

GENERAL AGREEMENT ON
TARIFFS AND TRADE

RESTRICTED

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Chairman: Mr. Erik THRANE (Denmark)

For item 8: Mr. Olivier LONG (Director-General)

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1. Agriculture Committee (L/3600)

The Director-General, Chairman of the Agriculture Committee, drew attention to the establishment of the documentation on import measures and to the Committee's discussion of the question of licensing and how it could best contribute to the work of the Group on Licensing of the Committee on Trade in Industrial Products. The essential task with which the Committee had been charged was, however, the search for mutually acceptable solutions to problems in the agricultural sector. Regarding this, the Committee had been led to the conclusion that the situation had not changed significantly since it had presented its last report. The Committee was, therefore, of the opinion that, so far as this task was concerned, further progress might very well depend on appropriate decisions to be taken by the CONTRACTING PARTIES. The Committee recommended that its previous report (L/3472), as well as the present report, should be submitted to the CONTRACTING PARTIES for consideration at their twenty-seventh session.

Several representatives expressed their delegations' disappointment at the relative lack of progress achieved in the past year, and declared their intention to revert to the matter at the twenty-seventh session of the CONTRACTING PARTIES. Some representatives expressed regret that the Committee had been unwilling to consider the concrete proposals made. Some representatives drew attention to the concern of developing countries, which depended heavily on the export of agricultural products.

The representative of Australia underlined the importance which his Government attached to its proposal for the establishment of an Expert Group, which it was hoped might make some progress where this had not been possible in the Committee itself.

The Council approved the report of the Agriculture Committee, and agreed that the previous report (L/3472), as well as the present report (L/3600), should be submitted to the CONTRACTING PARTIES for consideration at their twenty-seventh session.

2. Committee on Trade in Industrial Products (L/3609)

Mr. Stuyck, Chairman of the Committee on Trade in Industrial Products, said that the three working groups on non-tariff barriers which had been asked to elaborate solutions on an ad referendum basis on valuation, standards and licensing systems, had all carried out impressive work programmes. On valuation, two texts had been transmitted to national administrations for decision as to whether and under what conditions they would be acceptable. The Group on Standards had produced a working document covering many aspects of the problem and had identified a number of important issues, on which differences of view still existed. The Group on Licensing had examined individual licensing systems and had also prepared a working paper, now under study in capitals, containing alternative approaches to the question of automatic licensing systems; work on improving existing systems of licensing to administer import restrictions had also begun.

As regards future work on non-tariff barriers, the Committee had explored the possibility of adding other topics to the work programme. It had been agreed that the diversity of subjects available, together with the desire to complete work

already under way, argued for adoption at the appropriate time of a short list of new topics, taking into account particularly items of interest to developing countries. While most members of the Committee had agreed that a firm decision should now be taken on this question, others had considered that emphasis should rather be placed upon actively pursuing existing work on standards and licensing, and had called for a greater degree of movement toward solutions in these areas. The Committee hoped that a consensus on the question of future work on non-tariff barriers could be reached at the twenty-seventh session.

As regards the Tariff Study, Mr. Stuyck stated that the general analysis of industrial tariffs and trade, product category analyses, and the supplementary tables, all dealt with in the report would, when complete, form the Working Party's preliminary report and present a systematic examination of the structure of industrial tariffs and variations of levels of tariff rates between countries and between products. This material, work on which was continuing, would provide a basis for exploration by contracting parties of possible approaches to future action in the tariff field. Work was also progressing on the examination of the feasibility of analyzing and developing better measures of the effects on trade of tariffs and tariff changes. The Committee had approved the work programme on the tariff study.

The Council approved the report and agreed that it be submitted to the CONTRACTING PARTIES for consideration at their twenty-seventh session.

3. Environmental measures and international trade (L/3538)

The Director-General said that, with the object of facilitating the discussion on this subject, the secretariat had submitted a draft of a possible decision (C/W/194) for the establishment of a Group as standby machinery which would be ready to act only when and if the need arose. The functions of the proposed group would be limited to the consideration of specific matters that were relevant to the application of the provisions of the General Agreement. There was, thus, no danger of duplicating or encroaching on work going on in other bodies on this very large problem of environment. The secretariat was not aware of any problem that could be placed before the group at present, were it established. One could, nevertheless, anticipate that concrete problems could well arise in this area. For this reason, it was better to equip oneself with the necessary machinery ahead of time rather than to wait until a particular problem had developed and then set up an appropriate organ, since its constitution would then be difficult and its nature strongly influenced by the particular case at hand.

Several representatives expressed support for the proposal to set up such a group. They pointed out that the CONTRACTING PARTIES should have at their disposal a mechanism which could take specific action at the request of contracting parties. The representative of the United States stressed that the Group to be set up should co-operate closely with the OECD Environmental Committee in order to avoid overlapping of work.

The representatives of the United Kingdom, Greece, Brazil and the Nordic countries stated that, taking into account the large measure of agreement reached by the other delegations in setting up this Group, they

were ready to go along with the proposal for its establishment. Referring to the activities deployed in the same field by other organizations, they noted that duplication of studies would be avoided if the Group concentrated its efforts on examining the implications of pollution control measures on international trade, especially in respect of the application of the provisions of the General Agreement.

Several delegations suggested that the particular problems of developing countries should be taken into account. Some delegations felt, that measures taken by industrialized countries in order to prevent pollution such as special legislation or taxes) might not only hamper international trade in general but have negative effects particularly on exports of developing countries. Some delegations emphasized that environmental measures should not create new trade barriers.

After having made some amendments to the proposed text the Council agreed on the establishment of a Group on Environmental Measures and International Trade, and adopted the following decision:

The CONTRACTING PARTIES

Noting that efforts at the national or international level to control pollution and to protect human environment can have important consequences for international trade;

Desiring to co-operate in this sphere with a view to contributing to the effective operation of the General Agreement and the attainment of its objectives;

Bearing in mind the provisions of the General Agreement;

Recognizing that in appropriate cases it may be desirable that contracting parties examine between themselves the possible effects on the operation of the General Agreement of measures to control pollution and protect human environment and that such examinations should be fruitful if they are undertaken at the appropriate time;

Desiring to establish appropriate and flexible procedures which would facilitate consultations between contracting parties;

Decide to establish a Group whose main functions would be:

1. to examine upon request any specific matters relevant to the trade policy aspects of measures to control pollution and protect human environment especially with regard to the application of the provisions of the General Agreement taking into account the particular problems of developing countries
2. to report on its activities to the Council.

Membership:

Argentina	India	Nordic countries
Austria	Israel	Switzerland
Brazil	Japan	United Kingdom
Canada	Korea	United States
European Communities and their member States	Nigeria	Yugoslavia

Chairman: To be nominated.

4. Anti-dumping practices (L/3612)

The Chairman recalled that, under the provisions of the Agreement on the Implementation of Article VI, the parties to the Agreement were to inform the CONTRACTING PARTIES of any changes in their anti-dumping legislation and to report annually on the administration of these laws.

Mr. Buxton (United Kingdom), Chairman of the Committee on Anti-Dumping Practices, introduced the Committee's report (L/3612). He explained that, while the periods covered by the previous reports by the Committee had been calendar years, the Committee had found at its meeting in September 1971 that it would be more practical to submit reports covering the period from one annual meeting of the Committee to the next. The report thus related to the activities of the Committee from the beginning of 1971 to 24 September 1971.

He mentioned that Malta had adhered to the Agreement on 31 March 1971. There were some developed countries - notably Australia, New Zealand and South Africa - which had not yet adhered to the Agreement. The Committee had decided that renewed efforts should be made to clarify with those countries their particular difficulties in accepting the Code.

Mr. Buxton recalled that the Council had established in September 1970 a Working Party to examine the particular problems of developing countries in adhering to the Anti-Dumping Agreement. The Working Party had held its first meeting on 23 September 1971, during which it had discussed suggestions submitted by developing countries and additional proposals made at the meeting. It would meet again when governments had had time to examine the new proposals.

The representative of the European Communities said that the manner in which some parties to the Agreement implemented certain of its provisions was a cause of concern. The Communities reserved the right to revert to the matter when the report by the Council was discussed at the twenty-seventh session.

Representatives of developing countries noted that suggestions had been made in the Working Party on the Acceptance of the Anti-Dumping Code which seemed to indicate that solutions could be found that would be acceptable to all countries concerned.

The Council adopted the report.

5. Consultation with Poland (L/3597)

The Chairman recalled that the Working Party on Trade with Poland had conducted the fourth annual review on trade between Poland and contracting parties and had re-examined the question of establishing a terminal date for the removal of discriminatory restrictions on imports from Poland. The report of the Working Party had been circulated in document L/3597.

Mr. Larsen (Denmark), Chairman of the Working Party, noted that the number of notifications on discriminatory restrictions received from contracting parties had increased considerably in 1971 and that the accuracy of the notifications had also somewhat improved. In the opinion of several members of the Working Party there was, however, scope for further improvements in the clarity of the notifications, and certain suggestions to that effect had been made.

He pointed out that Poland had fulfilled in 1970 its import commitment; imports from contracting parties had increased by 7.9 per cent.

He recalled that the Working Party, that had carried out in 1970 the third annual review, had not been able to establish a terminal date for the removal of discriminatory import restrictions. In accordance with paragraph 3(c) of the Protocol of Accession the question had therefore been re-examined at the fourth review. Despite considerable efforts, it had not been possible to find a generally acceptable formula, and the matter would be considered again at the fifth review.

The representative of Poland recalled that Poland had been a contracting party since 1967 and that it had ever since fulfilled its GATT commitments. Poland had hoped to derive important advantages from its adherence to GATT, but many contracting parties did not grant most-favoured-nation treatment to Poland in respect of import restrictions under the cover of paragraph 3 of the Accession Protocol and had thus frustrated the Polish expectations. Serious efforts had been made in the course of the third and fourth reviews to establish a date by which the discriminatory treatment would be terminated, but no solution had been found. The lack of balance caused by the discrimination towards Poland was a matter of serious concern to his government, but it also affected the GATT as a whole. It was not his intention to re-open the discussion of the issue, but he wished to appeal to all contracting parties to intensify their efforts to remove discrimination towards his country.

Members of the Council commended Poland for having fulfilled its GATT commitments and supported the plea by the representative of Poland for a rapid relaxation of remaining discriminatory restrictions and the establishment of a terminal date for their complete removal. \

The Council adopted the report. Bearing in mind the statement by the representative of Poland the Council recognized the importance of the question of terminating the transitional period at an early date and recognized that contracting parties should intensify their efforts to arrive at that end.

6. Brazil - Renegotiation of schedule (L/3593)

The Chairman recalled that the renegotiations which had been held since 1967 had not yet been concluded with all contracting parties. Brazil had therefore submitted a request for a further extension of the time-limit of the Decision of 27 February 1967 (L/3593).

The representative of Brazil stated that another extension of the time-limit of the Decision was necessary because it had not yet been possible to conclude the negotiations with some contracting parties, notwithstanding the efforts made by his Government as well as the parties concerned.

The representatives of Japan and the United Kingdom expressed their delegations' support for the proposed extension and stated their willingness to conclude the negotiations as quickly as possible.

The Council approved the text of a Draft Decision (C/W/192) and recommended that it be adopted by the CONTRACTING PARTIES at the twenty-seventh session.

7. Argentina - Import restrictions (L/3615 and Add.1)

The Chairman recalled that at the last Council meeting the representative of Argentina had given a description of the circumstances which had compelled the Argentine Government to take several measures in the financial and economic fields. The measures included suspension of imports of non-essential goods for the period of one year as well as a general import prohibition for the period of mid-September to the end of October. The Council had agreed to revert to this matter at this meeting on the basis of detailed information to be provided by the delegation of Argentina. Further information submitted by Argentina had been circulated in document L/3615. The texts of various laws and decrees referred to would be distributed in L/3615/Add.1.

The representative of Argentina said that the document showed the seriousness of the balance-of-payments situation in Argentina and the need that had arisen for drastic action. Measures had been taken in three sectors. In the exchange sector the Government had established a financial market through which all external financial transfers had to be made. Payment of not more than 80 per cent of the

value of imports could be made through the commercial exchange market, while the balance had to be transferred through the financial market. In the tariff field a general 15 per cent increase in existing duties on an ad valorem basis had been introduced. In the non-tariff field importations by State and State-related institutions had been suspended. He confirmed that the general suspension of imports had been lifted on the date indicated. He reiterated that his delegation was prepared to consult on the remaining measures taken in the field of imports under the provisions of GATT concerning balance of payments.

The Council agreed that the matter be referred to the Committee on Balance-of-Payments Import Restrictions for examination and that the Committee should be asked to consult with Argentina as early as possible, on a date to be determined in consultation with the Argentine delegation and the representatives of the International Monetary Fund.

8. Danish temporary import surcharge (L/3602 and Add.1)

Mr. Olivier Long, Director-General, chaired the meeting for this item.

The Chairman stated that on 19 October the representative of Denmark had communicated to the CONTRACTING PARTIES a memorandum concerning an action programme for economic stabilization which his Government had presented to Parliament (L/3602). The programme included inter alia the imposition of a temporary 10 per cent surcharge on imports. The text of the law instituting the surcharge on 21 October 1971 had been circulated in document L/3602/Add.1.

The representative of Denmark assured the members of the Council that the temporary surcharge measure had not been taken light-heartedly. He realized the difficulties it might create for Denmark's trading partners, in particular for its neighbours. However, the balance-of-payments situation had deteriorated to such an extent that drastic action had to be taken. As would be seen from the information submitted, Denmark's short-term foreign trade debts amounted to 13 billion Danish Kroner (\$1,750 million), while reserves were of only 3 billion Danish Kroner (\$400 million). The total net foreign debt amounted to 17.5 billion Danish Kroner (\$2,300 million). Besides the surcharge, other stringent measures had been taken to stabilize the economy. Denmark's fiscal policy was the strictest in Europe and credit policy was very tight - short-term and long-term interest rates were 10 and 11 per cent respectively; there were also credit restrictions to freeze private bank loans. It was the structure of the Danish debt, with an abnormally large share of short-term liabilities, together with the uncertainty prevailing in exchange markets after the suspension of the full convertibility of the United States dollar that had led the Danish Government to fear that any renewed disturbances in the international financial and trade markets would make it impossible to finance the balance-of-payments deficit. Thus, a rapid reduction of the balance-of-payments deficit became an absolute necessity. The imposition of the surcharge was a demonstration that the parity of the Danish Kroner would be maintained.

He stressed the temporary character of the surcharge, which was to end on 31 March 1973; its initial rate of 10 per cent would be reduced to 7 per cent on 1 July 1972 and to 4 per cent on 1 January 1973. With regard to imports from developing countries, he stated that it was his Government's intention to implement the Generalized System of Preferences on 1 January 1972, and to exempt from the surcharge, when applying the Generalized System of Preferences, those products originating from countries to which the Generalized System of Preferences applied.

Many delegations, while expressing their understanding for the balance-of-payments difficulties with which Denmark had been faced for a long time, regretted that the measure taken was not in conformity with the provisions of the General Agreement. Some delegations questioned the appropriateness of the measure. Several delegations expressed serious concern over the danger that such measures represented in the current monetary crisis. It was feared that other countries might be encouraged to adopt similar measures, thus leading to an escalation of restrictions. It was noted that the time-table for the elimination of the surcharge and the fact that other measures to restore equilibrium in the balance of payments had been taken seemed to be a positive element; nevertheless, it was hoped that Denmark would find it possible to accelerate the reduction of the surcharge rates.

Several representatives of developing countries welcomed the statement on the intention of the Government of Denmark to exempt from the surcharge products covered by the Generalized System of Preferences. It was hoped that this exemption would be extended to all developing countries, and would be applied until the termination of the surcharge.

Some of Denmark's neighbouring trading partners indicated that the surcharge would have a considerable adverse effect on their exports.

The Council decided to establish a Working Party with the following terms of reference:

"Without prejudice to the legal issues involved

- (a) to examine, in the light of the provisions of the General Agreement and of the discussion in the Council, the Danish temporary import surcharge introduced on 21 October 1971 as notified in L/3602 and Add.1. In executing this task, the Working Party will take into account, inter alia, the nature of the balance-of-payments difficulties; the rationale for the surcharge and the modalities of its implementation; the anticipated effects on trade; the possible effect on the economies of other contracting parties; and, in particular, the effect on the economies of developing countries;
- (b) to consult with the International Monetary Fund in pursuance of Article XV;

- (c) to submit a report for consideration by the Council at a meeting as soon as possible after the necessary determination by the International Monetary Fund is available, and
- (d) to continue to be available for consultations as necessary."

Membership:

Argentina	European Communities	Pakistan
Australia	and their member States	Poland
Austria	Ghana	Spain
Canada	Greece	Sweden
Chile	India	Trinidad and Tobago
Denmark	Japan	United Kingdom
	New Zealand	United States

Chairman: Mr. P. Eastham (Canada)

The Chairman said that a formal invitation would be sent to the International Monetary Fund to consult with the CONTRACTING PARTIES on this matter in accordance with Article XV.

The representative of the International Monetary Fund stated that the Fund was prepared to hold consultations under Article XV of the General Agreement and that the Board's determination and the background paper would be made available as soon as possible.

9. Uruguayan import surcharges (L/3618)

The Chairman recalled that by their Decision of 10 August 1971 (L/3561), the CONTRACTING PARTIES had extended until the end of the twenty-seventh session the authorization to the Government of Uruguay to maintain the surcharges as presently applied. The extension had been agreed in order to enable contracting parties to carry out a careful and detailed examination of the surcharges on the basis of full information to be supplied by the Government of Uruguay. The Council at its meeting of 19 June 1971 (C/M/70) had instructed the Committee on Balance-of-Payments Import Restrictions to carry out this examination.

The Chairman of the Balance-of-Payments Committee, Mr. Abbot (United Kingdom), said that the Committee considered the Report on the Uruguayan surcharges (L/3618) as preliminary only; a further examination would be held in the first half of 1972 before final conclusions could be drawn. The Committee had recognized that a serious balance-of-payments problem continued to exist in Uruguay. The discussion had not been a full balance-of-payments consultation with Uruguay but had been confined to the examination of the import surcharge system. The Committee had felt that a full review of the surcharge system would be justified given the length of time since the original waiver was granted in 1961 and the changing attitude of the contracting parties towards import surcharges which had become evident in recent years, especially in the case of developing countries in serious balance-of-payments difficulties. Thus, without prejudice to the continuation of the measures, it would

be appropriate for the Committee to consider whether in present circumstances it was necessary for the waiver to be continued, or whether it might be terminated. Alternatively, it might prove more suitable, recognizing the difficult balance-of-payments situation of Uruguay, to grant a new waiver with a life of several years. The present situation with numerous rather short-term extensions was somewhat unsatisfactory.

The Committee had found itself in some difficulty in carrying out its terms of reference - a detailed and careful examination of the effects of the surcharge system on Uruguay's obligations under Article II - since elements of the system essential to such a task were not clear at this stage. A number of relevant questions had remained obscure. In this context he drew attention to paragraphs 10 to 12 of the Report. In consequence, the Committee took the view that a full review of the situation would have to await the provision of further information and that a reasonable time should be given for this. Hence, the Committee's recommendation for an extension to the existing waiver of six months with a further examination of the system before the end of that period.

In presenting the draft decision attached to the Report, the Chairman of the Balance-of-Payments Committee specified the precise information required by the Committee. This included (i) a full list of the products liable to the surcharge, with an indication of those on which the customs duty of Uruguay was bound in Schedule XXXI; (ii) a list of the rates of surcharges in force and an indication of which rates applied to each product; (iii) an estimate as accurate as possible, of the volume of imports liable to the surcharges, both in total and for each rate in force, expressed also as a proportion of total imports; (iv) a clarification of the present legislation and administrative practices in force as regards the exemption from the surcharge, in whole or in part, of goods carried in Uruguayan ships and to what other ships any such exemption might apply. This information could be based on the situation as at 31 December 1971, with amendments after 31 December incorporated as far as possible. The Chairman also pointed out that some members of the Committee had asked further questions on other aspects of Uruguay's foreign trade system and that they had been asked to convey these in writing to the secretariat for transmission to the delegation of Uruguay. The Committee requested such information to be submitted by about 1 April 1972 to allow time for a full examination before the end of May.

The representative of Sweden, speaking on behalf of the Nordic countries, and the representative of Australia expressed their concern over the lack of information concerning the discriminatory elements which seemed to subsist in the application of the surcharge system in connexion with transportation. The representative of Sweden said that the Nordic countries would not vote in favour of the extension of the waiver for this reason. They looked forward, however, to a new examination on the basis of additional information mentioned by the Chairman of the Committee. The representative of the European Economic Community recalled the view expressed on previous occasions concerning the Community's difficulty with regard to the possible discriminatory element in the shipping situation. The EEC would, therefore, abstain from taking a position on the extension of the waiver.

Some delegations expressed their support for the extension of the waiver and looked forward to a new examination of the surcharge system on the basis of additional information.

The Council approved the text of the draft decision annexed to the Committee's Report extending the waiver and recommended its adoption by the CONTRACTING PARTIES. The Council took note of the Committee's request for specific information and urged the Uruguayan delegation to submit the information requested by the Committee in good time to enable the Committee to carry out a thorough examination before the expiry of the waiver. The Council adopted the report.

10. Caribbean Free Trade Area (L/3584)

The Chairman recalled that the text of the Agreement establishing a Caribbean Free Trade Association had been submitted to the GATT, pursuant to Article XXIV:7(a) and that a Working Party had been established to examine the provisions of the Agreement. The report of the Working Party had been circulated in document L/3584.

Mr. Niyi (Nigeria), Chairman of the Working Party, in introducing the report, stated that the Working Party had had generally no difficulty in concluding that the Agreement met the requirements of a free-trade area within the meaning of Article XXIV:8(b). Some members had pointed to the Agricultural Marketing Protocol which covered marketing arrangements for a number of specified agricultural products and which could have restrictive effects on trade with third countries in agricultural products. The Working Party had, however, noted the explanation by the parties to the Agreement that the Protocol was designed to safeguard the trade interests of the least developed among the member territories and that there was no intention to implement the Protocol in such a way as to raise new barriers to trade. The Working Party had also taken note of the willingness of the parties to the Agreement to enter into consultations if any problems arose and had suggested that the CARIFTA authorities might take into account the discussion in the Working Party when reviewing the Agricultural Marketing Protocol.

The representative of the United States pointed out that in the view of his delegation the compatibility of the Agreement with Article XXIV as a whole had not been established because of the incompatibility of the Agricultural Marketing Protocol with paragraphs 4 and 5(a) of Article XXIV. The Council should, therefore, not conclude that the compatibility of CARIFTA with the General Agreement had been established and asked that periodic reports should be submitted to the CONTRACTING PARTIES on developments under the Agreement.

The representative of Argentina took the view that the Agreement was compatible with Article XXIV and expressed understanding for the member Territories' wish to diversify and expand their trade.

The representative of Trinidad and Tobago, speaking on behalf of the member Territories, informed the Council that the Association was having positive effects, particularly for the least developed among the member Territories.

The Council approved the Conclusions of the Working Party and adopted its report.

11. Association between the EEC and certain non-European countries and territories (L/3611)

The Chairman recalled that in December 1970 the CONTRACTING PARTIES had been informed of the text of a Decision of the Council of the European Communities which defined the terms of the Association of certain non-European countries and territories with the EEC for a further period of five years. The report of the Working Party established to examine the provisions of this Decision had been circulated in document L/3611.

In introducing the report, Ambassador von Sydow (Sweden), Chairman of the Working Party, said that the Working Party had not found it necessary to follow the procedure of circulating questions and answers in advance of its meeting, as had usually been the practice in an examination of arrangements of this kind. The EEC had furnished, however, statistical data on trade in principal products of the overseas countries and territories with the Community and with third countries during the past several years. In addition, the parties to the Association had provided supplementary information on various matters raised in the discussion. The issues discussed had been broadly similar to those previously brought up in the context of the second Yaoundé Convention. As reflected in the final paragraph of the report, the Working Party had not been in a position to reach agreed conclusions on the case. Thus, it had confined itself to submitting to the Council the different views which had been expressed.

The representative of the United States pointed out that, apart from the parties interested in the arrangement, there had been no support in the Working Party for the opinion that the arrangement was consistent with the provisions of the General Agreement. The representative of Australia said that his delegation had been among those which considered the Association arrangement had not met the requirements of Article XXIV:8(b). The representative of Argentina reiterated his Government's view that the preferences embodied in the subject arrangement should be extended to all developing countries through the Generalized Scheme of Preferences.

The representative of the EEC stated that participation in the discussions of the Working Party had been rather limited and this, in his view was relevant to the point made by the representative of the United States.

The Council noted the differences of views expressed and adopted the report.

12. Arab Common Market (L/3607)

The representative of the Arab Republic of Egypt introduced the report on progress achieved in the Arab Common Market (L/3607). He stated that as from 1 January 1971 customs duties on all manufactured products of national origin had been totally abolished among the member States. Since all agricultural products had already been granted duty-free entry and import restrictions had been abolished among the member States, this meant that a free-trade area had been completed. As from 1 July 1971, the provisions of the Arab Common Market had been extended to manufactured and non-manufactured tobacco. More detailed statistical data, as well as the list of exceptions, as requested by some contracting parties, had been provided. It was to be noted that the list of exceptions was very small and was permanently under review with a view to its eventual complete elimination. Since the last report, the Sudan had become a member of the Arab Common Market and had been requested to submit a programme of action on the implementation of the provisions of the Arab Common Market.

The Council took note of the report.

13. Australia/Papua-New Guinea waiver (L/3606)

The Chairman recalled that the Government of Australia had submitted, in accordance with the Decision of 24 October 1953, the seventeenth Annual Report on measures taken under the terms of the Decision. The report recorded that no measures had been taken in the period under review.

The Council took note of the Report.

14. Provisional Accession of Tunisia (L/3614)

The Chairman pointed out that the Declaration of 12 November 1959 on the Provisional Accession of Tunisia and the Decision of the CONTRACTING PARTIES of the same date, which provided for the Participation of Tunisia in the work of the CONTRACTING PARTIES were due to expire on 31 December 1971. Tunisia had now submitted a request for a further extension of these arrangements (L/3614). The Chairman suggested that it would facilitate matters if the Council would consider an extension for more than one year.

The representative of Tunisia, referring to his Government's request for a further extension of the Declaration of 12 November 1959, stated that his country had faced serious problems in the recent past which had perturbed its economic development. At present a reconversion of the national economy was taking place which affected both agriculture and industry and required a general revision of the fiscal and customs system. He reaffirmed his Government's firm intention to initiate as soon as possible the necessary procedures for a full accession to the General Agreement.

The Council agreed to an extension of the arrangements with Tunisia by two years. The Council approved the text of the Eighth Procès-Verbal Extending the Declaration to 31 December 1973 (Annex 1) and agreed that the Procès-Verbal be opened for acceptance by the parties to the Declaration.

The Council approved the text of the Decision (Annex 2) extending the invitation to Tunisia to participate in the work of the CONTRACTING PARTIES to 31 December 1973 and recommended its adoption by the CONTRACTING PARTIES.

The Chairman drew attention to Annex 3 of document L/3614 which indicated the present status of the Declaration and which showed that a great number of countries parties to the Declaration had not accepted the latest extension. He asked delegations to bring this situation to the notice of their governments and expressed the hope that the new extension would be accepted by most parties to the Declaration before the end of the year.

15. Training activities (L/3583)

The Director-General, in introducing his report on the commercial policy courses provided by the GATT in Geneva and on the Joint ECA/GATT courses and other training activities since the twenty-sixth session (document L/3583), said that four courses in commercial policy had been held in Geneva in 1970 and 1971. The Fellowships for these courses had been granted by UNDP. Governments were showing an increasing interest in these courses and applications from candidates outnumbered by far the available places. The courses were intended for officials who had already had training as well as practical experience in matters of economics and of foreign trade. Their aim was to provide the participants with knowledge and experience which would be helpful to them in their work within their own administrations. By covering problems of foreign trade as a whole, the courses went beyond a mere analysis of the General Agreement. The practical orientation of the programme was emphasized by seminars, team research, group studies and the intensive study of certain foreign trade policy issues which were of particular concern to developing countries. All this was placing an additional burden on the secretariat, but the benefits from such practical work warranted these additional endeavours. Lectures and seminars were not only being conducted by officers of the secretariat: participants benefited also from the collaboration of lecturers from other international organizations, from delegations of contracting parties and from university circles. Study tours in Switzerland and in two other European countries completed the participant's experience in commercial policy. The trainees were also requested to present reports on selected subjects under the supervision of the secretariat. Participation in GATT meetings, furthermore, permitted Fellows to obtain first-hand experience on how GATT dealt with foreign trade policy problems. Finally, former trainees were being enabled to keep in contact with the secretariat and, if they wished, with other Fellows. It was interesting to note that a growing number of former GATT trainees participated in the work of the delegations in Geneva or in other international fora, or carried commercial policy responsibilities in their home countries.

The GATT secretariat had also collaborated with other institutions in training programmes in favour of developing countries. This collaboration extended especially to the Economic Commission for Latin America, the Economic Commission for Africa and the Economic Commission for Asia and the Far East. The GATT secretariat had detached officials for lecturing and participating in seminars organized by these bodies.

These activities, in short, were an important part of the overall activities of GATT which would benefit not only developing countries but all contracting parties.

Several representatives expressed support for these courses and hoped that they could be continued on the present scale. They stressed that they had been of considerable advantage to those of their officials who had participated therein.

The representative of Trinidad and Tobago expressed regret that not all applicants could be admitted. He suggested that the possibility be considered of holding courses also for officials without much economic training, pointing out that those applicants with least training needed support most.

The Council took note of the report.

16. Financial and administrative questions

(a) Report of the Committee on Budget, Finance and Administration
(L/3527, L/3608, L/3608/Add.1 and Corr.1)

The Chairman recalled that the Committee on Budget, Finance and Administration had held meetings in May and October 1971 to examine the 1972 budget estimates of the International Trade Centre and the GATT and to consider certain other financial and administrative matters.

Mr. Moerel (Netherlands), Chairman of the Committee, in introducing the report on the Centre (L/3527) recalled that in the past, the Committee had had considerable difficulties with regard to the examination of the budget of the International Trade Centre, arising from meeting after the ACABQ had submitted its recommendations. The Committee had, therefore, met this year in May already. This time difficulties were encountered because of the relatively large increase of the budget estimates for 1972 over 1971, which was mainly due to the high and rising level of extra-budgetary financial resources provided to the Centre, and which had automatic financial implications on the regular budget. He pointed out that if the Centre's governing bodies accepted in future a higher level of extra-budgetary resources, then the resulting increased demand on the regular budget would be outside the control of the secretariats involved or of the Committee. When examining the 1972 budget proposals it had been necessary to decide how resources might best be allocated for different programmes. The Committee had concluded that reductions of \$51,000 were possible and had recommended a revised budget for 1972 amounting to \$2,142,800 including \$318,000 from overhead contributions. Due to recent international monetary events the Committee had had to review the 1972 ITC budget during its October session, and had recommended that the budget be now increased to \$2,319,620 to take account of the change in the dollar/Swiss franc parity as well as for additional rental and higher postage.

With regard to the 1972 GATT budget (L/3608), considerable difficulty had been encountered, arising from the effect on budgetary requirements of changes in the dollar/Swiss franc parity. The Committee had recognized that the budget as it had been proposed by the Director-General was modest and that the element of increase due to new requirements was 1 per cent only. However, the recent increases in the budget level brought about by exchange rate changes had created difficulties for some governments resulting in the establishment of budgetary ceilings. The Committee thus had had to examine the budget with a view to achieving reductions to meet the requirements of these governments rather than solely on the merits of the Director-General's budget proposals. Therefore, the Committee's deliberations had been very much longer and more laborious than in normal circumstances, which had not been entirely reflected in the Committee's report. Because of national budgetary ceilings, the Director-General had put forward proposals for reductions which were set out in paragraph 41.

Although some members of the Committee could have accepted the estimates without reduction, the Committee had finally agreed to a total reduction of \$115,000. It was worth noting that after having made the cut of \$115,000 the net growth of activities of the GATT in 1972 represented only 0.3 per cent.

The Committee had paid special attention to the contributions due from contracting parties, particularly since serious problems of financial management were being caused by these arrears.

The Committee had agreed that the Director-General's proposals for rehousing the GATT secretariat and the International Trade Centre, as reported in paragraph 50 of L/3608 and in L/3608/Add.1, would remedy the present unsatisfactory accommodation situation.

The representative of Nigeria, referring to the question of which of the International Trade Centre's programmes should be given priority, drew attention to the fact that certain limited projects could be of great significance in generating trade activities.

The representative of Brazil, referred to the problem of financial arrears. While being fully aware of the financial problems created by arrears and while sharing the view that some action was necessary, he objected to the proposal that the imposition of measures of a punitive nature be considered by the Council. Such an action could only be authorized by the CONTRACTING PARTIES and would have to be dealt with by them separately, not as a recommendation of the Committee on Budget, Finance and Administration. His delegation was, therefore, disassociating itself from the second part of the recommendation contained in paragraph 19 of the Committee's second report, concerning the reduction of the supply of documents.

Referring to the reductions in the budget for 1972, the representative of the United Kingdom expressed the hope that these reductions would not affect the work of the GATT. He suggested that information be provided on how exactly the savings in the programme of meetings would be achieved.

The Director-General emphasized that, due to the budget cuts, the financial situation of the GATT in 1972 would be very precarious and would require even more rigorous savings than in the past. It would, by necessity, have repercussions on the services provided and would require austerity from the secretariat as well as from the delegations. Furthermore, the budget in its present form did not contain any provisions for any losses occurring from possible currency realignments. If such an adjustment of exchange rates were to take place, the secretariat might be obliged to request authorization to draw on the Working Capital Fund.

Several representatives expressed support for the Committee's proposals on the accommodation of GATT and the International Trade Centre. The representative of the United Kingdom stated that his delegation had been authorized to withdraw the reservation to paragraph 19 of the Committee's report (L/3608/Add.1). He also drew attention to the administrative advantages of housing the Centre together with the GATT in the ILO building. Replying to a question, the Director-General stated that preliminary contacts with FIPOI had indicated that the latter was interested in agreeing to a long-term lease.

The Council approved the recommendations contained in paragraphs 15 and 42 of the Report of the Committee in respect of the International Trade Centre (document L/3527).

The Council approved the recommendations contained in paragraphs 13, 15, 16, 50, 54 and 56 of the second report of the Committee (document L/3608). Bearing in mind the reservation made by the Brazilian delegation, the Council also approved the recommendation contained in paragraph 19 of that report.

The Council adopted the Committee's recommendation in paragraph 19 of L/3608/Add.1 that the Director-General be authorized to continue negotiations with FIPOI with a view to drawing up a draft agreement for the rental of part of the present ILO building, to be submitted through the Committee for approval by the CONTRACTING PARTIES.

The Council approved the reports L/3527, L/3608, L/3608/Add.1 and Corr.1 and recommended the adoption of the reports by the CONTRACTING PARTIES, including the recommendations contained therein and the Resolution on the Expenditure of the CONTRACTING PARTIES in 1972 and the Ways and Means to meet such Expenditure.

(b) Assessment of additional contribution

The Chairman drew attention to document L/3603, in which it was proposed that, following its accession to the GATT, a contribution to the 1971 budget and an advance to the Working Capital Fund be assessed on the Government of the Republic of Zaïre.

The Council adopted the assessments proposed in paragraphs 1 and 4 of the document.

17. Status of protocols (L/3594)

The Chairman, referring to the report by the Director-General on the status of protocols which had not yet fully entered into force, recalled that the Protocol Amending the General Agreement to Introduce a Part IV on Trade and Development, had not yet been accepted by four contracting parties.

He suggested that the Council might wish to recommend to the CONTRACTING PARTIES that the closing date for acceptance of the Protocol Introducing Part IV be extended until the end of the twenty-eighth session of the CONTRACTING PARTIES for those contracting parties which had not been able to present their acceptance before the closing date. In order to facilitate consideration of this matter, the secretariat had prepared a draft decision (C/W/189), the adoption of which could be recommended to the CONTRACTING PARTIES.

The Council recommended the extension of the closing date and approved the text of the draft decision.

18. Trade negotiations among developing countries (L/3598)

The Director-General informed the Council that the trade negotiations among developing countries which had been going on for some time, had been completed. The Trade Negotiations Committee of Developing Countries had presented to the CONTRACTING PARTIES the text of a Protocol relating to these negotiations accompanied by a request from developing contracting parties who had exchanged concessions in the negotiations for a Decision by the CONTRACTING PARTIES authorizing the implementation of the Protocol and of the concessions covered by it. One copy of the list of concessions negotiated had been forwarded on a confidential basis to each contracting party. The text of a possible draft decision had also been circulated. The Director-General urged delegations to give this matter their immediate and full attention, so as to ensure that the appropriate decisions on this matter could be taken by the CONTRACTING PARTIES at their forthcoming session.

The Council took note of the statement.

19. Preparations for the twenty-seventh session

The Director-General gave an outline of a possible Order of Business which had been drawn up after consultations with the Chairman of the CONTRACTING PARTIES and which would be proposed to the CONTRACTING PARTIES after the opening of the session for their consideration. The last three days of the session, i.e. 24, 25 and 26 November 1971, would be reserved for a discussion of the major issues of commercial policy. A number of delegations had indicated that it would be the intention of high-level representatives from their capitals to attend the deliberations during these last three days.

The Council took note of the statement.

20. Trade arrangement between Egypt, India and Yugoslavia

The representative of India informed the Council that the submission of the third report, which was due this year had been delayed due to administrative difficulties in the collection of statistics in one of the participating States. The delegations of India and Yugoslavia had already submitted statistical data and it was expected that the report could be finalized soon.

21. Report of the Council (C/W/191)

The secretariat had distributed in document C/W/191 a draft of the Council's report to the CONTRACTING PARTIES on the matters considered by the Council between sessions of the CONTRACTING PARTIES and any action taken in this respect. The Chairman explained that to some extent the draft report was also an attempt to give up-to-date information regarding subjects which were within the competence of the Council but in respect of which no recent action could be taken.

Several representatives proposed amendments and improvements to the draft. In drawing up the report the Council noted that no recent information had been received on developments in the Association between the European Economic Community and Greece, in the Central African Economic and Customs Union, the Central American Common Market and the Latin American Free Trade Association. The Council also noted that the Working Party on the Association between the European Economic Community and Malta, the Working Party on the Association between the EEC and Tanzania, Uganda and Kenya, and the Working Party on the Accession of Colombia had not been able to meet before the twenty-seventh session. The Chairman requested the secretariat to insert the amendments proposed as well as suitable additional notes on action taken at this meeting.

The Council agreed that the report, with these additions, would be distributed and presented to the CONTRACTING PARTIES by the Chairman of the Council.