

GENERAL AGREEMENT ON  
TARIFFS AND TRADE

RESTRICTED

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Held in the International Conference Centre, Geneva,  
on 14 June 1976

Chairman: Mr. G. ALVARES MACIEL (Brazil)

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1. Observer status of Algeria and Morocco

The Council approved the Chairman's proposal that, in connexion with the agenda item dealing with the agreements of the EEC with Algeria and Morocco, Algeria and Morocco should be represented at this meeting of the Council by observers.

2. Export inflation insurance schemes (C/M/113)

The representative of the United States said that at the last meeting of the Council his delegation had explained its concern about questions relating to export inflation insurance schemes and had advanced possible terms of reference for a working party to consider this matter. He expressed the hope that the Council could now agree to the setting up of a working party.

The representative of the European Communities said that his delegation had examined the United States proposal but considered that the terms of reference should be wide enough for the working party to examine all measures of this kind, as well as all means which could bring about the same results. He therefore proposed the following terms of reference for a working party, which also covered the issues on the export inflation insurance schemes as proposed by the United States: "To examine, in particular, from the point of view of their effects on international commerce, the measures used to attenuate or compensate for the consequences of cost inflation, as well as the ways and means which exist and could bring about the same results." He thought it would be possible to reach agreement with the United States on this matter in further consultations and to make an agreed proposal to the Council at its next meeting.

The representative of the United States said that it was important to formulate the terms of reference as specifically as possible. His delegation was prepared to consider other similar measures falling within the purview of GATT and to make the terms of reference sufficiently broad to permit this. It was necessary, however, to spell out the measures that should be included in the examination more specifically. He emphasized that export inflation insurance schemes should be examined as a priority subject so that a report by the working party could be expected in early 1977. He noted that the Community proposal made no reference to the question of compatibility of the measures with the provisions of GATT, which he thought should be specifically considered.

The representative of Japan supported the establishment of a working party, but its work should not prejudice the course of the multilateral trade negotiations in the field of subsidies. He shared the United States view that the terms of reference should be more specific and should contain a reference to the provisions of the General Agreement.

The representative of Canada expressed his delegation's desire to participate in the working party and he shared the views expressed by the United States and Japan.

The representative of the European Communities repeated the need to examine all measures which directly or indirectly attenuated or compensated for the consequences of cost inflation, or which had similar effects. He believed that if such measures went beyond the framework of GATT and, for example, extended into the fiscal field, this should not impede the working party in its work. He believed that agreement could be reached on the inclusion of a reference to the provisions of the GATT. Once established, the working party could begin its work promptly, but it was not customary to set a deadline for the termination of its work. It was up to the working party itself to decide on the progress to be made.

The Council agreed to refer the item to its next meeting, so that the delegations concerned may continue consultations on the terms of reference for the working party.

3. United States - Imports of automotive products (L/4333, C/M/113)

The Chairman drew attention to the ninth annual report submitted by the Government of the United States under the Decision of 20 December 1965 (L/4333).

The Council took note of the report.

4. Agreement between Finland and Czechoslovakia (L/4342)

Mr. Easterbrook Smith (New Zealand), Chairman of the Working Party, said that the Working Party met in October 1975 and April 1976 to carry out its examination of the provisions of the Agreement in the light of the relevant provisions of the General Agreement. The report of the Working Party was contained in document L/4342. The specific issues dealt with by the Working Party included trade coverage, customs duties and quantitative restrictions. He stated that the Working Party had been unable to reach unanimous conclusions as to the compatibility of the Agreement with the provisions of the General Agreement and in particular with those of Article XXIV. The parties to the Agreement, supported by two other members of the Working Party, were of the opinion that the Agreement was in full conformity with the provisions of Article XXIV. The other members could not, on the basis of the available information, express a view on this question and requested that the Working Party should continue the examination at an appropriate time on the basis of additional information. In the light of this situation,

Finland and Czechoslovakia were prepared to pursue the examination within the Working Party at the request of members of the Working Party.

The Council adopted the report.

5. Customs unions and free-trade areas; regional agreements - Information on developments furnished by member States

- (i) Association EEC-Cyprus (L/4347)
- (ii) Agreement EEC-Spain (L/4348)
- (iii) Association EEC-Malta (L/4349)
- (iv) Agreement EEC-Egypt (L/4355)

The Chairman said that in accordance with the Calendar of Biennial Reports on developments under regional agreements as set up by the Council in October 1974, reports had been submitted containing information on developments under the agreements furnished by member States relating to the Association between the European Economic Community and Cyprus, the Agreement between the European Economic Community and Spain, the Association between the European Economic Community and Malta, and the Agreement between the European Economic Community and Egypt.

The representative of Australia said that the information furnished by the member States to the Agreements in question was insufficient to enable a judgement on the progress achieved under those Agreements. His delegation asked for the following additional information: comparative statistics showing trade between the EEC and the countries concerned and their trade with the rest of the world in agricultural products; the extent to which member States had implemented and phased reduction of tariffs provided for in the Agreements; in this connexion the report on the Agreement with Malta stated that the first stage had been extended without giving information on the degree to which measures envisaged in the first stage had been introduced; the items which were subject to quotas and the percentage of trade which was affected by quantitative restrictions. Referring to the Agreement between the EEC and Spain, he enquired about the items covered by the Spanish undertaking to purchase a certain percentage of their total annual imports on normal market terms from the EEC, on the percentage of trade involved, on the meaning of "normal market terms" and whether other contracting parties were denied the opportunity to compete for participation in such trade.

The representative of the United States also asked for more detailed information in the future in order to permit an evaluation of the agreements.

The representative of the European Communities said that the reports provided only information that the agreements had entered into force and that, as was the

case in the Agreement with Malta, there existed several stages for their implementation. His delegation would consult with the Australian and United States delegations and endeavour to supply the additional information requested.

The representatives of Spain and Egypt stated that their delegations had taken note of the request to provide additional information.

The Council took note of the reports.

6. Association between the EEC and Malta (L/4346)

The Chairman said that at the meeting in February the representative of the European Communities informed the Council of the conclusion of a Protocol relating to the Agreement Establishing an Association between the EEC and Malta consequent on the accession of new member States to the Community. The texts of the legal instruments had been distributed in document L/4346.

The representative of the European Communities said that the texts which had been circulated consisted of an essentially commercial protocol and a financial protocol pertaining to financial assistance. He explained that the purpose of the commercial protocol was to adapt the Association Agreement between the Six and Malta to the effects of the enlargement of the Community and also to establish the modalities for the continued implementation of the free-trade zone. This implied a progressive reduction of customs tariffs and quotas in the industrial sector. It also implied the extension of the existing agreement to a number of agricultural products including, as the most important ones, potatoes, onions, cut flowers, wine. The Protocol also provided for a review of the results of these provisions beginning in 1978. The enlargement of the European Community required, furthermore, that the rules of origin in the Agreement be brought up to date. His delegation was ready to communicate to the CONTRACTING PARTIES necessary information on the developments under the Association Agreement and to follow the usual procedure in GATT for the examination of the Agreement.

The Council took note of the statement and of the terms of the Protocol.

7. Association between the EEC and Greece - Report of Working Party (L/4340)

The Chairman recalled that at its meeting in September 1975 the Council established a working party to examine, in the light of the relevant provisions of the General Agreement, the provisions of the legal instruments drawn up between the EEC and Greece consequent upon the accession of new member States to the European Community. The report of the Working Party was contained in document L/4340.

Mr. Tan (Singapore), Chairman of the Working Party, said that the Working Party had met in April 1976 to carry out its examination. He noted that the parties to the Additional Protocol, supported by some members of the Working Party, held the view that the Additional Protocol, which consisted of adaptation measures, conformed fully with Article XXIV of the GATT, while some other members were of the view that as it now stood it did not conform fully to the requirements of the General Agreement. The Working Party therefore limited itself to reporting the opinions expressed on these issues.

The Council adopted the report.

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

- (i) Consultation with Korea (BOP/R/86)
- (ii) Consultation with Finland - Finnish Import Deposit Scheme (BOP/R/87)
- (iii) Consultation with Brazil - Brazilian Import Deposit Scheme (BOP/R/88)

Mr. Jazmetti (Switzerland), Chairman of the Committee on Balance-of-Payments Restrictions, said that the Committee had conducted a full consultation under Article XVIII:12(b) with Korea. The Committee agreed that Korea's present balance-of-payments position justified import restrictions under Article XVIII:Section B of the GATT. While noting that the prospects for Korea's balance of payments were favourable and that all discriminatory restrictions had been eliminated the Committee expressed concern at the complexity, lack of transparency and instability of Korea's system of trade controls. The Committee urged Korea to continue its efforts to simplify its trade control system.

The Committee had also held a consultation with Finland and had examined its import deposit scheme. The Committee regretted the prolongation of the scheme, which was to be terminated in March 1976, until 31 December 1976, but welcomed the programme to phase out the scheme by reducing the rates gradually. The Committee was satisfied that the scheme and its application was non-discriminatory. The Committee took into account the view that the deposits did not go beyond the level necessary to prevent a further fall in the level of Finland's reserves.

The consultation held with Brazil under Article XVIII:12(a) had included an examination of the Brazilian import deposit scheme introduced in July 1975. The Committee noted that external and internal factors had brought about a rapid and serious deterioration of Brazil's balance of payments and recognized that corrective measures were called for. However, the Committee expressed concern at the severity and multiplicity of the measures adopted, such as import deposits, surcharges, suspension of issuance of import licences, all of which bore excessively on trade. The Committee noted the intention to apply the measures temporarily,

but it expressed concern as to the trade disruptive effect of the restrictions should they be enforced for a lengthy period. The Committee urged the Brazilian authorities to terminate as soon as possible the import prohibitions and to remove gradually the other trade restrictions. The Committee did not oppose the temporary application of moderate import restrictions, but it drew the attention of the Brazilian authorities to the provisions of Article XVIII:10.

The Council adopted the reports on the consultation with Korea (BOP/R/86), the consultation with Finland and examination of the import deposit scheme (BOP/R/87) and the consultation with Brazil and examination of the import deposit scheme (BOP/R/88).

9. India - Auxiliary duty of customs (L/4352, C/W/275)

The Chairman recalled that the CONTRACTING PARTIES had waived, by their Decision of 5 May 1975, the application of the provisions of paragraph 1 of Article II of the General Agreement to the extent necessary to enable the Government of India to apply an auxiliary duty of customs on certain items in respect of which the duty had been bound. The waiver was due to expire at the end of June 1976. The Government of India had now informed the CONTRACTING PARTIES of its decision to continue the levy of auxiliary duty until 30 June 1977.

The representative of India said that the special circumstances which had compelled the Government of India to maintain an auxiliary duty of customs last year continued to exist. The resources derived from the duty were needed to meet essential development and other needs under India's New Programme for Economic Progress. His Government had therefore proposed to continue the auxiliary duty for one more year until 30 June 1977.

He pointed out that the auxiliary duty was levied on both imported and indigenous goods and that the rates and conditions of the levy had remained unchanged. Duties on GATT-bound items had been kept at the lowest possible levels and rates were, as in last year, 5 per cent on articles on which the basic customs duty was less than 60 per cent or on which specific, alternative or composite rates applied; 15 per cent on articles carrying basic customs duties of 60 per cent or more, but less than 100 per cent; 20 per cent on other articles. The incidence of the auxiliary duties on items in Schedule XII, except for some items, continued to be either nil or 5 per cent. He assured the Council that the auxiliary duties would not have an adverse effect on imports into India, particularly since it was expected that imports next year would rise in view of increased planned investments. The auxiliary duty was necessary to keep the budgetary gap within manageable limits, to raise the resources vitally

needed for the acceleration of economic developments and social welfare activities and to ensure that progress towards the realization of the basic objectives was not retarded on account of current economic difficulties. His delegation was ready to consult on this matter with any contracting party which considered that serious damage was caused or threatened by the auxiliary duty.

The representative of the United States, while expressing his understanding of the reasons that compelled India to introduce the auxiliary duty, urged that alternative sources of revenue should be found. His authorities regretted that the auxiliary duty of customs had to be continued.

The representative of Japan shared the views expressed by the United States delegation.

The Council approved the text of the draft decision (C/W/275) and recommended its adoption by the CONTRACTING PARTIES. The draft decision would be submitted to a vote by postal ballot. The Chairman invited members of the Council having authority to vote on behalf of their governments to do so. Ballot papers would be sent to those contracting parties not represented at the meeting.

10. Committee on Budget, Finance and Administration (L/4350 and Corr.1, L/4341, L/4336)

The Chairman pointed out that the Committee on Budget, Finance and Administration met recently to examine the final position of the 1975 GATT budget and the financial implications arising from the revision of the scales for salaries and family allowances for General Service category staff. The report of the Committee was contained in document L/4350 and Corr.1.

Mr. McGregor (Australia), speaking on behalf of Mr. Gates (Australia), Chairman of the Committee on Budget, Finance and Administration, introduced the report and said that the Committee had examined the final position of the 1975 budget of GATT (L/4336) and the Director-General's recommendations (L/4341) regarding the financing of the additional cost of the 1975 and 1976 GATT budgets arising from the new salary scales, effective from 1 August 1975, for staff in the General Service category, and from the upward revision of the rates of family allowances for the General Service staff, effective from 1 April 1975. As regards the final position of the 1975 budget the Committee recommended that the Council approve the transfers between budgetary sections set out in paragraph 5 of document L/4336.

With regard to the General Service salary scales, he pointed out that these scales were established by the Secretary-General of the United Nations for organizations operating within the "common system" and became automatically applicable to GATT. The Committee felt strongly that the system for establishing General Service salaries was defective and it expressed the hope that the International Civil Service Commission would consider this question as a matter of priority. He mentioned that two members of the Committee had serious reservations but did not wish to block a consensus on the Committee's recommendations concerning the financing of the additional cost.

He stated furthermore that the Committee recommended the Council's approval of the financing of the additional cost for 1975 of the revised salary scales and dependency allowances for General Service staff by transfer from the 1975 surplus account. The Committee intended to reconsider the allocation of the balance of the 1975 surplus account at its meeting in October. As to the additional cost for 1976 the Committee recommended that it be financed from savings within the appropriate sections of the budget or by transfer from other sections. If the full amount of additional expenditure could not be financed in this way the Committee recommended that the Director-General be authorized to transfer the necessary funds from the item - Unforeseen Expenditure. At its next meeting the Committee would review all feasible means of meeting the additional 1976 expenditure when it expected to have a detailed schedule of possible savings to be prepared by the secretariat.

The Council approved the recommendations contained in paragraph 10, paragraph 11 as amended by the corrigendum, and paragraph 13 of the report, and adopted the report (L/4350).

The Director-General referred to paragraph 4 of the Committee's report and recalled that he had informed the Council last February of the difficulties of UNDP in financing in 1976 the GATT commercial policy courses for officials from developing countries. An amount of Sw.F. 150,000 had to be found so as not to renounce the second 1976 course for French-speaking officials. He was pleased to inform the Council that this amount could be raised through voluntary contributions provided by Denmark, the Netherlands, Norway and Switzerland. He expressed his deep gratification to the delegations of these countries and asked them to transmit his thanks, also on behalf of the Council, to their authorities.

The Council took note of the statement.

11. EEC programme of minimum import prices, licences and surety deposits for certain processed fruits and vegetables (C/M/113, L/4321 and Add.1)

The representative of the United States said that at the April meeting of the Council his delegation had referred to bilateral consultations with the European Community under Article XXIII:1 with regard to the EEC decision to implement a system of minimum import prices, licences and surety deposits for certain processed fruits and vegetables. His delegation had pointed out that these measures were inconsistent with the EEC obligations under the GATT, that they nullified and impaired important United States bindings on a number of products covered, and created market uncertainty as well as administrative and financial burdens for United States trade. There was also an important principle involved, as the measures were contrary to the letter and spirit of GATT. He regretted that weeks of bilateral consultations had not led to a satisfactory resolution of the issue. His delegation therefore, referred the matter to the CONTRACTING PARTIES under the provisions of Article XXIII:2 for prompt investigation and appropriate recommendations. He requested that panel of experts be set up at the earliest convenient date to consider the complaint of the United States as spelled out in documents L/4321 and Add.1

The representative of Australia stated that his delegation also had conducted bilateral consultations with the EEC. They shared the United States view as regards the compatibility of the measures with the GATT and supported the United States request for the establishment of a panel.

The representative of the European Communities said that the request for the setting up of a panel had reached his delegation only on the last working day preceding the Council. As there were important matters of principle involved his delegation had not been able to prepare a position. It was his intention to react to the request of a panel as soon as possible.

The representative of the United States stated that this matter had been discussed in thirteen separate consultations since 1969 and had been under discussion under Article XXIII:1 for several weeks. The system was adversely affecting trade and the matter had become urgent to his authorities. He therefore requested the CONTRACTING PARTIES to investigate promptly this matter referred to them. He suggested that the Council could approve in principle the decision to establish a panel, and thereby avoid the need to convene another Council meeting soon for the purpose of setting up a panel.

The representative of Canada supported the establishment of the panel.

The representative of the European Communities repeated that his delegation had not had sufficient time to prepare a position on this matter. If the question had been so urgent the United States should have specified their request when inscribing the item on the agenda ten days before the meeting. There had been other precedents in GATT of adequate time being provided for reflection before a panel was established. The Community had taken note of the proposal on which it would reflect and communicate its position as soon as possible.

The representative of the United States said that this matter had been before the Council since April, and experience in setting up a panel in other cases was irrelevant. As it would take time to agree on the composition of the panel, it was important to his delegation that the Council should agree at this meeting on the establishment in principle of the panel.

The Chairman suggested that in the circumstances, since the delegation of the European Communities was not in a position to accept the establishment of a panel at this meeting of the Council, this matter could best be referred to the next meeting of the Council.

The Council agreed to this.

12. Monetary measures applied by Italy (L/4353, L/4354)

The representative of Italy informed the Council of the new monetary measures adopted by his authorities. He said that the three Ministerial Decrees concerned had been communicated to the contracting parties in document L/4353. These documents related to the frozen deposit requirement for payments abroad; the offer to supply foreign exchange to the Ufficio Italiano dei Cambi; and the foreign exchange financing requirement in respect of short-term export credits. He emphasized that these measures were temporary and were meant to meet a very difficult situation in the foreign exchange market. The measures had been notified to the International Monetary Fund. He stated that the duration of the deposit was limited to ninety days and that it concerned all purchases of foreign currencies against Italian lire, either cash or forward, with a view to settling all foreign transactions in the commercial, financial or services sectors. Some exceptions were foreseen in respect of financial obligations contracted in the past through normal or special banking activities. For purchases of foreign exchange for the payment of imports the only exception related to wheat. He emphasized that the measures were monetary, not trade measures. The obligation of a deposit did not constitute, in his view, a new restriction or a trade barrier. The obligation was effective only at the level of payments and the import régime remained the same as it was before 6 May. These measures were therefore completely different from the Italian measure introduced in 1974.

He explained that a vast speculative movement against the lira had led to an exchange rate depreciation that was out of line with the evolution of domestic prices. The measures of 6 May were therefore necessary to prevent the consequences of a deficiency of the exchange market. The balance-of-payments deficit had reached a record level, massive interventions by the Bank of Italy had led to a very considerable loss of reserves and recourse to new loans had become problematic in the circumstances. The effect of the measures was shown by a stabilization of the lira, the value of which after 6 May rose from 913 lira to 850 lira vis-à-vis the dollar. He emphasized that the measures were not selective import controls but concerned only the exchange market; they were taken in exceptional circumstances and were temporary and non-discriminatory.

The representative of the European Communities said that the situation of the exchange market in Italy and the depreciation of the lira had negative effects not only in Italy but also on intra-Community trade and on trade with third countries. This situation necessitated fast and efficient action by the Italian authorities. The financial aid granted by the Communities to Italy had not sufficed by itself to stem the depreciation of the lira. The Commission had therefore authorized the Italian Government to take certain measures in the monetary field. He underlined that the measures were of a global, exceptional and temporary character; the measures were essentially of a monetary nature and were aimed at the absorption of monetary liquidity in Italy and to avoid more serious repercussions on the international financial market; the measures were applied with regard to all origins. In view of these characteristics the measures could not be assimilated to a mechanism protecting national production. The measures would expire on 5 August this year.

The representative of the International Monetary Fund confirmed the situation as described by the representative of Italy. He communicated to the Council the Fund's decision on this matter.

A number of representatives expressed their delegations' appreciation for the information provided and noted with satisfaction that the measures had already had some favourable effects and were applied in a non-discriminatory manner. They pointed out that the measures had trade effects which were of legitimate concern to GATT. They considered therefore that the measures should be examined in GATT and suggested that this be done by the Committee on Balance-of-Payments Restrictions at its next regular meeting in September, if the measures would then still be in force. The representative of Canada proposed furthermore that the Council at its next meeting should receive a progress report on developments relating to these measures and on prospects for the termination of the measures at the stated period.

The representative of Italy expressed his appreciation for the understanding of Italy's problems shown by the Council. He reiterated that the measures were of a limited nature and that his authorities had avoided any other measures which could have affected the situation. He agreed that the matter could be discussed again at one of the next meetings of the Council.

The representative of the European Communities said that the measures were relatively simple and did not require therefore a detailed examination. In these circumstances he considered that the matter might be kept on the agenda of the Council.

The Council agreed to keep the monetary measures applied by Italy on the agenda of its next meeting and took note of the statements made.

13. Australia - Import measures on steel sheets and certain textiles

The representative of Japan, raising a matter under Other Business, recalled that the Australian Government in March 1976 had eliminated quota restrictions on hot-rolled sheets and plates of iron and steel, which had been introduced under the provisions of Article XIX. His delegation therefore regretted that Australia had decided, on 9 June 1976, to introduce tariff quotas on cold rolled sheets and plates of iron and steel and on galvanized steel sheets. He pointed out that a number of countries in the face of economic difficulties had refrained from having recourse to trade restrictive measures. Secondly, the Australian Government had also decided to maintain and expand its tariff quotas on certain textile products. In his view the tariff rates on these textile products outside the quota were prohibitively high and the tariff quotas introduced had a trade restrictive effect similar to quantitative restrictions. These tariff quotas therefore constituted additional trade measures, referred to in Article 9:1 of the Multifibre Arrangement, which had the effect of nullifying the objectives of the Arrangement. Referring to Article 1:6 of the Arrangement, which provided that the rights and obligations of participating countries under the GATT were not affected, he expressed the hope that participating countries would not make use of this provision for trade restrictive purposes. He also expressed the hope that the Australian Government would eliminate all these measures at the earliest opportunity.

The representative of Australia said that he had not yet received detailed information on the new measures. Australia's position in relation to tariff quotas under the GATT and the Multifibre Arrangement was well-known and had been discussed before.

The Council took note of the statements.

14. Working Party on Trade with Romania

Mr. Bier (Brazil), Chairman of the Working Party on Trade with Romania, recalled that the CONTRACTING PARTIES had agreed in November 1975 to defer the second biennial consultation under the Protocol of Accession of Romania, which should have taken place in 1975, to the first half of 1976. In informal contacts between delegations principally concerned, it had been agreed that, for technical reasons, it would be advisable to postpone once more the consultations. He suggested therefore that the second biennial consultation with Romania be held before the end of 1976.

The Council approved the postponement.

15. Agreements between the EEC and Algeria, Morocco and Tunisia

The representative of the European Communities informed the Council of the conclusion of co-operation agreements between the European Community and Algeria, Morocco and Tunisia. The agreements had been signed on 25 April 1976 with Tunisia, on 26 April 1976 with Algeria and on 27 April 1976 with Morocco. The agreements provided for co-operation in the field of economic, financial, technical and social development as well as in the areas of manpower and trade. The agreements were of an undetermined duration but provided for a general review, the first of which should take place in 1978. At the same time three interim agreements had been signed permitting the anticipated entry into force, on 1 July 1976, of the provisions relating to trade between the European Communities and Algeria, Morocco and Tunisia. In the commercial field the objective of the Agreements was to promote trade between the parties, taking account of the level of development and the need to ensure a better equilibrium in the trade of the three Maghreb countries, so as to accelerate their trade growth and improve conditions of access for their products in the Community market. The texts of the three agreements would be notified as soon as possible.

The Council agreed to revert to the matter when the texts of the agreements had been made available.

In view of the interest expressed by the delegations of Algeria and of Morocco in being represented when the Agreements between their countries and the EEC were examined, the Council authorized the Director-General to address an invitation to the representatives of Algeria and of Morocco to be represented by observers at such examination.

16. United States - Import restrictions on specialty steel

The representative of the European Communities, under Other Business, referred to the import restrictions and associated measures announced by the United States for specialty steel. The Community reaffirmed the position already conveyed to

the United States in January and March 1976 that the difficulties experienced by the specialty steel industry in the United States were mainly attributable to a falling off in internal demand due to the worldwide recession. The steel industry in the Community had experienced similar difficulties of a cyclical character. He stressed that Community steel exports had not caused or threatened to cause material injury to the United States industry. The Community could not accept that the protective measure was in conformity with the United States obligations under the GATT. It considered that the measure nullified or impaired its rights under the GATT and reserved its rights under Article XIX of the General Agreement. The Community would follow closely the development of trade in this sector and keep the implementation of the restrictions under constant review with particular regard to their non-discriminatory application, the treatment of the Community as a whole, the limits and growth rates set for the overall levels of imports from the Community, the initial product mix and subsequent adaptations, the possibility of carryover of unused portions of the quotas and other relevant factors. This should enable the Community to determine to what extent the Community's trade suffered harmful effects with a view to the possible exercise of their right under Article XIX to proceed to withdrawals substantially equivalent to the trade lost as a result of these restrictions.

The representatives of Sweden, Canada and Austria also expressed their concern and dissatisfaction at the decision made by the United States Government on imports of specialty steel. They would carefully analyze the effects of the restrictions on their trade with the United States and reserved all their rights under the GATT. They would wish to revert to this matter at the appropriate time.

The representative of the United States explained that the decision to introduce the import control programme for specialty steel was based on a determination by the International Trade Commission that increased imports were a substantial cause of serious injury to domestic industry. The Commission's determination was preceded by a six-month investigation which included a public hearing at which representatives of the industry and exporting countries could present their views. His delegation had notified the findings to the CONTRACTING PARTIES and had conducted detailed consultations with the interested contracting parties to assure that the concern of exporting countries was taken into account when arriving at a decision. Thus the import control programme had been set up for a period of three years rather than the five years recommended by the ITC. There would furthermore be a review of the programme at the time when domestic industry would regain a healthy level of production and employment. He said that the possibility therefore existed that the programme might be terminated before the end of the three-year period. Details of the measures would be notified to the CONTRACTING PARTIES as soon as possible. He emphasized that the action was a special case affecting only 2 per cent of total steel imports and did not constitute a change from the basic trade policy of the United States. This was shown by the record under the import relief provisions of the 1974 Trade Act. His Government had taken only one import action out of twelve proceedings and special assistance measures had been widely applied.

The representative of Argentina enquired whether provisions in the 1974 Trade Act which provided for the possibility of giving special consideration to developing countries in the case of non-tariff measures, were applicable in the specialty steel case.

The representative of the United States said that Section 102 of the Trade Act provided for the possibility of giving differential treatment to developing countries in negotiated agreements on non-tariff measures in the MTN. With regard to Article XIX action, however, the rules of GATT had to be followed. He pointed out that there existed provisions for new suppliers which would permit some flexibility in respect of developing countries.

The Council took note of the statements.

17. International Meat Consultative Group

The Chairman said that Mr. Falconer (New Zealand), Chairman of the International Meat Consultative Group, had been assigned to other functions by his Government and had left Geneva. He proposed that Mr. Gifford (Canada) be nominated as the new Chairman of the International Meat Consultative Group.

The Council agreed to this nomination.