

# GENERAL AGREEMENT ON TARIFFS AND TRADE

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CONTRACTING PARTIES  
Twenty-Eighth Session

## COUNCIL OF REPRESENTATIVES

### Report on Work since the Twenty-Seventh Session

In accordance with the Decision of 4 June 1960 establishing the Council of Representatives, the Council is required to report to the CONTRACTING PARTIES on the matters considered between sessions of the CONTRACTING PARTIES. It will be recalled that the task of the Council was enlarged at the twenty-fifth session of the CONTRACTING PARTIES, when it was agreed that the Council should undertake a wider range of work. In addition, the Council has been authorized to supervise all aspects of the Work Programme for Expansion of International Trade agreed upon by the CONTRACTING PARTIES at their twenty-fourth session.

In carrying out its task the Council has held seven<sup>1</sup> meetings since the twenty-seventh session in November 1971. The minutes of these meetings have been issued in documents C/M/75-81. Adoption of this report, which summarizes the action taken by the Council, will constitute approval by the CONTRACTING PARTIES of that action. In respect of the subject dealt with in paragraph 31 a specific decision of the CONTRACTING PARTIES is necessary. The draft decision recommended by the Council for adoption is attached to this report.

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<sup>1</sup>A further meeting of the Council is to be held on 31 October to deal with a matter which could not be considered at the meeting of 25 October 1972 (see item 32(c)). The report of the Council on that meeting will be included in L/3761/Add.1.

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1. Multilateral Trade Negotiations (C/M/76, 78, 79)

At its meeting on 7 March 1972 the Council had a discussion on the joint Japan-United States statement on International Economic Relations of 9 February 1972, and the Joint European Community-United States Declaration of 11 February 1972, transmitted to the CONTRACTING PARTIES in documents L/3669 and L/3670 respectively. The Council also had before it the declaration of the Swiss authorities in document L/3675 dated 23 February 1972. Particular attention was drawn to several aspects of the declarations; the undertaking to initiate and actively support multilateral comprehensive negotiations in the framework of GATT beginning in 1973, subject to such internal authorization as might be required; the statement that the negotiations would be conducted on the basis of mutual advantage and mutual commitment, with overall reciprocity and covering agricultural as well as industrial trade; the agreement that progress in GATT in solving problems in 1972 could facilitate the way in GATT for this major 1973 initiative; the statement that special attention should be given to the problems of developing countries and the agreement to analyze and evaluate in 1972 alternative techniques and modalities for mutual negotiations of long-term problems affecting all elements of world trade.

The delegations of all the major developed trading nations welcomed the initiatives and expressed their intention of joining in the undertaking to initiate and actively support multilateral and comprehensive negotiations in the framework of GATT beginning in 1973. Representatives of developing countries, while expressing appreciation of the initiatives also made it clear that their association with the undertakings was conditional upon the details to be applied to their participation. They needed more information in particular with regard to the techniques and modalities to be worked out for the 1973 negotiations. There was widespread support for the proposal that, in 1972, solutions to current trade problems should be actively sought in the GATT and an analysis and evaluation undertaken of alternative techniques and modalities for multilateral negotiations on long-term problems. The Council agreed that attention had to be given to the problems of developing countries, including the special modalities that would be required for the participation of these countries in the negotiations.

At its meeting on 27 June 1972 the Council took note of UNCTAD III resolutions which were adopted at the Santiago conference and which related to GATT, in particular to the trade negotiations proposed for 1973. During the discussion many delegations expressed their support for enabling non-contracting parties to participate in the preparatory work for the multilateral trade negotiations.

At its meeting on 26 July 1972 the Council was informed about arrangements regarding the association of developing countries which were non-contracting parties with the preparatory work for the multilateral trade negotiations. In response to a letter (L/3718) sent by the Director-General to the developing countries concerned, a number of these countries had already replied and had indicated their interest in being associated with the preparatory work. These developing countries were invited to attend the meetings of the Agricultural Committee, the Committee on Trade in Industrial Products and the Committee on Trade and Development. Arrangements had also been made for non-member developing countries to attend meetings of any of the groups established by the Committee on Trade in Industrial Products or the Agriculture Committee.

2. Committee on Trade in Industrial Products (C/M/81)

The Committee on Trade in Industrial Products which, together with the various sub-groups established by it, had held several meetings since the twenty-seventh session, presented its report (L/3756) to the Council on 25 October 1972. The report dealt with techniques and modalities for further negotiations, with work on ad referendum solutions to problems raised by selected non-tariff barriers and with work of the Working Party on the Tariff Study.

The Committee had expressed the opinion that the opportunity should be taken of obtaining from the CONTRACTING PARTIES at their forthcoming session guidelines for the future multilateral negotiations in order to facilitate its further work which would be taken up again soon after the session.

The point was made in the Council that in transmitting the report to the CONTRACTING PARTIES emphasis be given to the need to develop a more precise identification of the objectives of the multilateral trade negotiations, so as to permit that special techniques and modalities be conceived to take account of the needs of developing countries. The needs of developing countries should also duly be taken into account in elaborating solutions to problems raised by selected non-tariff barriers.

The Council agreed to refer the report to the CONTRACTING PARTIES for their consideration and adoption at the twenty-eighth session.

3. Agriculture Committee (C/M/81)

The report of the Agriculture Committee (COM.AG/25) was presented to the Council on 25 October 1972. The report contained a survey of techniques and modalities for dealing with the principal problems of trade in agricultural commodities and reflected the importance which the Committee felt should be attached to solving the specific problems of developing countries. The Committee had expressed the opinion that the opportunity should be taken of obtaining from the CONTRACTING PARTIES at their forthcoming session, guidelines for the future multilateral negotiations in order to facilitate its further work.

Several representatives of developing countries expressed the hope that the twenty-eighth session of the CONTRACTING PARTIES would give further guidelines for the work of the Committee, decide on the general framework for the forthcoming negotiations and define the objectives for these so that developing countries would know what their possibilities were and could take a decision as to their possible participation. It was also pointed out, however, that the elaboration of guidelines would be a long and complicated process and that the question could only be finally settled in the course of the preparations.

The Council approved the report and agreed to transmit it to the CONTRACTING PARTIES for their consideration and adoption at their twenty-eighth session.

#### 4. Cotton Textiles Committee (C/M/81)

At its meeting on 25 October 1972 the Council considered the 1972 report of the Cotton Textiles Committee (L/3736). The Committee had reviewed the operation of the Arrangement regarding International Trade in Cotton Textiles in accordance with Article 8(c) of the Arrangement.

The Council was also informed that the meeting of the Committee to consider whether the Arrangement should be extended or terminated, would take place when the Committee was more clearly in a position to examine and take a decision on this question.

It was suggested in the Council that the renegotiation of the Arrangement should be conducted within the framework of the multilateral trade negotiations and should aim at bringing the Arrangement in conformity with the provisions of the General Agreement. The hope was also expressed that developed countries could include textiles in their Generalized System of Preferences.

The Council adopted the report of the Cotton Textiles Committee.

#### 5. International Trade in Textiles

##### Working Party on Trade in Textiles (C/M/77, 78)

At the Council meeting on 29 May 1972 the Director-General pointed out that for several years already the situation in the textiles field had been unsatisfactory. Since the beginning of the year, however, the climate in international trade relations had improved and, in his view, the moment had now come to begin working on the textiles problem in a multilateral framework and on the basis of the principles and objectives of the General Agreement. He proposed the establishment of a working party open to all interested countries, the purpose of which would be to determine the factual situation, i.e. to determine and analyze the economic, technical, social and commercial factors which influenced world trade in textiles, distinguishing the various textile sectors, both according to

the fibres used and according to the degree of processing. This work should be undertaken without any preconceived ideas and without prejudicing the question as to whether it should have a follow-up and, if so, what. It could reasonably be expected that the Working Party could present a report before the end of the year. Several representatives expressed appreciation of the Director-General's proposal and gave their preliminary views. The Director-General was asked to present his proposal in written form to the next Council.

On 27 June 1972 the Council continued its discussion on the basis of the proposal in document C/W/202/Rev.1. It established a Working Party on Trade in Textiles as proposed in document C/W/202/Rev.1 and appointed the Director-General as Chairman of the Working Party. The Working Party was to be open to all interested countries. In elaborating its work programme it was to take account of the suggestions made in document C/W/202/Rev.1 as regards certain elements that could be included in the study and of the views expressed by contracting parties in the Council.

6. Anti-Dumping Practices

(a) Committee on Anti-Dumping Practices (C/M/81)

At its meeting on 25 October 1972 the Council received the fourth report of the Committee on Anti-Dumping Practices relating to the period September 1971-September 1972 (L/3748).

Taking into account the comments made at the twenty-seventh session of the CONTRACTING PARTIES, the Committee had made its report more comprehensive to bring out more clearly the main points that had arisen in the Committee's discussions.

The Council adopted the report.

(b) Working Party on the Acceptance of the Anti-Dumping Code (C/M/81)

The Working Party, established in September 1970, to study the particular problems of developing countries in adhering to the Code, had held a second meeting in September 1972. The Chairman of the Working Party reported to the Council on 25 October 1972 on progress made in the Working Party. The discussion would be continued at a further meeting.

The hope was expressed in the Council that at the next meeting agreement could be reached on the outstanding issues, which would enable developing countries to adhere to the Code.

The Council took note of the Chairman's report.

7. International Trade Centre - Report of the Joint Advisory Group (C/M/76)

At its meeting on 7 March 1972 the Council considered the report from the Joint UNCTAD/GATT Advisory Group on the International Trade Centre on its fifth session (ITC/AG/23). The Group had recommended that a Technical Committee be again convened, prior to the sixth session of the Advisory Group, which would permit the Advisory Group to concentrate on broader policy issues. The Group had generally endorsed the work programme proposed for the International Trade Centre for 1973. The Council approved the recommendation of the Advisory Group relating to the work programme for 1973 and adopted the report.

8. Balance-of-Payments Import Restrictions

(a) Committee on Balance-of-Payments Restrictions (C/M/75)

At its meeting in January 1972 the Council nominated Mr. Dunkel (Switzerland) as Chairman of the Committee on Balance-of-Payments Restrictions.

(b) South African Import Restrictions (C/M/75, 76, 79, 81)

At its meeting of January 1972 the Council considered the decision of the Government of South Africa to invoke Article XII and to intensify its remaining import restrictions as a means of safeguarding its external financial position and its balance of payments (L/3638). Since the Committee on Balance-of-Payments Restrictions had already made arrangements for a consultation with South Africa, the Council had only a preliminary discussion on the matter and agreed to revert to it at its next meeting.

At its meeting on 7 March 1972 the Council considered the report of the Committee on Balance-of-Payments Restrictions on its consultation with South Africa (BOP/R/59). The Committee had generally agreed that the circumstances prevailing in mid-November 1971 had been such as to justify action at that time by South Africa. Since then, however, South Africa had devalued the rand. There was therefore a feeling that, as a result of South Africa's devaluation, the intensified import restrictions introduced in November 1971 had been rendered excessive, if not redundant. However, it appeared premature to pass judgment on the severity of the intensified restrictions pending disclosure of the amount of 1972 permits to be issued in April-May. The Committee had therefore felt that the matter should be looked into again when the effects of the devaluation became clearer and the data on the issue of 1972 permits became available and it had urged the South African Government to make every effort to remove the restrictions as rapidly as possible. The Council decided to keep the matter under review and requested the Committee to reconvene before the middle of 1972, in order to continue the consultation.

The Committee on Balance-of-Payments Restrictions resumed its consultation with South Africa in June 1972, and presented its report (BOP/R/63) to the Council in July 1972. The Committee considered that the present balance-of-payments position of South Africa no longer justified recourse to Article XII.

The representative of South Africa informed the Council that his Government had decided to discontinue its recourse to Article XII as justification for its remaining import restrictions (L/3730). It had also decided on further substantial relaxation of import restrictions. The Council welcomed these measures, and urged South Africa to eliminate fully the intensified restrictions of November 1971 and to proceed as promptly as possible with further liberalization of import restrictions, which were in effect prior to November 1971. The Council adopted the Committee's report.

At its meeting of 25 October 1972 the Council was informed by the representative of South Africa of new currency measures taken by his Government. At the same time his Government had announced a very substantive relaxation of import control measures, the details of which would be submitted within a few days. It was expected that early next year further liberalization measures could be taken.

Members of the Council welcomed the information and expressed the hope that further liberalization measures could be taken soon.

The Council agreed to retain the item on the agenda to consider the new information, if necessary.

(c) Consultations on Balance-of-Payments Import Restrictions (C/M/79)

In June 1972 the Committee on Balance-of-Payments carried out consultations with Argentina, Finland and New Zealand. The reports on these consultations were presented to the Council in July 1972 in the following documents:

Argentina	(BOP/R/62)
Finland	(BOP/R/61)
New Zealand	(BOP/R/60)

The Committee agreed that the import restrictions applied by Argentina did not exceed the extent necessary in terms of the provisions of Article XVIII:B, but expressed the expectation that Argentina would work steadily towards the removal of the restrictions as circumstances permitted. The Committee expressed the hope in the case of Finland that it would continue to reduce its reliance on

import restrictions. In the case of New Zealand, the Committee urged the New Zealand Government to substantially accelerate the review of removal of the remaining restrictions, imposed under Article XII.

The Council adopted the reports.

9. Denmark - Temporary Import Surcharge (C/M/75)

The Working Party established in November 1971 to examine the Danish temporary import surcharge presented its report (L/3648) to the Council at its meeting on 12 January 1972. The Working Party had examined the balance-of-payments and reserve position of Denmark and had recognized that Denmark was in a serious balance-of-payments situation. The Working Party, while noting the contrary views of the Danish delegation, had expressed its concern that Denmark had introduced the surcharge, given the delicate international trade and monetary situation, and had urged the Danish Government to remove the surcharge at an earlier date than that provided in the relevant legislation, if improved conditions, including those in the international monetary field, should so warrant. Without prejudice to the legal issues involved, the Working Party had noted that imports under the Danish general preference scheme would be exempted from the surcharge.

Many representatives in the Council commented favourably on the fact that products included in the Danish Generalized System of Preferences had been exempted from the surcharge. A number of representatives expressed concern that these exemptions did not include products from all developing countries. Some other members said that the discrimination created by these exemptions gave cause for concern. Many representatives urged Denmark to reconsider the timetable for the elimination of the surcharge in the light of the fact that since its introduction the international monetary situation had substantially improved.

The Council adopted the report of the Working Party and its conclusions and agreed that the matter should be kept on its agenda so that any member of the Council could at any time ask for its inclusion in the agenda.

10. United States Temporary Import Surcharge (C/M/75)

At its January 1972 meeting the Council's attention was drawn to a notification by the United States that the United States temporary import surcharge had been terminated as of 20 December 1971 (L/3647). A later communication from the United States had confirmed that as a result of the removal of the import surcharge the Job Development Investment Credit would also be applicable to foreign goods.

The Council expressed satisfaction at the termination of these measures.

11. Article XIX Action

United States - Ceramic Tableware (C/M/78)

At the meeting of 27 June 1972 the representative of Japan drew the attention of the Council to document L/3700 concerning United States action under Article XIX with regard to imports of certain ceramic tableware articles. The Japanese Government expressed the view that these imports had not caused any serious injury and hoped that the United States would be able to withdraw this measure as soon as possible and reserved their rights under Article XIX.

The United States representative stated that there was a situation of serious injury to the domestic earthenware industry since the share of imports of the goods in question had increased by 33 per cent between 1966 and 1970, reaching 54 per cent of the United States market, although domestic consumption had remained constant. Domestic employment had decreased by 20 per cent during the 1968-1970 period.

The Council took note of the matter.

12. Article XXIII: recourse to

(a) European Economic Community - Compensatory Taxes (C/M/79,80)

At the meeting of 26 July 1972 the Council considered the invocation by the United States of Article XXIII:2 of the General Agreement in connexion with the imposition of compensatory taxes in excess of rates of duty bound by the European Economic Community (L/3715). The United States referred to the system established by the Community of compensatory taxes on imports and exports between member States and with third countries, in order to offset the effects of exchange rate changes on the common agricultural policy. However, in the case of many products the compensatory amounts collected on imports had been in excess of the total charges which the Community was entitled to collect under GATT bindings and were thus in violation of Article II. The value of United States trade affected by these measures amounted to more than \$40 million, and the Council was asked to recommend the immediate elimination of these taxes.

The representative of the EEC informed the Council that the purpose of the compensatory amounts was corrective and not protectionist. The amounts represented the difference between the official parity and the actual exchange quotations recorded for the US dollar and they were introduced as a result of the monetary events. The measures were part of a system for maintaining price levels expressed in national currencies, under which they could be applied either in the form of a charge on imports, in the case of a revaluation, or in the form of an import subsidy, in the case of devaluation.

The EEC had made a further review of the situation and had decided that it was possible to abolish the compensatory amounts for a very large number of products. That decision was to come into force on 31 July 1972. Following that date United States exports to member States affected by the compensatory amounts would represent only about half a million dollars.

At the meeting of the Council in September 1972 the representative of the EEC emphasized that the Community would make every effort to abolish the compensatory amounts on the remaining items as soon as circumstances permitted. The United States representative reserved the right to raise the matter again.

The Council agreed not to pursue the matter at this stage.

(b) United Kingdom - Restrictions on Imports of Cotton Textiles  
(C/M/79, 80, 81)

At the meeting of the Council in July 1972 the representative of Israel introduced his Government's complaint (L/3741) regarding restrictions maintained by the United Kingdom on imports of cotton textiles from Israel. At its meeting of 19 September the Council began to investigate the matter in accordance with the provisions of Article XXIII:2.

The representative of Israel pointed out that the Cotton Textiles Committee had concluded that the United Kingdom quota system introduced in 1966 did not fall within the terms of the Long-Term Arrangement. On the understanding that the system would be abolished, as originally envisaged, on 1 January 1972 Israel had refrained from making any earlier representations. Since, however, the restrictions had been maintained after January 1971, Israel had made written representations to the United Kingdom Government, but no satisfactory adjustment of the matter had been effected.

The United Kingdom representative felt that the matter should first have been considered by the Cotton Textiles Committee. He suggested moreover that a meeting of Israeli and United Kingdom Ministers, which was to take place shortly, would provide a useful opportunity to discuss the matter.

The representative of Israel accepted that consideration by the Council for the establishment of a panel be postponed until after the ministerial meeting. The Council agreed to wait for the results of these further consultations.

On 25 October 1972 the representative of Israel informed the Council that these further consultations had not led to a satisfactory adjustment of the matter. The Council agreed to establish a panel of experts and to refer the matter to the panel for their prompt investigation.

(c) French Import Restrictions (C/M/80,81)

At the meeting of the Council in September 1972 the representative of the United States recalled that in November 1962 his delegation had referred to the CONTRACTING PARTIES a matter relating to import restrictions maintained by France. The CONTRACTING PARTIES recommended to France the withdrawal of the restrictions inconsistent with article XI and also recommended to the United States that it refrain, for a reasonable period of time, from exercising its right under Article XXIII:2 to propose suspension of the application of equivalent obligations or concessions. After having continued over several years bilateral discussions with France without obtaining full satisfaction, the United States now proposed to suspend tariff concessions on products of French origin having in the United States view, a trade coverage of approximately US\$12.2 million.

The Council, having received the proposal of the United States, set out in document L/3744, reaffirmed the conclusions and recommendations of the CONTRACTING PARTIES, as set out in paragraphs 6 and 7 of the Report of the Panel of 14 November 1962, and in particular the entitlement of the United States to make a proposal regarding the suspension of the application to France of equivalent obligations and concessions, in accordance with the provisions of paragraph 2 of Article XXIII.

The Council welcomed the willingness of the parties concerned to consult with a view to reaching agreement on the amount of trade coverage involved.

The Council stood ready to hear a report from the parties concerned at its next meeting so as to determine what appropriate action would be necessary in accordance with the provisions of paragraph 2 of Article XXIII.

On 25 October 1972 the Council was informed that consultations between the parties concerned were still continuing. The Council agreed to revert to the matter at its next meeting.

(d) United Kingdom Dollar Area Quotas (C/M/81)

At the meeting of the Council on 25 October 1972, the representative of the United States introduced his Government's complaint (L/3753) against the maintenance by the United Kingdom of quantitative import restrictions on certain products when being imported from the United States and certain other dollar area countries.

The Council agreed that consultations should take place in the meantime so as to facilitate further consideration of the matter at its next meeting.

13. Main Findings Concerning Trade at Most-Favoured-Nation and Other Rates  
(C/M/78, 79)

The CONTRACTING PARTIES at their twenty-seventh session decided to ascertain as far as possible the statistical facts concerning their trade at most-favoured-nation and at other rates and requested the secretariat to make the necessary calculations in accordance with the directives given by a working party. The main findings, derived from import statistics of thirty-three contracting parties and Hong Kong in the years 1955, 1961, 1964 and 1970 were circulated in document L/3708 at the Council meeting of June 1972. The Council agreed to revert to the matter at a later meeting.

At the July 1972 meeting some representatives made comments on the findings and suggested to continue the work at a later stage. The Council took note of the findings.

14. Customs Unions and Free-Trade Areas: Regional Agreements

(a) Procedure on notification of newly established customs unions and free-trade areas (C/A/77, 78, 79, 80, 81)

At its meeting in May 1972, the Council was invited by the representative of the United States to adopt a "rule of reason" for the procedural handling of the submission and examination of basic information concerning newly established free-trade areas or customs unions. In principle, the Council should include such agreements in the agenda of its first meeting after the signing of the agreements and should establish the time-table and procedure for their examination.

The question was further considered at the meetings of the Council of June, July, September and October 1972.

The Council notes that Article XXIV:7(a) of the General Agreement requires that any contracting party deciding to enter into a customs union or free-trade area or an interim agreement leading to the formation of such a union or area shall promptly notify the CONTRACTING PARTIES.

Without prejudice to the legal obligations to notify in pursuance of Article XXIV, the Council decides to invite contracting parties that sign an agreement falling within the terms of Article XXIV, paragraphs 5 to 8, to inscribe the item on the agenda for the first meeting of the Council following such signature, to the extent that the advance notice of ten days prescribed for inclusion of items in the agenda can be observed. Inclusion of the item should allow the Council to determine the procedures for examination of the agreement.

(b) Regional agreements - Calendar of Biennial Reports (C/M/76)

At their twenty-seventh session the CONTRACTING PARTIES instructed the Council to establish a calendar fixing dates for the examination, every two years, of the reports on regional agreements (SR.27/12 page 167).

At its meeting of 7 March 1972 the Council considered this matter and agreed on a time-table by which the contracting parties members of a regional agreement would be invited to submit a biennial report on developments under the agreement concerned. The time-table is reproduced in document L/3682.

It was understood that the Council would remain free to amend and modify the time-table if considered appropriate in the light of circumstances. The secretariat was requested to get in touch with the contracting parties concerned and, if appropriate, with the secretariats of the regional groupings, on this matter.

15. Customs Unions and Free-Trade Areas; Regional Agreements - Information on Developments Furnished by Member States

(a) Latin American Free-Trade Association (C/M/76)

At its meeting in March 1972 the Council took note of a report presented by the contracting parties members of the Latin American Free-Trade Association on the work of the Association during 1970 (L/3661). The report also covered the operation of the Cartagena Agreement.

In order to permit contracting parties to follow up developments on matters of particular interest to them the Council agreed to the possibility of submitting questions to the Latin American Free-Trade Association through the secretariat.

(b) Central African Economic and Customs Union (C/M/81)

On 25 October 1972 the Council noted that no biennial report on developments under the Central African Economic and Customs Union had been received.

(c) Central American Common Market (C/M/81)

On 25 October 1972 the Council noted that no biennial report on developments under the Central American Common Market had been received.

(d) Association between the European Economic Community and Greece (C/M/77)

At its May 1972 meeting the Council considered a report on the Association between the EEC and Greece (L/3689). During the discussion, additional data on the effects of the Agreement on the trade of third parties and on progress achieved so far was requested in the form of a supplementary report. The parties to the Agreement agreed to supply this information to the extent possible.

The Council took note of the report.

(e) Association between the European Economic Community and the African and Malagasy States (C/M/81)

On 25 October 1972 the Council was informed that the biennial report on developments under the Association Agreement would be submitted very shortly.

(f) Associations between the European Economic Community and Tunisia and Morocco (C/M/81)

On 25 October 1972 the Council was informed that the biennial reports on developments under these Association Agreements would be submitted very shortly.

16. European Economic Community - Accession of Denmark, Ireland, Norway and the United Kingdom (C/M/76)

At their twenty-seventh session the CONTRACTING PARTIES expressed their interest in the conclusion of negotiations in connexion with the accession of a number of European countries to the Treaty of Rome. They requested the Director-General to consult, at the appropriate time, with interested contracting parties for the purpose of formulating and submitting to the Council terms of reference for a working party (SR.27/12, page 167).

At its meeting on 7 March 1972 the Council received a communication from the Council of the European Communities notifying the legal instruments establishing the modalities of accession of Denmark, Ireland, Norway and the United Kingdom to the European Communities. Similar communications were received from the Governments of the four acceding countries.

The representatives of the EEC and the acceding countries expressed their conviction that the enlargement of the Communities would contribute to the expansion of trade. The examination of the relevant provisions of the instruments of accession would have to deal with the extension of a customs union already in existence to other members. Careful consideration should be given to the fact that the instruments were still subject to internal ratification procedures.

During the discussion apprehension was expressed over the possible effects of the enlargement on the trade of third countries. Furthermore, the accession of the United Kingdom would result in a loss of Commonwealth preferences in the United Kingdom market. According to Article XXIV of the GATT, duties and other regulations of commerce should, on the whole, not be raised and existing preferences should not be affected. They might be eliminated or adjusted by means of negotiations.

The spokesman for the enlarged Communities emphasized that the provisions of Article XXIV permitted maintenance of preferences after formation of a customs union and permitted, but did not oblige, the granting of compensation for the withdrawal of preferences.

The Council agreed to set up a working party, open to all contracting parties and to be chaired by Mr. Kitchara (Japan), with the following terms of reference:

"To examine, in the light of the relevant provisions of the General Agreement on Tariffs and Trade, the provisions of the legal instruments establishing the modalities of accession to the European Communities by Denmark, Ireland, Norway and the United Kingdom and to report to the CONTRACTING PARTIES."

Since the establishment of the Working Party the Norwegian Government has withdrawn its application for membership and is seeking negotiations with the European Community aiming at the creation of a free-trade area.

The Working Party has met a number of times to discuss the necessary preparations of its work.

Several members of the Working Party urged the enlarged Communities to provide information on the preferential duties of acceding countries in relation to paragraph 5(a) of Article XXIV and in the field of agriculture, in order to permit an assessment of the incidence of variable levies and other measures applied. They also considered that the secretariat should be entrusted with the task of consolidating the information to be supplied by the Communities and by other members and stressed the necessity of accelerating the work of the Working Party.

The spokesman for the enlarged Communities pointed out that the preferences in question were merely tolerated by the General Agreement; they were not mentioned in Article XXIV:5(a), and the provisions referred to the "general incidence", from which one could conclude that the examination under paragraph 5:(a) should concern only most-favoured-nation duties. In addition, the Community stated that in its view the documentation furnished fulfilled the obligations deriving from Article XXIV and went well beyond what had been furnished within GATT before. In the view of the Community, the secretariat could not be requested to consolidate data unless there was no objection from any member of the Working Party.

17. European Free Trade Area Agreements (C/M/80, 81)

At its meeting of 19 September 1972 the Council was informed of the conclusion of negotiations between, on the one hand the European Economic Community, the European Coal and Steel Community, the present and acceding member States of the European Communities and, on the other hand, the governments of each of the following countries: Austria, Finland, Iceland, Portugal, Sweden and Switzerland, leading towards the establishment of six free-trade areas. The final texts of the agreements would be communicated as soon as possible.

On 25 October 1972 the Council was informed that the texts of the Interim Agreements between the European Communities and Austria and the Agreements between the European Communities and Switzerland and Liechtenstein had already been transmitted to the secretariat.

18. Association between the European Economic Community and Malta (C/M/75, 77)

In April 1971 the Council considered the Agreement of Association between the EEC and Malta and established a working party to carry out a more detailed examination of the provisions of the Agreement.

The Working Party carried out the examination in February 1972 and submitted its report (L/3665) to the Council at the meeting in May 1972. The Council adopted the report and noted the differences of view expressed on the legal issues involved and that contracting parties had reserved their rights under the General Agreement. The Council noted, furthermore, the assurances of the parties to the Agreement that they would, in accordance with the Calendar of Biennial Reports on Regional Agreements, submit reports on its implementation. The first such report would be expected in April 1974.

19. Association between the European Economic Community and Tanzania, Uganda and Kenya (C/M/77, 79, 81)

In September 1970 the Council initiated consideration of the provisions of the Agreement of Association between the EEC and Tanzania, Uganda and Kenya and established a working party to carry out a more detailed examination. The Working Party met in July 1972 and submitted its report (L/3721) to the Council in July 1972.

In the light of the fact that the representatives of the East African States were not able to attend the meeting, the Council agreed only to open the discussion and to revert to the matter again at a subsequent meeting in the autumn so as to give a full opportunity to the East African States to present their views.

The Council resumed its considerations on 25 October 1972. The representative of the East African States described the importance of the Association Agreement for the development of the three countries. Other representatives expressed full sympathy with the aims and objectives of the East African States. Concern was expressed on the effects of the Association on other developing countries. The parties to the Agreement were urged to recognize that the Association did not lead towards a free-trade area and to drop their incorrect interpretation of the provisions of the General Agreement. The representative of the Community drew attention to the fact that the Agreement was of an interim nature and would be newly negotiated within the framework of the enlarged Community.

The Council noted the important differences of view amongst contracting parties with regard to the compatibility of the Association Agreement with the provisions of the General Agreement, as set out in the report of the Working Party. The Council adopted the report.

20. Association between the European Economic Community and Turkey (C/M/75, 81)

In October 1971 the Council initiated the consideration of the provisions of the Additional Protocol between the European Economic Community and Turkey of 23 November 1970 and established a working party to carry out a more detailed examination. The Working Party met in September 1972 and submitted its report to the Council on 25 October 1972.

The Council

- (a) adopted the report of the Working Party;
- (b) noted the diverging views which existed with regard to the compatibility of some dispositions of the Additional Protocol with the General Agreement;
- (c) noted with satisfaction that the parties to the Ankara Agreement were ready to furnish information in accordance with Article XXIV:7(a) as the evolution of the Association proceeded and that other information would be supplied in conformity with the procedures agreed upon by the CONTRACTING PARTIES;
- (d) noted that the present conclusions were without prejudice to the responsibilities of the CONTRACTING PARTIES under the General Agreement or to the rights of contracting parties under the relevant provisions of the General Agreement.

21. Trade Arrangements between India, Egypt and Yugoslavia (C/M/77)

The Decision of 20 February 1970 requests the States participating in the Trade Expansion and Economic Cooperation Agreement between India, Egypt and Yugoslavia to report on the operation of the Agreement, in order to enable the CONTRACTING PARTIES to carry out an annual review of the Decision. The report on the third year of operation of the Agreement (L/3696) was presented to the Council at its meeting in May 1972. The Council took note of the report and noted that, as the Decision is to expire no later than 31 March 1973, the next annual review has to take place in early 1973.

22. Waivers under Article XXV:5

- (a) India - Regulatory Duty (C/M/75, 76, 78)

At its meeting in January 1972 the Council was informed by the representative of India about a recently introduced temporary regulatory duty on imports (L/3654).

In March 1972 the Council considered a request from the Government of India for authorization, in accordance with the provisions of paragraph 5 of Article XXV, to cover the temporary maintenance of the regulatory duty until 30 June 1972. The Council approved the text of a draft decision and recommended its adoption by the CONTRACTING PARTIES. The Decision was adopted by postal ballot on 18 April 1972 (L/3695).

At the Council meeting in June 1972 the representative of India stated the reasons (L/3711) which had compelled his Government to continue the imposition of the regulatory duty for a further period of one year, to 15 May 1973. The Council agreed to extend the waiver, approved the text of a draft decision and recommended its adoption by the CONTRACTING PARTIES. The Decision was adopted by postal ballot on 29 July 1972 (L/3723).

(b) Uruguay - Import Surcharge (C/M/77, 79, 80)

At its meeting in May 1972 the Council considered the extension, until 30 September 1972, of the waiver authorizing the Government of Uruguay to maintain import surcharges in excess of bound duties, in order to permit the Committee on Balance-of-Payments Restrictions to carry out a full examination of the Uruguayan system of import surcharges. The Council approved the text of a draft decision to this effect and recommended its adoption by the CONTRACTING PARTIES. The Decision was adopted by postal ballot on 15 July 1972 (L/3728).

At its meeting in July 1972 the Council considered the report of the Committee on Balance-of-Payments Restrictions (L/3722), in which the Committee proposed an extension of the waiver for a further period subject to certain conditions. In order to enable delegations to obtain further clarification as to the elimination of discriminatory elements in the administration of the surcharge, the Council agreed to revert to the matter at its next meeting.

At its meeting in September 1972 the Council amended the text of the draft decision proposed by the Committee on Balance-of-Payments Restrictions and recommended its adoption by the CONTRACTING PARTIES. The Decision was adopted by postal ballot on 24 October 1972 (L/3757).

(c) Brazil - Renegotiation of Schedule (C/M/81)

By Decision of 27 February 1967 the CONTRACTING PARTIES suspended the application of the provisions of Article II of the General Agreement to the extent necessary to enable the Government of Brazil to apply those rates of duty provided in its new Customs Tariff which exceeded those bound in Schedule III, subject, inter alia, to the condition of conducting negotiations pursuant to Article XXVIII. The time-limit for terminating such negotiations had been extended by Decision of 19 November 1971 until 31 December 1972.

At its meeting of 25 October 1972, the Council was informed by the representative of Brazil of progress made in the renegotiations carried out under the Decision. Negotiations had been concluded with all but two of the interested contracting parties. His delegation hoped to be able to conclude the remaining negotiations before the date of expiry of the Decision.

The Council took note of the information.

23. Reports under Waivers

(a) Australia - Tariff Preferences for Developing Countries (C/M/75)

On 12 January 1972 the Council took note of the fifth annual report on the Australian preference scheme for developing countries (L/3617). The Council's attention was also drawn to document L/3544 containing a request by Romania for inclusion in this preferential arrangement. Since no objections had been received the Council agreed that Romania should be added to the list of countries and territories benefiting from the Australian preference scheme.

(b) Australia - Papua/New Guinea (C/M/81)

At its meeting of 25 October 1972 the Council took note of the eighteenth annual report (L/3729) submitted by the Government of Australia.

(c) Turkey - Stamp Duty (C/M/81)

Under the Decision of 24 August 1969 the CONTRACTING PARTIES waived the provisions of Article II to the extent necessary to enable the Turkish Government to maintain in effect a stamp duty on imports of products in respect of which the duties were bound in the Turkish Schedule.

At its meeting of 25 October 1972 the Council reviewed the annual report (L/3735) submitted by the Government of Turkey under the terms of the Decision.

The representative of Turkey explained the reasons which had forced his Government to decide on the maintenance of the stamp duty until the end of the Third Five-Year Plan, i.e. 31 December 1977. He therefore asked the CONTRACTING PARTIES to extend the waiver so as to enable the Turkish Government to maintain the duty.

The Council agreed to refer the request for an extension of the waiver to the Committee on Balance-of-Payments Restrictions for examination, in consultation with the International Monetary Fund, and requested the Committee, if possible, to carry out the examination and report thereon in the second half of November.

The Council took note of the annual report submitted by the Government of Turkey.

(d) United Kingdom - Special Problems of Dependent Territories (C/M/78)

At its meeting of June 1972 the Council took note of the sixteenth annual report (L/3706) on action taken under the waiver, submitted by the Government of the United Kingdom.

(e) United Kingdom - Waiver from Article I (C/M/78)

At its meeting of June 1972 the Council took note of the seventeenth annual report (L/3707) on action taken under the waiver, submitted by the Government of the United Kingdom.

(f) United States - Agricultural Import Restrictions (C/M/81)

At its meeting on 25 October 1972, the Council carried out the annual review on action taken by the United States under the Decision of 5 March 1955, on the basis of the sixteenth annual report (L/3737) submitted by the United States.

A number of delegations expressed concern that the United States had not relaxed any of the restrictions permitted under the waiver, but had on the contrary, extended certain restrictions. Several delegations expressed the view that the time had now come for a basic review of the waiver.

The Council took note of the sixteenth annual report.

(g) United States - Imports of Automotive Products (C/M/77)

At its meeting of May 1972 the Council took note of the fifth annual report (L/3686) submitted by the Government of the United States.

24. Article XXVIII:1 Renegotiations 1969 (C/M/75)

At its meeting on 12 January 1972 the Council extended until 30 June 1972 the time-limit for the conclusion of renegotiations under Article XXVIII:1 of certain concessions notified by contracting parties in 1969.

25. Accessions

(a) Hungary (C/M/81)

The Council noted that the Working Party on the Accession of Hungary had held three meetings in 1972 in which substantial progress was made. The Working Party is likely to complete its task following conclusion of tariff negotiations between Hungary and contracting parties which have notified their interest in such negotiations.

(b) Colombia (C/M/81)

The Council noted that the Working Party on the Accession of Columbia, established in 1969, had not yet been convened.

(c) Accession of Bangladesh

At its meeting on 25 October 1972 the Council considered the application by the Government of Bangladesh for accession to the GATT in accordance with the provisions of Article XXXIII. The Government of Bangladesh proposed that the terms of accession should reflect the conditions which had prevailed so far. Bangladesh was prepared to accept these conditions, including the tariff concessions which were formerly applicable within the territory of Bangladesh.

Many representatives welcomed the application and considered that in these circumstances there should be no need for further negotiations for accession.

The Council agreed that the application be referred to the CONTRACTING PARTIES for their consideration at the twenty-eighth session and recommended that the item be added to the sessional agenda.

Some representatives dissociated themselves from this decision. They felt that the normal procedures should be followed and a working party be established to examine the external trade regime of Bangladesh.

The Council requested the secretariat to draw up a draft protocol of accession, including the schedule to be attributed to Bangladesh, and a draft decision for consideration by the CONTRACTING PARTIES at the twenty-eighth session.

26. Consultation with Poland under the Protocol of Accession (C/M/77, 81)

The Protocol for the Accession of Poland provides for annual consultations. At its meeting of May 1972 the Council established a Working Party to conduct the fifth annual review and to re-examine the establishment of a date for the termination of the transitional period.

The report of the Working Party was considered by the Council on 25 October 1972. The Working Party had noted with satisfaction the increase in Poland's imports from GATT countries, by 18 per cent, which thus exceeded Poland's import commitment under the Protocol.

The representative of Poland expressed his Government's serious concern that it had again proved impossible to reach agreement on the question of determining a date for the termination of the transitional period. His Government felt that the Polish import commitments were in strict relation to the implementation by

contracting parties of their commitments under the Protocol. His Government reserved the right to draw appropriate conclusions of this situation in due course and maintained its proposal that the date be set by the end of 1974. He further recalled the obligations under the Protocol for contracting parties not to increase the discriminatory element in the quantitative restrictions applied to Poland. He referred in this connexion to a case reflected in the report, in which a contracting party had liberalized certain products without extending the liberalization to Polish products, in violation of the obligations under the Protocol. He also drew attention to the fact that some contracting parties in the notification of remaining restrictions discriminating against Poland did not follow the directives for the form and content of the notifications determined by the Council, so that it was not possible to judge the progress made in the process of eliminating discriminatory restrictions.

Several representatives expressed regret that no terminal date for the maintenance of discriminatory restrictions had been set. They shared the Polish concern and urged the parties concerned that this be done at the next annual review. The obligations under the GATT should be respected in their letter and spirit and this question could not be deferred indefinitely.

Some representatives recalled the reasons for the fact that it had not yet been possible to remove all discriminatory elements, as set out in the report, and the fact that a compromise formula had been proposed. One representative referred to paragraph 16 of the report and stated that his delegation could not accept that in the process of liberalization his Government had acted contrary to the terms of the Protocol.

The Council referred the points raised in the discussion to the CONTRACTING PARTIES for their attention and adopted the report.

27. Switzerland - Review under Paragraph 4 of the Protocol of Accession (C/M/79)

Under paragraph 4 of its Protocol of Accession the Government of Switzerland reserved its position with regard to the application of the provisions of article XI of the General Agreement to permit it to apply certain import restrictions pursuant to existing internal legislation. The Protocol requires the CONTRACTING PARTIES to conduct a thorough review of the application of the provisions of paragraph 4 every three years. At its meeting in July 1972 the Council carried out the second triennial review on the basis of the three annual reports furnished by the Government of Switzerland (L/3523, L/3616, L/3712), which covered the period of 1 January 1969-31 December 1971. Some representatives commented on the information provided in the reports. Attention was also drawn to the preparedness, expressed by the Swiss Government in the Preamble of the Protocol to consider with the CONTRACTING PARTIES the existing situation, with a view to ascertaining that, notwithstanding the reservations, Switzerland provided for acceptable conditions of access for agricultural products. It was felt that no particular action was necessary in this respect at present.

28. Canada - Import Documentation (C/M/80,81)

At its meeting on 19 September 1972, the Council's attention was drawn to recent legislation introduced by the Government of Canada which required new import documentation. Concern was expressed about the implications of the measure, in particular for developing countries.

The Council agreed to revert to the matter later, if necessary.

At its meeting of 25 October 1972 the representative of Brazil informed the Council that his Government had entered into consultations with Canada on the subject.

29. Application of Article XXXV to Japan (C/M/81)

At the meeting of the Council on 25 October 1972 the representative of Japan expressed his Government's appreciation to the five contracting parties who since the twenty-seventh session had disinvoked Article XXXV with respect to Japan. He expressed concern that there were seventeen contracting parties still invoking Article XXXV against his country.

The Council took note of the statement and appealed to the contracting parties concerned to give again serious consideration to this question.

30. Training Activities (C/M/81)

In October 1972 the Director-General presented a report (L/3749) to the Council on the courses in commercial policy conducted by the GATT secretariat in Geneva. The Director-General emphasized the importance he attached to these activities.

The Council took note of the report.

31. Status of Protocols (C/M/81)

At its meeting in October 1972 the Council considered the report of the Director-General (L/3746) on the status of the protocols upon which some action was still required by one or more contracting parties. The Council noted that the Protocol Relating to Trade Negotiations among Developing Countries had been formally accepted by five of the sixteen signatory countries.

The Council also noted that the Protocol Introducing Part IV was in force amongst all but three contracting parties. The Council agreed to recommend to the CONTRACTING PARTIES that the closing date for the acceptance of this Protocol be extended until the close of the twenty-ninth session for those contracting parties which would not have been able to accept it before the end of the twenty-eighth

session. The Council approved the text of a draft decision (reproduced in the Annex) for consideration by the CONTRACTING PARTIES at their twenty-eighth session.

32. Administrative and Financial Questions

(a) Final position of the 1971 budgets of the GATT and of the International Trade Centre (C/M/77)

At its meeting in May 1972 the Council considered the annual reports of the final position of the 1971 budget of the GATT (L/3679) and of the International Trade Centre (L/3680). The Council authorized the necessary increases and changes in appropriations and approved the financing of the excess expenditure and the earmarking of surplus balances.

(b) Assessment of Additional Contributions (C/M/75)

At its January 1972 meeting the Council adopted the assessment of a contribution to the 1971 budget and an advance to the Working Capital Fund on the Government of Romania (L/3629) following Romania's accession to the GATT.

(c) Committee on Budget, Finance and Administration (C/M/76, 79, 81)

At its meetings of March and July 1972, the Council decided upon the terms of reference and membership of the Committee on Budget, Finance and Administration for 1972.

The Committee met in October 1972. The Committee's report (L/3747) on its examination of the 1971 accounts, the financing of the 1972 budgets, the estimates of expenditure for 1973 and other related matters of the GATT secretariat and of the International Trade Centre, was presented to the Council on 25 October 1972. The Council agreed to defer consideration of the report, which had only become available on 19 October, to a later meeting.<sup>1</sup>

33. Twenty-Eighth Session of the CONTRACTING PARTIES (C/M/77, 78)

At its meeting on 29 May 1972 the Council considered the suggestion put forward by the Director-General that the twenty-eighth session of the CONTRACTING PARTIES be held within the period of 1 to 14 November 1972. The Council agreed to this suggestion on 27 June 1972.

34. Membership of Council (C/M/75, 77)

The Council welcomed at its January 1972 meeting Romania and at its May 1972 meeting Senegal as members of the Council.

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<sup>1</sup>See L/3761/Add.1.

ANNEX

Draft Decision on Extension of Closing Date  
for Acceptance of the Protocol  
Amending the General Agreement to Introduce a  
Part IV on Trade and Development

CONSIDERING that the Protocol Amending the General Agreement to Introduce a Part IV on Trade and Development has not yet been accepted by all contracting parties.

The CONTRACTING PARTIES

Decide to extend the closing date for acceptance of the said Protocol until the close of their twenty-ninth session, and

Urge the contracting parties which have not yet accepted the said Protocol to make every effort to do so in the near future