

GENERAL AGREEMENT ON  
TARIFFS AND TRADE

RESTRICTED

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Held in the Palais des Nations, Geneva,  
on 21 June 1974

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

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1. Uruguay - Import Surcharges (L/4045 and Add.1, C/W/241)

The Chairman recalled that the CONTRACTING PARTIES, by their Decision of 24 October 1972, waived, subject to specific terms and conditions, the provisions of paragraph 1 of Article II, to the extent necessary to enable the Government of Uruguay to apply as a temporary measure a system of import surcharges. The measures were part of Uruguay's stabilization and development programme and affected items bound in the Uruguayan Schedule under GATT. Since the waiver was due to expire at the end of June 1974, the delegation of Uruguay asked for its extension in a request which had been circulated in document L/4045 and Add.1.

The representative of Uruguay stated that the Decision of 24 October 1972 required the transmission to the CONTRACTING PARTIES of certain information. His delegation, while requesting an extension of the waiver, had now supplied a complete list of surcharges applied by Uruguay as on April 1974; a copy of the Uruguayan Schedule XXXI with an indication of the surcharges as applied in November 1972 and of the laws and decrees under which these surcharges were imposed; a list of imported goods in 1972 with an indication of value and share in total imports; a list of imports for the years 1971 and 1972 in values and quantities; a certified copy of the laws and decrees concerning the imposition of surcharges; and finally an exposé of the foreign trade of Uruguay, the present and prospective situation of its balance of payments, as well as plans and measures adopted by the Government to correct the disequilibrium in its balance of payments.

With respect of the balance of payments situation of his country, he pointed out that 76 per cent of exports consisted of meat, wool and leather goods, which goods were subject to declining prices. On the other hand, expenditures for fuel and other raw materials would rise by \$140 million in 1974 and would account for a third of Uruguay's total imports.

He emphasized that the surcharges were applied without any discrimination as regards country of origin. Uruguay did not apply quantitative restrictions. He confirmed that national flag carriers no longer enjoyed advantages in the application of surcharges; these advantages had been abolished by decree No. 77/972 of 2 March 1972. Furthermore, by law No. 14.100 of 29 December 1972 certain benefits in respect of consular fees had also been repealed. Uruguay, therefore, fulfilled its commitment in not using the imposition of surcharges to protect its own merchant marine. Ships under the national flag had only the benefit of law No. 14.106 of 14 March 1973 which created a system by which the transport of products for public bodies or those protected by fiscal exemptions, or financed by a State Bank should in principle be transported by national ships. This system was similar to that existing in other Latin American countries and, in view of the scarcity of national warehouses, its application was very limited.

His delegation was ready to follow the appropriate procedure of consultations for the extension of the waiver. In the meantime, his delegation asked for the granting of a temporary waiver for a reasonable period of time in order to carry out such an examination.

The representatives of the United States and the European Communities agreed that the matter be referred to the Committee on Balance-of-Payments Restrictions and that, in the meantime, the waiver should be extended until the end of the thirtieth session of the CONTRACTING PARTIES.

The representative of Sweden, speaking on behalf of the four Nordic delegations, recalled the provision in the Decision of 24 October 1972 that the surcharges were not to be applied for purposes implying discriminatory treatment in favour of ships flying the Uruguayan flag. He welcomed the abolition of such discrimination in the application of surcharges as confirmed by the representative of Uruguay. This would make it possible for the Nordic delegations to vote in favour of a prolongation of the waiver. He emphasized that the Nordic delegations had always attached great importance to the question of flag discrimination and he trusted that the present situation would be maintained.

The Council agreed that the matter should be referred to the Committee on Balance-of-Payments Restrictions with the request that a report should be made to the Council in October.

The Council agreed to recommend to the CONTRACTING PARTIES that an extension of the waiver be granted until the end of the thirtieth session of the CONTRACTING PARTIES. It approved the draft decision (C/W/241) with this time-limit and recommended its adoption by the CONTRACTING PARTIES.

The draft decision was submitted to a vote by postal ballot. The Chairman invited representatives having authority to vote on behalf of their governments to do so. Ballot papers would be sent by mail to those contracting parties not represented at the meeting.

## 2. Committee on Balance-of-Payments Restrictions

- Reports on the consultations with Israel (BOP/R/73), Yugoslavia (BOP/R/74), Greece (BOP/R/75) and on the 1974 consultations with Peru and Tunisia (BOP/R/76)

Mr. Dunkel (Switzerland), Chairman of the Committee on Balance-of-Payments Restrictions, said that the Committee had met in March 1974 to consult with Greece and Yugoslavia under Article XVIII:12(b), with Israel, and under the simplified procedures for consultation under Article XVIII:12(b), with Peru and Tunisia. Document BOP/R/76 was the fourth report by the Committee under the new procedures. It contained a recommendation that Tunisia be deemed to have fulfilled its obligations under Article XVIII:12(b) for 1974. In the case of Peru, a full consultation would be held in 1975 under the appropriate procedures. When the Committee examined the Peruvian statement it expressed the wish to have at its disposal for the 1975 consultation up-to-date information and statistics, which would cover the situation in 1974 as far as possible.

As regards the consultation with Greece (BOP/R/75) the Committee had been informed of various measures taken by the Greek Government to control inflation, including certain new measures of an exceptional character affecting the import deposit scheme and import procedures. The full details of the new measures had been circulated in document L/4032. These measures would expire on 31 December 1974. The Committee had encouraged the Greek authorities to simplify the present import control system.

The report on the consultation with Yugoslavia (BOP/R/74) covered both the Committee's consultation with Yugoslavia and its examination of the Yugoslav temporary import surcharge. This measure had been extended until the end of 1974, in order to give the Yugoslav authorities more scope to deal with the uncertainties attached to the economic and monetary situation in 1974.

The consultation with Israel had included an examination of the Israeli temporary import surcharge, the details of which were contained in the report BOP/R/73. The conclusions reflected the climate of uncertainty in Israel concerning balance-of-payments developments in 1974. The surcharge had been found to conform to the criteria laid down in the relevant articles of GATT on import restrictions for balance-of-payments purposes. The Committee regretted, however, that the Israeli measure had proved less temporary than originally expected. The Committee had invited Israel to consider a progressive elimination of the measures as soon as possible.

The Council agreed that Tunisia should be deemed to have consulted in fulfilment of its obligations under Article XVIII:12(b) and noted that a consultation with Peru would be held in 1975. The report contained in document BOP/R/76 was adopted.

As regards the consultation with Greece (BOP/R/75) the representative of the United States said that his delegation regretted that Greece found it necessary to adopt new restrictions. He expressed the hope that Greece would find it possible to remove these restrictions at an early date.

The Council adopted the reports on the consultation with Greece (BOP/R/75), with Yugoslavia (BOP/R/74) and with Israel (BOP/R/73).

### 3. Israel - Import Deposit Scheme (L/4042)

The representative of Israel, referring to the communication contained in document L/4042, informed the Council of the very serious deterioration in Israel's balance-of-payments situation which had obliged his Government to reintroduce the temporary import deposit scheme, as of 24 May 1974. This scheme covered, with only few exceptions, all imported goods bearing duties and charges of 35 per cent and over. The measure was non-discriminatory and applied equally to all countries.

Importers would have to deposit with the Treasury, in Israeli currency and for a period of twelve months, 20 per cent of the c.i.f. value of the imported goods in order to release them from customs. The money would be deposited in the Bank of Israel and thus be neutralized. Commercial banks would be asked not to grant credits for the purpose of financing the import deposit.

He said that the measure had become necessary because of an unexpected rise in imports, a very sharp increase in the domestic rate of inflation and the resulting severe deterioration in the balance-of-payments situation. He pointed out that the growth rate of visible imports for the period January-April 1974 was double the rate originally forecast at the beginning of the year. He expressed the hope that the import deposit scheme would be phased out as soon as the balance-of-payments situation improved. As the previous Israeli deposit requirement had been examined twice by the Committee on Balance-of-Payments Restrictions, his delegation was prepared to bring the matter up again for consideration in the Committee, should this be required.

The representative of the United States expressed his delegation's regret at the reintroduction of the import deposit scheme. He agreed that the matter be referred to the Committee on Balance-of-Payments Restrictions.

The Council agreed to refer the examination of the Israeli import deposit scheme to the Committee on Balance-of-Payments Restrictions. Any delegation not being a member of this Committee but wishing to participate in the examination, would be co-opted as a member of the Committee for the purpose of this examination.

The Council agreed that arrangements be made for consultations with the International Monetary Fund in accordance with the provisions of Article XV:2.

4. Association between the European Economic Community and Cyprus (L/4009)

The Chairman recalled that the Council considered in July 1973 the Agreement of Association between the European Economic Community and Cyprus, and established a working party to carry out a more detailed examination of the provisions of the Agreement in the light of the relevant provisions of the GATT.

Mr. Mariadason (Sri Lanka), Chairman of the Working Party, said that the Working Party had addressed itself to several specific issues, namely, rules of origin, safeguard measures, and trade coverage.

He noted that the Working Party had been unable to reach unanimous conclusions as to the compatibility of the Association Agreement with the provisions of the General Agreement, and in particular those of Article XXIV. Some members were of the opinion that the Agreement constituted a preferential trading arrangement which did not conform with Article XXIV. In their view, there was no firm commitment to establish a customs union, the trade coverage was inadequate, there was no assurance that the degree of liberalization of agricultural imports from Cyprus would be maintained, and the rules of origin appeared unduly complex and restrictive to third country suppliers.

The parties to the agreement and several other members of the Working Party held the view that the Agreement conformed fully with Article XXIV. In the view of the parties to the Agreement, the trade coverage was high and was likely to increase in both the agricultural and industrial sectors. They also considered the rules of origin to be neither restrictive nor unduly complex.

He concluded by saying that the Working Party felt that it should limit itself to reporting the opinions expressed on these issues.

The representatives of the United States and Canada associated themselves with the views expressed in the working party as regards the incompatibility of the agreement with GATT.

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

The Chairman, in concluding, referred to the calendar for biennial examination of reports on developments under regional agreements and the Council agreed that the parties to the Agreement should be invited to submit the first biennial report in April 1976.

5. Agreement between the European Economic Community and Israel (L/4033)

The Chairman drew attention to a communication made by the parties to the Agreement between the EEC and Israel containing a report on developments under the Agreement (L/4033).

The representative of the United States recalled his delegation's views as regards the incompatibility of this Agreement with the GATT. The same remark was applicable to the two items of the agenda relating to the Agreements between the EEC and Spain and the EEC and Malta.

The representative of Canada, referring also in this connexion to the EEC Agreements with Spain and Malta, expressed surprise at the brevity of the reports submitted on the implementation of the Agreements. He felt that the reports were not adequate as there were no breakdowns of statistics by products or by general categories of products. It was impossible therefore to form an assessment of the effects of these preferential arrangements on other countries. Many delegations during the examination in the Working Parties had questioned the compatibility of the arrangements with the General Agreement. The parties to the Agreements should therefore take extra care to keep other parties informed in detail of developments under these Agreements. He also asked that at some stage there should be a clarification of the reference in the report to "the framework of the global approach of the Community with the countries in the Mediterranean basin."

The representative of the European Communities, referring to the Agreements between the EEC and Israel and Spain, said that negotiations had begun with the objective of furthering the achievement of the free trade areas. The parties to the Agreements provided as detailed information as was possible while awaiting a further clarification of the situation and the conclusion of these negotiations.

The Council took note of the report.

6. Agreement between the European Economic Community and Spain (L/4034)

The Chairman drew attention to a communication made by the parties to the Agreement between the EEC and Spain containing a report on developments under the Agreement and to the comments that had been made under item 5 of the Agenda.

The Council took note of the report.

7. Association between the European Economic Community and Malta (L/4038)

The Chairman drew attention to a communication made by the parties to the Association Agreement between the EEC and Malta containing a report on developments under the Association and to the comments that had been made under item 5 of the Agenda.

The Council took note of the report.

8. Central American Common Market (L/4023)

The Chairman drew attention to document L/4023 containing a note by the Secretariat of the General Treaty of Central American Economic Integration on the present situation of the Central American Common Market.

The Council took note of the report.

9. Latin American Free Trade Area (L/4031)

The representative of Argentina introduced the report on activities carried out by LAFTA during 1972 and 1973, which was submitted in conformity with the calendar of biennial reports. He said that after the eleventh year of association inter-area trade had increased, in absolute terms, by \$150 million. This represented an increase of 10 per cent of inter-area imports over 1971. The tariff reductions granted by the member States amounted to over 11,150 concessions. During the years 1972 and 1973 51 and 34 concessions had been granted respectively. Tables V to VII in the report gave the protocols of complementarity agreements during the years 1972 and 1973 while an additional four agreements were being negotiated now. The member States had harmonized the tariff instruments, improved the payments system and carried out studies with regard to the harmonization of taxation.

He concluded by referring to the implementation of the Cartagena Agreement. Furthermore, the Protocol of Caracas, which had now entered into force, extended until 31 December 1980 the time limit for the completion of the free-trade area.

The Council took note of the report.

10. Consultation with Poland

The Chairman recalled that the Protocol for the Accession of Poland provided for annual consultations during which a review of trade developments between contracting parties and Poland should take place. In the course of that consultation the CONTRACTING PARTIES should also review the measures taken by contracting parties for the progressive relaxation of restrictions maintained against imports of Polish origin during the transitional period. In addition, the CONTRACTING PARTIES were required, in accordance with paragraph 3(c) of the Protocol, to consider the establishment of a date for the termination of the transitional period. This question had been examined during the third to sixth annual consultations which had taken place each year from 1970 to 1973. In accordance with the terms of the Protocol, this question was due to be re-examined at the next annual consultation for which the Council should set up a working party.

The Council agreed to set up a working party with the following terms of reference and membership:

Terms of Reference:

To conduct, on behalf of the CONTRACTING PARTIES, the seventh annual consultation with the Government of Poland provided for in the Protocol of Accession; to re-examine the question of the establishment of a date for the termination of the transitional period referred to in paragraph 3(a) of the Protocol; and to report to the Council.

Membership:

Argentina	Cuba	Finland	Norway
Australia	Czechoslovakia	Hungary	Poland
Austria	Egypt	India	Romania
Brazil	European Communities	Japan	Sweden
Canada	and their member States	Nigeria	Switzerland
			United States

Chairman: Mr. Chadha (India).

The representative of Poland called attention to the most important problem remaining to be solved in Poland's relationship with the CONTRACTING PARTIES, namely, the elimination of quantitative restrictions applied by some west European countries against imports from Poland contrary to the provisions of Article XIII. These restrictions should be phased out in accordance with the terms of Poland's Protocol of Accession. Furthermore, a final date for the complete termination of the transitional period should be agreed upon. This should have been done since 1970, when a working party made a first attempt to solve this problem. The present situation implied serious injury to Polish rights under the GATT. He appealed to the parties concerned to agree to fix 31 December 1974 as the final date for the transitional period. He felt that present circumstances appeared better since some important partners had agreed to eliminate as of 31 December 1974 all discriminatory restrictions maintained against Polish imports.

11. Administrative and Financial Questions

(i) Final Position of the 1973 GATT Budget (L/4017)

The Chairman referred to the Annual Report on the final position of the 1973 budget of the GATT (L/4017). Annex B of the Report showed that the 1973 accounts closed with a surplus of Sw.frs.1,782,532 as at 31 December 1973. The transfer of this amount towards 1974 income and to a Building Fund had already been agreed by the Council, as was shown in Section III of the Report.

Annex A gave a list of contributions in arrears from contracting parties as at 31 December 1973. Certain contributions had been received in whole or in part since that date, as was shown in the Annex. Further contributions had been received, since the document had been issued, from Bangladesh, Gabon, Indonesia, Madagascar, Mauritania and Peru. This brought the total contributions in arrears as of 21 June to \$182,668 for the financial years 1963-1972 and to Sw.frs.439,125 for 1973.

The Chairman then referred to paragraph 5 of the Report, which showed certain excess expenditure over the original appropriation incurred in particular sections of the Budget. Authority was sought to increase the appropriations accordingly by transfers of savings from other budgetary sections as proposed in that same paragraph.

The Council authorized the increase in the appropriations by means of the transfers set out in paragraph 5.

(ii) Establishment of Committee on Budget, Finance and Administration

The Council agreed to set up the Committee on Budget, Finance and Administration with the following terms of reference and membership:

Terms of Reference:

- (i) To examine any questions arising in connexion with the audited accounts for 1973, the financing of the 1974 budgets and proposals for the budget for 1975 of the GATT and of the International Trade Centre UNCTAD/GATT.
- (ii) To study any financial and administrative questions which may be referred to it by the Council or submitted to it by the Director-General, and undertake such other studies as may be assigned to it by the Council.

Membership:

Australia	Ghana	Sweden
Brazil	India	Switzerland
Canada	Israel	United Kingdom
France	Ivory Coast	United States
Germany	Japan	Yugoslavia

Chairman: Mr. Clark (Canada)

The Chairman indicated that the new Committee would be constituted with effect from 1 September 1974.

12. Dates of the Thirtieth Session of the CONTRACTING PARTIES (C/90)

The Chairman recalled that the CONTRACTING PARTIES had agreed to hold their thirtieth session within the period 11 - 22 November 1974. In order to enable the secretariat to make the necessary technical arrangements in time, it was now proposed in document C/90 that the dates of the thirtieth session be fixed as from Monday 18 November to Friday 22 November 1974. The Council would be free to reconsider these dates in due course if circumstances should so require.

The Council approved the proposal.

13. Agreements by Finland with Bulgaria and Hungary

The representative of Finland informed the Council that his Government had signed an agreement with Bulgaria on 26 April 1974 and with Hungary on 2 May 1974 on the reciprocal removal of obstacles to trade taking into consideration the provisions of Article XXIV of the GATT. The relevant texts of the agreements would be circulated to the contracting parties in due course. His Government was prepared to follow the normal procedure for the examination of such agreements.

The representatives of Bulgaria and Hungary associated themselves with the statement made by the representative of Finland.

The representative of the United States, referring to the provisions of Article XXIV:7(a), expressed the hope that the texts of the agreements would be provided promptly. He felt that these agreements were of particular interest to contracting parties as they involved agreements with state-trading countries.

The representatives of the European Communities and Canada shared the interest expressed by the representative of the United States. As this was the first time that free-trade agreements had been concluded between a market economy country and centrally planned economy countries the specific nature of the agreements should be examined with great care in a working party.

The Council took note of the statements made and agreed to revert to the matter when the provisions of the agreements had been notified.

14. Italian Import Deposit Scheme

The representative of the United States referred to certain information that the Commission of the European Communities had decided that Italy should calculate the amount of its 50 per cent import deposit requirement on the basis of the c.i.f. price of imports plus customs duties, whereas the deposit had previously been assessed on the c.i.f. prices without customs duties. Furthermore, imports from the three countries which had recently joined the Community, the United Kingdom, Denmark and Ireland, would, in this calculation, be treated as duty-free even though transitional duties were being assessed.

He expressed the hope that this decision would be notified promptly to the GATT as it appeared to him that the decision contained an element of discrimination in the sense that a larger deposit would be required from countries paying duties.

The representative of the Communities stated that notification of the decision would be made in the very near future. He confirmed that the Italian import deposit would be calculated on the basis of the c.i.f. price of imports plus duties and other import charges. This method of calculation seemed to him to be in accordance with the practices followed by other contracting parties. With respect to the goods being imported into Italy from other members of the Community in its present form, these would be subject to a deposit based on the c.i.f. value of goods without customs duties and other fees. This was in accordance with the rules of GATT on customs unions. He added that a number of changes had taken place since the system had been established and that other changes were being envisaged.

The representative of Japan expressed his concern about the number of schemes to restrict imports that had been introduced recently and he appealed to the contracting parties to co-operate in order to avoid the proliferation of such schemes. If they had to be introduced they should be limited in duration and implemented in a non-discriminatory manner. He also expressed concern about the changes taking place in the Italian import deposit scheme while noting that detailed information on these changes would be provided soon.

He recalled that at the time of the setting-up of the Working Party to examine the Italian import deposit scheme, it was agreed, at his delegation's request, that the Working Party would be convened if a major change occurred in the Scheme. His delegation now reserved the right to examine the changes in the Scheme and to request that the Working Party would be convened at an early date if necessary.

The representative of Pakistan also expressed concern about the new aspects of the Italian import deposit scheme and on the effects it would have on imports from developing countries.

The Council took note of the statements made.

#### 15. Turkish Stamp Duty

The representative of Turkey referred to the Decision of 5 July 1973, which waived the provisions of paragraph 1 of Article II of the General Agreement, to allow the Turkish Government to maintain a stamp duty on imports into Turkey of products included in Schedule XXXVII.

In compliance with the waiver conditions his delegation had recently submitted a report, which would soon be available to the contracting parties.

The Council took note of the statement.

16. Trade Policy and Reform of the International Monetary System

The Director-General made a statement relating to the trade policy aspects of the Committee of Twenty of the International Monetary Fund. The statement, together with certain suggestions on how the CONTRACTING PARTIES might organize themselves in order, among other things, to carry out their part in the co-ordination between GATT and the IMF, has been circulated to the contracting parties in document L/4048.

The Council took note of the statement.