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Page 6/7

SUMMARY RECORD OF THE SECOND MEETING

Held at the Palais des Nations, Geneva,
on Wednesday, 26 November 1975 at 3 p.m.

Chairman: Mr. P.S. LAI (Malaysia)

Page

Subjects discussed: 1. Report of the Council
2. Status of Surinam

6/7
26

1. Report of the Council (L/4254)

The Chairman referred to the Report of the Council of Representatives on its work since the thirtieth session of the CONTRACTING PARTIES (L/4254). The following comments were made in connexion with the items dealt with in the report.

Item 2: Anti-dumping practices

Mr. YAMAGUCHI (Japan) stressed that anti-dumping measures should not cause undue obstacles to international trade and that anti-dumping systems and their administration by participating countries should be strictly in line with the General Agreement and the Anti-Dumping Code. He welcomed the fact that the Government of Australia had completed the necessary domestic procedures for accepting the Code and expressed the hope that other contracting parties would follow this example. He said that there were certain aspects in the United States and Canadian anti-dumping procedures for determination of injury against certain imports from Japan, which caused some doubts as to their compatibility with the Code. He hoped that these two authorities would re-examine their procedures in the light of the relevant provisions of the Code. He further said that his delegation attached great importance to the next meeting of the Committee on Anti-Dumping Practices scheduled to be held in February next year. At that meeting, the question of compatibility with the Code of the terms and administration of the anti-dumping laws and regulations of the participating countries was

expected to be discussed in a comprehensive manner. The initiation of the anti-dumping investigation procedures by the United States on imported cars could have serious impacts on international trade in view of the large number of exporting countries and the large volume of trade involved. He requested the United States authorities to administer this investigation strictly in line with the Anti-Dumping Code.

Mr. TEESE (Australia) said that in November 1973 his Government had announced its intention to accede to the Anti-Dumping Code. This decision had been influenced by representations from major trading partners who were signatories of the Code. The substantial changes required in Australian legislation had been enacted on 20 June 1975 and had been operative since then. The major changes related to the definition of normal value, the determination of injury and the application of provisional anti-dumping duties. Australia had formally acceded to the Anti-Dumping Code on 24 November 1975. He said that copies of the relevant legislation had been sent to the secretariat and that his delegation would be glad to reply to any questions at an appropriate time in the future.

Mr. PHAN VAN PHI (European Communities) said that the Community considered the Anti-Dumping Code a considerable achievement in responding to the need for greater precision in certain provisions of the General Agreement and in providing for more equitable trade rules which could be applied in a uniform manner. He hoped that the example of Australia in acceding to the Code could be followed by all countries and that those countries which had not yet aligned their legislation with the Code might do so as soon as possible. He referred to anti-dumping investigations being carried out in a particular country concerning imports of cars, and pointed out that this investigation covered an unprecedented amount of trade. The manner in which the administration concerned would react to this investigation would be considered by the Community as a test, and would be watched with the greatest attention. He expressed the hope that the administration concerned would use all margins of flexibility available in its legislation.

Mr. BRUNGART (United States), said that questions relating to the implementation of the Anti-Dumping Code had been discussed late last month in the Committee on Anti-Dumping Practices and the matters which had been raised by Japan and the European Communities had been considered then. He stated that their remarks on that occasion had been noted by the United States authorities. Since that time, there had been no new developments. As the Committee on Anti-Dumping Practices was scheduled to meet again in February, the questions relating to the implementation of the Anti-Dumping Code could then be further discussed.

Mr. NYERGES (Hungary) said that his delegation had noted the concern for proper procedures in relation to dumping and market disruption voiced by the representative of the European Communities and expressed the hope that this concern would also be shown in other contexts.

Item 5: Emergency action and temporary import restrictive measures

Item 5(a): Measures taken by Australia

Mr. TSURUMI (Japan) stated his concern about the series of import restrictive measures recently introduced by Australia, which affected a broad range of products. In the case of Japan about a quarter of its total exports to Australia was already under some form of restriction. He wondered whether before their introduction sufficient consideration had been given to any adverse effects which the measures would have on the current precarious situation of international trade or on such international obligations as those under the Textiles Arrangement. Article XIX consultations between Japan and Australia were under way with respect to automobiles, iron and steel plates, glass frames and sunglasses. He hoped that satisfactory solutions would be reached between the two countries at an early date. Furthermore, with respect to the tariff quota measures on a number of textile items, Japan had been asking for consultations with Australia under Article 9:2 of the Arrangement Regarding International Trade in Textiles.

Mr. PHAN VAN PHI (European Communities), referring to Australian import restrictions, stated that the Community maintained its objections to these measures which were being applied in a growing number of industrial sectors, which already enjoyed often very large tariff protection. He expressed concern at the trend that seemed to be emerging in the development of Australian policy. The two rounds of consultations which the Community had had with Australia had not affected its doubts about the justification for these measures. He expressed the hope that Australia would review the measures soon with a view to making them more flexible.

Mr. TEESE (Australia) recalled that in December 1972 the Australian Government had begun to implement a new long-term programme of trade liberalization. This had included a revaluation of the Australian dollar, a unilateral 25 per cent across-the-board tariff cut, a revised system of tariff preferences to developing countries, new anti-dumping legislation and procedures, a complete review of Australia's customs valuation provisions and procedures, and the drawing up and implementation of structural adjustment programmes.

He stated that as a result the value and volume of Australia's imports had increased greatly, rising at a rate of almost 30 per cent in volume in each of the last two years. However, the recession in the world economy meant that

imports into domestic markets for some industries had gone beyond what could be sustained without incurring unacceptable levels of disruption, unemployment and bankruptcy. Action had therefore been taken to moderate the rate of growth of imports to levels which would permit domestic industry to adjust to increased foreign competition. In a few instances it had been necessary to introduce quantitative controls and Australia had promptly notified these measures in accordance with the provisions of the GATT. In all cases the actions had been taken after independent enquiries and a report by the Industries Assistance Commission or the Temporary Assistance Authority, both of which had provided the opportunity for interested foreign suppliers to state their views.

He pointed out that the value of Australian imports of the few items which were under restraint had risen by 29 per cent in 1974/75 compared with the preceding years. This demonstrated that even in the items where restraints applied, imports had been permitted to continue at very high levels. This situation should be compared with the import embargoes and restrictions which Australian exports had faced over the past eighteen months in breach of GATT. The restrictions on beef and veal alone affected 10 per cent of total Australian exports. Other restrictions affected Australian exports of dairy products, fresh and canned fruits, sugar, rice and other agricultural products in significant markets.

He suggested that it was better to institute a number of temporary restraints under Article XIX rather than insulate more sensitive domestic industries in such a way that the need for safeguard action never arose.

Item 5(d): European Communities - Emergency action on imports of bovine meat and Article XXII consultations

Mr. MARTINEZ (Argentina) expressed his deep concern about the emergency action adopted by the European Communities on imports of beef and veal which had now been in force for more than a year and a half. He said that recent measures taken by the Community did not contain any elements which showed a will to change the existing situation. This was at a time when the long-awaited improvement in the EEC meat market was taking place, with cattle prices attaining record levels at a time of the year when they usually fell. Argentina was prepared to pursue all possibilities for further consultations with the Community, but he hoped that these consultations would have as their aim concrete and effective results, in particular the re-opening of the EEC beef market.

Mr. TOMIĆ (Yugoslavia) emphasized his grave concern about the EEC restrictions on bovine meat for which there was no justification in GATT. Consultations had not produced any satisfactory results and the balance of

commitments and obligations under the General Agreement had been seriously affected. It was a regrettable example of GATT being ineffective. He urged continued co-operation both within the GATT and directly between the parties concerned with a view to eliminating these restrictions.

Mr. TEESE (Australia) said that Australia was the world's largest exporter of beef, which normally represented about 10 per cent of its exports. However, in 1974/75, largely as a result of restrictive measures imposed by importing countries, there had been a sharp decline in world prices as well as export outlets for beef and the value of Australia's export earnings from beef and veal had been halved. He referred to the low returns and hardship being suffered by Australian producers, for whom cattle prices, as a direct result of continuing restrictions in import markets, were only marginally above the lowest level for the past twenty years.

He said that the results of three rounds of consultations which a number of beef exporting countries had had with the EEC since it took restrictive measures on imports in 1974 had not been satisfactory. He considered that the situation had deteriorated even further because the Community had introduced the so-called EXIM Scheme, which was even more offensive to the principles of GATT than quantitative restrictions. The Scheme distorted established trading relationships. The requirement to export to earn import entitlements prevented meaningful access to traditional importing EEC member States.

Mr. NYERGES (Hungary) expressed the hope that the many temporary import restrictive measures listed would indeed be temporary and not of a semi-permanent nature. Referring to a statement by the representative of the European Communities that the Community approach to the problem of imports of beef and veal was based on a sharing of responsibilities, implying that concrete commitments should also be undertaken by exporting countries, he asked to have this concept further clarified. He recalled in this connexion that certain importing countries had proposed to the EEC a system of shared responsibility in the cattle trade, but so far had not received a response.

Mr. EASTERBROOK SMITH (New Zealand), referring to the import restrictions on bovine meat maintained by the Community, regretted that the consultations had not afforded the assurances exporters had sought that the Community measures would be short-lived. He considered that the EXIM Scheme was not a satisfactory solution and was an unfortunate innovation in world trading restrictions. He urged the Community to review quickly the nature and impact of its measures in the hope that an early re-opening of its market was in prospect.

Mr. MODORAN (Romania) said that the action of the European Communities on bovine meat seriously affected an important part of his country's exports and, hence, its purchasing power. His authorities regretted that no satisfactory solution had emerged from the consultations. He expressed the hope that the EEC would soon eliminate these measures and re-open its markets to trade in bovine meat.

Mr. PHAN VAN PHI (European Communities) expressed the Community's readiness to pursue consultations relating to the Community action on imports of beef and veal at the most appropriate moment. He pointed out that the action did not amount to a total embargo, since a certain volume of imports under the tariff quota bound in GATT was maintained. Furthermore, the EXIM Scheme allowed a resumption of a certain flow of trade, while avoiding any growth of supplies at a time when the EEC market situation was still precarious. Since 1 October 1975, this scheme had been made more flexible in that additional imports of 30,000 young cattle had been provided for, so prolonging the special scheme introduced in April 1975. Moreover, there had been a change from 1 to 2 in the ratio of the volume of imports to exports allowed under the scheme. He stated that the problem stemmed from a general imbalance of the world market for bovine meat. He recalled that in the framework of the multilateral trade negotiations, the Community had made concrete suggestions in the beef and veal sector, designed to strengthen the machinery for exchange of information, to establish concerted disciplines between importers and exporters and to improve the existing consultation procedures on health and sanitary measures.

Mr. MACIEL (Brazil) said that his country shared the concerns of some other contracting parties about the difficulties of access to the EEC market for exports of beef and veal and he appealed for an early and satisfactory solution to the problem.

Mr. WILLENPART (Austria) said that the actions of the European Community in the beef and veal sector had had serious effects on the income situation of Austrian cattle producers. He recognized that the Community had taken certain measures during the last months to alleviate this situation, but these measures had included such conditions that they could hardly be utilized by Austrian farmers. Austria hoped, therefore, that the Community would further pursue its policy of improving access to its market for cattle for slaughter and for bovine meat.

Item 5(g)(1): Greece - Import restrictions on meat

Mr. TEESE (Australia) recalled that this subject had been raised by Australia early in the year in the Council. His delegation had requested details of the Greek restrictions. Although no notification had been received, it was his

delegation's understanding that the restrictions had been partially relaxed. He looked forward to their complete removal, and hoped that in the meantime the restrictions would be administered in a non-discriminatory manner.

Mr. EASTERBROOK SMITH (New Zealand) stated that the Greek import restrictions had had serious repercussions for New Zealand which was a traditional and substantial supplier of sheep meat to the Greek market. While no formal GATT consultations with Greece had been undertaken, bilateral consultations had been continuing in Athens and these had been modestly encouraging. He expressed his Government's wish that the Greek administration might find it possible to remove its restrictive measures entirely in the near future.

Mr. METAXAS (Greece) stated in reply that a communication containing an explanation of the nature of the import measures had been sent to the secretariat.

Item 5(g)(ii): Greece - Increase of bound duty

Mr. WILLENPART (Austria) recalled that Greece had granted a tariff concession to Austria on fireproof material. According to information received a tariff rate in excess of the amount bound had been applied by the Greek authorities as from 17 September 1975. This action seriously affected Austrian exports of magnesite bricks towards Greece and was therefore causing great concern in interested economic circles in Austria. He appealed to the Greek authorities to reconsider the issue and restore the tariff situation in line with the GATT tariff binding.

Mr. METAXAS (Greece) stated that the matter was under consideration by his authorities. He intended to engage in consultations with the Austrian delegation on this matter and hoped that it could be settled bilaterally.

Item 5(i): Japan - Restrictions on imports of beef and veal and Article XXII consultations

Mr. TEESE (Australia) stated that beef exporting countries principally concerned had had a series of consultations under Article XXII with Japan, since the intensification of existing Japanese import restrictions on beef in February 1974. These consultations had achieved some progress and there had been a partial relaxation of Japanese restrictions, although the previous situation, which was itself a restriction on trade, had not yet been fully restored.

Mr. EASTERBROOK SMITH (New Zealand), referring to the Japanese embargo on beef and veal imports, stated that the extremely frank consultations on the measures held under Article XXII had revealed a determination on Japan's part to

come to grips with its beef problem. The results of Japan's efforts had been reflected in an initially modest but nonetheless encouraging re-opening of its market. While the consultations had not yet been concluded, they had already contributed to a useful understanding between Japan and the suppliers to its market.

Mr. KAYA (Japan) said that, since the re-opening of the Japanese beef market to imports in June this year, import quotas exceeding 50,000 metric tons had already been allocated for the current fiscal year. He regarded the efforts of his country in stabilizing its beef market and enabling a resumption of imports as part of a continuing process. He expressed appreciation of the constructive and friendly attitude shown by the exporting countries which had participated in the consultations on this matter.

Item 7: DISC and related panels

Mr. PHAN VAN PHI (European Communities) recalled that two and a half years ago a decision was taken to set up a panel to examine the United States tax legislation on the Domestic International Sales Corporation (DISC). He regretted that it had not been possible to find a solution to the problem of the composition of the panel. As a result, the DISC system, from which United States firms were deriving full advantage and which the Community considered to be incompatible with Article XVI of the General Agreement, had still not been examined in detail in GATT after having been in existence for about four years. He stressed that it was important for the credibility of GATT as an efficient mechanism that the panel should be established and activated in the near future.

Mr. LONG (Director-General) said that he agreed it was regrettable that these panels had not yet been set up. He considered that the reason was not so much the problem in reaching agreement on the composition of the panels, but, in the light of the complexity of the subject, the difficulty of finding experts who felt themselves competent in this field. He hoped that suitable members for these panels could be found shortly and that the panels could be established soon.

Mr. BRUNGART (United States) said that he also was disappointed that the panels on the DISC and the tax practices of France, Belgium and the Netherlands had not yet been constituted and started their work. His delegation also attached importance to the smooth functioning of GATT procedures. He agreed with the Director-General that the basic problem had been in finding suitable experts and in persuading them to serve on the panels.

Item 9: Agreements concluded with the European Communities

Mr. TSURUMI (Japan) said that customs unions and free-trade areas were now one of the dominant factors in international trade. He recalled the personal remarks made by Ambassador Kitahara, Chairman of the Working Party on Accessions to the European Communities, when he made his report on the Working Party, and had suggested two ideas for reflection in this connexion. Firstly, all contracting parties members of a customs union or free-trade area should bear in mind, not only at the time of their formation, but also in their day-to-day operation, that the purpose of a customs union or a free-trade area should be to facilitate trade and not to raise barriers to the trade of other contracting parties. Secondly, all contracting parties, whether or not members of a regional group, should attach an even greater importance to the maintenance and promotion of a free-trade policy, because only in such an environment could regional groups, as well as individual economies, be kept outward looking and not be allowed to become protective or individual protectionist blocs.

He recalled that recently a Working Party had been established to examine the Lomé Convention, which because of the large number of countries involved and its new features could have great repercussions on future developments in international trade. His delegation considered that it should be carefully examined in the light of the relevant provisions of the General Agreement.

Item 10: Agreements concluded with Finland

Mr. NYERGES (Hungary), referring to the agreement concluded between Hungary and Finland, recalled that doubts had been expressed by one contracting party concerning whether the criteria and intent of Article XXIV could be met by agreements between market and non-market economy countries, which essentially dealt only with the removal of duties. He stated that the contracting party in question had no contractual links with Hungary and Hungary had no contractual obligations towards it under GATT. The Hungarian delegation would not accept any discussion which even by implication would limit the right of Hungary as a full contracting party to invoke any article of the General Agreement.

Mr. BRUNGART (United States) said that the Finland-Hungary agreement had been submitted to the CONTRACTING PARTIES by both parties to the Agreement and that the Council had set up a working party to consider its consistency with Article XXIV. As a member of that working party, he considered that the United States had every right to assist in its work. He pointed out that there had been cases of agreements between a contracting party and a non-contracting party being examined in the GATT and this had been done by all members of the working party concerned.

Mr. YRJO-KOSKINEN (Finland) stated that his Government considered it possible to conclude free-trade agreements in accordance with the General Agreement with countries having different economic and social systems. He said that political and economic developments in Europe had made it necessary for countries like Finland, whose principal trading partners were in both Eastern and Western Europe, to remove customs duties and other obstacles to trade on a basis of reciprocal obligations and advantages, with countries that were prepared to do so.

Mr. BRUNGART (United States) said that his delegation had never denied that it could be possible to conclude free-trade agreements which were consistent with the GATT with countries having different economic and social systems. In his view, the heart of the problem lay in the requirement under Article XXIV to eliminate duties and other restrictive regulations of commerce, because the question of what constituted a restrictive regulation of commerce depended on the trading system of the country concerned.

Item 13: Waivers under Article XXV:5

Item 13(a): Brazil - Increase of bound duties

The Chairman drew attention to the Council's recommendation that the draft decision reproduced in Annex I of the Council's report be adopted by the CONTRACTING PARTIES.

Mr. BRUNGART (United States) recalled that the United States had reserved its position. In the light of the Council's discussions and the assurances given by a number of developing countries' representatives concerning their interpretation of Article XXXVI:8 and how they saw its significance with regard to Article XXVIII and given the acceptance of a preambular paragraph in the waiver recognizing the desirability of maintaining a general level of mutually advantageous concessions that would favour high and expanding levels of trade, the United States could now lift its reservation and support the Brazilian waiver.

The decision was adopted by 49 votes in favour and none against.

Item 13(c): Indonesia - Renegotiation of schedule

The Chairman drew attention to the Council's recommendation that the draft decision reproduced in Annex II of the Council's report, extending the time-limit for the conclusion of the renegotiations under the Decision of 13 November 1973, be adopted by the CONTRACTING PARTIES.

The decision was adopted by 49 votes in favour and none against.

Item 14: Reports under waivers

Item (b)(i): United States - Agricultural import restrictions

Mr. TEESE (Australia) recalled that twenty years ago, the GATT had granted the United States a waiver which enabled it to use import quotas to protect the operation of its domestic price support arrangements for certain products. Although some progress had been made in reducing the number of products subject to Section 22 quotas, there had been no significant modification of the arrangements as they applied to dairy products. In fact, over the years, the coverage of quotas on dairy products had been extended so that the only products now not subject to quotas were some high priced speciality cheeses and casein.

He mentioned that there had been some temporary modifications of the restrictions in recent years, such as temporary increases in the quotas for skimmed milk powder, cheese and butter. None of these, however, had resulted in modifications to permanent quotas or to the price support system.

He felt that it was hard to believe that in twenty years there had been no circumstances which had warranted permanent modifications to liberalize the United States restrictions. In his view the operation of the United States countervailing duty law represented a change in circumstances which could warrant some permanent modifications to United States import restrictions on dairy products. For many years, the United States countervailing duty law, while written in mandatory terms, had not been applied as frequently as it might have been under the terms of the law. However, following passage of the Trade Act, which significantly modified the countervailing duty law, a whole range of possibilities had been opened up which could change the administration of Section 22 quotas.

As, in his view, circumstances had changed significantly enough to warrant a modification of United States import quotas, he formally requested, in accordance with paragraph 1 of the Conditions and Procedures set out in the waiver, that the United States should promptly undertake a review to determine whether there had been a change in circumstances which would require its restrictions to be modified or terminated.

He recalled that the United States had indicated in the multilateral trade negotiations that it would only negotiate its restrictions on dairy imports if other countries did likewise. In the view of his delegation, this ignored the United States obligation under the waiver to relax its restrictions when it found that circumstances requiring the action no longer existed. His delegation also believed that all countries had an obligation to negotiate all aspects of their dairy régimes which had an impact on international trade. However, in view

of the waiver and its performance under the waiver to date, the United States had a special and prior obligation to take action in regard to its import restrictions on dairy products.

Finally, he wondered about the utility of the reviews under the waiver when they apparently had had no significant effect on United States policies for twenty years.

Mr. EASTERBROOK SMITH (New Zealand) said it was becoming extremely difficult to think of new ways of expressing his delegation's dissatisfaction with the routine nature of the CONTRACTING PARTIES' reviews, and with the apparent unpreparedness of the United States authorities to take account of these views and to review whether or not internal circumstances were such as to justify the continued application of Section 22 to imports of dairy products.

Referring to the Agricultural Adjustment Act he said that its Section 22 placed severe inhibitions on the ability of the United States to impose quotas and suggested a continuing and dynamic review of the appropriateness of any quotas introduced. Regrettably the sense of the Section had not been reflected in the practice of its application.

He referred to the eighth report of the United States Tariff Commission on the Trade Agreements Programme (1954) in which it was stated: "The authority to restrict imports under Section 22 should be used with restraint. The fact that an agricultural product is subject to a domestic programme, or that the domestic price for the product under the programme is higher than the world price, does not mean that import controls will necessarily be imposed under Section 22. Moreover, the domestic market price for many of the products subject to such programmes has frequently been above domestic support price, making import restrictions unnecessary." He said that it could be construed from this quotation that Section 22 quotas should be used only where it was necessary to maintain the price support programme and not for regulating the flow of imports independently of price support considerations.

He concluded by expressing the wish of his delegation that the United States would carry out immediately a review of the need for its Section 22 quotas on dairy products and would report to the Council at the earliest possible opportunity the results of that review.

Mr. BRUNGART (United States) said that the United States authorities were continuously reviewing the conditions of the waiver and had also relaxed restrictions where conditions so warranted. He did not consider that the United States position in the MTN's was inconsistent with the terms of the waiver, as the waiver had been

and still was necessitated by both domestic conditions and restrictive measures taken by other countries. He assured interested countries that the United States stood firm on the statement made in the MTN to the effect that the United States wanted to negotiate a general liberalization of trade, beneficial to all countries.

Mr. PHAN VAN PHI (European Communities) expressed serious concern at the long duration of the waiver. He recognized, however, that virtually all countries in the world had complicated regulations in this sector. Governments of both traditionally exporting and traditionally importing countries intervened generally in the production and trade of agricultural products. He wondered whether this did not illustrate the very specific nature of agricultural products.

Mr. TEESE (Australia) said that the waiver had been granted to allow the United States to take certain quantitative measures in certain circumstances. The waiver expressly provided for an adjustment of quotas when those circumstances no longer existed.

He further stated that it had never been provided or contemplated in the waiver that it could be a subject of negotiation. He maintained, in this connexion, that, under the terms of the waiver, it was possible for countries whose rights under the GATT had been negated under the waiver to take compensatory action against the United States.

Item 16: Accession, provisional accession

Mr. TEESE (Australia) welcomed the Accession of Paraguay and the Provisional Accession of Colombia, the Philippines and Tunisia. He also stated that, at the request of the Government of Papua New Guinea, the Australian Government, in accordance with paragraph 2 of the Protocol of Provisional Application of the GATT, had declared, prior to the attainment of independence by Papua New Guinea on 16 September 1975, that the provisions of the GATT should apply to Papua New Guinea, thus preserving the option for the Government of Papua New Guinea to be formally associated with the GATT in the future. Meanwhile the recommendation of 11 November 1967 providing for the de facto application of the GATT as between the contracting parties and a country which acquired autonomy in the conduct of its external commercial relations and other matters provided for in the General Agreement was applicable in respect of Papua New Guinea as from 16 September 1975.

Item 16(b): Provisional Accession of Colombia

The Chairman said that the Declaration on the Provisional Accession of Colombia had been signed by the representative of Colombia on 12 November 1975. The Declaration was now open for acceptance by the contracting parties.

Item 16(c): Provisional accession of the Philippines

The Chairman drew attention to the recommendation of the Council that the draft decision reproduced in Annex III to the Report of the Council, extending the participation of the Philippines in the work of the CONTRACTING PARTIES be adopted.

The CONTRACTING PARTIES adopted the Decision.

Item 16(d): Provisional accession of Tunisia

The Chairman drew attention to the recommendation of the Council that the draft decision reproduced in Annex IV to the Report of the Council, extending the participation of Tunisia in the work of the CONTRACTING PARTIES be adopted.

The Council adopted the Decision.

Item 17: Consultation on trade with Hungary

Mr. NYERGES (Hungary) noted that during the discussions in the Working Party concern had been expressed by the Community as to the operation of the Hungarian system of subsidies. He recalled that the Hungarian system of State refunds had been duly examined at the time of Hungary's accession to the General Agreement and that Hungary had undertaken to comply with the provisions of Article XVI. The General Agreement was now part of the Hungarian legislation. He informed the CONTRACTING PARTIES that on 22 November 1975 a government Decree had been passed (No. 55/1975/IX.22) which provided that if the extent of the State refunds or the methods of granting these refunds indirectly resulted in the beneficiary of the State refunds selling under world market prices or not consistently with the international obligations of the Hungarian State and thus caused harm, the measure and the methods of the State refunds were to be modified. He said that, in the opinion of his delegation, this legal formulation was in full accordance with the provisions of Article XVI of the General Agreement.

He repeated that his delegation was disappointed by the lack of progress in removing quantitative restrictions which were not consistent with Article XIII. However, his Government was convinced that the countries concerned, and specifically the European Community, would fulfil their obligations under the Protocol of Accession.

Mr. PHAN VAN PHI (European Communities) stated that the Community had eliminated a certain number of restrictions and had notified the liberalization measures which progressively had been taken in the trade between the Community and Hungary. Progress could be considered slow but the economic situation of the world and of

the Community in particular was one of the main reasons which had prevented speedier progress. He recalled that the Community had proposed a bilateral trade agreement to Hungary which would have provided a legal framework for accelerating the liberalization of trade. He added that the notifications submitted by the Community had been examined in a bilateral consultation in the light of the provisions of paragraph 4(b) of the Protocol of Accession of Hungary. The examination had allowed an exchange of information concerning not only comparisons between prices for imports from Hungary or other third countries and Community prices, but also regarding the social situation in certain particularly depressed sectors.

Mr. NYERGES (Hungary) expressed serious concern that the representative of the European Communities, as he understood it, now linked the fulfilment of a contractual obligation taken previously to the acceptance by Hungary of a new proposal. This, in his view, was a very serious matter.

Mr. PHAN VAN PHI (European Communities) recalled that the Community had explained the economic motivations justifying the exceptional reasons for the maintenance of the restrictions with regard to Hungary. He stated that the drawing up of a bilateral agreement in full compliance with all international obligations would afford an additional means to further trade, thereby achieving one of the specific objectives outlined in the Preamble to the General Agreement.

Item 18: Consultation on trade with Poland

Mr. BRZOSKA (Poland) stressed that the CONTRACTING PARTIES should deal with the problem of termination of the transitional period and the total elimination of quantitative restrictions that were still applied by some contracting parties against imports from Poland, inconsistently with the provisions of Article XIII. He emphasized that Poland had more than fulfilled its import commitment. He noted with appreciation that some contracting parties had fully eliminated their discriminatory import restrictions but other contracting parties, in particular the member States of the EEC, continued to maintain such restrictions. This distorted the balance of rights and obligations for Poland under the GATT.

The Protocol on Poland's accession provided for complete elimination of discriminatory quantitative restrictions and contained safeguard provisions, which together with other relevant provisions of the General Agreement, amply protected interests of importing countries. Taking this into account, his delegation firmly insisted on establishing a date for the termination of the transitional period.

Mr. PHAN VAN PAI (European Communities) replied that the Protocol of Accession of Poland provided for the possibility of maintaining discriminatory quantitative restrictions until the end of the transitional period but that the Protocol had not fixed a firm date for the full liberalization of trade. The Community had effectively reduced some quantitative restrictions and increased certain quotas.

Mr. NYERGES (Hungary) stressed that the transitional period should not be unduly prolonged. He recalled that on other subjects the Community had itself objected to a long duration.

Mr. JUNG (Czechoslovakia) supported the Polish position and regretted that some contracting parties, important trading partners of Poland, had not yet eliminated all quantitative restrictions not compatible with Article XIII. He expressed concern over the slow pace of the removal of the discriminatory quantitative restrictions. He noted in particular that Poland, for its part, had completely fulfilled its commitments under the Protocol. It was necessary that other contracting parties should also fulfil their commitment, in particular in respect of the termination of the transitional period.

Mr. PHAN VAN PAI (European Communities) repeated that the Protocol of Accession of Poland did not give a definition of transitional period. The transitional period was linked to conditions to be fulfilled in several countries.

Item 19: Consultation on trade with Romania

The Chairman drew attention to the fact that in informal consultations it had been agreed that the Working Party should meet in the first half of 1976.

Item 22: Egypt - Consolidation of Economic Development Tax

The Chairman drew attention to the Council's recommendation that the draft decision reproduced in Annex V of the Council's Report concerning the maintenance of the "Consolidation of Economic Development Tax" by Egypt should be adopted.

The CONTRACTING PARTIES adopted the decision.

Item 25: Application of Article XXXV to Japan

Mr. YONEYAMA (Japan) expressed satisfaction that since the last session Mauritania, Ireland and Nigeria had disinvoked Article XXXV and had thereby established normal GATT relations with his country. He expressed the hope that the remaining countries, namely Austria, Cyprus, Haiti, Kenya, Senegal and South Africa, would soon be in a position to disinvoke the provisions of Article XXXV against his country.

Mr. THERON (South Africa) repeated the statement made by his delegation on this matter at the Council that his authorities had indicated their willingness to discuss this matter with Japan at any time.

Mr. SHERIFIS (Cyprus) stated that since its independence Cyprus had treated Japan on a most-favoured-nation basis as far as import licenses were concerned. However, trade between the two countries showed a serious imbalance, as imports from Japan were about 650 times higher than exports of Cyprus to Japan.

Mr. WILLENPART (Austria) stated that Austria had invited Japan to enter into consultations with regard to the withdrawal of the invocation of Article XXXV against Japan. These consultations had not yet taken place. He gave an assurance that his authorities would be glad to discuss the matter with Japan at any time.

Item 26: Arrangement Regarding International Trade in Textiles - Annual Review

Mr. NAI SUNG KIM (Republic of Korea) noted with regret that in the course of almost two years of operation the Multi-fibre Arrangement had been utilized as an instrument for restraint rather than for liberalization. He questioned whether the basic objective of the Arrangement of achieving the expansion and the liberalization of world trade in textiles was being achieved. He also wondered whether the objective of the Arrangement to contribute to the economic and social development of developing countries was being pursued. He pointed out that almost all restrictive measures had been taken by developed countries against developing countries. He stressed the importance of the rôle of the Textiles Surveillance Body under these circumstances and appealed to all participating countries to defend and strengthen its competence and authority and thus help in making the MFA a charter for liberalization.

Mr. HAMZA (Egypt) stated that he shared the concern about the tendency towards applying more restrictions in textiles trade. He hoped that importing countries would be more liberal and emphasized the vital nature of trade in textiles for developing countries.

Mr. CHADHA (India) stated that, after nearly two years of operation, it was appropriate to assess whether or not the Arrangement was moving towards the achievement of its objectives of expansion and progressive liberalization of world trade in textiles, thus contributing to the social and economic development of developing countries. He considered that experience over the last two years did not give ground for optimism as the number of restrictions on imports from developing countries was constantly increasing. Although protectionist pressures during the current economic crisis might be blamed for this, he stressed that the adverse effect of the crisis on the economies of developing countries was far more acute. He suggested that in such a situation developed countries should resort more to the use of adjustment assistance measures to facilitate imports from developing countries, rather than imposing import restrictions. He expressed the hope that developed countries would adopt a more positive view to the problems facing trade in textiles and thus contribute to the fulfilment of the objectives of the Arrangement.

Mr. TSURUMI (Japan) expressed his country's appreciation of the constructive rôle the Textiles Surveillance Body had been playing in the implementation of the Textiles Arrangement. He stated that it was the firm intention of Japan to continue to contribute towards the full implementation of the Arrangement through the Textiles Surveillance Body and the Textiles Committee. He noted, however, with regret the growing tendency towards protectionism contrary to the spirit of the Arrangement and appealed to both importing and exporting countries to make concerted efforts to achieve the basic objectives of the MFA, namely an increasing liberalization as well as an orderly and equitable expansion of trade in textiles. The provisions of the Arrangement should be strictly observed by all members. He affirmed that in spite of mounting pressures Japan would continue to pursue its liberal import policy in the trade in textiles.

Mr. SALEEM (Pakistan) stated that his delegation shared the concern expressed by previous speakers and associated himself with the remarks made by them.

Mr. POPOV (Observer for Bulgaria) stated that in following the work of the GATT his authorities had acquired much experience which had been useful in the formulation and implementation of their policy in the field of international trade. His Government had actively promoted commercial relations not only with Bulgaria's traditional trading partners but also with other countries. This was demonstrated by Bulgaria's active participation in the multilateral trade negotiations and also by his country's application to accede to the Arrangement Regarding International Trade in Textiles. He reaffirmed his Government's full and unconditional acceptance of all provisions of the Arrangement. He stated the conviction of his Government that the present climate of international relations was favourable. It was therefore particularly appropriate to strive for the removal of all barriers and practices hampering the development of world trade. He expressed the

hope that his Government's application for accession to the Textiles Arrangement would be favourably considered in a fair and non-discriminatory manner.

Mr. MACIEL (Brazil) associated himself with the expressions of concern made in regard to the restrictive policies of developed countries in the field of textile trade.

Item 29: Status of Protocols

The Chairman drew attention to the text of the draft decision reproduced in Annex VI of the Council's Report extending the closing date for the acceptance of the Protocol Introducing Part IV of the General Agreement until the end of the thirty-second session.

The decision was adopted.

Item 30: Administrative and Financial Questions

Item 30(b): Erosion of salaries and allowances

The Chairman stated that in connexion with this matter he had met with the Chairman of the Staff Assembly who had handed him a petition from the staff together with a resolution adopted by the Staff Assembly. The petition reviewed developments since the last session of the CONTRACTING PARTIES and noted that despite continuous efforts by the Director-General, there had been, in the staff's view, only meagre results which fell far short of meeting the losses the staff claimed to have suffered. The petition stated further that the International Civil Service Commission had recommended a measure effective as from 1 January 1976 which would, if accepted by the General Assembly, compensate staff without dependents, to a certain extent, for exchange losses. On the other hand the Commission proposed to reduce the Geneva cost of living index by 2.5 per cent because the index had been shown statistically to be to that degree out of line with New York on the basis of a place-to-place survey. The staff was thus appealing to the CONTRACTING PARTIES for protection against exchange losses and for compensation from that part of the 1974 budget surplus which had been kept in a suspense account.

The Chairman read the following resolution adopted by the Staff Assembly.

"The ICITO:GATT staff, at its Extraordinary General Assembly of 24 November 1975:

- Declares its full support for the claims of the staff members of GATT in the professional and higher categories, and for the petition they have made to the CONTRACTING PARTIES;

- Denounces the injustice which results from the misuse of the post adjustment to compensate for exchange rate fluctuations and the discrimination it entails for staff without dependents.
- Calls on the CONTRACTING PARTIES to redress these grievances."

The Chairman added that the Council was seized of this matter and would take into account the petition and the contents of the resolution.

Item 30(c): Committee on Budget, Finance and Administration

The Chairman drew attention to the report of the Committee on Budget, Finance and Administration (L/4229). He pointed out that the Council had approved the recommendations made in the report and recommended the adoption of the report by the CONTRACTING PARTIES.

The CONTRACTING PARTIES adopted the Report of the Committee on Budget, Finance and Administration (L/4229), including the recommendations contained therein, and the Resolution on the Expenditure of the CONTRACTING PARTIES in 1976 and the Ways and Means to meet such Expenditure.

The Report of the Council (L/4254) was adopted.

2. Status of Surinam

Mr. WINTERMANS (Netherlands) raising a matter under Other Business, announced that Surinam had on 25 November 1975 acquired full independence and would accordingly be admitted to the United Nations. Surinam had thereby assumed full autonomy in the conduct of its external commercial relations and of the other matters provided for in the General Agreement. He expected that within a short time the authorities of Surinam would indicate to the CONTRACTING PARTIES their intentions with respect to GATT.

The meeting adjourned at 6.35 p.m.