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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 prepared by the Fund observer on the meeting of the GATT Council of Representatives held in Geneva on March 9, 1983.

Att: (1)

Other Distribution:
Department Heads

INTERNATIONAL MONETARY FUND

Meeting of the GATT Council of Representatives

Report by the Fund Observer 1/

April 5, 1983

The GATT Council of Representatives met on March 9, 1983 under the Chairmanship of Ambassador Hans V. Ewerlöf of Sweden. 2/ The main items on the agenda were follow-up action on the reports of the Panels set up to examine U.S. Tax Legislation (DISC) and U.S. Import Duties on Vitamin B12. Also on the agenda were reports of the Working Parties on Trade with Romania, U.S. Import Restrictions on Agricultural Products, the Accession of Greece to the European Communities, the Textiles Committee and the Annual Report of the Textile Surveillance Body, and the Committee on Budget, Finance, and Administration. 3/ The Fund observer at the meeting was Mr. Richard Eglin. This report summarizes the main points of the discussion.

1. United States Tax Legislation (DISC)

The representative of the United States stated that the U.S. Cabinet had approved a proposal to replace the DISC through a substantial modification of domestic tax law, and that this proposal had been sent to Congress for consideration. He stated that, in the view of his delegation, the new proposals were consistent with the GATT, and he hoped for the early approval of the new tax legislation by Congress. The representative of the European Communities stated that he felt that this was a step in the right direction, but he reiterated his position that this had been a long-standing matter and he proposed a working party or panel be set up to examine the injury resulting to Contracting Parties from the DISC. 4/ The representatives of Argentina, Australia, Brazil, Canada, Chile, Finland, Singapore, Spain, and Switzerland all stated that they reserved their positions until they had received details of the proposed legislation, but generally opposed the establishment of a working party to examine injuries. The representatives of Hong Kong, Hungary, and India stated that they felt a working party to examine injury should be established automatically once the proposed new legislation was available. The Council agreed to revert to this matter at its next meeting since no consensus could as yet be found.

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

2/ GATT/AL/1891.

3/ GATT document C/W/414.

4/ GATT document C/W/392.

2. U.S. Import Duties on Vitamin B12

The representative of the European Communities stated that he wanted the United States to implement item (h) of the report of the Panel set up to examine U.S. import restrictions on Vitamin B12 which invited the United States to advance the implementation of the Tokyo Round concession rate on feedgrade Vitamin B12. 1/ He noted that in the absence of any action in this regard by the United States, the European Communities intended to increase customs levies on acetic acid to attempt to redress the imbalance and compensate for damages. He added that the European Communities were taking this action under paragraph 3(a) of Section XXVIII of the General Agreement. The representative of the United States replied that the Panel report found that the United States had not infringed its GATT commitments or any bilateral EEC-U.S. agreement and he argued therefore that the European Communities had no Article XXVIII rights in this connection. The representative of the European Communities stated that while paragraph (h) of the Panel report did indeed say that the United States had not infringed its commitments, paragraphs (f) and (g) called attention to the excessively negative effects for foreign suppliers of the U.S. trade action. He therefore concluded that there was ambiguity in the Panel report, and argued that the United States should offer compensation.

In summing up the discussion, the Chairman proposed that the Council take note of the statements that had been made and revert to this item at its next meeting. This proposal was adopted.

3. Working Parties' and Committees' Reports

Reports of the Working Party on Trade with Romania, of the Textiles Committee, and of the Textiles Surveillance Body were presented and adopted by the Council without discussion. 2/ The Report of the Working Party on U.S. Import Restrictions on Agricultural Products was adopted by the Council, and following statements by the representatives of Australia, Colombia, the European Communities, New Zealand, and Pakistan, the Council urged the United States to abandon its waiver as soon as possible. 3/ The Report of the Committee on Budget, Finance and Administration was adopted by the Council with all Contracting Parties being urged to make their contributions as soon as possible due to the poor financial position of the GATT. 4/

1/ GATT document L/5331.

2/ GATT documents L/5464, COM.TEX/31, COM.TEX/SB/811 and Add.1.

3/ GATT document L/5461.

4/ GATT document L/5460.

The chairman of the Working Party on the Accession of Greece to the European Communities presented the report. 1/ The representatives of Australia, Colombia, Czechoslovakia, New Zealand, and the United States noted that there was no unequivocal conclusion to the report and that they therefore reserved their rights under the General Agreement. The representative of Australia added that his delegation was forced to conclude that the accession of Greece to the European Communities was not in conformity with the GATT. The representatives of Austria, Finland, on behalf of the Nordic Countries, Israel and Spain supported the accession of Greece as being in accordance with Article XXIV of the General Agreement. The report was adopted by the Council.

The Chairman informed the Council that intense consultations were continuing on the terms of reference of the Working Party on the Problems of Trade in Certain Natural Resource Products, and this item was deferred to the next meeting of the Council. 2/

Referring to the Ministerial Declaration on MTN Agreements and Arrangements, the Chairman proposed that the MTN Subcommittees take note of the declaration and report to the Council in due course, and that the Council report to the 39th Session of the CONTRACTING PARTIES. It was agreed to revert to this topic at the next Council meeting.

4. Other matters

The representative of the United States proposed that the Council defer discussion on Aspects of Trade in High-Technology Goods until its next meeting and urged delegations in the meantime to consult with the United States delegation informally on this issue. 3/ This proposal was adopted by the Council. The representative of the United States also stated that he wanted a panel to be set up to adjudicate in the dispute over Japanese trade measures on imports of leather and the representatives of Australia, Canada, and Pakistan supported this proposal. The representative of Japan requested that the Council discuss this item at its next meeting and this request was accepted by the Council. 4/

The Director-General of the GATT reported on the status of work in panels. He noted that the work of the Panels on the Canadian Foreign Investment Review Act, Production Aids Granted by the European Communities on Canned Peaches, Pears, and Raisins, Quantitative Restrictions Maintained by France on Certain Products from Hong Kong, and U.S. Imports

1/ GATT document L/5453.

2/ GATT documents C/W/410, C/W/411, and C/W/412.

3/ GATT documents SR.38/9, and C/W/409.

4/ GATT document L/5462.

of Automotive Spring Assemblies was still in progress. The terms of reference of the Panels on Imports to the European Communities of Citrus Fruits, and Internal Regulations of Footwear in Finland, were still being discussed. He also noted that two panels had been established by the Committee on Subsidies and Countervailing Measures, and one panel had been established by the Committee on Government Procurement. The representative of the United States noted that his delegation attached great significance to the work of these panels in dispute settlement and he urged that the system be given the full support of all Contracting Parties.