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March 12, 1984

To: Members of the Executive Board

From: The Secretary

Subject: Meeting of the GATT Council of Representatives

There is attached for the information of the Executive Directors a report by the Fund observer on a meeting of the GATT Council of Representatives held in Geneva on February 28, 1984.

Att: (1)

Other Distribution:
Department Heads

INTERNATIONAL MONETARY FUND

Meeting of the GATT Council of Representatives 1/

Report by the Fund Observer

March 12, 1984

The GATT Council of Representatives held a short meeting on February 28, 1984, under the chairmanship of Ambassador F. Jaramillo of Colombia. 2/ The main item on the agenda had been a request by the United States that the Council disapprove compensatory measures notified by the European Economic Community in retaliation to Article XIX action by the United States on imports of certain specialty steel products; however, at the meeting the United States withdrew its request. 3/ The Fund observer at the meeting was Mr. Richard Eglin.

1. United States: Article XIX action on imports of certain specialty steel products 4/

The representative of the United States recalled that, at the last Council meeting, his delegation had informed the Council that the U.S. Government felt that the compensatory measures which the European Economic Community intended to take in retaliation to U.S. restrictions on imports of certain specialty steel products exceeded the level of substantial equivalence allowed for under the GATT. At that Council meeting, his delegation had requested that the European Economic Community delay implementing its compensatory measures to allow for further bilateral efforts to resolve the conflict, but this request had been turned down. He said that, since the last Council meeting, however, sufficient progress in bilateral discussions between U.S. and EEC representatives had been made to permit the United States to withdraw its request that the Council disapprove the extent of the EEC's compensatory measures, although he added that final agreement had not been reached and the United States reserved its rights in this matter.

The representative of Jamaica stated that the real issue was not whether the compensatory measures to be taken by the European Economic Community were of a substantial equivalence, but rather what damage was being done to the GATT and the international trading system by the imposition of substantial import restrictions by its two largest trading members.

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1/ Documents referred to in this report are on file in the Secretary's Department.

2/ GATT/AIR/1983.

3/ GATT document C/W/433.

4/ GATT documents L/5524 Add.15, Add.21, and Add.22.

2. Other agenda items

The Council adopted the biennial reports relating to regional agreements on customs unions and free trade areas without substantive discussion. 1/

The Director-General of the GATT made a statement on the status of work in dispute panels, noting that a long period still existed in many cases between the establishment of a panel and the Council's adoption of its report, and suggested that the factors responsible for this could be examined in Special Council meetings. 2/ The representative of Egypt noted that the number of panel disputes was still increasing, and emphasized that parties to a dispute should attempt as far as possible to resolve the issue through conciliation. The United States representative deplored the fact that the reports of two panels established by MTN Code Committees had still not been adopted after delays of nine months, because one party to the dispute could not accept the panel's findings. The representative of the European Communities stated that, in his view, the reason for the delay in adoption of these particular panel reports had resulted from the inclusion in the reports of interpretations of the General Agreement that were not widely acceptable to contracting parties.

3. Other business

The representative of Canada informed the Council that his delegation would request the establishment of a panel at the next Council meeting to examine the dispute between Canada and the European Communities over imports of newsprint.

The representative of the United States said that his delegation had been struck by a recent spate of comments regarding alleged protectionist pressures in the United States, and he stated that, in the view of his authorities, such comments were exaggerated. He pointed out that the U.S. economy had experienced a large balance of trade deficit in 1983, and that the trade deficit for 1984 was currently projected to be in excess of US\$100 billion. Furthermore, he said U.S. imports were currently growing at about double the rate of growth of GNP. Under these circumstances, he said, other trading nations were wrong to single out the United States for these criticisms. The representative of the European Communities urged the United States not to resort to import restrictions in order to correct its trade deficit, and noted that comments he himself had made at the last GATT Council meeting had been intended to encourage the United States to take the lead in rolling back trade restrictions.

1/ GATT documents L/5611, L/5612, L/5613, L/5614, L/5615, L/5616, and L/5617.

2/ GATT document C/124.