

WORLD TRADE ORGANIZATION

RESTRICTED

G/C/M/18

26 March 1997

(97-1249)

Council for Trade in Goods
11 March 1997

MINUTES OF THE MEETING

Held in the Centre William Rappard
on 11 March 1997

Chairman: Mr. T. Johannessen

The proposed agenda contained in document G/C/W/71 was adopted with the inclusion of items 5 and 6 under "Other Business".

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The Chairman welcomed delegations to this meeting convened by WTO/AIR/545.

1. Observer status for International Intergovernmental Organizations (G/L/140)

1.1 The Chairman recalled that at its last meeting of 27 January 1997, the Council had granted observer status to those international intergovernmental organizations which had been invited to follow the work of the Council on an ad hoc basis (category I of document G/L/140).

1.2 As concerned the second category of organizations, whose requests for observer status were pending (category II of document G/L/140), the Council had authorized the Chairman to hold consultations on those requests. He informed the Council that he had started the consultations and from his first contacts it appeared that there was need for careful scrutiny, in particular concerning the areas of activities of those organizations and their relation to WTO's activities as well as the WTO's interest in observing the work of these organizations. It would appear that these consultations would take a certain time to be completed.

1.3 The Council agreed that the Chairman continue these informal consultations and report back to the Council when the matter was sufficiently advanced to take decisions.

2. Trade Facilitation (paragraph 21 of the Singapore Ministerial Declaration (WT/MIN(96) Dec))

2.1 The Chairman recalled that a first discussion on this matter, on the basis of the mandate contained in the Singapore Ministerial Declaration, had taken place at the Council's last meeting of 27 January 1997. It was agreed that the Secretariat should give, at the Council's next meeting, an overview of the organizations contacted in order to obtain factual information in this field, as well as of the areas of trade facilitation in which these organizations have undertaken or were undertaking work. The background note by the Secretariat contained in document G/C/W/70 responded to this request for preliminary information.

2.2 The representative of Hong Kong stated that although it was probably premature at this stage, and he was aware that some sensitivities existed, it would be useful at some juncture to include private sector thinking in this exercise. There was a reference to the International Chamber of Commerce in part B of Section II of document G/C/W/70, but that would not be sufficient for the subsequent stages of this exercise. It should be noted that the whole point was to make the WTO's work in this area relevant to the real business world.

2.3 Additionally, Section III of document G/C/W/70 listed WTO provisions relating to trade facilitation, and his delegation would welcome at a later stage a more detailed analysis by the Secretariat on how relevant WTO/GATT rules might be improved so as to reduce impediments to trade. Members might need to advise the Secretariat on this aspect of the work at an appropriate juncture.

2.4 The representative of India recalled that this subject was discussed extensively at the Council's last meeting. He referred to, in particular, the point made on non-governmental organizations which was reflected in paragraph 3.13 of document G/C/M/17 containing the minutes of the Council's last meeting which read as follows: "With respect to information gathered from non-governmental organizations, there was the view that the study should include decisions taken or procedures already decided upon in these organizations and not opinions, views or advice that might be given by these organizations". Similarly at the last meeting, there were a number of delegations who had indicated that it was premature to talk of "rules" in this context. In fact the proposal from the EU was that the study should be low-key. Only once all the information had been gathered by the end of May 1997 should Members decide on how to proceed further.

2.5 The representative of Mexico stated that his delegation welcomed the statement in paragraph 3 of document G/C/W/70 that "trade facilitation is a concept that can cover a broad range of activities".

That would be his understanding from the title in the Singapore Ministerial Conference which referred to "Trade Facilitation" in general even though the text in paragraph 21 of the Ministerial Declaration did refer to "simplification of trade procedures". He also shared the point made by India regarding information to be obtained from non-governmental organizations. Information to be obtained from these organizations should be instruments elaborated by these organizations on trade facilitation and not their views on trade facilitation. This was to ensure that Members were in conformity with the WTO guidelines on non-governmental organizations. Finally, he did not think that Section III of document G/C/W/70, referring to "Provisions in the WTO (Uruguay Round Agreements and the GATT 1994) related to trade facilitation" was a necessary part of this preliminary information gathering exercise. If, however, a delegation felt differently, then it had to be made clear that this list was not exhaustive.

2.6 The representative of Senegal stated that his comments concerned part C of Section II of document G/C/W/70 on "Regional Organizations and Free Trade Agreements or Customs Unions". He had noted that there were no African organizations which had been contacted. Africa was a continent suffering from problems related to trade facilitation in terms of trade within Africa as well as with other continents. Organizations such as the now defunct Economic Community of West Africa had apparently done useful research work in the area of trade facilitation. Its work was now being continued by the West African Economic and Monetary Union, which should have been contacted. Another Organization which should have been contacted was the Economic Community of West African States (ECOWAS), based in Nigeria.

2.7 The representative of Hong Kong clarified that his delegation was not suggesting that the WTO ought to make rules in a field which had essentially to do with the promotion of trade. However, there was an area in the field of trade facilitation where the WTO could in due course consider whether multilateral trade policy rules in the traditional sense could be perhaps better framed so as to reduce impediments to trade. He took the point that this was an exercise which would probably start at a later stage, and was not suggesting that there had to be any detailed analysis now; currently Members were in a fact-finding mode.

2.8 In response to a question from the representative of Argentina, the Chairman stated that the Secretariat would prepare a full background document by the end of May 1997 as agreed to at the last meeting of the Council, taking into account the comments made at this meeting.

The Council took note of the statements.

3. Recommendations from the Working Group on Notification Obligations and Procedures (Point B and paragraph 4.6, Point D and paragraphs 4.8 and 4.9 of G/C/M/14)

(i) Gatt 1947 CONTRACTING PARTIES Resolution on Liquidation of Strategic Stocks (BISD 3S/51) (paragraph 65 of G/L/112)

3.1 The Chairman recalled that the Working Group had recommended in its report (G/L/112, paragraph 65) that the Goods Council refer certain GATT 1947 CONTRACTING PARTIES' Decisions to appropriate WTO bodies for further consideration in order to determine whether they were obsolete or redundant in the current situation. With respect to the Resolution on the Liquidation of Strategic Stocks (BISD 3S/51) there appeared to be no existing suitable body which could deal with this matter, and the Council, at its meeting of 15 October 1996 (G/C/M/14, paragraph 4.6) agreed to retain this Resolution for further consideration.

3.2 During an informal meeting of the Council, held on 14 January 1997, this matter was discussed and the then Chairman had indicated in his concluding remarks that this subject needed additional study and further reflection among Members. Informal consultations were held on this matter in order to

reach a better understanding on an appropriate course of action. It appeared from the discussions that although this Resolution had been invoked only once, it would be appropriate to maintain it in force because certain Members attached importance to the specific right for consultations provided for in paragraph 2 of this Resolution. It would also seem that removal of the notification obligation under this Resolution which was required only if a specific action was taken, would not lighten the burden of notification obligations for Members nor lead to a streamlining of the notification requirements as such. In light of the points mentioned, he proposed that the Resolution be maintained.

3.3 The Council so agreed.

- (ii) Preparation of general guidelines for the bodies under the Council's purview, providing for the regular review of questionnaires and formats and of the situation as regards compliance with notification obligations (paragraph 76 of G/L/112)

3.4 The Chairman recalled that the Working Group had also recommended (G/L/112, paragraph 76) that the Council consider the possibility of preparing general guidelines for the bodies under its purview, providing for the regular review of questionnaires and formats and of the situation as regarded compliance with notification obligations. The Council, at its meeting of 15 October 1996, had agreed to revert to this matter at a subsequent meeting. The subject was further discussed at the Council's informal meeting of 14 January 1997 where it was felt that the Council should continue to keep this subject under consideration and decide at the appropriate time as to how to proceed further. From further informal consultations on this subject it would appear that there was a general feeling that it would not be desirable to attempt preparing general guidelines relating to questionnaires or formats for notifications pertaining to the various Committees; it might, however, be useful to develop general guidelines with respect to the regular review of the situation as regarded compliance with notification obligations.

3.5 To this effect, he proposed that the Council invite the Secretariat to prepare for consideration at a future meeting, a non-paper identifying elements which might be included in such general guidelines and which could have the effect of improving compliance with notification obligations.

3.6 The Council so agreed.

4. Free Trade Agreement between Slovenia and Estonia

4.1 The Chairman drew attention to the notification from the parties to the Agreement contained in document WT/REG37/N/1. The text of the Agreement had been circulated in document WT/REG37/2.

4.2 The Chairman proposed that the Committee on Regional Trade Agreements carry out the examination of this agreement in accordance with the following terms of reference:

"to examine, in light of the relevant provisions of the GATT 1994, the Free Trade Agreement between Slovenia and Estonia and to submit a report to the Council for Trade in Goods."

4.3 It was understood that the understanding read out by the Chairman of the Council for Trade in Goods under item 7 of the Agenda of the meeting of the Council for Trade in Goods on 20 February 1995, as contained in document WT/REG3/1, would apply *mutatis mutandis* to this examination. It was also understood that, during the examination, due account would be taken of the intrinsic differences between customs unions and free-trade areas.

4.4 The Council for Trade in Goods so agreed.

5. EC - Korea's "Frugality Campaign"

5.1 The representative of the European Communities, speaking under "Other Business", stated that his authorities were deeply concerned that the "frugality campaign" which had been running in Korea since mid-1996 had intensified. It was beginning to hurt severely the interests of European exporters. His authorities were aware that civic groups such as Korea's media and industry were playing a major part in this campaign, but were also concerned about the position of the Korean authorities and felt that they had a degree of responsibility. They had claimed that the campaign attacked excessive consumption, not imports, and had indicated that Korea would not take measures inconsistent with its international obligations. But public figures, at all levels, continued to make unhelpful statements which were clearly intended to blame imported consumer goods for Korea's current account deficit. A study of the deficit's structure showed this to be utterly false.

5.2 On a different level, but equally alarming, were frequent cases of "administrative harassment" carried out directly by government agencies (e.g. customs slowdown; increase in frequency of enforcement inspections; more restrictive reinterpretations of vague Korean laws on labelling; publication of misleading statistics by Government agencies; apparently systematic tax inspections on owners of foreign cars).

5.3 His authorities were very doubtful about the compatibility of certain of these statements and actions with Korea's WTO obligations. The Government's stance was also difficult to reconcile with the WTO's objectives, such as "expansion of production and trade in goods and services". Accordingly, his authorities were studying what further action might be appropriate, both regarding individual cases and generally regarding anti-import aspects of the wider campaign.

5.4 His delegation believed that Korea had a responsibility to reassure its trading partners that the impression that it was hostile to imports and hesitant about two-way trade was mistaken. Since all WTO Members benefitted from an open, equitable and non-discriminatory multilateral trading system, and had a responsibility to defend it, a clear public statement from the Korean Government disowning all anti-import aspects of the civic "frugality" campaign was now necessary to dispel doubts about Korea's commitment to respect in full its WTO obligations. Clear instructions to public officials not to target importers or consumers of foreign goods also seemed necessary.

5.5 The representative of the United States stated that his authorities had observed a troubling pattern in recent Korean statements asserting that the consumption of imports were the direct cause of Korea's current account and trade deficits. The United States and other WTO Members were sensitive to Korea's desire to respond to these macro-economic trends and current trade imbalance. However, the arbitrary use of standards, documentation requirements, customs delays, regulatory and labelling requirements, tax audits or other measures to deter imports not only conflicted with WTO principles and obligations, but would be counter-productive to the competitiveness of the Korean economy over the long-term.

5.6 Recent statements by Korean government officials suggesting that it was a citizen's "patriotic" duty not to consume imports had reinforced the perception of an anti-import bias in Korea. Korea attributed many of these statements to translation errors or exaggeration of government officials by the media. However, the espousal of so-called "frugality measures" was not limited to junior bureaucrats in Korea. In fact, some of the most troubling remarks had been voiced by senior Korean government officials - including at the Ministerial level.

5.7 Korean officials had also explained that it was inappropriate for the government to encourage private enterprises to alter their "patriotic" behaviour to reduce consumption of "luxury" items. His

authorities were concerned that these actions lent themselves to the impression that Korea was not committed to open public market policies, the multilateral trading system, or its international obligations, despite its membership in the WTO and recent accession to the OECD. This perception was reinforced by memories of similar practices observed in Korea during the late 1980s. US traders noted with concern that exports to Korea in certain sectors (i.e. autos and certain consumer goods) were returning to levels observed in the late 1980s, when similar "frugality" measures were last pursued in Korea.

5.8 His authorities hoped that Korea would respond to the concerns expressed at this meeting, and recently in the OECD (Trade Committee), and issue an unequivocal public assurance that anti-import behaviour was inconsistent with Korea's international trade policy objectives.

5.9 The representative of Korea stated that his delegation had taken note of the statements made by the representatives of the European Communities and the US on the so-called "frugality campaign" in Korea. There appeared to be over-sensitivity and over-reaction on the part of these two delegations on this question. Of course, the Korean market with its annual import scale of more than hundred sixty billion US dollars must be highly attractive to any trading nation. Taking one example, since the introduction of the real-name banking system in Korea in 1993 an excessive amount of cash had become available among consumers which in many cases had led to an increase of the consumption of luxury items. This situation possibly had led civic groups or non-governmental organizations to stage the so-called "frugality campaign". It was a social phenomenon which was also to be found in other countries. The Korean government, on many occasions, had made it clear that it was not involved in such campaigns. Korea, as a responsible WTO Member, had been abiding by its obligations and commitments and would continue to further trade liberalization and economic deregulation. He seriously doubted that such measures as customs slowdown, more restrictive reinterpretations of vague Korean laws on labelling, publication of misleading statistics by Government agencies and so forth existed at all. He also doubted that such allegations could ever be vindicated. It was unfair and unacceptable to his government that those delegations implied that there was government involvement in such non-existent actions or measures, and he clearly denied such allegations.

5.10 The representative of India stated that it would be extremely risky if the WTO functioned on the premise that individual opinions or some non-governmental organizations promoting a certain view in a particular country should be disciplined or managed through this Organization. Increasingly, the world perceived this Organization as an intrusive one even when it came to negotiated rules which were binding on everybody.

5.11 It was likely that in every society, at some time, depending on its own culture and history, such attitudes would develop as they perhaps had done in Korea. For example, in the United States, before negotiating the opening of the Indian textile and clothing market, he had seen major advertisement campaigns "Be American buy American". He had been told that it was a private campaign, and that the government had nothing to do with it. He had also seen a European Commission paper on "commercial defense" for EC markets, in which it had been articulated how EC producers would be protected against imports. Of course, the reference was to anti-dumping measures which the EC made use of extensively. As long as no WTO rule was violated, and as long as there was no governmental involvement, it would be difficult to expect governments concerned to control public opinion in the country.

5.12 The Council took note of the statements.

6. Date of the next meeting

6.1 The Council took note that its next meeting was scheduled for 14 April 1997.