envisaged the application by all participants of the tariff harmonization formula used in the Tokyo Round, but with a slightly different coefficient. The formula would be applied to bound and unbound tariffs in the industrial sector.

The Chairman proposed that the Group now search for an agreement on a common negotiating basis, which would cover a tariff-cutting approach, the elimination of high tariffs and tariff escalation, as well as the expansion of the degree of bindings by all participants.

**Trade-related investment measures**

15 February

Discussion continued on the trade effects of investment measures and on the operation of GATT Articles related to the trade-restrictive and distorting effects of investment measures.

Part of the meeting was devoted to the presentation by some participants of empirical studies of the trade effects of such measures and to discussion of these studies. Several participants felt the studies showed that at least some of the investment measures under consideration could have significant trade-restrictive and distorting effects and felt it was important to ensure that GATT disciplines operated effectively to minimize these effects. Several other participants found the studies insufficient to alter their view that most, if not all, investment measures did not regularly cause trade-restrictive or distorting effects and that it was more appropriate, therefore, to deal with them on a case-by-case basis rather than to seek to apply GATT disciplines to them across-the-board as is done with trade measures.

Participants exchanged views on the value of differentiating direct and indirect trade effects of investment measures, differentiating the effects on investors, host countries and third countries, and the approach to take in determining what effects could be considered to be trade-restrictive and distorting.

Several participants addressed the difficulties of determining the trade effects of combinations of investment measures and of investment measures used in conjunction with trade measures.

The Group also carried forward its examination of the relationship of individual GATT Articles to the trade effects of investment measures.

**Dispute Settlement**

2–3 March

Several delegations put forward suggestions for conciliation/mediation, panel procedures, arbitration and for improved surveillance of the implementation of panel reports. Delegates discussed the possible creation of an arbitration body that would function as a supplementary technique of dispute settlement. To facilitate the resolution of disputes, the Group further discussed benefits and repercussions of excluding contracting parties involved in

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Safeguards – 9 and 10 March

At their first meeting this year, participants discussed how best to determine the existence of "serious injury or threat thereof" to a domestic industry. It was generally agreed that "serious injury" to an industry depended on a broad range of factors, but was usually caused by sharp increases in imports, thereby adversely affecting domestic producers. Several delegations stressed that common objective criteria should be established for the determination of serious injury in order to avoid arbitrary use of safeguard measures. It was emphasized that the rules should be clear, transparent and stringent and that factors to define injury should be concrete and quantifiable.

Several delegations discussed their national legislation and procedures for determining serious injury and the need to define exactly what is meant by "domestic producers" and "like or directly competitive products".

The possibility of establishing a multilateral surveillance body within the GATT was also discussed. One participant introduced a new proposal on safeguards which included a proposal that a committee on Safeguards should be established. He said the committee could help Contracting Parties consult on such matters as periodic reviews of safeguard actions, their continuation beyond an initial period, and their phase-out and future elimination.

Functioning of the GATT System – 21–24 March

In addition to receiving two proposals from Canada and the European Communities – to be discussed in May – the Group had before it a Chairman's discussion paper concerning a trade policy review mechanism and annual reporting by Contracting Parties. There was very wide agreement that a trade policy review mechanism should be set up to increase transparency and understanding of national trade policies, and on the value of regular Ministerial-level meetings of the Contracting Parties.

The Group discussed the periodicity and coverage of trade policy reviews and whether they should be held in capitals.

Discussion continued on relationships between the GATT and international financial and monetary institutions.

Surveillance Body

8 March

One new communication alleging a breach of the standstill provision of the Punta del Este Declaration was presented to the Surveillance Body.

(Continued on page 8)

NEW MINIMUM PRICES SET FOR DAIRY PRODUCTS

Members of the GATT International Dairy Arrangement have raised the minimum prices for sales in international markets of all dairy products covered by the three protocols under the Arrangement. The new prices reflect more favourable world market conditions for dairy products and the recent successful efforts by participants to contain milk production and deliveries.

- Skimmed milk powder and buttermilk powder increased from US$825 to US$900, and whole milk powder from US$950 to US$1,000 per metric ton, f.o.b.
- Prices for anhydrous milk fat were raised from US$1,200 to US$1,325 and for butter from US$1,000 to US$1,100 per metric ton, f.o.b.
- Certain cheeses increased from US$1,120 to US$1,200 per metric ton, f.o.b.

PRESIDENT SANGUINETTI VISITS GATT

"We urgently need concrete results"

"In the Uruguay Round we have staked our hopes on the future and we now find ourselves at the halfway mark. We can say that so far everything has been moving in the right direction, but we can also say that we still do not hold in our hands the concrete results we hoped to find." Julio-Maria Sanguinetti, President of Uruguay, told GATT members while visiting GATT on 17 March.

"Of course we should not pause in the belief that a few scattered achievements are a substitute for the actual attainment of the final result to which we are committed, but we must also realise that if the final result is to be achieved, we must continue to give proof that we are on the way to attaining it", he added.

The full text of President Sanguinetti's speech has been published under symbol GATT/1433 and is available from the Information and Media Relations Division.

URUGUAY ROUND

(Continued)

Chile reported that its GSP benefits had been suspended by the United States on the grounds of Chile's record on worker rights. Chile considered that the action contravened the non-discrimination principles of GATT and that the US had, through this measure, improved its negotiating position in the Round contrary to the standstill criteria. The United States insisted that GSP was offered on an autonomous basis and that it was entitled to impose criteria - in a non-discriminatory manner - in making such offers.

Among 'early warning' items discussed by the Surveillance Body was a further complaint by Chile, supported by New Zealand, Argentina, Canada, Australia and the US, concerning a prior-deposit import licensing system recently imposed by the European Communities on apples.

The Australian delegation drew attention to a reduction in access to the Communities' market for manufacturing beef.

In its turn, the European Communities complained about new manifestations of the "Buy America" programme in the United States, including restrictions on Department of Defence procurement of super-computers; the Voice of America modernization programme;

requirements on domestic paper procurements for the printing of banknotes and gilt in the US and the sourcing of administrative motor vehicles for the Department of Defence.

In the first notification of its kind, the European Communities announced an autonomous offer on rollback. The offer envisaged the elimination of over 100 quantitative restrictions covering a variety of products from the twelve EC countries. The Communities stressed that the offer would be confirmed in the light of similar contributions from other participants. The announcement was generally welcomed, although some delegations were concerned that East European countries and Japan had been excluded by certain EC countries from inclusion in their lists of measures to be dismantled, thereby introducing a measure of discrimination into the offer.

COUNCIL (continued)

consultations with Japan. Nevertheless, it expected that, if the consultations ended in failure, Japan would not oppose the establishment of a panel at the Council meeting on 4 May. Australia supported the United States' position, noting that it had also requested consultations with Japan on this issue under Article XXIII:1.

Japan said high-level consultations were still under way to try to find a satisfactory solution to this delicate problem.

The EC, Canada, Australia, Chile and New Zealand reserved their rights under the General Agreement.

The United States again raised the question of Korean restrictions of beef imports, stressing that no progress had been made in the bilateral consultations held. Korea considered that all conciliation possibilities had not been exhausted. The Council agreed to revert to this matter at its next meeting.

The report of the panel on trade in semiconductors was submitted to the Council for the first time on 8 April. The European Community regretted the fact that a discussion leading to the adoption of the report could not take place. Japan said its authorities had not yet finished examining the report, and that they intended to hold bilateral consultations with the Community. It asked for more time. The United States supported Japan's request. Switzerland expressed concern at any consultations which might have the result of injuring the interests of third countries and reserved its rights in that connection.

Finally, Chile reserved its rights with respect to the EEC import licensing system for apples and pears, and to its exclusion from the United States generalized system of preferences.

1, 2 See FOCUS Nos. 53 and 48, respectively.