

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

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MINUTES OF MEETING

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on 31 October 1975

Chairman: Mr. K.A. SAHLGREN (Finland)

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1. Brazil - Increase of bound duties in Schedule III (L/4191 and Add.1, C/W/265)

The Chairman recalled that the Council had agreed to defer to its present meeting the question of increases of bound duties in Schedule III and to consider the Brazilian request for a waiver on the basis of the text of a draft decision (C/W/265).

The Council agreed to postpone consideration of the Brazilian request to its next meeting.

2. Brazil - Prior import deposits (L/4231)

The Chairman recalled that the representative of Brazil had informed the Council at its meeting in September of Brazil's introduction of a system of prior import deposits. Details of the system had been circulated in document L/4231.

The Council agreed to refer the matter to the Committee on Balance-of-Payments Restrictions for examination.

3. Switzerland - Review under paragraph 4 of the Protocol of Accession

The Chairman recalled that under paragraph 4 of its Protocol of Accession, Switzerland had reserved its position with regard to the application of the provisions of Article XI of the General Agreement to permit it to apply import restrictions pursuant to existing national legislation. The Protocol called for an annual report by Switzerland on the measures maintained consistently with this reservation and it required the CONTRACTING PARTIES to conduct a thorough review of the application of the provisions of paragraph 4 every three years.

The representative of Switzerland introduced the three annual reports which covered the years 1972-1974 (L/3894, L/4087 and L/4221). He stated that the reports contained detailed information on the way the Swiss agricultural legislation was applied and on the development of its imports in respect of the main sectors of international trade in agricultural products. He said that his delegation was ready to supply any additional information which would be requested. His authorities had tended during the period under consideration in the reports to follow a policy of maintaining the balance which had been aimed at in the Protocol of Accession, namely the balance between the export interests of contracting parties and the level of national agricultural production.

The representative of Australia recalled that in the 1969 and 1972 reviews the Swiss delegation had undertaken to provide more information regarding bilateral agreements and associated quota allocations. His delegation would like to be informed especially how administrative arrangements provided for non-discriminatory quotas and access for new suppliers. He particularly asked for more information on the import régime and marketing system for butter and other dairy products. He also sought information on the basis for issuing import licences for cheese, the determination of butter prices, regulations for imports of whole milk powder and skimmed milk powder, and criteria for determining the source of dairy imports.

The representative of Switzerland stated that the objectives of the Swiss import policy were to maintain the possibility for development of traditional trade flows, while providing sufficient opportunities for imports from new exporting countries, and taking into account the evolution of demand in the domestic market. Because of these objectives the fixed quotas were never identical to actual imports because adjustments were made in the course of the year. He stated that the statistical information in the reports showed how imports from different countries had developed. He emphasized that only a limited number of agricultural products were effectively under a system which required a quota allocation. Referring in particular to dairy products he pointed out that imports of butter were carried out by a State-trading agency. The import system for butter aimed to compensate to some extent for the high price to be paid for home-produced milk. Whole milk powder and skim milk powder were subject to a conditional import régime, implying that for a certain proportion of the powder the importer must get his supply on the home market. Cheese imports were under a system of automatic licensing.

The representative of Canada said that it seemed to him that no significant liberalization had taken place in the restrictive Swiss import régime.

The Council took note of the reports. The Council had thereby carried out the third triennial review required under paragraph 4 of the Protocol of Accession of Switzerland.

4. Agreement between Finland and Hungary (L/4230)

The Chairman recalled that in February 1975 the Council had considered the Agreement between Finland and Hungary and had established a Working Party to examine the provisions of this Agreement in the light of the relevant provisions of the General Agreement. The report of the Working Party had been circulated in document L/4230.

Mr. Easterbrook-Smith (New Zealand), Chairman of the Working Party, pointed out that the Working Party had addressed itself specifically to such issues as trade coverage, customs duties, and quantitative restrictions. He noted that the Working Party had been unable to reach unanimous conclusions as to the compatibility of the Agreement with the provisions of the General Agreement and in particular those of Article XXIV. The parties to the Agreement, supported by two other members of the Working Party, were of the opinion that the Agreement was in conformity with the provisions of Article XXIV. The other members who had spoken could not, on the basis of the available information, express a view on this question and had requested that the Working Party should continue the examination at an appropriate time on the basis of additional information. It had been noted that the representative of Hungary did not take a stand on the advisability of the continuation of the work of the Working Party.

The representative of the European Communities supported the position taken in the Working Party that the information made available did not permit the Community to form an opinion on the problem of compatibility and he, therefore, requested that the Working Party continue the examination at an appropriate time on the basis of additional information. This view was supported by the representatives of the United States, Japan, Canada and Switzerland. The representative of the United States in particular recalled the doubts expressed by his delegation concerning the application of Article XXIV to a free-trade agreement with a country which did not have a market economy system.

The representative of Hungary recalled the statement made by his delegation in the Working Party that Hungary did not take a stand on the advisability of the continuation of the work of the Working Party. He also recalled a conclusion adopted by the CONTRACTING PARTIES on 24 November 1967 to the effect that the CONTRACTING PARTIES' approach to the question of trade relations with countries with centrally planned economies should continue to be on a pragmatic, country-by-country basis.

The Council agreed that the Chairman of the Working Party, in consultation with the delegations and in the light of further experience, should fix an appropriate time for the examination of the Agreement.

The Council adopted the report.

5. Consultation on trade with Hungary (L/4228)

The Chairman stated that the Protocol for the Accession of Hungary provided for consultations to be held biennially between Hungary and the CONTRACTING PARTIES in a working party to be established for this purpose, in order to carry out a review of the operation of the Protocol and the evaluation of reciprocal trade between Hungary and the contracting parties. The first consultation had been carried out by a working party whose report had been circulated in document L/4228.

Mr. Easterbrook-Smith (New Zealand), Chairman of the Working Party, said that the Working Party had carried out the consultation in accordance with the plan set out in Annex B of the Protocol of Accession. It had examined those prohibitions or quantitative restrictions not consistent with Article XIII of the General Agreement which were still in force as of 1 January 1975, and had noted that such discriminatory restrictions were still maintained in three customs areas. The Working Party had had a discussion on the possible relationship between the formation of Hungarian export prices, with reference to the Hungarian system of subsidies, and the maintenance of discriminatory restrictions against Hungarian exports. He pointed out that some parties were of the opinion that the consultation had enabled them to present the economic motivations justifying the

maintenance, for exceptional reasons, of discriminatory restrictions as provided for in the Protocol of Accession. The Hungarian delegation had expressed regret that it had been unable to obtain indications as to the future elimination of these restrictions.

The representative of Hungary stated that his Government expected that the contracting parties would fulfil in good faith their obligations under international law.

The Council adopted the report.

6. Japan - Restrictions on imports of beef and veal - Article XXII:1 consultations

The Chairman recalled that Article XXII:1 consultations on imports of beef and veal into Japan had been carried out between Japan and Australia with the participation of delegations from New Zealand and the United States.

The representative of Australia, speaking also on behalf of the delegations of the United States and New Zealand, said that two rounds of consultations had been held. He recalled that Japan had always maintained restrictions on imports of beef and veal in the form of global quotas. There had been a progressive expansion of the quotas until February 1974. Imports which for the fiscal year 1970/71 were at 24,000 tons, had risen to 36,000 tons in 1971/72 and to 120,000 tons in 1973/74. Between February 1974 and June 1975, however, the Japanese market had been practically closed to imports. Imports had been resumed in June 1975 on the basis of the opening of a quota of 11,500 tons, the bulk of which was to be imported by the Livestock Industry Promotion Corporation (LIPC) on tender. Quotas for 20,000 and 10,000 tons had been announced subsequently, with the LIPC importing the major share.

Although the consultations had been conducted in a spirit of co-operation the exporting countries could not record satisfaction with their outcome. In their opinion, the limited quantities of beef and veal now permitted to be imported could not be accepted as a restoration of the previous position which was itself a restriction of trade. Furthermore, as a result of the introduction of market intervention arrangements, coincidental with the resumption of imports, overseas suppliers to the Japanese market appeared to have been consigned to a position of residual suppliers. They also expressed concern that it had not been possible to determine under which Article of GATT Japan's action to suspend imports could be justified.

The delegations concerned therefore, reserved all rights under the GATT in situations where their trade in beef and veal would be disadvantaged by the introduction or continuation of quantitative restrictive measures.

The representative of Japan said that the consultations had contributed to the mutual understanding of the problems surrounding the beef industry and the consumption of beef in each of the participating countries. He explained the circumstances which had led to the severely depressed situation on the beef market in the spring of last year, the abnormal accumulation of stocks and the unexpected slackening of consumption as a result of the general economic situation. This had resulted in the withholding by the Livestock Industry Promotion Corporation of a substantial proportion of beef from the market. He reported that demand had recovered considerably so that the stocks had now been cleared and the Government had resumed the issuing of import licences in June of this year. It was expected that the total quantity of imports for the current fiscal year would be substantial.

He informed the Council that his Government had enacted in April 1975 a new scheme of price stabilization which should make it possible to curtail fluctuations in supply and demand. Under the scheme, a set of price ranges had been established for representative grades of beef, and the Government was endeavouring to stabilize the market price through the purchase and resale operations of the LIPC. The system should also minimize undesirable fluctuations in imports.

The Council took note of the statements made.

7. European Free Trade Association and Finland-EFTA Association (L/4233)

The Chairman said that, in accordance with the Calendar of Biennial Reports on developments under regional agreements, the member States of the European Free Trade Association and the Finland-EFTA Association had submitted a report which had been distributed in document L/4233 with various annexes.

Mr. Benediktsson (Iceland) introduced the report. He pointed out that document L/4233, taken together with the fourteenth and fifteenth Annual Reports of EFTA, covering the period from 1 July 1973 to 30 June 1975, and the publications EFTA Trade 1972 and EFTA Trade 1973, contained the information for the CONTRACTING PARTIES on the developments in the EFTA and FINEFTA Association since the last report had been presented in October 1973. He underlined the importance of foreign trade for the seven countries which, with only 1 per cent of the world population, accounted for 10 per cent of world imports. This meant that EFTA's imports per capita were higher than in any other trading area in the world. The continued objective of the Association was, therefore, the harmonious development of world trade.

The representative of Canada noted that, while consultations had taken place on the EFTA rules of origin, his delegation continued to be concerned at the stringency of the rules in EFTA, especially in relation to the rules that had been applied previously in the member countries.

The representative of the United States also expressed concern at the restrictive rules of origin. He expressed the hope that EFTA countries would continue their efforts to make these rules more liberal.

The representative of Iceland drew the attention of the Council to the fact that consultations on rules of origin were in progress and that the latest round of consultations had taken place in July.

The Council took note of the report.

8. Application of Article XXXV to Japan (L/4234)

The representative of Japan expressed his Government's appreciation that since the last session of the CONTRACTING PARTIES three contracting parties had disinvoked the application of Article XXXV in respect of Japan, namely Mauritania, Ireland and Nigeria. He expressed regret however that six contracting parties: Austria, Cyprus, Haiti, Kenya, Senegal and South Africa, had still not found it possible to enter into a normal legal GATT relationship with his country. He expressed the hope that these contracting parties would also be able to disinvoke Article XXXV in the near future.

The representatives of the United States and Canada supported the appeal made by the representative of Japan.

The representative of South Africa stated that his authorities had indicated their willingness to discuss this matter with Japan at any time.

The Chairman expressed the hope that the contracting parties concerned would be able to give serious consideration to this question.

The Council took note of the statements.

9. Training activities (L/4232)

The Director-General, in presenting a report (L/4232) on the current activities of GATT in the field of training, said that he attached great importance to the courses held for officials of developing countries. The courses dealt with questions of commercial policy and current international economic problems. These training courses, of which one was given each year in English and one in French, corresponded to actual needs of developing countries, judging from the comments made by delegations and from the number of applications received from governments for each course. This showed the importance attached to these courses also by governments.

He pointed out that the practical value of the courses was greatly increased by study tours. Thus, in 1975, the English-speaking course had visited Yugoslavia and the Federal Republic of Germany and the French-speaking course Belgium and Italy. In addition, each course had included a four-day study tour in Switzerland.

In conclusion, he expressed his appreciation for the interest shown by all governments concerned in the programme and for the hospitality extended to the participants in the courses during the practical study tours. He thanked UNDP and UNCTAD, as executing agency of UNDP, for the scholarships granted for the training courses, and representatives of delegations and of international organizations for the lectures they had given to these courses.

The Council took note of the report.

10. International Trade Centre - UNCTAD Resolution 135(XV) Export Promotion (C/94)

The Chairman drew attention to document C/94, containing a decision by the Trade and Development Board of UNCTAD, laid down in UNCTAD Resolution 135(XV) Export Promotion. As this decision related to the work of the ITC, the concurrence of the Council was sought.

The Council concurred with the decision of the UNCTAD Board.

11. Sweden - Import restrictions on certain footwear

The representative of Sweden informed the Council of his Government's intention to introduce a global import quota system for leather shoes, plastic shoes and rubber boots. The system would be applied to imports from all sources, except some State trading countries for which special restrictive arrangements concerning imports to Sweden already existed. The global quotas would be determined on the basis of average imports for the period 1972-74. The items included came under tariff headings ex 64.01 and ex 64.02.

He explained that the reasons for these measures lay in the constant downward trend of Swedish shoe production during the 1960s and 1970s, as a result of relatively high production costs, combined with Sweden's traditional liberal trade policy. As a result the volume of shoe imports had increased very substantially. The decrease in domestic production had become a threat to the planning of Sweden's economic defence in situations of emergency as an integral part of its security policy. This policy required the maintenance of a minimum domestic production capacity in vital industries. In the case of the shoe industry, production had already fallen below the minimum level required, as illustrated by the fact that employment in that industry had declined from 9,500 in 1960 to 2,900 in 1975. Domestic production now accounted for only 25 per cent of the total supply of leather and plastic shoes.

He pointed out that his Government had introduced various adjustment assistance measures to avoid a deterioration of this situation. As these measures were not considered sufficient to guarantee a basic supply in case of emergency, his Government felt compelled to resort to temporary emergency measures. His Government was ready to enter into immediate consultations with those contracting parties having an interest in the matter. A formal notification of the measures would be submitted to the CONTRACTING PARTIES forthwith.

Many representatives expressed their concern at the Swedish decision taken at a time of high unemployment in their own countries. They noted that no detailed economic justification for the measures had been given and pointed to the need at the present time for avoiding all restrictions on imports as far as possible. They expressed doubts as to the justification of these measures under the General Agreement. While they had noted that the measures would be of a temporary nature, they noted that no provision was made for a terminal date. Some representatives of developing countries expressed concern that Sweden did not give special consideration to the needs of developing countries in the spirit of Part IV. Many delegations reserved their rights under the GATT and took note of Sweden's offer to consult.

The representative of Sweden stressed that the measure was not connected with the present recession, but was intended to safeguard a minimum production level. As the quotas were based on the average imports for 1972-74, traditional exporters to Sweden would still find sufficient scope for imports. His Government considered that the measure was taken in conformity with the spirit of Article XXI, but his Government did not wish to deprive contracting parties of the possibility to consult and had therefore declared its readiness to enter into consultations with interested contracting parties.

The Council took note of the statements made and of the fact that the measures would be duly notified to the CONTRACTING PARTIES. The Council noted that Sweden was ready to consult bilaterally with the contracting parties concerned, even if such a consultation was not formally required by Article XXI.

12. Bangkok Agreement

The representative of Korea, speaking also on behalf of Bangladesh, India, the Philippines and Sri Lanka, informed the Council that an agreement, called the Bangkok Agreement, had been signed in Bangkok by the representatives of seven member States of ESCAP, on 31 July 1975. The objectives of the Agreement were to promote economic development through a continuous process of trade expansion among developing member countries in the region and to further international economic co-operation through the adoption of mutually beneficial trade

liberalization measures. The Agreement would enter into force for the first three original signatory States which had deposited instruments of ratification, thirty days after the date of deposit of the third instrument of ratification. The question of ratification, for which six months time was allowed, was still under consideration by the Governments concerned. The text of the Agreement, together with relevant material, would be presented in due course.

The Council took note of the statement and agreed to revert to the matter when the text of the Agreement had been notified to the CONTRACTING PARTIES.