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GENERAL AGREEMENT ON TARIFFS AND TRADE

COUNCIL
14 June 1984

MINUTES OF MEETING

Held in the Centre William Rappard on 14 June 1984

Chairman: Mr. F. Jaramillo (Colombia)

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1. Algeria - Request for observer status (L/5656)

The Chairman drew attention to a communication from the Permanent Mission of Algeria, which had been circulated in document L/5656, asking for permanent observer status in the deliberations and work of the principal GATT bodies.

The representative of Egypt supported acceptance of Algeria's request. He noted that Algeria applied GATT rules on a de facto basis, and had also participated in the Tokyo Round of multilateral trade negotiations.

The representative of the United States noted that while other recent requests for observer status had referred to the possibility of the country concerned becoming a contracting party, the Algerian request referred to "closer and more effective co-operation with the organization and the contracting parties". Algeria's application of the General Agreement on a de facto basis put its request in a different category to those submitted by other non-contracting parties. Given the number of recent requests for observer status and the lack of a clear understanding on the meaning of de facto status, his delegation asked that a decision on Algeria's request be delayed until the Council had examined the question of observers generally and their rôle in GATT. This proposal was without prejudice to Algeria's request and was not related specifically to it. He proposed that the Secretariat note on GATT practice concerning admission of observers, which had been requested at the Council meeting on 15/16 May 1984, should also address the question of application of the General Agreement on a de facto basis.

The Chairman said that the Secretariat note would be circulated shortly, and that it would take account of the proposal made by the representative of the United States.

The Council took note of the statements and agreed to revert to this matter at its next meeting.

2. International Trade Centre

- Report of the Joint Advisory Group (ITC/AG(XVII)/93 and Add.1 and Corr.1)

Mr. Morshed (Bangladesh), Chairman of the Joint Advisory Group, introduced the report. He recalled that the Group reviews the activities of the International Trade Centre (ITC) and formulates recommendations to the governing bodies of UNCTAD and GATT. As the Centre's activities had expanded over the past 20 years, it had faced a corresponding need for increased resources to carry out its program, but unfortunately the level of financing had not kept pace with the growing number of requests for the Centre's services. In 1983, both

expenditures and total net resources had declined slightly compared with 1982. The Group had urged the Centre to continue its efforts to increase trust-fund contributions and to diversify its sources of financing, so as to ensure an expanded program of technical co-operation. The Group's attention had been drawn to the need for ensuring that developing countries at all levels of development should continue to benefit from the Centre's assistance. The Group had also discussed, in depth, the future orientation of the Centre's activities in Africa, south of the Sahara, which contained 25 of the least developed countries. He then referred to the Group's discussion on the follow-up action required in relation to UNCTAD resolution 158(VI) calling for strengthening the Centre, particularly in relation to commodities. The Centre was actively seeking financing for a number of proposals in this area and some traditional trust fund donors had agreed to consider making financing available; in addition, the Group had recommended that new donors also consider making adequate voluntary contributions to the Centre to enable it to implement that resolution. A number of encouraging statements had been made in the Group regarding trust fund contributions to the Centre. These included some increases announced by traditional trust fund donors as well as contributions announced by some new donor countries, including several developing countries. He hoped that the calls made by UNCTAD VI and by the 1982 GATT Ministerial meeting for strengthening the Centre would be followed by concrete demonstrations of support through increased or new voluntary contributions.

The representatives of Egypt, Sri Lanka, Uruguay, Cuba, Pakistan, Philippines, Indonesia, Nigeria, India and Tunisia, and the representative of Tanzania speaking as an observer, commended and expressed their support for the Centre's valuable work, and for the main recommendations in pages 2-3 of the report. They thanked donor countries for their contributions to the Centre, and appealed for additional resources to be made available.

The representative of Finland, on behalf of the Nordic countries, said they attached great importance to the Centre's work. They would continue to give it substantial support and appealed to other potential donor countries to do likewise.

The representatives of Austria, Canada, Romania, Poland and Yugoslavia commended and expressed their support for the Centre's work.

The representative of the European Communities pledged continued support for the Centre. He emphasized the symbolic value of the Centre as an area where GATT and UNCTAD worked concretely together in specific and practical ways. He also drew attention to the fact that some major developing countries were among the donors to the Centre. He welcomed the fact that some of the studies made by the Centre dealt with the import policy of the developing countries with a view to a better use of their resources. The Community hoped to continue to cooperate with the Centre on technical aspects and to ensure complementarity of projects.

The representative of Jamaica appealed for increased contributions to supplement the Centre's inadequate resources. He suggested that before the Group's next meeting, the Centre's Executive Director might consult informally with the Director-General of GATT and the Secretary General of UNCTAD to find ways of increasing financial support by the major donor countries.

The Council took note of the statements and adopted the report.

3. Uruguay - Import surcharges

- Request for extension of waiver (C/W/441, L/5655)

The Chairman recalled that by their Decision of 24 October 1972 (BISD 19S/9), the CONTRACTING PARTIES had waived the application of the provisions of Article II of the General Agreement to the extent necessary to allow the Government of Uruguay to maintain certain import surcharges in excess of bound duties. The waiver, which had been extended a number of times, was due to expire on 30 June 1984. The delegation of Uruguay had submitted a request for a further extension of the waiver (L/5655). The Chairman drew attention to the text of the draft decision contained in document C/W/441.

The representative of Uruguay said that his country was engaged in a process of reducing, simplifying and harmonizing its import tariff through the application of a single customs tax, but world economic difficulties had necessitated some adjustments in this process. Uruguay had started to open up its economy after many years of being separated from world economic growth. It would have served no purpose to close Uruguay's economy and leave the domestic market as the sole outlet for national producers. To hold down imports in order to restore the level of economic activity would have meant hampering access to imported goods that were essential for the smooth operation of the country's manufacturing industry and more particularly would have discouraged export trade. Instead, it had been decided to maintain the existing policy of opening the economy while making the necessary adjustments for passing through the period of depressed international economic activity with the least damage possible. For these reasons, and in order to finalize the alignment of concessions in Schedule XXXI with the new tariff structure now in force, Uruguay was requesting an extension of the authorization granted by the CONTRACTING PARTIES for the application of surcharges until 30 June 1985. Uruguay hoped to present, in mid-1985, a proposed new Schedule XXXI for examination under the procedures established by the General Agreement.

The Council approved the text of the draft decision extending the waiver until 30 June 1985, and recommended its adoption by the CONTRACTING PARTIES by postal ballot.

4. Committee on Balance-of-Payments Restrictions

(a) Consultation with Hungary (BOP/R/141)

In the absence of Mr. Feij (Netherlands), Chairman of the Committee on Balance-of-Payments Restrictions, Mr. Roos (Netherlands) said that at the consultation with Hungary in May 1984, the Committee had noted that Hungary's balance-of-payments situation had improved as a result of the demand management measures it had taken, despite some continuing negative external factors. The Committee had welcomed Hungary's efforts to ease the restrictions introduced in 1982, in particular the lifting of the 20 per cent import surcharge on 1 April 1984 and the partial elimination of quantitative restrictions, and had noted the transparency of the measures taken. Taking into account the various internal and external factors affecting Hungary's balance of payments, the Committee had reiterated the hope that in the light of progress achieved in internal adjustment, Hungary would soon be in a position to announce a timetable for phasing out the remaining restrictions and returning to automatic licensing, in accordance with paragraph 1(c) of the 1979 Declaration on Trade Measures Taken for Balance-of-Payments Purposes (BISD 26S/205).

The Council took note of the statement and adopted the report.

(b) Consultation with Israel (BOP/R/142)

Mr. Roos said that at the consultation with Israel in May 1984, the Committee had recognized that Israel faced serious and persistent balance-of-payments difficulties, and that policies pursued in the recent past had not led to an improvement of the situation. The policies now being followed comprised a wide range of measures, priority being given to alleviating balance-of-payments problems. There were initial signs that these policies were showing positive effects. While Israel had not had excessive recourse to trade restrictive measures, several trade policy instruments were being used simultaneously. In this connection, the Committee had asked the Secretariat to seek clarification about the status of the licensing measures notified by Israel. The Committee had recommended that, pursuant to paragraphs 1(b) and 1(c) of the 1979 Declaration, Israel should avoid the cumulation of different trade measures taken for similar ends, and indicate -- as soon as practicable in line with improvements in its balance-of-payments situation -- a time schedule for phasing out the restrictions.

The Council took note of the statement and adopted the report.

(c) Consultations with India and Yugoslavia (BOP/R/143)

Consultations with India and Yugoslavia under the simplified procedures of Article XVIII:12(b) had been held in May 1984. Mr. Roos said that the Committee had decided to recommend to the Council that these countries be deemed to have fulfilled their obligations under Article XVIII:12(b) for 1984; full consultations had not been regarded as desirable.

The Council took note of the statement, adopted the report and agreed that India and Yugoslavia be deemed to have consulted with the CONTRACTING PARTIES and to have fulfilled their obligations under Article XVIII:12(b) for 1984.

(d) Note on the meeting held on 22-25 May 1984 (BOP/R/144)

Mr. Roos drew the Council's attention to two points raised by members during the Committee's meeting in May 1984, as reflected in document BOP/R/144. Concerning the first point, Brazil had informed the Committee about bilateral consultations held with its main trading partners on actions which might be adopted by them on an m.f.n. basis during the adjustment period of Brazil's balance of payments. On the second point, the Secretariat had been asked by the Committee, in accordance with paragraph 3 of the 1979 Declaration, to seek information on measures reported as having been taken by Argentina and Colombia for balance-of-payments reasons. Colombia had already notified some such measures in document L/5542 and Addenda 1 and 2, and had also clarified in document L/5542/Add.3 that these measures had been taken for balance-of-payments reasons under Article XVIII:B. Argentina had also recently communicated to the Secretariat, for the information of interested parties, the texts of import measures currently in force.[1]

The representative of Brazil, referring to procedural suggestions in the statement by the Chairman of the Committee (C/125) at the Council meeting on 15/16 May 1984, confirmed that Brazil had suggested to its main trading partners a list of cooperative actions that they might adopt on an m.f.n. basis during Brazil's balance-of-payments adjustment period. To this effect, Brazil was holding bilateral consultations with the United States, the European Community, Japan, Canada, Australia, Sweden, Switzerland and Austria.

The Council took note of document BOP/R/144 and of the statements.

5. Exchange rate fluctuations and their effect on trade

- Study on "Exchange Rate Volatility and World Trade" (L/5626)

The Chairman recalled that at its meetings on 13 March and 15/16 May 1984, the Council had discussed the Study on "Exchange Rate Volatility and World Trade" issued with document L/5626. At the latter meeting, the Council had agreed that informal consultations should be held, and had agreed to revert to this item at its next meeting.

The Chairman said that the informal consultations had begun, and suggested that the Council revert to this matter at a future meeting when they had progressed further.

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[1] Communication subsequently circulated in document L/5643

The representative of the European Communities reiterated that the Community wanted to ascertain whether erratic exchange rate fluctuations affected the development of trade, and if so, to what extent. During consultations that he had held recently with some industrialists, they had made clear that their operations were very much affected by erratic exchange rate fluctuations, especially as these affected exports. Faced with considerable uncertainty in exchange rates, they had said that they often did not dare take risks and thus missed out on opportunities in markets abroad; consequently, they had been obliged to fall back on the domestic market. They had added that the extra costs caused by exchange rate volatility amounted to between one and two per cent. The Community was not seeking to challenge the present system of variable exchange rates as such. However, it wanted appropriate attention given in the Council to this issue, especially in view of the fact that another recent study on the effect of exchange rate volatility on trade -- by the Federal Reserve Bank of New York -- had come to a different conclusion than the Study issued with document L/5626.

The Council took note of the statements and agreed to revert to this matter at a future meeting when the informal consultations had progressed further.

6. Implementation of the GATT Work Program (L/5647)

The Chairman recalled that at its meeting on 15/16 May 1984, the Council had discussed document L/5647, containing a communication from developing contracting parties, and had agreed to revert to this item at its next meeting. He said that as the Council would be addressing this issue on a continuing basis between the present meeting and the fortieth session of the CONTRACTING PARTIES, this item was bound to figure on the Council's agenda during that period.

The Council took note of this information.

7. Sub-Committee on Protective Measures

- Reports of the Sub-Committee (COM.TD/SCPM/5 and 6)

The Chairman recalled that in March 1980, the Committee on Trade and Development had established the Sub-Committee on Protective Measures, in accordance with the CONTRACTING PARTIES' Decision of 28 November 1979 on the Examination of Protective Measures Affecting Imports from Developing Countries (BISD 26S/219). That Decision had provided that the Sub-Committee would report on its work to the Committee on Trade and Development and through it to the Council. At its meetings in October 1982 and November 1983, the Committee on Trade and Development had adopted the reports of the Sub-Committee on its fifth and sixth sessions and had forwarded them to the Council. These two reports were before the Council in documents COM.TD/SCPM/5 and 6.

The Council adopted the reports.

8. Poland - Economic management system

The representative of Poland, speaking under "Other Business", recalled his announcement at the Council meeting on 13 March 1984 concerning an informal meeting organized by his delegation to present the essential features of the present reform in Poland's economic and trade management system. He informed the Council that the meeting was scheduled for 28 June 1984. To his knowledge, this would be the first comprehensive presentation of this subject outside Poland, particularly of its trade-related aspects. His delegation believed that it was appropriate for such a presentation to be held in the forum of GATT.

The Council took note of this information.

9. Trade in Textiles

(a) United States - Imports of textiles and clothing

The representative of Pakistan, speaking under "Other Business" on behalf of developing country exporters of textiles and clothing, said that on 12 June 1984, a group of US Congressmen had introduced a bill entitled "Textile Employment and Fair Trade Act of 1984" which would instruct the US Department of Commerce to freeze textile, clothing and fibre imports at 1983 levels, allowing an import growth of 1.5 per cent for each of the four years until 1988. The proposed legislation also called for establishment and administration of a new import licensing system to ensure strict enforcement of quantitative limitations and other requirements. He was bringing this to the Council's attention to give it an idea of the direction in which the world trade system would drift unless contracting parties fulfilled their commitments in the 1982 Ministerial Declaration (BISD 29S/9).

The representatives of Egypt, Uruguay and Korea endorsed the statement by the representative of Pakistan, saying that they hoped that further US restrictions on textile imports -- which would contradict US obligations under the MFA[1] -- would not come into force.

The representative of the European Communities noted that the Community was both an importer and exporter of textiles and clothing, and would thus be affected directly or indirectly by any new restrictive measures. He also paid tribute to the transparency of the US system. He appealed to the United States to act responsibly and to respect its declarations of attachment to free trade. All contracting parties counted on the US capacity to resist protectionist pressures.

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[1] Arrangement Regarding International Trade in Textiles (BISD 21S/3)

The representative of the United Kingdom, on behalf of Hong Kong, endorsed the statements by the representatives of Pakistan and of the European Communities. The timing of the highly restrictive and retrograde bill submitted to the US Congress was unfortunate, coming immediately before work was about to begin in the Working Party on Textiles and Clothing which would be considering the modalities of liberalization. His delegation hoped that new restrictive legislation of this nature would not be enacted by any contracting party, and also that it would not be used to secure any unilateral departure from existing obligations under the MFA or the General Agreement.

The representative of the United States emphasized that the proposed legislation had been submitted not by the US Administration but by Congressmen whose districts were affected by textile imports. His delegation would convey to Washington the concerns expressed at the present meeting, so that the Administration could take them into account when it considered the proposed legislation.

The Council took note of the statements.

(b) Working Party on Textiles and Clothing

The Chairman, speaking under "Other Business", recalled that at its meeting on 15/16 May 1984, the Council had set up the Working Party with terms of reference and membership as provided in document C/W/440. The Council had authorized him to designate the Chairman of the Working Party, in consultation with delegations.

He informed the Council that following such consultation, it had been agreed that Mr. Mathur, Deputy Director-General, would be the Chairman of the Working Party.

The Council took note of this information.

10. Japan - Measures affecting the world market for copper ores and concentrates

- Request by the European Economic Community for a working party

The Chairman recalled that at its meeting on 15/16 May 1984, the Council had discussed this matter, and had agreed that the Chairman, with the help of the Secretariat, would organize informal consultations among interested delegations in order to help find an appropriate solution to this problem.

He informed the Council that the consultations had begun, and proposed to report on them at a future Council meeting when they had been concluded or had made further progress.

The Council took note of this information.

11. Smoking in conference rooms

The representative of the European Communities suggested that consultations might be held on the question of smoking in GATT conference rooms.

The Director-General referred to efforts by the Director-General of the World Health Organization to discourage smoking, and said that it was necessary to proceed on this matter on the basis of a consensus.

The representative of Israel proposed that GATT follow the practice adopted in the Palais des Nations, which was to prohibit smoking in small conference rooms and to discourage it in large ones.

The representative of Spain said that the interests of all parties in this subject would need to be carefully considered.

The representative of Colombia supported the proposal by the representative of Israel.

The Chairman proposed that informal consultations be held so that a decision on this subject could be taken at a future Council meeting.

The Council so agreed.