

DOCUMENT OF INTERNATIONAL MONETARY FUND AND NOT FOR PUBLIC USE

MASTER FILES

ROOM 0-120

01

SM/83/207

October 18, 1983

To: Members of the Executive Board
From: The Secretary
Subject: Meeting of the GATT Council of Representatives

Attached for the information of the Executive Directors is a report by the Fund observer on the meeting of the GATT Council of Representatives, held in Geneva on October 3, 1983.

Att: (1)

Other Distribution:
Department Heads

INTERNATIONAL MONETARY FUND

Meeting of the GATT Council of Representatives

Report by the Fund Observer 1/

October 17, 1983

The GATT Council of Representatives met on October 3, 1983 under the chairmanship of Ambassador Hans V. Ewerlöf of Sweden. 2/ The main items that were discussed concerned aspects of trade in high technology goods, a follow-up to the Report of the Panel on the imposition of quantitative restrictions on imports of certain products from Hong Kong by the European Economic Community, a request by Japan for the establishment of a working party to examine the application of Article XXVIII of the General Agreement, and a request by the European Communities for the establishment of a working party to examine the injury to contracting parties that had resulted from the U.S. tax legislation (DISC). 3/ The Council granted observer status to Guatemala and Honduras for Council meetings and noted their potential interest in becoming contracting parties to the General Agreement. The Fund observer at the meeting was Mr. Richard Eglin.

1. Aspects of trade in high technology goods

The representative of the United States requested the Council to adopt a proposal by his delegation that the Secretariat should undertake forthwith a study of aspects of trade in high technology goods as part of the work program deriving from the GATT Ministerial Meeting of November 1982. 4/ He noted that this item had been on the Council agenda several times this year already and he stated that his delegation's request should be granted without further delay since *there had been ample opportunity for interested contracting parties* to consult with the U.S. delegation and discuss their concerns in this area if they so wished. The representative of the European Communities, noting that the Ministerial Meeting had not called specifically for a study to be undertaken on this topic, stated that his delegation

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

2/ GATT/AIR/1948.

3/ GATT document C/W/425.

4/ GATT document C/W/409/Rev.2 and Corr.1.

was concerned that such a study might interfere with research and development in the production of high technology goods that was in progress in the member states of the Communities. He added that in his view it was still not clear what was the purpose of such a study. The representative of the United States regretted that the European Communities were still not in a position to accept the initiation of the study but he agreed to allow one more month for consultations between interested contracting parties under the auspices of the office of the Council Chairman. The representatives of Israel and Japan stated that they welcomed the U.S. initiative on this issue and supported the motion for further consultations. The Council took note of the statements made and agreed that the Chairman should conduct consultations on this topic.

2. EEC--quantitative restrictions on imports
of certain products from Hong Kong 1/

The representative of the European Communities noted that his delegation had requested that this item be placed on the agenda in order to inform the Council of the follow-up to the Panel report which the European Communities, and in particular France, intended to pursue. He said that while his delegation had been disturbed by the adoption of the report, the French Government had decided to lift restrictions on six of the products that had been the subject of the dispute (optical instruments and five articles of clothing) and was reflecting on the other restrictions. The representative of the United Kingdom on behalf of Hong Kong, noting that his delegation would need time to study this information, said that this appeared to be an encouraging development particularly for the dispute settlement process in the GATT. He urged the European Communities to lift the restrictions on the remaining five products which had been the subject of the dispute. The Council took note of these statements and agreed to revert to the item again if necessary at a later Council meeting.

3. EEC--application of Article XXVIII to new products

This issue arose as a result of the decision by the European Communities to increase the tariff rate on digital audio discs and players by invoking Article XXVIII of the General Agreement and claiming that contracting parties should be allowed to modify bound tariffs on new products with little current trade volume. The representative of Japan stated that, in response to this action, his delegation was requesting that a working party be set up to examine how Article XXVIII should be interpreted and when it could be applied. 2/

1/ GATT document L/5511.

2/ GATT documents L/5522 and C/W/424.

The representative of the European Communities noted that the Japanese delegation had refused to negotiate with the Communities over their invocation of Article XXVIII, and stated that his delegation was opposed to the establishment of a working party since this would mean that in the interim the Communities' Article XXVIII rights would be suspended. He said that in his view the appropriate forum to discuss this issue would be the Committee on Tariff Concessions. The representatives of Argentina, Australia, Austria, Canada, India, New Zealand, Switzerland, and the United States supported the view that this issue should be discussed in the Committee on Tariff Concessions, and the representative of Japan agreed to this. The Council therefore took note of the comments that had been made and decided to submit the issue to the Committee on Tariff Concessions.

4. U.S. tax legislation (DISC)

The representative of the European Communities stated that his delegation was requesting the establishment of a working party to examine the incidence of DISC subsidies on U.S. exports and to examine the extent of injury that had been caused to other contracting parties by this legislation. The representative of the United States said that he regretted the insistence of the European Communities in pressing this point while legislation to replace the DISC was still being discussed in the U.S. Congress, and that in his view the establishment of a working party at this juncture would be counter-productive since it could adversely influence the passage of the new legislation. He urged the European Communities to withdraw their request for a working party. The representatives of Argentina, Australia, Canada, Finland on behalf of the Nordic countries, India, Japan, New Zealand, and Switzerland all indicated their disappointment over how long it was taking the U.S. Administration to bring U.S. tax legislation into conformity with GATT rules, but stated that they were not in favor of a working party being established at present for fear that it would adversely influence the U.S. legislature. However, several of these delegates added that they would support the establishment of a working party to examine injury after the new legislation had been enacted.

5. Other business

The Council agreed that further consultations should be held between the Secretariat and interested delegations on the question of trade in counterfeit goods. The Council took note of the biennial reports on Regional Customs Unions and Free Trade Areas. 1/ The

1/ GATT documents L/5488, L/5516, L/5531, L/5536, L/5539.

Council decided to hold a postal ballot on Pakistan's request for an extension of its waiver under the renegotiation of its tariff schedule. 1/ The Council agreed to postpone discussion of the Report of the Panel on Canada's Foreign Investment Review Act. 2/ Finally, the Director-General of the GATT announced his decision to establish a new division within the Secretariat to monitor trade policy developments.

1/ GATT documents C/W/422 and L/5533.

2/ GATT document L/5504.