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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 September 22, 1988.

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INTERNATIONAL MONETARY FUND

Meeting of the GATT Council of Representatives

Report by the Fund Observer 1/

October 20, 1988

Introduction and Summary

The GATT Council of Representatives met on September 22, 1988 under the chairmanship of Ambassador A. Jamal of Tanzania. 2/

The Council established three dispute settlement panels to examine: Korean import restrictions on beef (panel requested by New Zealand); U.S. import restrictions on sugar (panel requested by Australia); and European Community restrictions on imports of apples (panel requested by the United States). Debate was also initiated on a request by the European Community for the establishment of a dispute settlement panel to examine U.S. import restrictions on agricultural products. Separately, the European Community reiterated its request for authorization to suspend concessions to the United States in response to the United States' failure to implement the recommendations of a dispute settlement panel concerning U.S. taxation of petroleum and certain imported products. The debate remained inconclusive, and the Council agreed to revert to the matter.

The Council adopted the report of the Working Party on the Third ACP-EEC (Lomé) Convention and the report of the Twenty-First Session of the Joint Advisory Group of the International Trade Centre. The Council also discussed a report on the European Community-Turkey Association Agreement; the United States asked the parties to provide additional information on the Agreement, and the Council agreed to revert to the matter. The United States also requested further information on the agreements concluded by Argentina, Brazil, and Uruguay under the auspices of the Latin American Integration Association. Argentina, Brazil, and Uruguay considered that the GATT Committee on Trade and Development was the appropriate forum for examination of these agreements, and the Council agreed to revert to the matter.

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

2/ The agenda is contained in GATT document C/W/563.

Under the agenda item of "Other Business," there was considerable discussion on the U.S. plans to introduce unilateral restrictions on selected Brazilian exports. Brazil expressed deep concern about these plans and requested the United States to enter into consultations on the matter. The United States replied that it would be premature to do so, since no measures had been implemented. Under the same agenda item, concerns were expressed by several speakers on various aspects of the recently enacted U.S. Omnibus Trade and Competitiveness Act. The Fund observer at the meeting was Roger P. Kronenberg.

I. Dispute Settlement

1. Korea--Import restrictions on beef 1/

The Council continued its consideration of a request presented at its previous meeting by New Zealand for the establishment of a dispute settlement panel to examine Korean import restrictions on beef. 2/ The representative of New Zealand stated that all bilateral avenues to resolving the dispute had been exhausted. Noting that two other panels had already been established to examine similar complaints by Australia and the United States, 3/ he reiterated his authorities' request for the establishment of a dispute settlement panel in the matter.

The representative of Korea stated that although his authorities had made every effort to settle the dispute through the process of consultation, no mutually satisfactory solution had been found. Korea would, therefore, agree to the establishment of a panel. He went on to say that the Korean delegation would consult with the New Zealand delegation, the Council Chairman, and the GATT secretariat to establish satisfactory administrative procedures for the panel, in accordance with established practice.

The representative of New Zealand welcomed the statement by the Korean representative and said that New Zealand expected the panel to operate under the same administrative procedures as had been agreed by Korea in its panels with Australia and the United States.

The representatives of Australia, Canada, and the United States supported New Zealand's request for harmonized administrative procedures. Canada, the European Community, and the United States reserved their rights to make submissions to the panel.

1/ GATT documents L/6354 and Add.1, and L/6395.

2/ SM/88/177 (August 11, 1988) and SM/88/157 (July 22, 1988).

3/ The panels established at the request of Australia and the United States are discussed in SM/88/129 (June 9, 1988).

The Council took note of the statements and agreed to establish a panel, with standard terms of reference, to examine New Zealand's complaint. The Council authorized the Chairman to designate the panel's members and chairman, in consultation with the parties concerned.

2. United States--Import restrictions on sugar 1/

The Chairman recalled that, at the previous Council meeting, Australia had requested the establishment of a dispute settlement panel to examine U.S. import restrictions on sugar. 2/ The U.S. delegation had been unable to agree to that request, and the Council had decided to revert to the matter at its current meeting.

The representative of Australia argued that U.S. import restrictions on sugar nullified and impaired benefits accruing to Australia under the General Agreement. He noted that the United States had not requested further consultations on the matter and reiterated his request for the establishment of a panel.

The representative of the United States said that he could accept the Australian request, and he expressed confidence that the panel would recognize that the U.S. sugar import regime was fully consistent with the General Agreement. He went on to ask the Australian delegation for its views on the intended scope of the panel's examination.

The representative of Australia replied that the panel should examine U.S. import restrictions on raw and refined sugar which were justified by the Headnote to the Schedule of Tariff Concessions. His authorities were not requesting an examination of import restrictions on sugar-containing products, which the United States justified under Section 22 of the U.S. Agricultural Adjustment Act, although this did not imply Australia's acceptance of the latter.

The representatives of Argentina, Brazil, Colombia, Nicaragua, and Thailand supported the establishment of a panel. The representatives of the European Community and Nicaragua said that they shared Australia's view regarding the inconsistency of the restrictions in question with GATT Article XI (on quantitative restrictions). The EC representative noted that the European Community would have a number of qualified candidates to serve as panelists. For his part, the representative of Canada stated that his country had experienced similar problems to those cited by Australia. Argentina, Brazil, Canada, Colombia, the European Community, Nicaragua, and Thailand reserved their rights to make submissions to a panel.

1/ GATT document L/6373.

2/ SM/88/177 (August 11, 1988).

The Council took note of the statements and agreed to establish a panel, with standard terms of reference, to examine the Australian complaint.

3. European Community--Restrictions on imports of apples 1/

The representative of the United States requested the Council to establish a dispute settlement panel to examine EC import restrictions on apples. In the view of the U.S. authorities, these restrictions were inconsistent, inter alia, with the provisions of GATT Article XI (on quantitative restrictions), and they nullified and impaired benefits accruing to the United States under the General Agreement. They had caused needless injury to U.S. exporters and had resulted in the diversion of Southern Hemisphere apple exports from the European Community to the United States. The U.S. representative reminded the Council that the European Community had already accepted the establishment of a panel to examine a similar complaint by Chile. 2/ The United States asked that the panel be established with the same terms of reference as had been agreed in the Chilean case.

The representative of the European Community was puzzled by the U.S. request coming, as it did, weeks after the measures in question had expired. Considering that U.S. commercial interests in the matter were relatively minor, he regarded the U.S. request as an act of harassment. Nevertheless, the European Community was prepared to play by the rules of the game, and would not oppose the establishment of a second panel. As regards the panel's terms of reference, the EC representative asked that a decision be taken only after the normal course of consultations.

The representatives of Australia and Chile supported the U.S. request. The Chilean representative reserved all of his delegation's GATT rights in the matter, and the representatives of Argentina, Australia, Canada, and New Zealand reserved their rights to make submissions to the panel.

The Council took note of the statements and agreed to establish a panel to examine the United States' complaint. The Council authorized the Chairman to draw up the panel's terms of reference and to designate the panel's members and chairman, in consultation with the parties concerned.

1/ GATT document L/6371.

2/ SM/88/129 (June 9, 1988).

4. United States--Restrictions on
imports of agricultural products 1/

The representative of the European Community requested the Council to establish a dispute settlement panel to examine U.S. import restrictions on certain agricultural products. He noted that his delegation had held two rounds of formal consultations with the United States, but these had not yielded mutually satisfactory results. While, as a first step, the European Community requested the panel to examine U.S. import restrictions on sugar and sugar-containing products, it reserved its right to have the panel consider restrictions on other products or the U.S. Agricultural Waiver 2/ as a whole. In support of his request, the EC representative recalled that every year a working party was established by the CONTRACTING PARTIES to examine the restrictions maintained by the United States pursuant to the Waiver. The Working Party had always been prevented by the United States from reaching agreed conclusions even though it had found evidence that the United States had adopted or maintained provisions that were inconsistent with the terms of the Waiver. The European Community considered that the United States had not respected the assurances it had given as a condition of obtaining the Waiver and that U.S. agricultural policies had disrupted world trade and jeopardized the EC's GATT benefits. In the view of the EC authorities, the Working Party's examination had become a farce, and the entire situation had become untenable.

The representative of the United States reminded the Council that the United States had already placed its agricultural policies on the negotiating table in the Uruguay Round which was, in his view, the most appropriate context for an examination of the Waiver. While his authorities would not seek to deny any contracting party the right to a GATT panel, they had not been informed that the specific matter of sugar and sugar-containing products would be the primary focus of the EC's request to the Council. Thus, contrary to the 1979 Understanding Regarding Notification, Consultation, Dispute Settlement, and Surveillance, 3/ they had not been given the opportunity to study the complaint and respond to it. Under these circumstances, they considered that it would be premature for the Council to establish a panel.

1/ GATT document L/6393. The EC's written request pertained to restrictions on the importation of agricultural products applied by the United States under the Decision of the CONTRACTING PARTIES of March 5, 1955 (the Waiver) and under the Headnote to the Schedule of Tariff Concessions (Schedule XX-United States) concerning Chapter 10.

2/ Decision of the CONTRACTING PARTIES of March 5, 1955 (the Waiver).

3/ GATT, Basic Instruments and Selected Documents (26 S/210).

The representative of the European Community replied that the situation under the Waiver was so confused that no one, not even the United States, could be sure about its product coverage and that his authorities had decided to focus their request on a single product in order to avoid further confusion.

The representatives of Argentina, Australia, Nicaragua, Peru, and Uruguay supported the European Community's request for a panel. The representatives of Canada and New Zealand supported the right of the European Community to have a panel established, but they considered that the European Community should explain more fully the precise nature of its complaint. The representative of Jamaica also considered that the complaint needed clarification, and he wondered whether it might not be preferable for a working party, rather than a panel, to examine the matter.

The representative of Japan said that the restrictions maintained by the United States under the Waiver raised a number of problems: they had become a quasi-permanent appearance; their product coverage was flexible and ambiguous; they were highly trade distorting; and their impact was identical to that of some other measures that had been held to be inconsistent with the General Agreement. Moreover, his authorities considered that, despite the assurances given at the time of the granting of the Waiver, the United States had not made sufficient efforts to modify or terminate restrictions whenever circumstances permitted. Given the tremendous efforts made by some other contracting parties to liberalize their agricultural sectors, Japan considered that the approach taken by the United States had upset the balance of GATT rights and obligations and believed that an examination of the U.S. Waiver was necessary. The matter further demonstrated the difficulty of addressing agricultural issues in the GATT and pointed to the need for a thorough examination of this area in the Uruguay Round.

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

5. United States--Follow-up on Panel report concerning taxes on petroleum and certain imported products

The Chairman recalled that in March 1988 the European Community had requested the Council's authorization to suspend the application of concessions to the United States in response to the United States' failure to implement the recommendations of a dispute settlement panel concerning U.S. taxation of petroleum and certain imported products. ^{1/} The Council, at a subsequent meeting in June 1988, authorized the GATT

^{1/} SM/88/92 (April 26, 1988).

secretariat to provide technical advice to the European Community concerning the calculation of injury in respect of this matter. 1/ The Secretariat had completed that work, and the results were now available to the Council in a technical note. 2/

The representative of the European Community said that the presentation of various options in the Secretariat's note merely turned the problem back to the disputants and did little to help resolve the matter. While he would not object to holding further consultations on the exact level of concessions to be withdrawn, he strongly urged the Council to grant authority in principle for the European Community to implement a compensatory withdrawal of concessions.

The representative of Mexico said that the Secretariat's note did not adequately take account of the technical and legal considerations laid down in GATT Article XXIII:2 and did not provide an adequate basis for the Council to take a decision. In his view, the calculation of injury should take account of wider considerations, such as the adjustment costs associated with the search for new export markets and other indirect effects. He also considered that it was necessary to distinguish compensation due in cases involving tariff renegotiations (GATT Article XXVIII) or safeguard actions (GATT Article XIX) from that due in cases involving GATT-inconsistent measures (under GATT Article XXIII). He recalled that, at the May Council meeting, the GATT legal adviser had supported the view that there was greater leeway for withdrawal of concessions under Article XXIII than under Articles XIX or XXVIII. He went on to say that his authorities could not allow the Secretariat's note to establish a precedent for any other parties to the dispute, and he called once again on the U.S. Congress to take the necessary steps to bring U.S. taxation into conformity with the Panel's recommendations.

The representative of Canada said that implementation of the Panel's recommendations by the United States would be, by far, the most satisfactory solution. The continued failure of the United States to implement these recommendations could leave Canada no alternative but to seek compensation.

1/ SM/88/157 (July 22, 1988).

2/ The Secretariat note pointed out that the change in the producers' surplus, and not the change in export revenues, was relevant for the determination of injury. Given that the Secretariat was not in a position to calculate the underlying supply elasticities, it suggested that the parties consider three options involving different elasticity assumptions.

The representative of the United States acknowledged that the preferred solution would be for the United States to eliminate the measures in question. Unfortunately, the U.S. authorities had been unable to enlist the necessary congressional support, despite Administration efforts. Under the present circumstances, the U.S. representative considered that the most satisfactory course of action would be for affected contracting parties to enter into negotiations with the United States on the matter of compensation. The U.S. authorities would then be in a position to present the results of such negotiations to Congress. The U.S. representative said that he recognized that this was only an interim solution, and he reaffirmed the commitment of his authorities to remove the GATT-inconsistent tax at the earliest opportunity.

The representative of the European Community replied that the time had long since passed to consider negotiated compensation, and he called once again on the Council to grant its authority for the European Community to withdraw concessions. Failing such authority, his authorities could not avoid seeking other means to redress their complaint.

The GATT Deputy Director-General took the floor to reply to the earlier comments of the Mexican delegation. He recalled that the Secretariat had been requested to provide technical--not legal--advice in the matter. He went on to note that the Mexican representative was quite correct in pointing out the differences in the provisions of various GATT Articles as regards the withdrawal of concessions. In particular, he noted that Article XXIII:2, which was the relevant provision in this case, did not require equivalency between injury and retaliation.

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

II. Reports

1. Third Lomé Convention 1/

The Council had before it the report of the Working Party which had been established in March 1987 to examine, in light of relevant GATT provisions, the Third ACP-EEC Convention, signed at Lomé on December 8, 1984. In a brief comment on this report, the Chairman of the Working Party noted that there had been wide sympathy in the Working Party for the view that the purpose and objectives of the Convention were in line with those embodied in the General Agreement, including Part IV. As

1/ GATT document L/6382.

regards the trade commitment included in the Convention, the Convention signatories had stated that they were compatible with the relevant provisions and objectives of the General Agreement as a whole, but some members of the Working Party had considered it doubtful that the Convention could be fully justified in terms of the legal requirements of the General Agreement. It had been understood in the Working Party that the Convention would in no way be considered as affecting the legal GATT rights of contracting parties.

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

2. European Community-Turkey Association Agreement 1/

The Council had before it a biennial report on the European Community-Turkey Association Agreement.

The representative of the United States requested further information on four particular points concerning the Agreement: (i) the level of tariff preferences enjoyed by Turkey in the European Community; (ii) the share of EC-Turkey trade conducted on preferential terms; (iii) the timetable for completing the implementation of the Agreement; and (iv) the content of the amendments to the Agreement arising from the accession of Portugal and Spain to the European Community. Until such information could be made available to the Council, the United States requested that the matter be maintained on the Council's agenda.

The representative of the European Community pointed out that the report was submitted to the Council only as a matter of information. Nevertheless, he recognized that it was appropriate for delegations to raise questions, and he undertook to reply to the U.S. questions at the earliest opportunity.

The Council took note of the statements and of the report and agreed to revert to the matter.

3. International Trade Centre (ITC) 2/

The Council had before it the report of the Twenty-First Session of the Joint Advisory Group of the UNCTAD/GATT International Trade Centre. A large number of delegations expressed their appreciation for the work of the ITC. Some of them pointed to the ITC as an example of successful GATT/UNCTAD cooperation. Other delegations cited a need for additional financial contributions to the ITC. The Council took note of the statements and adopted the report.

1/ GATT document L/6380.

2/ International Trade Centre document ITC/AG(XXI)/112.

III. Agreements Among Argentina, Brazil, and Uruguay 1/

The representative of the United States requested further information on the various agreements concluded by Argentina, Brazil, and Uruguay under the auspices of the Latin American Integration Association. 2/ He stated that, according to press reports, these agreements contained major preferential trading provisions for the participants. It was also his understanding that some 18 new agreements had been signed in recent months and that their preferential access provisions included apparent derogations from GATT provisions concerning nondiscrimination in the administration of quantitative restrictions, licensing, state trading, and state-owned enterprises. He recalled that his delegation had raised this matter at the last meeting of the Council, as well as in meetings of the GATT Committee on Trade and Development (CTD). As no reply had been forthcoming, he considered it necessary to bring the matter before the Council once again and to insist that a substantive response be provided by the participants in an appropriate GATT forum.

The representatives of Argentina, Brazil, and Uruguay stated that the CTD was the appropriate forum for examination of agreements concluded under the terms of the Enabling Clause. The representative of Brazil added that the questions about the agreements, raised by the United States at the June 1988 meeting of the CTD, had been relayed to his authorities and he hoped to have replies in time for the next meeting of the CTD.

The representatives of the European Community and Japan stated that they shared the United States' interest in obtaining further information about the agreements concluded under the auspices of the Latin American Integration Association. The representative of Japan further said that the matter had a bearing on GATT Article XXIV (on customs unions and free trade areas), the strengthening of which was one of Japan's priorities in the Uruguay Round Negotiating Group on GATT Articles. For his part, the representative of the European Community stressed that the request for information by the U.S. delegation was appropriate, even if the CTD was the appropriate forum for discussing the agreements. He considered that the replies furnished by Argentina, Brazil, and Uruguay had not been particularly satisfactory.

1/ GATT document L/6394.

2/ SM/88/177 (August 11, 1988).

The representative of the United States argued that the vague commitment of the three parties to provide further information was an unsatisfactory response to the U.S. request. Under the circumstances, the United States had no choice but to request the establishment of a working party to examine the relevant agreements.

The Council took note of the statements and agreed to revert to the matter.

IV. Other Matters

1. Other items on the agenda

The Chairman reported that consultations were proceeding on procedural aspects of the Working Party on the Accession of Bulgaria but that further time was still needed. 1/ The Council took note of the statement.

The Chairman of the CONTRACTING PARTIES informed the Council that he was initiating consultations to discuss the future appointment of the GATT Director-General. 2/ This formal announcement followed his receipt of a letter dated July 21, 1988 from the Director-General who had proposed that the status of his appointment be considered in relation to the Uruguay Round. In making this announcement, the Chairman of the CONTRACTING PARTIES noted that he was discharging his responsibilities pursuant to the procedures approved by the CONTRACTING PARTIES on November 26, 1986. 3/ The Council took note of the statement.

2. Matters raised

a. United States--Import restrictions on certain products from Brazil

The representative of Brazil informed the Council that in July 1988 the United States had announced its intention to introduce unilateral restrictions on selected Brazilian exports. 4/ Brazil had requested the United States to hold formal consultations on the matter, but the United States had replied that the request had been premature, since no measures had yet been taken. However, Brazil

1/ SM/88/177 (August 11, 1988) and SM/88/157 (July 22, 1988).

2/ GATT document C/157.

3/ GATT, Basic Instruments and Selected Documents (33 S/55).

4/ The U.S. announcement had been made in response to Brazil's alleged failure to provide patent protection to pharmaceutical products.

considered that the mere announcement of possible measures by the United States had already impaired concessions granted to Brazil, as U.S. importers had ceased placing orders for the listed products. The Brazilian authorities considered that Brazil had not violated any GATT rules and that the harm done to Brazil was far in excess of the purported damage caused to the United States. Moreover, they believed that the United States had made the announcement in order to improve its negotiating position in the Uruguay Round, in violation of the standstill agreement. Against this background, the Brazilian delegation urgently requested the United States to accept its call for formal consultations, and it reserved its rights under GATT Article XXIII:2 (on dispute settlement).

The representative of the United States said that on July 21, 1988, the President of the United States had determined, under Section 301 of the Trade Act of 1974 (as amended), that Brazil's failure to provide process and product patent protection for pharmaceutical products was "unreasonable" and that it burdened or restricted U.S. commerce. In his determination, which had followed over two years of unsuccessful bilateral discussions on the matter, the President had directed the U.S. Trade Representative to hold public hearings on which products from Brazil were the most appropriate candidates for increased duties or other import restrictions. The U.S. representative said that the United States had done nothing to violate its GATT obligations. No action had yet been taken against any Brazilian product, and it was the strong preference of the U.S. authorities that none would be necessary. The U.S. representative went on to say that the protection of intellectual property rights was essential for the expansion of international trade, investment, and the transfer of technology. In his view, Brazil was almost unique in failing to provide patent protection for pharmaceutical products. He assured the Council that, should his authorities decide to take action against Brazilian exports, they would be willing to consult with their Brazilian counterparts regarding whether such actions nullified or impaired any of Brazil's GATT benefits.

The representative of Brazil said that the U.S. allegations were groundless. He noted that transnational corporations held the lion's share of the Brazilian pharmaceutical market, with U.S. firms, alone, accounting for 35 percent of total sales. He also noted that Brazil was among the oldest signatories to the Paris and Bern Conventions, while the United States had only recently joined the latter. He reiterated the view that the United States was exploiting the issue to gain negotiating advantage, and said that Brazil's exclusive objective was to defend itself.

The representatives of Argentina, Chile, Colombia, Cuba, Mexico, Nicaragua, Uruguay, and Yugoslavia supported Brazil's call for consultations on the matter. The Council took note of the statements.

b. The United States Omnibus Trade
and Competitiveness Act of 1988

The representative of the European Community stated that the gestation of the U.S. trade legislation had weighed heavily over the GATT and the Uruguay Round. He paid tribute to the U.S. Administration for its immense efforts to ensure the removal of the few "ultra-protectionist" features that had been found in draft versions of the legislation. He also noted with satisfaction that the Trade Act had given the U.S. Administration the necessary negotiating authority for the Uruguay Round. Nevertheless, other aspects of the Trade Act were a source of serious concern to the European Community, since they considerably reduced the scope for the U.S. Administration to exercise discretion in trade policy matters and could lead to increased use of unilateral measures by the United States, possibly in violation of GATT rules. In this connection, the EC representative expressed special concern about the following provisions of the Act: changes to Section 301 which required the President to take unilateral action whenever the United States considered its trade rights to have been violated; deletion of the requirement to determine "trade prejudice" in the context of violations under Section 337; automatic actions to obtain reciprocal market access under Section VI on telecommunications; and provisions to increase agricultural subsidies under the Export Enhancement Program in the event that adequate progress was not achieved in the Uruguay Round negotiations. The linkage of subsidies to progress in the Uruguay Round, he argued, was intended to improve the U.S. negotiating position, in violation of the standstill agreement. In light of the above, the EC authorities intended to monitor closely the implementation of the U.S. Trade Act.

The representative of Japan said that his authorities deeply regretted that the new U.S. trade law had been enacted despite the grave reservations that had been expressed by some contracting parties. He proceeded to enumerate Japan's most serious concerns with the law, which included: new provisions under Sections 201, 301, and 337; sanctions against parties that had violated the COCOM Agreement; provisions for the unilateral imposition of an import fee of not more than 0.15 percent if agreement to permit such fees were not reached with U.S. trading partners within two years; changes in antidumping and countervailing duty provisions which facilitated their use in order to cope with "unfair competition"; and the introduction of sectoral reciprocity and unilateral retaliation in the telecommunications sector. The Japanese authorities were profoundly concerned that these provisions could adversely affect the smooth functioning of world trade. They urged the U.S. authorities to exercise great care to ensure that implementation of the law did not result in any breach of the United States' GATT obligations, and they reserved all of Japan's rights in the matter.

The representative of Hong Kong said that his authorities were also concerned by the U.S. Trade Act. In particular, they considered that the new U.S. antidumping provisions went beyond the provisions of the GATT and upset the balance of GATT rights and obligations at a time when these matters were under negotiation in the Uruguay Round. Hong Kong reserved all of its GATT rights in the matter.

The representative of Korea said that the U.S. Trade Act contained elements that strengthened the forces of protectionism. These included: the easing of criteria for invoking Section 301; the threat of unilateral measures that would circumvent GATT's dispute settlement procedures; an arbitrary approach to the application of antidumping and countervailing duties; unilateral efforts to impose disciplines in the area of intellectual property protection at a time when GATT negotiations in this area were getting under way; and the unilateral introduction of rules in the area of labor rights that would have repercussions on international trade. Against this background, the Korean authorities urged the U.S. authorities to give careful consideration to the way in which they would implement their new trade law.

The representative of Brazil stated that the U.S. Trade Act would have a very negative impact on international trade. He considered that the law disregarded GATT provisions in calling for greater reciprocity on the part of developing countries and that because it authorized recourse to subsidies as a means of improving the competitiveness of U.S. products, it also ignored U.S. obligations under the Subsidies Code.

The representatives of Australia, Canada, the Nordic countries, Switzerland, and Uruguay welcomed the negotiating authority contained in the U.S. Trade Act but expressed continued concerns with certain features of the law, particularly those which could give rise to unilateral actions. The representative of Uruguay stated that a recent ministerial meeting of the Latin American Economic System (SELA) had reviewed the U.S. Trade Act and had concluded that the legislation could result in harm to trade in the region. He, along with the representative of Switzerland, expressed the hope that the law would be applied in keeping with the United States' GATT obligations.

The representative of India said that he shared the concerns of other speakers, particularly with regard to the potential adverse impact of the U.S. law on the Uruguay Round negotiations.

The representative of the United States said that his authorities regarded the Trade Act first and foremost as a firm commitment to multilateralism. They also believed that, as a result of their very hard work, the draft legislation had been stripped of any protectionist features. In fact, the Act erected no trade barriers and merely pledged to act aggressively against those pursuing unfair trade practices. The U.S. representative said that the preference of his authorities would

be to resolve all trade disputes in the GATT but this was not always possible because some aspects of international trade were not currently covered by the GATT. He assured all contracting parties that the law would be implemented in a responsible manner.

The Council took note of the statements.

c. European Community--Antidumping regulations 1/

The representative of Japan informed the Council that Japan and the European Community had recently held formal consultations concerning certain EC antidumping provisions and their application to some products assembled or produced by Japanese-related companies in the European Community. 2/ The Japanese representative reported that those consultations had not yielded satisfactory results, and he reserved all of Japan's GATT rights in the matter. The representative of Hong Kong said that, in the view of his authorities, the European Community's anti-circumvention regulations were inconsistent with the provisions of the GATT Anti-Dumping Agreement, and he reserved all of Hong Kong's rights in the matter. The Council took note of the statements.

d. European Community--Payments and subsidies
to producers and processors of oilseeds

The representative of the United States said that the European Community was frustrating GATT's dispute settlement process by seeking special administrative procedures for the Panel that had been established by the Council in June 1988 to examine EC payments and subsidies to producers and processors of oilseeds. 3/ The representative of the European Community replied that, while there had been real differences of views on administrative procedures for the Panel, these should not be regarded as delaying tactics. The parties to the dispute were scheduled to meet in the coming days and the EC authorities were prepared to proceed in the matter. The Council took note of the statements.

e. Accession of El Salvador

The observer from El Salvador said that his authorities had recently submitted a memorandum on its foreign trade regime in support of El Salvador's application for accession to the GATT. He stated that El Salvador's import regime and some export measures were justified

1/ Council Regulation (EEC) No. 1761/87 of June 22, 1987.

2/ GATT document L/6381.

3/ SM/88/157 (July 22, 1988).

by its status as a developing country. He also expressed his authorities' desire to participate in the Uruguay Round negotiations. The Council took note of the statements.

f. Announcements concerning consultations

The Chairman of the CONTRACTING PARTIES informed the Council that he would be undertaking consultations for candidates for the chairmanships of the CONTRACTING PARTIES, the Council, and the Committee on Trade and Development. The Chairman of the Council informed delegations that he was conducting consultations with the view to regularizing the selection of chairmen for other GATT committees, and he invited all interested delegations to participate. The Council took note of the statements.