RESTRICTED
C/M/132
13 February 1979
Limited Distribution

GENERAL AGREEMENT ON TARIFFS AND TRADE

COUNCIL
29 January 1979

MINUTES OF MEETINGS

Held in the Centre William Rappard on 29 January 1979

Chairman: Mr. E. FARNON (New Zealand)

Subjects discussed:			Page
	1.	Accession of Mexico	1
	2.	ASEAN Agreement	4
	3.	Balance-of-Payments Restrictions	5
		(a) Consultation with Brazil	5
		(b) Consultation with India	6
		(c) Consultations with Bangladesh, Ghana, Korea, Tunisia and Yugoslavia	6
		(d) Consultations in 1979	7
	4.	United States - Agricultural Adjustment Act	7
	5.	Customs unions and free-trade areas; regional agreements	8
		(a) Central American Economic Integration (SIECA)	8
		(b) EEC-Turkey Association	8
		(c) EEC-Greece Association	8
	6.	Panel on Japanese restraints on imports of leather	9
	7.	Panel on EEC refunds on exports of sugar	9
	8.	Accession of Colombia	10

1. Accession of Mexico (L/4766)

The Chairman said that a communication had been received from the Government of Mexico (L/4766) stating that Mexico had taken the decision to initiate negotiations with a view to possible accession under Article XXXIII of the General Agreement.

The representative of Mexico[1] said that a substantial part of the foreign trade of Mexico was conducted with contracting parties to the GATT. This trade represented 98.4 per cent of its imports and 82.4 per cent of its exports. It was therefore important to the CONTRACTING PARTIES if Mexico were to join the GATT. In arriving at its decision, his Government had also taken into consideration the

[1]The full statement has been distributed in document C/W/319.

situation that would arise at the close of the MTN and the fact that the contribution of Mexico to the MTN would constitute part of the conditions of accession under Article XXXIII. Furthermore, his delegation had received from a number of contracting parties a favourable reaction both as regards the application to initiate negotiations for accession and their attitude towards Mexico in such negotiations in the light of its stage of development. Because of the relationship between the multilateral trade negotiations and the negotiations for accession, it was important that the results of the negotiations for accession could be incorporated in the Final Act of the Tokyo Round. He recalled that Mexico had fully participated in the MTN from the beginning with a view to arriving at better conditions for its foreign trade and to having an influence, as far as possible, on the establishment of future rules for international trade. He pointed out that Mexico's objectives had not yet been completely fulfilled, but since the negotiations were not yet terminated there were still possibilities for improvement in favour of developing countries. He stressed the importance for Mexico that the results of the MTN should be advantageous as a whole, if it were to join GATT, on the basis of acceptable conditions of accession. The accession to GATT was one of the possibilities under which his country could obtain the rights and advantages and assume the responsibilities resulting from the MTN. Mexico would evaluate the costs and benefits resulting from a possible accession, without however ruling out the possibility of adopting other solutions under which Mexico could join in the results of the MTN, even if only partially.

He then referred to the principles which, in his opinion, should guide the negotiations for the accession of Mexico. He stated that the results of these negotiations should enable his Government to continue to apply fully its economic and social development policies in conformity with Mexico's domestic needs at its present stage of development. In fact, Mexico's accession to the GATT should be considered as an additional means for an effective solution to its economic and commercial problems. He explained that Mexico's developing economy was based principally on agriculture and the production of raw materials and minerals. Mexico's industrial basis was weak, but it was expanding. Structural problems had prevented Mexico so far from fulfilling the basic needs for the social well-being of its population. He explained that Mexico had a high rate of unemployment and the rate of increase in population made it necessary to create between 800,000 to 1,000,000 new jobs per year. He felt that under a system of free trade and unrestricted competition Mexico would never be able to reach this goal. It was therefore necessary for Mexico to maintain a certain flexibility in the regulation of its imports and in those industrial development policies which were linked to foreign trade. Mexico had to earn its foreign exchange in order to maintain its level of imports of capital goods and primary products in order to achieve a growing rate of economic development. In summing up he stated that it was necessary for Mexico to promote and protect its agricultural sector and its industrial development in conformity with its domestic policies and its economic and social commitments. It was

therefore necessary that in the negotiations for accession mutually acceptable conditions be determined, which would ensure the necessary flexibility in the use of its instruments of economic and commercial policy, and which would enable Mexico to fully maintain the domestic rules necessary for its development objectives.

He believed that these considerations were in line with the objectives and spirit of the General Agreement and that Mexico's needs were no different from those of other developed or developing contracting parties. He considered that a realistic and pragmatic approach of the CONTRACTING PARTIES would lead to a successful conclusion of the negotiations which were about to be initiated. In conclusion, he stressed that the final decision by Mexico in respect of its accession to the General Agreement would depend on the results of both the accession negotiations and the MTN, particularly in respect of the special benefits for developing countries like Mexico.

Numerous representatives welcomed the decision by Mexico to initiate negotiations for accession. They expressed their appreciation for the active participation of Mexico in the MTN. They expressed the hope that the negotiations for accession could be concluded at an early date and would result in Mexico's eventual accession. A number of delegations stated their intention to participate in the work of the working party to be set up by the Council.

The representative of the European Communities, in sharing the views expressed by the other delegations, said that his delegation had noted that the possible accession of Mexico would depend on the conditions to be determined in the negotiations and on the results of the MTN, particularly in respect of differential treatment in favour of developing countries. The Community could enter into negotiations with Mexico on the basis of reciprocity consistent with Mexico's development, financial and trade needs and would be realistic and pragmatic in its approach. The Community expected Mexico to assume commitments similar to those assumed by other developing contracting parties which were in a comparable economic situation. In exchange, Mexico would fully benefit from the legal guarantees linked to its status of contracting party and of the rights which would derive from the multilateral negotiations.

The Chairman welcomed on behalf of the Council the application of Mexico.

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

> To examine the application of the Government of Mexico to accede to the General Agreement under Article XXXIII and to submit to the Council recommendations which may include a draft protocol of accession.

Membership would be open to all contracting parties indicating their wish to serve on the working party. Mr. Tomić (Yugoslavia) was appointed as Chairman of the Working Party.

The Chairman said that the working party would be convened in consultation with the delegation of Mexico and other interested delegations as soon as possible when the basic documentation for the working party had been distributed. The secretariat would be in contact with the delegation of Mexico in respect of the necessary arrangements covering the tariff and other aspects of the negotiations.

The representative of Mexico expressed his appreciation for the welcome expressed by the members of the Council for his country's request for accession.

2. ASEAN Agreement (L/4735)

The Chairman recalled that the Council had established a working party to examine, in the light of the relevant provisions of the GATT, the provisions of the ASEAN Agreement. The report of the Working Party had been distributed in document L/4735.

Mr. Selmer (Norway), Chairman of the Working Party, said that in the view of the parties to the Agreement the ASEAN Agreement was essential for the promotion and development of the economies of ASEAN countries. The Agreement provided for long-term quantity contracts, purchase finance support at preferential interest rates, preferences in procurement by government entities, tariff preferences, liberalization of non-tariff measures and other measures. So far, trade concessions had been exchanged between the member countries covering 826 items.

He said that the Working Party had examined the question as to which GATT provisions the Agreement could be related, and also the implications of ASEAN tariff preferences for the ability of the member States to reduce tariffs on an MFN basis and the scope and application of provisions on non-tariff measures, government procurement, ASEAN industrial projects and rules of origin. He said that the members of the Working Party had expressed full support for the objectives of the Agreement which were directed towards stimulating and strengthening the growth and stability of the economies of ASEAN member States at both the national and sub-regional levels by expanding investment and production opportunities and increasing trade and foreign exchange earnings. They also took note that the ASEAN member States intended to continue to foster the growth of trade and economic relations with third countries, in particular with developing countries. In order to provide a GATT cover for the Agreement the Working Party had prepared a draft Decision for adoption by the Council. He pointed out in this connexion that the United States delegation had stated its understanding that the draft Decision was intended to meet the waiver requirements of Article XXV:5.

The Chairman recalled that decisions relating to this type of agreement had in the past been adopted by the CONTRACTING PARTIES by consensus. Since there were more than one half of the contracting parties represented at the meeting of the Council, it would be fully in order for the Council to adopt the decision if there was a consensus in the Council to do so.

The Chairman noted that there was a consensus in the Council composed of more than one half of the contracting parties to adopt the decision annexed to the report. The Decision was therefore adopted by the CONTRACTING PARTIES.

The Council adopted the report of the Working Party.

The representative of Thailand expressed his appreciation on behalf of the ASEAN member States, Indonesia, Malaysia, the Philippines, Singapore and Thailand for the work carried out by the Working Party. He stated that the ASEAN Agreement was an essential part of the efforts to promote and develop the economies of the member States. This would lead to an increase in trade, not only among the ASEAN countries but also with third countries. He said that the ASEAN countries would comply to the fullest extent possible with the conditions laid down by the Decision.

The representative of India said that his delegation supported the ASEAN preferential trading arrangement and he expressed the hope that the Agreement would foster increased co-operation within the ESCAP region in line with the principles for trade expansion and economic development recognized at the Ministerial Conference on co-operation in trade in Asia and the Pacific held in August 1978.

3. Balance-of-Payments Restrictions (BOP/R/103, 104, 105)

The Chairman said that, at its meeting in November 1978, the Committee on Balance-of-Payments Restrictions carried out consultations with Brazil and India. Furthermore, the Committee had also considered written statements submitted by Bangladesh, Ghana, Korea, Tunisia and Yugoslavia under the simplified procedures.

(a) Consultation with Brazil (BOP/R/103)

Mr. Jagmetti (Switzerland), Chairman of the Committee on Balance-of-Payments Restrictions, said that after considerable discussion the Committee believed that the Brazilian import restrictions could not be fully justified under Article XVIII:B and it referred to alternative policies to restore equilibrium. The Committee also called for expeditious simplification of the import system. He noted in this connexion that according to information in the press, measures had recently been introduced to simplify the import régime.

The Council adopted the report (BOP/R/103).

The representative of Brazil, in commenting on the conclusions drawn up by the Committee, said that the Committee seemed to have underestimated the balance-of-payments difficulties faced by Brazil. At the time of the consultations in November, the available forecast had put the probable deficit at around US$800 million. However, the current data showed that the deficit for 1978 exceeded US$1 billion. He noted furthermore that the Council had expressed doubts whether the Brazilian measures could be fully justified under Article XVIII:B. He felt that such a statement was contrary to the letter and spirit of that Article, which provided that the contracting party concerned shall pay due regard to the need for restoring equilibrium on a sound and lasting basis. He noted that the very nature of balance-of-payments difficulties of developing countries did not allow measures to restore balance-of-payments equilibrium over a short period of time. Furthermore, when recommending alternative measures in other fields for the purpose of attaining equilibrium in the balance of payments, the Committee should have taken into consideration the provisions of Article XVIII:11 that no contracting party should be required to withdraw or modify restrictions on the ground that a change in its development policy would render unnecessary the restrictions which it had been applying. He confirmed that Brazil had recently adopted measures providing for a gradual phasing out of the requirement of prior deposits for imports, as well as accelerated currency mini-devaluations. These measures had been adopted exclusively for internal reasons.

(b) Consultation with India (BOP/R/104)

Mr. Jagmetti said that the Committee had been impressed by the very positive developments in the Indian economy, particularly in respect of the liberalization of the import régime.

The Council adopted the report (BOP/R/104).

(c) Consultations with Bangladesh, Ghana, Korea, Tunisia and Yugoslavia (BOP/R/105)

Mr. Jagmetti said that the Committee had carried out consultations under the simplified procedures with Bangladesh, Ghana, Korea, Tunisia and Yugoslavia. The Committee had recommended that Bangladesh, Ghana and Yugoslavia should be deemed to have consulted with the CONTRACTING PARTIES and to have fulfilled their obligations under Article XVIII:12(b). The Committee concluded that in the case of Korea and Tunisia, a full consultation would be held in 1979.

The Council adopted the report (BOP/R/105) and noted that full consultations would be held with Korea and Tunisia under the applicable procedures.

The Council agreed that Bangladesh, Ghana and Yugoslavia should be deemed to have consulted with the CONTRACTING PARTIES and to have fulfilled their obligations under Article XVIII:12(b).

(d) Consultations in 1979 (C/W/317)

The Chairman drew attention to document C/W/317 containing a note by the secretariat on the consultations to be carried out in 1979.

The Council took note of the document and requested the secretariat to make the necessary arrangements in consultation with the countries concerned and with the International Monetary Fund for the carrying out of the consultations in the course of the year.

4. United States - Agricultural Adjustment Act (L/4727)

The Chairman said that under the Decision of 5 March 1955 the CONTRACTING PARTIES were required to make an annual review of any action taken by the United States under the Decision on the basis of a report to be furnished by the United States Government. The twenty-first annual report by the United States had been distributed in document L/4727.

The representative of New Zealand noted that with regard to dairy products the report showed that the situation had remained basically unchanged since 1960 and there were no indications that this position would improve in the future. He expressed the hope that the results of the MTN would include commitments on dairy products which would help to restore the balance of GATT rights and obligations.

The representative of Australia said that the agricultural waiver should not be regarded as existing in perpetuity, but the United States should rather adjust its support arrangements to restore gradually normal trading conditions through the elimination of import quotas and other barriers. Australia remained concerned in respect of dairy products, since no steps had been taken by the United States with a view to the solution of the problem of surpluses, but under the 1977 Food and Agriculture Act the price support level for milk had been increased by 5 per cent to 80 per cent of parity. In respect of sugar he noted that the United States action was of an interim nature pending the establishment of a new domestic sugar programme. He registered Australia's concern that the United States should not embark on a system of high domestic support and restricted import arrangements for sugar. In conclusion, he expressed the hope that legislative authority would soon be forthcoming for full United States participation in the International Sugar Agreement.

The representative of the European Communities said that the prolonged implementation of the United States waiver led to an imbalance in the rights and obligations under the General Agreement. He shared the concern expressed by Australia and New Zealand in respect of dairy products. He said that the Community wanted to arrive at a situation at the end of the Tokyo Round in which rights and obligations of contracting parties would be better balanced.

The representative of the United States said that the United States had adhered meticulously to the terms of the waiver, and several products involved had been liberalized. He said that dairy products were under active negotiation in the MTN and he expressed the hope that mutually satisfactory solutions would be found in the course of the negotiations. He pointed out with regard to sugar that as from 28 December 1978 a new method had been introduced for the calculation of the import fees on sugar. He said that his Government strongly supported the International Sugar Agreement and was in the process of obtaining Congressional ratification for United States participation in this Agreement. The Agreement would be implemented to the extent possible in advance of formal ratification.

The Chairman noted that the Council had carried out the annual review under paragraph 6 of the Decision.

The Council took note of the report.

5. Customs unions and free-trade areas; regional agreements (L/4731 and Add.1, L/4748, L/4765)

(a) Central American Common Market

(b) EEC-Turkey

(c) EEC-Greece

The Chairman said that under the procedure established by the Council for the distribution of biennial reports under regional agreements reports had been submitted by the SIECA secretariat and the Government of Nicaragua on the Central American Economic Integration (L/4731 and Add.1), by the European Community and Turkey on the EEC-Turkey Association (L/4784) and by the European Community and Greece on the EEC-Greece Association (L/4765).

As the report from the Government of Nicaragua (L/4731/Add.1) had only just been distributed he proposed to defer the discussion on the two SIECA reports to the next meeting of the Council.

The Council agreed to this.

The Council took note of the report on the EEC-Turkey Association (L/4748).

With regard to the report on the EEC-Greece Association (L/4765) the representative of the United States pointed out that his authorities had not had sufficient time to study the report. He asked for the opportunity to revert to this item at the next meeting of the Council in case his authorities wished to comment on it.

The Council took note of the report (L/4765) and agreed that the United States might revert to this item at the next meeting of the Council, if necessary.

6. Panel on Japanese restraints on imports of leather

The Chairman recalled that at its meeting in July the Council had agreed that if the consultations under Article XXIII:1 between the United States and Japan had not led to a satisfactory settlement of the matter, the Chairman of the Council should be authorized to take the necessary steps for the establishment of a panel with appropriate terms of reference. He informed the Council that as it had not been possible to settle the matter, he had, in consultation with the two delegations concerned, established this Panel with the following terms of reference:

> To examine, in the light of the relevant GATT provisions, the matter referred to the CONTRACTING PARTIES by the United States, relating to quantitative restrictions maintained by Japan on certain leather goods, and to make such findings as will assist the CONTRACTING PARTIES in making recommendations or rulings, as provided for in Article XXIII:2.

The composition of the Panel was as follows:

Chairman: Mr. Nettel (Austria)

Members: Mr. Furulyas (Hungary)
Mr. Ostenfeld (Denmark)

The Council took note of the information.

7. Panel on EEC refunds on exports of sugar

The Chairman recalled that at their thirty-fourth session the CONTRACTING PARTIES had agreed to establish a panel to examine the complaint by Brazil regarding the EEC refunds on exports of sugar. The CONTRACTING PARTIES had decided on the terms of reference for the Panel,

but authorized the Chairman of the Council to nominate the chairman and the members of the Panel in consultation with the parties concerned. He informed the Council that the composition of the Panel was as follows:

Chairman: Mr. Kaarlehto (Finland)

Members: Mr. Eberhard (Switzerland)
Mr. Parman (Turkey)

The Council took note of the information.

8. Accession of Colombia

The Chairman recalled that the CONTRACTING PARTIES at their thirty-fourth session had established a working party to examine the application of Colombia to accede to the GATT. The CONTRACTING PARTIES had authorized the Chairman of the Council to nominate the Chairman of the working party.

He informed the Council that the working party would be chaired by Mr. Selmer (Norway).

The Council took note of the nomination.