

# GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

C/M/107  
25 July 1975

Limited Distribution

COUNCIL  
11 July 1975

## MINUTES OF MEETING

Held in the International Labour Office Building  
on 11 July 1975

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

	<u>Page</u>
<u>Subjects discussed:</u> 1. Observer status - Request from Mexico	1
2. Establishment of a Consultative Group of Eighteen	2
3. Working Party on Accessions to the European Communities	3
4. Establishment of Committee on Budget, Finance and Administration	5
5. Yugoslavia - Intensification of import restrictions	5
6. Article XXII consultations on bovine meat with the European Communities	6
7. New Zealand/Australia Free Trade Agreement	9
8. ACP-EEC Convention of Lomé	10
9. Agreement European Communities-Israel	11
10. Australia - Import measures	12
11. Dates of the thirty-first session of the CONTRACTING PARTIES	13
12. Brazil - Increase of bound duties in Schedule III	13

### 1. Observer status - Request from Mexico

The Chairman stated that the Permanent Representative of Mexico had expressed by letter his Government's interest in the activities of GATT and had asked for formal observer status in the Council and GATT working parties. The Chairman recalled

that Mexico was participating in the multilateral trade negotiations and in the Textiles Arrangement and that, as signatory of the Havana Charter, the Government of Mexico was invited to attend the meetings of the CONTRACTING PARTIES as observer.

The Council invited the Director-General to respond favourably to the request.

2. Establishment of a Consultative Group of Eighteen (L/4048, L/4189, C/W/262)

The Director-General recalled that the Council had had an exchange of views at its meeting of 21 October 1974 on the establishment of a consultative group. This exchange of views had been based on a secretariat note (L/4048). The suggestions made in the note aimed at facilitating the carrying out by the CONTRACTING PARTIES of their responsibilities, particularly with respect to:

- (a) following international trade developments;
- (b) the forestalling, whenever possible, of sudden disturbances that could represent a threat to the multilateral trading system;
- (c) the international adjustment process and the co-ordination, in this context, between the GATT and the IMF.

He recalled that at the last session of the CONTRACTING PARTIES in November 1974, a number of delegations had taken a positive stand regarding these suggestions. Since that time consultations had continued among delegations, particularly on the question of a balanced and largely representative membership of the consultative group. The results of these consultations had been set out in document L/4189 of 27 June entitled "Consultative Group of Eighteen" and afterwards in document C/W/262 of 8 July 1975 in the form of a draft decision which was now before the Council.

In conclusion, the Director-General drew the attention of the Council to the last paragraph of the draft decision which stated that the Group was established provisionally for a period of one year, its tasks, composition and terms of reference being subject to review by the Council at the end of that year.

A large number of representatives welcomed the establishment of the Consultative Group of Eighteen which they considered a timely decision in the present world economic situation. They expressed their satisfaction with the well-balanced membership and noted also that the attendance of alternates was provided for. Some delegations expressed their confidence that the Consultative Group would not prejudice the rights of contracting parties and would act in a

spirit of equality, bearing in mind the problems of all developing countries. Some delegations, referring to point (c) of the draft decision, expressed the understanding that the co-ordination between GATT and other agencies in the context of the international adjustment process should not be limited to the IMF.

The Council decided to establish the Consultative Group of Eighteen with the terms of reference and membership set out in document C/W/262.

The Council authorized that the text of the Decision be released to the press.

### 3. Working Party on Accessions to the European Communities

Ambassador Kitahara (Japan), Chairman of the Working Party, recalled that a working party had been established in March 1972, with the task of examining the legal instruments leading to the accession of Denmark, Ireland and the United Kingdom to the European Communities. This Working Party had held a total of nine meetings in the period between March 1972 and February 1973. The main problems discussed at these meetings were the following:

- (a) methodology of the examination under Article XXIV:5(c);
- (b) treatment of preferential duties, notably the so-called Commonwealth preferences; and
- (c) problems arising out of the accessions for the trade of developing countries.

Detailed records of the meetings held were issued in a series of "Notes by the Chairman", which contained the various views that were expressed at these meetings.

He also recalled that at the twenty-eighth session of the CONTRACTING PARTIES in November 1972, it was agreed to commence the renegotiations under Article XXIV:6 in January 1973. He understood with considerable satisfaction that since that time negotiations between the European Communities and all countries, except one, which had conducted negotiations under Article XXIV with the European Communities, had been successfully concluded.

In view of the favourable developments with regard to the negotiations under Article XXIV:6 and after consultation with delegations, he had come to the conclusion that there was no need for the Working Party to hold another meeting or formally to adopt a report. Instead, and in consultation with members of the Working Party, he proposed that his present statement, together with the detailed "Notes by the Chairman" to which he had referred earlier, be considered the final record on the activities of the Working Party.

Ambassador Kitahara then expressed some personal views and said that he was disappointed that the Working Party had not been able to agree on the ways and means to assess the general incidence of the duties and regulations of commerce before and after the formation of the customs union. It had not been possible even to agree on the methodology for conducting such research and analysis. Such a state of affairs, if left unchecked, could reduce the effectiveness of future Article XXIV:5 examinations in the GATT. He felt that the vagueness and ambiguities of the provisions of Article XXIV were one contributory factor to this deadlock. At the appropriate time, therefore, the provisions of Article XXIV should be reviewed. Until such a review could be conducted he suggested that contracting parties members of a customs union or free-trade area should continuously bear in mind, not only at the time of the formation of the group, but also in its day-to-day implementation, that "the purpose of a customs union or of a free-trade area should be to facilitate trade between the constituent territories and not to raise barriers to the trade of other contracting parties with such territories". Furthermore, all contracting parties should attach an even greater importance to the maintenance and promotion of a free-trade policy, whether or not members of a regional group, because only in such an environment could regional trade groups, as well as individual economies, be kept outward looking.

The representative of Malaysia stated that his Government had not been able to conclude the Article XXIV:6 negotiations with the European Community.

The representative of Canada said that his delegation shared the Chairman's concern about the inability of the Working Party to agree on the methodology to assess the general incidence of duties and regulations of commerce before and after the formation of the customs union, and to agree whether certain measures were duties or regulations of commerce in the context of Article XXIV. The termination of the Working Party did not prejudice the position of contracting parties on these issues. He concurred with suggestions that the provisions of Article XXIV:6 should be reviewed, but felt that rather than a formal revision of the text of the Article the CONTRACTING PARTIES might consider drawing up practical guidelines to deal with problems caused by regional trade groupings and undertake a study of such guidelines without linking them to any particular Article XXIV case.

The representative of Argentina also referred to the fact that it had not been possible to assess the implications of the enlargement of the European Communities under Article XXIV:5. As a result only the tariff aspects had been dealt with, in the Article XXIV:6 negotiations, but no account had been taken of the changes in trade policy which had even more important repercussions than tariff changes. He also expressed the hope that the European Communities would bear in mind the consequences of the enlargement on the trade of their traditional suppliers and in particular developing countries.

The representative of the Communities said that the work of the Group had probably contributed to some extent to the positive opinion expressed by some contracting parties when the question of the desirability of maintaining the enlargement had recently arisen. In addition, he pointed out that formal proposals to amend the rules of the GATT or similar suggestions by governments could, if contracting parties so desired, be taken up in the framework of the current multilateral trade negotiations.

The Council agreed that the final report by the Chairman of the Working Party would be incorporated in the minutes of the Council. The Council took note of the statements made.

4. Establishment of Committee on Budget, Finance and Administration

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

Terms of Reference:

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

Membership:

Australia	Ghana	Sweden
Brazil	India	Switzerland
Canada	Israel	United Kingdom
France	Ivory Coast	United States
Germany, Fed. Rep.	Japan	Yugoslavia

Chairman: Mr. K.I. Gates (Australia).

5. Yugoslavia - Intensification of import restrictions (L/4184, L/4199)

The representative of Yugoslavia said that at the beginning of 1975 his Government had expected, with the measures so far introduced, to reduce the deficit of the current balance of payments by 25 per cent. However, imports had risen during the first five months of 1975 by 14.9 per cent as compared with the same period in 1974, and exports by only 7.7 per cent. At the same time there had been

a decline in earnings from tourism and in remittances from Yugoslav workers abroad. In order to counteract this development, his Government had decided to introduce on a temporary basis, until the end of 1975, a 10 per cent import surcharge (L/4184) and a system of prior approval for the import of certain products (L/4199). The surcharge did not apply to goods imported free of duty, to products subject to effective duties as compared with legal duties, and was only 5 per cent for a number of products. The system of prior approval for imports applied to a list of 153 items, mainly within the tariff group 84. This was not an import prohibition, but an import approval system geared to the internal market situation in order to avoid overstocking. This measure did not affect existing contracts. He also informed the Council of his Government's decision to abolish the need for import deposits as of 26 June 1975.

Several representatives, referring to the present world economic situation, regretted that the Yugoslav Government had found it necessary to introduce these measures. It was suggested that these measures be examined by the Committee on Balance-of-Payments Restrictions.

The Council agreed that the Yugoslav measures should be examined by the Committee on Balance-of-Payments Restrictions and that Yugoslavia should be invited to carry out a consultation with the Committee at the earliest possible time. The date of the consultation would be determined by the Chairman of the Committee in consultation with the representative of the IMF and the Yugoslav delegation.

#### 6. Article XXII consultations on bovine meat with the European Communities

The representative of Australia recalled that in August 1974 Australia had requested consultations with the European Communities regarding the action taken by the Community on imports of cattle and bovine meat. Subsequently, Yugoslavia, Hungary, Uruguay, Poland, New Zealand, Argentina, Romania and Brazil had joined in the consultations. A report had been submitted to the Council in November 1974 on two rounds of consultations which had taken place in October and November 1974. A third round of consultations had taken place on 18 April 1975. Speaking on behalf of the exporting countries involved in the consultations, he now wished to report that the basic situation still obtained and the outcome of the consultations had not been satisfactory from the point of view of the exporting countries. He pointed out that the exporting countries had experienced considerable disruption of their livestock industries and still had no prospect of any significant re-opening of the Community market. Furthermore, on the basis of the information about the state of the Community market, imports appeared to bear almost the entire burden of adjustment in a situation where the disturbance of the market could clearly be attributed to the very substantial increase in heavily protected domestic production in the Community encouraged by artificially high and increasing

prices which simultaneously worked to restrict consumption. The Community had made reference to measures taken in the Community designed to stimulate consumption, but it had not been possible to obtain clear details on the effectiveness of these measures. Nor had it been possible to obtain specific information on the practices of individual member States in allocating and administering the GATT bound quotas. In particular, it had not been possible to establish whether allocation had been achieved on a non-discriminatory basis. He said that the information supplied on 18 April by the Community appeared to indicate that market conditions and prices in the Community were improving, but there seemed to be no intention on the part of the Community to re-open its market to imports. He believed that the so-called EXIM Scheme announced by the Community would regulate imports by a means which could only result in the obstruction of commercial trade flows. Overall, it appeared to him that there was little prospect for imports to enjoy more than an insignificant share of the Community market, because the expectation was that the Community would again reach self-sufficiency levels in 1975. He was very concerned about the fact that after the consultations exporting countries were still unable to establish the precise article of the General Agreement invoked by the Community in justification of the measures. The GATT provided for countries to take emergency action against imports under specifically prescribed circumstances. Due to lack of information, however, exporting countries had been unable to conclude whether the conditions had been met by the Community in this case. Consequently, exporting countries were uncertain of their legal rights under the GATT and the means by which they could exercise those rights. He drew particular attention to this aspect of the consultations and would welcome suggestions as to what might constitute an appropriate course of action under the GATT in these circumstances.

The representative of Argentina said that the artificial support system of the Community had led to limitations in internal consumption and to increased stocks. These, in turn, had served as an excuse for closing the market to third country imports. By maintaining its high orientation prices for beef the Community might definitely close its market, except for a limited volume bound under the GATT and some small quotas open to the Lomé Convention countries. He appealed to the Communities to allow additional imports on a reasonably continuous basis after consultations with its traditional external suppliers.

The representatives of other meat exporting countries associated themselves with the previous statements. It was emphasized that the measures had not been justified under the GATT. The meat exporting countries were, therefore entitled to introduce compensatory measures, which made it imperative that an appropriate solution be found.

The representative of the Communities said that there was a general disequilibrium in the international market for bovine meat, where supply exceeded demand, and that disequilibrium was particularly felt in the main import market in the world, that of the Community. The burden of adjustment was all the heavier because the markets of certain countries were almost systematically closed to imports, in particular by health measures. In the context of the multilateral trade negotiations, the EEC had made a proposal at the June meeting of the Sub-Group on Meat. There was a need to share responsibilities, implying in particular that concrete commitments should also be undertaken by exporting countries; the Community approach comprised three elements, namely strengthening of the present machinery for information and consultation, implementation of "concerted disciplines" as between importers and exporters, and improvement of existing procedures and consultations in respect of health measures. The representative of the Communities emphasized the importance of internal market adjustment measures. Such measures were very costly, and for 1975 would amount to more than UA 700 million. Despite the unfavourable economic and social situation, consumption of bovine meat in the EEC had increased by nearly 5 per cent in 1974. No doubt internal measures to promote consumption had affected that trend. With respect to administration of the bound quota, allocations among interested importers were made in the EEC member States on the basis of a reference period for imports by individual importers. No mention was made of origin on the automatic import certificates issued within the limits of the quota, and it was on the basis of those documents that the duty was established within the tariff quota. Referring to the "EXIM" system, the representative of the Communities stated that it was designed to cover certain trade flows with third countries, while avoiding any increase in supply in the Community market at a time when equilibrium was still extremely precarious.

As regards relaxation of the régime in favour of certain ACP countries, as mentioned by the Argentine delegation, 80 per cent of the total export earnings of two of those countries was derived from exports of bovine meat to the EEC, while two others were bovine meat exporting countries that were among the poorest in terms of GNP. Detailed examination of the legal aspects of the matter did not seem very useful, particularly at a time when the GATT clauses concerning emergency action were being questioned by so many contracting parties. Apart from the bound quota, there was no binding on the products concerned. Consultations were taking place under Article XXII with the countries concerned. Their rights



under GATT were not in question. In conclusion, the representative of the Communities stated that he could not share the optimistic evaluation which Australia had made of the situation in the Community market. That situation was still difficult and had even deteriorated in the past six weeks, when there had been a pronounced and prolonged decline in prices. A very difficult period was to be expected in the autumn, when cattle were brought in from pasture. The Communities were ready to continue consultations under Article XXIII if the interested countries so wished.

The Council took note of the statements made.

7. New Zealand/Australia Free Trade Agreement (L/4192)

The Chairman stated that in accordance with the Calendar of Biennial reports on developments under regional agreements the parties to the New Zealand/Australia Free Trade Agreement had submitted their Fifth Report (L/4192).

The representative of New Zealand said that, as shown in the Report, total Schedule A trade for both countries reached \$NZ 332 million in the year ended in June 1974, as compared with \$NZ 221 million in 1973 and \$NZ 200 million in 1972. In 1974 the percentage of total Schedule A two-way trade reached 53.7 per cent, which was the highest since 1966, when NAFTA came into operation. He gave a detailed breakdown in the values of trade of individual products and pointed out that Schedule A now comprised 1,790 items and that from the beginning of 1974 the original Schedule A items had become duty free. Since 1973 Schedule A items had been subject to six-monthly reviews in order to speed up progress. Consequently, the two reviews in 1974 had resulted in two lists of additions to Schedule A as of 1 January 1975. Furthermore, as a result of the March 1973 and November 1973 Ministerial meetings regarding the need for new intermediate trading arrangements between the Article 3:7 arrangements and Schedule A, it had been agreed to establish three new Schedules B, C and D, which would be implemented under Article 3:7. These Schedules, when in operation, plus Schedule A, were expected to cover over 75 per cent of trans-Tasman trade. He pointed out that these Schedules would provide interim steps towards free trade between the two countries.

He also pointed out that an interim agreement had been concluded on 7 May 1973 regarding the continuation of preferential tariffs after Britain's entry into the EEC. This agreement, pending negotiation of a longer-term agreement, provided a reciprocal undertaking not to increase rates of duty between Australia and New Zealand above the level applied on 31 January 1973 and generally to maintain margins of preference. The agreement had in the meantime been extended to March 1976 in order to allow time for negotiations for a longer-term agreement to be completed.

The representative of the United States pointed out that there was still no significant increase in the percentage of bilateral trade covered by NAFTA, so that the Agreement did not yet cover, in the terms of Article XXIV, substantially all the trade between the two countries. As NAFTA would soon move into its tenth year he hoped that the parties would soon be able to provide a plan which would show when and how NAFTA's trade coverage would be extended.

The representative of Argentina referred to the preferential duties which Australia and New Zealand continued to grant to other Commonwealth countries and enquired what type of preferential system would be maintained after the United Kingdom had entered the European Community. He also expressed his agreement with the maintenance of tariff preferences between the two countries, which was something the developing countries hoped to obtain in the multilateral negotiations.

The Council took note of the Report.

8. ACP-EEC Convention of Lomé (L/4193, L/4198)

The Chairman recalled that in March 1975 the Council was informed by the representative of the European Communities of the signature of the Lomé Convention dated 28 February 1975. The text of the Convention had been transmitted to the CONTRACTING PARTIES by the European Communities (L/4193) and by the Chairman of the ACP Committee of Ambassadors (L/4198).

The Council agreed that for the discussion of this item representatives of the ACP countries not members of the Council or not contracting parties could be represented by observers.

The representative of the Community said that the main characteristics of this agreement between the Community and forty-six developing countries in Africa, the Caribbean and the Pacific were contained in the letter submitted to GATT. The parties to the Convention were ready to participate in a working party to be set up for the examination of the Convention according to GATT procedures.

The representative of Jamaica, speaking on behalf of the ACP countries, confirmed that the ACP countries were also prepared to participate in a working party for the examination of the Convention.

The representative of Brazil, after referring to the positive aspects of the Convention, pointed out that the discriminatory aspects of the Convention - differentiation in the treatment of developing countries - should constitute an element of concern to the CONTRACTING PARTIES. A solution should be found to circumvent this discrimination. The customary examination procedure to determine the compatibility of the Convention with the GATT should, therefore, be followed. He expressed the hope that, without prejudice to the results of the work of the

working party, adequate compensation would be offered to third developing countries by the European Communities, in the commercial field, either in the context of the multilateral trade negotiations or under other forms of trade or economic co-operation. The benefits now accruing to associated developing countries should, at least partially, be extended to third developing countries.

The Council agreed to set up a working party with the following terms of reference and membership:

Terms of Reference:

To examine, in the light of the relevant provisions of the General Agreement, the provisions of the ACP-EEC Convention of Lomé, dated 28 February 1975, and to report to the Council.

Membership:

Membership in the working party would be open to all contracting parties indicating their wish to serve on the working party. The Council agreed to refer the nomination of a chairman to its next meeting.

The Council agreed also that ACP States not contracting parties could attend meetings of the working party as observers.

Contracting parties wishing to submit questions in writing relating to the Convention were invited to send such questions to the secretariat before 30 September at the latest. The written answers to the questions should be presented to the secretariat by 1 December at the latest.

9. Agreement European Communities-Israel (L/4194)

The Chairman stated that the Council had been informed on 2 June 1975 of the conclusion of a new agreement between the European Communities and Israel, signed on 11 May 1975. The text of the agreement had been circulated in document L/4194/Add.1.

The Council agreed to set up a Working Party with the following terms of reference and membership:

Terms of Reference:

To examine, in the light of the relevant provisions of the General Agreement, the provisions of the agreements between, on the one hand, the European Economic Community and the member States of the European Coal and Steel Community and, on the other hand, the State of Israel signed on 11 May 1975, and to report to the Council.

Membership:

Membership would be open to all contracting parties indicating their wish to serve on the Working Party.

Chairman: Mr. A. Bier (Brazil)

The Council also agreed that contracting parties wishing to submit questions in writing to the parties to the Agreement should be invited to send such questions to the secretariat by 30 September at the latest and that the parties to the Agreement would supply answers within six weeks after receipt of the questions.

10. Australia - Import measures

The Chairman recalled that at earlier Council meetings some delegations had made statements relating to certain import restrictive measures introduced by the Government of Australia. At the last Council meeting the representative of the European Communities had reserved the right to revert to that question.

The representative of the European Communities expressed concern at the multiplication of sectors being covered by safeguard measures introduced by Australia at a time when Australia's trading partners were struggling with unemployment and other economic difficulties. He noted that Australia's customs duties were already at levels of 30, 40 and up to 50 per cent, many of which unbound. The Community had had consultations with Australia but these had not proved satisfactory. He considered that most of the measures taken did not seem to be justified and expressed concern that Australia might consider the extension of the original period of restriction. It had appeared during the consultations that in some cases the measures were in support of new industry for the production of goods so far imported. The spectacles sector had been mentioned by way of example. He invited the Australian Government to review the whole set of measures with a view to either eliminating them or making them more flexible. He reserved the right to revert to the question for a detailed examination of the measures.

The representative of Japan said that his Government had conducted an exchange of views with Australia on the measures and it was now carrying out Article XIX consultations on automobiles, steel sheets and spectacle frames. He hoped that the consultations would soon be concluded, and he reserved the possibility to take the matter up again in the Council at the appropriate time.

The representative of Spain said that his Government was also concerned about the various restrictive measures, particularly those affecting footwear. Consultations were taking place and Australia had informed his Government of a relaxation of the measures which, however, did not benefit Spain's exports. His delegation, therefore, intended to continue the consultations. If these did not achieve results, his delegation reserved the right to raise the matter again in the Council.

The representative of Australia stated that his country's import performance compared favourably with that of other OECD countries. It was his Government's intention to remove the measures as soon as possible and he stressed the fact that the measures had been introduced to deal with short-term emergency situations. As to the level of protection against imports, he stated that it was not higher than the protection against meat imports in the Community. His delegation was prepared to continue consultations with contracting parties on the measures involved, and Australia was ready to consider introducing a degree of flexibility in cases of hardship. He expressed the hope that in future reference to the Australian measures would be in relation to specific problems.

The Council took note of the statements.

11. Dates of the thirty-first session (C/93)

The Chairman recalled that the CONTRACTING PARTIES had agreed that their thirty-first session should be held within the period 17-28 November 1975. In order to enable the secretariat to make the necessary technical arrangements, the Council agreed that the session be held in the second week of the period originally reserved. It was understood that the Council would be free to reconsider those dates if circumstances so required. It was also agreed that the duration of the session should be limited to 2-3 days, if possible.

12. Brazil - Increase of bound duties in Schedule III (L/4191)

The representative of Brazil, referring to document L/4191, informed the Council that his Government had put into effect, as of 27 May 1975, Schedule III, which resulted from the Article XXVIII renegotiations under the Decision of 27 February 1967. He also informed the Council that at the same time his

Government had considered it necessary to introduce certain modifications as spelt out in paragraph 2 of document L/4191. As reasons for the modifications he pointed out that the renegotiations had lasted for almost eight years and that Brazilian production had experienced accelerated growth and diversification during that period. The changed economic situation since 1967 had, furthermore, led to a modified external trade pattern. His authorities had, therefore, considered it necessary to review some of the concessions granted. He explained that the changes had been kept to the minimum necessary to protect certain infant industries and were justified in the spirit of Part IV and in particular Article XXXVI. The changes were not to be seen as a policy to restrict imports. They concerned twenty-four tariff items relating to products which amounted to 4.4 per cent of Brazilian imports in 1973. His delegation stood ready to enter into informal bilateral consultations regarding these changes with interested contracting parties.

The representative of the United States said that these changes amounted to an impairment of concessions, which could either be restored or for which a waiver had to be sought. This opinion was shared by the representative of the European Communities who also pointed to the need for rapid negotiations.

The Chairman suggested that time should be given to the Government of Brazil and interested contracting parties to consult on how best the matter could be dealt with.

The Council agreed to refer the matter to its next meeting.