

WORLD TRADE ORGANIZATION

RESTRICTED

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GENERAL COUNCIL
31 May 1995

MINUTES OF MEETING

Held in the Centre William Rappard
on 31 May 1995

Chairman: Mr. K. Kesavapany (Singapore)

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1. Rules of Procedure for the Councils for Trade in Goods, TRIPS and Services (G/C/W/2, IP/C/W/2, S/C/W/2)

The Chairman recalled that Article IV:5 of the WTO Agreement provided that the Councils for Trade in Goods, TRIPS and Services "shall establish their respective rules of procedure subject to the approval of the General Council". He drew attention to draft rules of procedure for these Councils in documents G/C/W/2, IP/C/W/2 and S/C/W/2, and said he had been informed that some further work was required before these draft rules could be formally approved by the General Council. Since the outstanding issues appeared to be of concern to all three sectoral Councils, he proposed that he hold consultations with the Chairmen of the respective Councils on these issues, and that the General Council revert to this matter at its next meeting.

The General Council so agreed.

2. Approval of schedules on goods and services pursuant to the Ministerial Decision in Favour of Least-Developed Countries

The Chairman recalled that under the Marrakesh Decision in Favour of Least-Developed Countries, these countries had been given an additional period of one year from 15 April 1994 to submit their schedules as required under Article XI of the WTO Agreement. The Councils for Trade in Goods and for Services respectively had verified a number of schedules submitted pursuant to this Decision and had forwarded them to the General Council for final approval.

Mr. Endo (Japan), Chairman of the Council for Trade in Goods said that on 29 May, the Council had taken note of a report by the Chairman of the Committee on Market Access concerning the verification of draft final schedules of concessions on goods, and had agreed to forward the schedules of the following countries to the General Council for approval: Angola, Botswana, Burundi, Central African Republic, Djibouti, Grenada, Guinea, Guinea Bissau, Haiti, Lesotho, Malawi, Maldives, Mozambique, Papua New Guinea, Rwanda, St. Kitts and Nevis, Sierra Leone, Togo and Zaire.

Mr. Manhusen (Sweden), Chairman of the Council for Trade in Services said that on 30 May, the Council had verified a number of schedules of specific commitments of least-developed countries submitted pursuant to the Marrakesh Decision. In that process, the Council had addressed two questions with respect to each schedule, namely whether the negotiations on substance had been concluded with other members, and whether there were any technical problems relating to the accuracy and legal consistency of the schedules. The schedules which had been verified and submitted to the General Council for approval were those of Angola, Botswana, Burundi, Central African Republic, Chad, Djibouti, the Gambia, Guinea, Guinea Bissau, Haiti, Lesotho, Malawi, Maldives, Mali, Mauritania, Rwanda, Sierra Leone, Togo and Zaire.

The Chairman recalled that in addition to the least-developed countries in respect of which the Goods Council had forwarded schedules for approval, the goods schedules of Chad and the Gambia had been approved by the General Council on 3 April. The goods schedules of Mali and Mauritania had been approved by the Preparatory Committee for the WTO under the mandate given to it by Ministers at Marrakesh. However, the schedules on services for these four countries had not yet been approved. In the case of Mozambique, while its schedule on services had been submitted prior to the Marrakesh Ministerial meeting, and was already annexed to the GATS, its schedule on goods had not been approved earlier. The least-developed countries in respect of which schedules on goods as well as on services were now ready for approval were the following: Angola, Botswana, Burundi, Central African Republic, Chad, Djibouti, the Gambia, Guinea, Guinea Bissau, Haiti, Lesotho, Malawi, Maldives, Mali, Mauritania, Mozambique, Rwanda, Sierra Leone, Togo and Zaire. The names of

these countries and the relevant document references were contained in a paper, dated 31 May, which had been made available to delegations.¹ He proposed that the General Council approve the schedules listed and take note of the statements.

The General Council so agreed.

The Chairman said that the approval of the schedules on goods as well as services in respect of the twenty least-developed countries had completed the process envisioned by Ministers in paragraph 1 of the Marrakesh Decision. Accordingly, these least-developed countries had fulfilled the requirements of membership pursuant to Article XI of the WTO Agreement. In respect of ten of these countries, namely Botswana, Central African Republic, Djibouti, Guinea Bissau, Lesotho, Malawi, Maldives, Mali, Mauritania and Togo, which had already accepted the WTO Agreement, membership would take effect immediately. In respect of the other least-developed countries for which schedules had been approved at the present meeting, membership would take effect on the thirtieth day following the date of acceptance, in accordance with Article XIV:1 of the WTO Agreement, assuming that these countries accepted the WTO Agreement within the two-year period provided for in Article XIV:1.

The Council took note of the statement.

The Chairman then noted that in his statement the Chairman of the Council for Trade in Goods had referred to the recommendation of the Council in respect of the goods schedules of three other countries, namely Papua New Guinea, Saint Kitts and Nevis and Grenada. These countries were not least-developed countries and were covered by the Decision on the Finalization of Negotiations on Schedules on Goods and Services (WT/L/30). Approval of these schedules would be taken up by the General Council when consultations on the requirements for instruments of accession in respect of these countries were completed.

The General Council took note of this information.

3. United States' auto and autoparts issues: US unilateral measures
 - Statement by Japanand
4. Japan's automotive barriers and restrictive practices
 - Statement by the United States

The Chairman said it was his understanding that delegations did not wish to enter into a discussion on these matters at the present meeting, but rather to have the General Council take note of the statements that had been made on these Items at the meetings of the Council for Trade in Goods on 29 May and of the Dispute Settlement Body that morning.

The representative of Argentina said he wished to make three comments on the items under consideration. First, he wondered whether one was facing a strictly sectoral problem or a problem of more important economic and trade disequilibria. Only the future would provide an answer to this. Second, he believed that those matters should only be dealt with within the WTO Agreement and not outside the Agreement. This applied both to the respect for the commitments entered into by way of market access concessions and the disciplines contained in the WTO Agreement, including the mechanism for the settlement of disputes contemplated by the Agreement. Third, his delegation noted with satisfaction the readiness of both parties to have recourse to Article XXII of GATT 1994 and to the Dispute Settlement Understanding, and urged them to stick to this course in order not to jeopardise

¹Subsequently issued as WT/L/70.

from the outside the validity of a trading system that had taken seven years to set up. Any decision taken outside the scope of the multilateral rules could seriously weaken the system, would exceed the framework of a bilateral dispute and might affect all WTO Members.

The representative of Chile said that his country viewed this dispute with concern, not only because Japan and the United States were Chile's main trading partners, but also because they were two major members of the multilateral trading system. Chile had an interest in this controversy because of its keenness to see disputes resolved within the framework of the legal instruments that WTO Members had established as of 1 January 1995. Chile urged the two parties to find a solution within the framework of the rights and obligations that governed all Members equally. It noted with satisfaction that the United States had accepted the consultations requested by Japan, and hoped these would result in a mutually satisfactory solution consistent with WTO provisions.

The Chairman proposed that the General Council take note of the statements, as well as of the statements made on these Items at the meetings of the Council for Trade in Goods on 29 May² and the Dispute Settlement Body that morning.³

The General Council so agreed.

5. Headquarters agreement (WT/GC/3)

- (i) Agreement between the WTO and the Swiss Confederation (WT/GC/1)
- (ii) Infrastructure contract (WT/GC/2)

The Chairman drew attention to the Note by the Negotiating Team for the Headquarters Agreement in document WT/GC/3, and to the two Agreements negotiated between the Swiss authorities and the WTO Negotiating Team contained in documents WT/GC/1 and Add.1 and WT/GC/2. In accordance with the recommendations of the Negotiating Team, he proposed that the General Council approve the two legal instruments negotiated between the Swiss authorities and the WTO Negotiating Team as contained in WT/GC/1 and Add.1 and WT/GC/2, and authorize him and the Director-General of the WTO to accept these legal instruments on behalf of the WTO.

The General Council so agreed (WT/L/69).

6. Committee on Budget, Finance and Administration

- (i) Report of the Committee dated 21 April 1995 (WT/BFA/3-L/7628)

Mr. Metzger (France), Chairman of the Committee, introducing the Committee's report in WT/BFA/3-L/7628, recalled that at its meeting on 3 April, the General Council had approved the Committee's recommendations contained in paragraphs 22, 24 and 26 of the report on the basis of document WT/BFA/2. With regard to the Committee's other recommendations, concerning contributions to the joint WTO/GATT budget of Djibouti, Guinea, Papua New Guinea and the Solomon Islands, and their respective advances to the Working Capital Fund (paragraphs 32 to 35 of the report), he noted that these had been approved by the GATT 1947 Council on 4 May and that they had also to

²See G/C/M/3, items 5 and 6.

³See WT/DSB/M/5, items 2 and 3.

be approved by the General Council of the WTO in view of the joint nature of the organization's budget, even though these four countries were not yet members of the WTO.

The representative of Egypt said that his Government had expressed concern on several occasions in the Budget Committee regarding the creation of an "Inactive Members" category consisting of governments with more than three years of arrears as at 15 March 1995, who were then not given the benefit of technical assistance and training. Egypt believed that these governments should rather be given assistance to be more involved in the multilateral trading system, and urged that the General Council reconsider this issue.

The Chairman of the Committee said that the administrative measures applicable to members with arrears had been discussed in the GATT and WTO bodies. These measures were not punitive but rather an incentive in proposing favourable treatment for countries with arrears. This matter continued to be followed closely in order to ensure an even greater participation of all members.

The Chairman said that, as a former Chairman of the Committee, he could confirm that the Committee had spent considerable time on this issue to find an equitable solution. While he could understand Egypt's concerns, one had to be fair to those governments paying their contributions on time. He invited Egypt to make proposals in the Budget Committee with a view to finding an equitable solution to this matter.

The General Council took note of the statements, approved the Budget Committee's specific recommendations in paragraphs 32, 33, 34 and 35 of its report in WT/BFA/3-L/7728, and adopted the report.

(ii) Report of the Committee dated 22 May 1995 (WT/BFA/4-L/7629)

Mr. Metzger (France), Chairman of the Committee, introduced the Committee's report (WT/BFA/4-L/7629) on its meeting of 25 April and 3 May 1995. The Committee had considered the financial implications of an additional post of Deputy Director-General, following the decision of the General Council on 24 March 1995 to create such a post. The Committee had not, in the course of its discussion, considered the procedures concerning the appointment of Deputy Directors-General approved by the GATT 1947 Council in April 1987 (BISD 34S/173), which would continue to apply in this case. The Committee's recommendations on the financial implications of the additional Deputy Director-General post were contained in paragraph 9 of its report. With regard to additional resources needed for translation, the Committee had recognized that, as a result of the expansion of the scope of the WTO's activities, the workload for translation had increased substantially and could no longer be covered satisfactorily from existing resources. The Committee's recommendations in this regard were contained in paragraph 13 of the report. Finally, he drew attention to the Committee's recommendations regarding the final position of the 1994 budget of the GATT (paragraph 15 of the report).

The representative of Switzerland noted that, in making its recommendation on the additional post of Deputy Director-General, the Committee had underlined that the creation of the post "shall not prejudice the ongoing deliberations with regard to the Management Review, including the structure of the future Secretariat, nor the examination of the 1996 budget proposals" (paragraph 9 of the report). His delegation wished that the Director-General would give particular attention to this in the creation and the filling of this post. Switzerland believed that the particular circumstances in which this post had been decided could not constitute the basis for a new practice regarding future appointments, and that the procedures for the future appointments of Deputy Directors-General approved by the GATT 1947 Council in 1987, and now part of GATT 1994, remained fully valid. Finally, Switzerland reconfirmed its full support to the Director-General in strengthening the Secretariat's efficiency,

rationalizing its activities and ensuring, even at the highest management level, the continuation of the consistent and coordinated staffing policy followed until the present, so that Members had as efficient a Secretariat as possible which would provide the necessary support in the implementation of the WTO Agreements.

The General Council took note of the statements, approved the Budget Committee's specific recommendations in paragraph 9, 13 and 15 of its report in WT/BFA/4-L/7629, and adopted the report.

7. Enlargement of the European Communities

- Communication from the European Communities (WT/L/67)

The Chairman drew attention to the communication from the European Communities (WT/L/67) in which the Community had agreed to the prolongation of all rights held by WTO Members under Article XXVIII:3 of GATT 1994 beyond 30 June 1995 until 31 December 1995, in respect of the Article XXIV:6 negotiations under way following the accession of Austria, Finland and Sweden to the European Union on 1 January 1995.

The representative of Canada said that the principal reason for the prolongation of Members' rights under Article XXVIII:3 was the Community's failure to comply with the requirement to notify and consult with its trading partners prior to implementing tariff changes. This had meant that exports to the three acceding countries from many trading partners including Canada had been impaired without compensation for five months. Canada had explained its position regarding the enlargement in bilateral consultations with the Community and reserved its rights to react as appropriate.

The representative of Japan hoped that the Article XXIV:6 negotiations with the Community on several increased tariffs to be applied by the three new members following their accession would lead to an agreement as soon as possible. Japan was ready to accept the prolongation of Members' rights under Article XXVIII:3 provided that it would not prejudice the interpretation of Article XXIV:6 and other relevant provisions of the GATT 1994. Japan reserved the possibility to exercise its rights under the Article XXVIII:3 provisions of GATT 1994 before 31 December 1995, if necessary.

The Chairman proposed that the General Council take note of the statements and agree that the six-month period referred to in Article XXVIII:3 would not be considered to expire prior to 31 December 1995.

The General Council so agreed.

8. Ratifications of the WTO Agreement

(i) Poland

The representative of Poland, speaking under "Other Business", said that his country had completed its ratification process for the WTO Agreement and of the Multilateral Trade Agreements annexed thereto, and that the Agreement would enter into force for Poland on 1 July 1995. He noted that Poland's market access commitments contained in its schedule attached to the Marrakesh Protocol, and not covered by the Agreement on Agriculture, were being effectively implemented by Poland since 1 January 1995.

The General Council took note of the statement.

(ii) Egypt

The representative of Egypt, speaking under "Other Business", said that Egypt had completed its domestic procedures for ratification of the WTO Agreement and that his delegation had deposited an instrument of ratification with the Secretariat that day.

The General Council took note of the statement.

9. Papua New Guinea - Increase in applied tariff on canned mackerel

The representative of Japan, speaking under "Other Business", said that although Japan had not opposed the finalization of the verification of Papua New Guinea's goods schedule, it was concerned over the recent increase in that country's applied tariff on canned mackerel. Although the ceiling binding on this product in Papua New Guinea's schedule had been set at 55 per cent, the applied tariff had, on 1 May, suddenly been raised to 100 per cent. Japan was concerned that this increase had taken place just before the finalization of the verification of Papua New Guinea's schedule, and found it unacceptable that the increased tariff should be maintained after the entry into force of the schedule. Japan strongly hoped that Papua New Guinea would revert to the previously applied tariff for this product of zero per cent.

The General Council took note of the statement.

10. United States - Imposition of import duties on automobiles from Japan under Sections 301 and 304 of the Trade Act of 1974

The representative of the European Communities, speaking under "Other Business", said that the Community wished to be joined in the consultations under Article XXII:1 of GATT 1994 requested by Japan⁴ concerning the United States' trade measures affecting imports from Japan of certain automobiles under Sections 301 and 304 of the US Trade Act of 1974. The Community considered that it had a substantial trade interest in the strict observance of the rules concerning the strengthening of the multilateral trading system contained in Article 23 of the Dispute Settlement Understanding.

The General Council took note of the statement.

11. Working Party on the Accession of the Former Yugoslav Republic of Macedonia
- Chairmanship

The Chairman, speaking under "Other Business", recalled that the chairmanship of this Working Party had been announced at the meeting of the General Council on 3 April. Since Mr. Ekblom (Finland), the appointed Chairman, was no longer available due to other pressing responsibilities, he was continuing consultations to find a new Chairman. He hoped to be in a position to resolve this matter soon.

The General Council took note of this information.

⁴See WT/DSB/M/5.

12. Observer status for international intergovernmental organizations

The Chairman, speaking under "Other Business", recalled that, in accordance with the ad hoc arrangements for observer status for international intergovernmental organizations approved at an informal meeting of Heads of Delegations on 16 March, and as agreed at the General Council meeting on 3 April, the following organizations had been invited as observers to the present meeting: United Nations, UNCTAD, IMF, World Bank, FAO, WIPO and OECD. It was his understanding that, pending agreement on guidelines for observer status for international organizations, the above organizations would also be invited to the next meeting.

The General Council took note of this information.