

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

C/W/449

19 October 1984

Limited Distribution

CONTRACTING PARTIES
Fortieth Session

COUNCIL OF REPRESENTATIVES

Draft Report on Work since the Thirty-Ninth 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.

In carrying out its task, the Council has held [] meetings since the thirty-ninth session in November 1983. The minutes of these meetings are contained in documents C/M/174-C/M/.... Adoption of this report, which summarizes the action taken by the Council, will constitute approval by the CONTRACTING PARTIES of that action.

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1. Work Program resulting from the 1982 Ministerial Meeting

(a) Implementation of the GATT Work Program (C/M/178, 179)

At the Council Meeting on 16 May 1984, the representative of Uruguay read out the full text of a statement on behalf of developing country contracting parties to the GATT, entitled "Improvement of World Trade Relations through the Implementation of the Work Programme of GATT", which had been circulated in document L/5647. He asked for a reaction to it from developed contracting parties.

The representatives of the European Communities, United States, Switzerland, Sweden on behalf of the Nordic countries, Canada, Australia, Austria, Japan, Poland and Czechoslovakia said they shared the concerns in document L/5647.

The representative of the European Communities said that the work program had been designed for the whole of the 1980s; its implementation should be a continuous rather than piecemeal process, to be carried out in a balanced and orderly fashion; the 1984 CONTRACTING PARTIES session was merely the first rendez-vous in this process. As for a new round of multilateral trade negotiations, the Community was highly dependent on free trade for its prosperity, and hoped to stimulate international commerce in both goods and services. Thus it supported any concrete and specific proposals leading to a reinforcement of an open world trade system in the course of the 1980s. The first priority, however, should be to resist protectionist pressures, to roll

back restrictive actions and to implement the 1982 work program. Only then would the launching of a possible new round be credible. Also, there should first be confirmation of definite and generalized economic recovery, and an improvement in the operation of the international monetary and financial system.

The representative of the United States said that progress in implementing the work program had been disappointing and extremely slow in certain key areas. Some studies required as background for further discussion had required more time than envisaged, and interest in other areas seemed to have lagged since the 1982 Ministerial meeting. The United States urged all contracting parties to intensify efforts to make progress in implementing the work program so as to meet the deadlines set by Ministers.

The representative of Switzerland said that the growing number of trade measures taken in the "grey area" over the past six months had left his delegation perplexed concerning implementation of paragraph 7(i) of the Ministerial Declaration (BISD 29S/9). Recovery could not be secured solely by checking protectionist trends; both developed and developing contracting parties should try to lower restrictive barriers hampering imports into their countries of products from developing countries. He gave details of recent such trade-liberalizing measures taken by Switzerland. Developing contracting parties also had an important rôle to play in sustaining the recovery that was now taking shape, and it was important not to introduce any new differentiation by country and by type of obligation in the implementation of commitments taken on jointly in the Ministerial Declaration. It was also important that developing countries create or maintain a climate conducive to investment, and that they improve the transparency of their trade systems, applying progressively all the rights and obligations of the GATT. Preparations for a new round of multilateral trade negotiations should be based on implementation of the 1982 work program. It was nonetheless clear that certain problems in the program might be resolved only in the framework of new multilateral negotiations.

The representative of Sweden, on behalf of the Nordic countries, said the Nordic countries would do their utmost to avoid trade actions that harmed developing countries; there was an urgent need to make progress on the work program as a whole, thereby creating the basis required for launching a new round of negotiations in GATT.

The representative of Canada regretted that implementation of the work program was not proceeding more quickly, as it was the basis on which to approach further trade liberalization.

The representative of Australia said there was increasing compartmentalization of the world trading system both by sectors and by the proliferation of bilateral and plurilateral restraint agreements. Australia agreed that implementation of the work program was a continuous process which was fundamental to the process of further trade liberalization and to setting the stage for any new negotiations. Such a new round would have to be truly global and address the broadest possible range of issues. Improved access to the markets of the major developed countries would be a fundamental consideration in examining the attractiveness of a new round. A major way in which GATT could be strengthened would be by returning to the fundamental MFN principle.

The representative of Austria said his Government believed that the 1982 work program should be implemented before any new negotiating round was launched.

The representative of Japan said that the idea of a new negotiating round and the faithful implementation of the 1982 Ministerial Declaration were mutually reinforcing. Japan would make every effort to bring all the items in the work program to a satisfactory conclusion, as time was running short.

The representative of Poland said that depending on the results of the work between the present meeting and the session in November 1984, the CONTRACTING PARTIES would be in a position then to assess new initiatives and determine further action.

The representative of Jamaica, after detailing the progress or lack of progress in implementing the various areas of the work program, emphasized that the assumptions and economic environment of the 1980s were very different from those prevailing during earlier rounds of GATT multilateral trade negotiations. Any new round could not be based on a United States/EEC/Japan tri-partite arrangement; it would have to take account of many smaller trading partners and of the developing countries; the international monetary and financial system had also changed radically over the past 40 years, and the link between trade and finance would have to be given careful attention.

The representative of Nicaragua said that in contradiction of the 1979 Understanding Regarding Notification, Consultation, Dispute Settlement and Surveillance (BISD 26S/210) and of the 1982 Ministerial Declaration -- particularly its paragraphs 7(i) and (iii) -- Nicaragua's quota for sugar exports to the United States for the current fiscal year had been cut by 90 per cent. He recalled that in March 1984, the Council had adopted the Panel report (L/5607) on the complaint by Nicaragua against the United States. He added that the damage caused to Nicaragua's trade and economy by recent US mining of its ports was substantial. These and other measures complained of in his statement were in breach of both the spirit and the letter of the General Agreement, and had the common denominator of discrimination based on non-economic factors.

The representative of the United States said the statement by the representative of Nicaragua was inappropriate under this item and within the forum of GATT.

The representative of Uruguay, speaking on behalf of developing contracting parties, welcomed the positive statements that had been made.

The representative of Cuba said that implementation of the 1982 work program had been a continuous process of frustration for developing countries. The Council should also consider recent acts of military and economic aggression against developing countries, which were relevant to the discussion on this item.

The representative of Czechoslovakia said his delegation was not against a new round of multilateral trade negotiations, but considered that the Ministerial work program should be completed first.

The representative of India fully endorsed the statement in document L/5647. Developed contracting parties should honour their commitments under Article XXXVII and the commitments undertaken by them in the 1982 Ministerial Declaration. The areas of interest to developing countries, revolving around commitments already undertaken by developed contracting parties, did not in fact require the initiation of a new round for their implementation.

The representative of Korea endorsed the statement in document L/5647, and said Korea would actively participate in completing the work program.

The Council took note of the statements and agreed to revert to this item at its next meeting.

At the Council meeting on 14 June 1984, the Chairman said that as the Council would be addressing this issue on a continuing basis between the present meeting and the fortieth session of the CONTRACTING PARTIES, this item was bound to figure on the Council's agenda during that period.

The Council took note of this statement.

(b) Safeguards (C/M/174, 180)

The CONTRACTING PARTIES had agreed at their 1983 Session "that the Council should conclude the work of drawing up a comprehensive understanding as called for by Ministers within such a time frame that it would be placed for adoption by the CONTRACTING PARTIES at their 1984 Session" (SR.39/1).

At the Council meeting on 7 February 1984, the Chairman said that he had recently restarted, with the active support of the Director-General, the process of informal consultations on safeguards in order to find a way to achieve the task given to the Council. Council members would be kept informed of progress made in the consultations.

The Council took note of the statement.

At the Council meeting on 11 July 1984, the Chairman noted that he had been holding informal consultations since the beginning of 1984 to explore how progress could be made under the mandate given by the CONTRACTING PARTIES in 1983. The consultations had concentrated on each of the elements mentioned in the 1982 Ministerial Decision (BISD 29S/12), taken individually and in their interrelationships. They had also touched on some general questions, such as the application of paragraph 7(i) of the Ministerial Declaration (BISD 29S/11) to actions of a safeguard nature by governments. He drew attention to some of the points discussed, and said that despite the efforts made in these informal discussions, it had not yet been possible to substantially narrow down differences on the main issues. There had been certain indications, however, that there existed on the part of a number of countries a will to put together proposals on a subject which had been under negotiation for so long and which had been looked at from all angles. The informal consultations would be intensified and work would be pursued in the autumn as a matter of urgency; but he emphasized that it was necessary for the work to be based on concrete proposals by delegations for a comprehensive understanding on safeguards, or at least on a set of guidelines on the main elements which would have to be covered in such an understanding.

The Council took note of the statement.

(c) Dispute settlement procedures (C/M/175, 180)

At the Council meeting on 28 February 1984, the Director-General drew attention to document C/124 containing information on the current status of work in panels. Steps had been taken to enable the secretariat to fulfill the mandate given to it by the CONTRACTING PARTIES in 1982 to assist panels on the legal, historical and procedural aspects of matters before them (BISD 29S/14). He described three longstanding problems which tended to prolong the dispute settlement process, namely the difficulty in agreeing on membership of panels, the failure of parties on occasion to observe agreed deadlines, and the postponement of the adoption of panel reports from one meeting of the Council or relevant Committee to another. Similarly, the Council would no doubt admit that panel recommendations took too much time to be translated into action. He added that since Ministers had agreed in 1982 that the Council would periodically review the action taken pursuant to panel recommendations (BISD 29S/15), perhaps the Council should consider this topic at its

special meetings to review developments in the trading system. He emphasized once more the need to respect the rules of discretion and confidentiality in the delicate area of dispute settlement. He confirmed that the Council Chairman would continue to announce the terms of reference and composition of a panel once these were agreed, and said that in future whenever a panel was constituted, a communication would be sent to all contracting parties to this effect. He proposed that for the sake of transparency, the Council should also be informed of the composition of panels established by MTN Committees and Councils.

The representative of Egypt stressed the need to make GATT's multilateral conciliatory rôle more effective.

The representative of the United States agreed that the dispute settlement process was not working as effectively as it should; if the process was to have any meaning, parties to disputes had to accept panel findings and conclusions, and panel reports had to be adopted in cases where bilateral solutions could not be reached. The United States urged contracting parties to respect the dispute settlement process and to support the work of panel members.

The representative of Sweden, on behalf of the Nordic countries, stressed their full support for the views expressed by the Director-General.

The representative of the European Communities supported the views expressed by the representative of Egypt on the importance of conciliation. Moreover, if the dispute settlement process had been held up from time to time, perhaps the origin of those blockages should be examined in depth. Certain panels had tended to interpret or create new obligations which did not exist in the MTN Agreements or in the General Agreement.

The Council took note of the information in document C/124, and of the statements by the Director-General and representatives.

At the Council meeting on 11 July 1984, the representative of Canada said his delegation believed that contracting parties shared a general sense of concern over the operation of GATT's dispute settlement system, and felt that something could and should be done to improve it. Canada did not intend to put forward any specific proposals at this time, but might return to this issue in greater detail at a Council meeting later in 1984.

The Council took note of the statement.

(d) Structural adjustment and trade policy (C/M/174)

In November 1983 the Council had discussed the report of the Working Party on Structural Adjustment and Trade Policy (L/5568) and had agreed to revert to the report at its next meeting, so as to complete its consideration and decide on such further action as might be called for.

At the Council meeting on 7 February 1984, the Chairman said that subsequent consultations had indicated a general recognition of the importance of the problem of structural adjustment for international trade and in relation to GATT principles and objectives. While there was acceptance of the need for further work in this area having regard to the matters dealt with in the Working Party's report, more reflection was needed to determine how this might be done.

The representative of Jamaica said that further action on this subject should be on more pragmatic, specific and operational lines, and should include an examination of positive adjustment measures where safeguard measures were being taken. There was a strong body of opinion that if structural adjustment proceeded efficiently, there would be far less recourse to safeguard measures; however, since the beginning of the 1970s and the rise of protectionist measures and policies, the international structural adjustment process had not worked as efficiently as it should have done. Among his illustrations of this point, he said that once a number of developing countries had begun to show a degree of competitiveness, they had faced new protectionist measures applied to their products by industrialized countries, as the major trading partners sought to maintain the terms of trade in their favour and to prop up industries which were not competitive with new suppliers.

. The representative of Egypt supported the statement by the representative of Jamaica.

The Council took note of the statements and agreed to revert to the issue at one of its next meetings.

(e) Trade in counterfeit goods (C/M/174, 180, 181)

At the Council meeting on 7 February 1984, the Chairman noted that the Director-General had reported in 1983 on his consultations with the Director General of the World Intellectual Property Organization (W.I.P.O.). The next step would be for the Council "to examine the question of counterfeit goods with a view to determining the appropriateness of joint action in the GATT framework on the trade aspects of commercial counterfeiting" (BISD 29S/19). Following informal consultations, the Secretariat was preparing a background paper to facilitate further work, and would remain in contact with interested delegations and with secretariats of relevant organizations as work proceeded on the paper.

The Council took note of the Chairman's statement and agreed to revert to this issue at a later stage when additional information was available.

At the Council meeting on 11 July 1984, the Chairman noted that the Secretariat had made available to interested delegations a draft of the background paper. There would be further informal consultations with respect to the examination of the points covered by the paper, and the Council would revert to this matter later in the autumn.

The representative of the United States said that it was important for GATT to examine these problems with a view to possible solutions, and to carry out the provisions of the GATT work program in this regard.

The representative of the European Communities said that this issue deserved full attention, as did the other items in the work program resulting from the 1982 Ministerial Declaration.

The Council took note of the statements.

At the Council meeting on 2 October 1984, the Chairman reported that further informal consultations on this issue were taking place; they were focussing on a number of points that were considered to need examination in order to prepare for the decisions that the Council was called upon to take by the Ministerial Declaration.

The representative of the United States urged delegations to give serious thought to this matter before the next Council meeting so that it could take the decisions called for in the Ministerial Declaration.

The Council took note of the statements.

(f) Textiles and clothing (C/M/178, 179, 180)

At the Council meeting on 15 May 1984, Mr. Mathur, Deputy Director-General, introduced the Secretariat's background Study on "Textiles and Clothing in the World Economy" (Spec(84)24 and Addenda), noting that it responded to the Council's request of 26 January 1983 (L/5582, page 17). The Study was not simply of the textile and clothing industries by themselves, but of those two industries as parts of each country's overall economy.

The Chairman said that following his informal consultations with a number of contracting parties, he proposed that the Council establish a working party with the terms of reference and membership as provided in document C/W/440. It was his understanding that the Working Party would be free also to take account of any relevant materials bearing on the subject submitted to it by participants in the Working Party. It was understood that the participation as observer in the Working Party of any government which was not a contracting party but which was a party to the MFA, would be without prejudice to that government's position with regard to its legal status vis-à-vis the GATT. The Council would authorize him to designate the Chairman of the Working Party, in consultation with delegations.

The Council so agreed.

The representative of the European Communities said that the Study was a valuable basis for further work and reflection on this subject. It was now necessary to break the vicious circle in which the textiles and clothing problem had been locked too long and to re-establish mutual confidence. The Community did not rule out the possibility that in its conclusions the Working Party might collectively make recommendations to the Council.

The representative of the United States said that the Working Party, in formulating its conclusions, should aim at advancing both an understanding of what different modalities for further trade liberalization in textiles and clothing would involve for the countries concerned, and the steps which could be taken to implement any one of the conclusions. The Working Party should focus on operative solutions to problems in textiles trade.

The representative of Canada endorsed the statements by the representatives of the European Communities and the United States.

The representative of Pakistan, speaking on behalf of developing country exporters of textiles and clothing, welcomed both the Study and the statements by the representatives of the European Communities, the United States and Canada. The best way of building confidence would be for all contracting parties to fully implement paragraph 7(viii) of the 1982 Ministerial Decision relating to textiles (BISD 29S/20). The parameters of the discussions, conclusions or recommendations of the Working Party could be drawn only in terms of the respective GATT rights and obligations of the contracting parties.

The representatives of Thailand, the United Kingdom on behalf of Hong Kong, Egypt, Philippines, Brazil, Indonesia and Mexico (speaking as an observer) welcomed the establishment of the Working Party and endorsed the statement by the representative of Pakistan.

The representative of Japan said that his delegation supported the general thrust of the comments made by both developing and developed countries.

The representative of Switzerland welcomed the Study and establishment of the Working Party. He added that it would be difficult to extend the MFA once again without at the same time easing its restrictive character and extending it to other trade policy instruments such as tariffs, non-tariff barriers and protection of industrial property.

The representative of Austria agreed with statements by representatives who had not excluded that the Working Party could make recommendations to the Council.

The representative of Poland stated his delegation's commitment to the Working Party's terms of reference.

The representative of India expressed appreciation for the statements by representatives from importing countries which pointed to the possibility of recommendations being made by the Working Party; India hoped that the Working Party would in fact make such recommendations.

The Council took note of the statements.

At its meeting on 14 June 1984, the Chairman informed the Council that following consultation with delegations, it had been agreed that Mr. Mathur, Deputy Director-General, would be the Chairman of the Working Party.

The Council took note of this information.

At its meeting on 11 July 1984, the Council agreed to derestrict the Secretariat Study, i.e., the text of the basic document as well as the addenda already issued and those to follow, on the basis of document C/W/443.

(g) Problems of trade in certain natural resource products
(C/M/174, 176, 178)

At the Council meeting on 7 February 1984, the representative of Canada said his delegation would propose at the next Council meeting that a working party be established to examine the tariff, non-tariff and other problems relating to trade in non-ferrous metals and minerals, including in their semi-processed and processed forms. The work would be extended to other metal and mineral products as further background documents were produced by the Secretariat. Such a working party should start its work quickly after the next Council meeting and make a progress report to the 1984 CONTRACTING PARTIES' Session.

The representatives of Chile, Peru, Thailand, Colombia and Australia supported the statement by the representative of Canada.

The representative of the European Communities said it would be appropriate to wait until other documents, including those concerning forestry and fish and fisheries products, were completed, before taking a decision as to whether a working party should be established. The three products had been tied together in the 1982 Ministerial Declaration (BISD 29S/20), and they could not be separated.

The representative of Chile recalled that the proposals on these subjects had been made in the Preparatory Committee by different delegations on different occasions, and under different headings. He believed that when the Ministerial Declaration had been adopted, it had been clearly understood that there was no tie between the three sectors.

The representative of Canada said the Ministers had clearly called for examination of three separate subject matters. There was no reason why a working party on non-ferrous metals and minerals could not begin work with respect to lead and zinc, and continue with other studies as the background documents became available. The same would be true for forestry products and for fish and fisheries products.

The representative of New Zealand supported the position taken by the representative of Canada.

The Council took note of the statements and agreed to revert to this matter at its next meeting.

At its meeting on 13 March 1984, the Council considered document C/W/434 containing a request by Australia, Canada, Chile, Colombia, Peru and Zaire for establishment of a working party on non-ferrous metals and minerals.

The representative of Canada said that a working party was the only real possible forum for the kind of technical examination that Ministers had decided upon. The Secretariat had already produced background documentation on lead and zinc; the time had come for interested delegations to examine the problems, reach conclusions and develop possible recommendations. The Ministers had decided in 1982 that work in each of the three sectors of natural resource products was separate, and in April 1983 the Council had adopted separate decisions (L/5483, L/5484, L/5485) to launch work in each sector. It was obvious that while there might be similar problems in all three sectors, there were also likely to be substantial differences. Canada was not suggesting that all elements of the Ministerial action program should move forward together; but it was high time for all contracting parties to assume their responsibilities in the area of natural resource products.

The representative of Sweden, on behalf of the Nordic countries, said that they considered it would be prudent for the Council to examine first an adequate number of studies, primarily those concerning fish and forestry products, before deciding on the terms of reference, time frame and procedures for the complete examination. They suggested that informal consultations continue so as to prepare such a Council decision in due course.

The representatives of a number of developing countries said that any further delay in setting up a working party would contravene the intention of the Ministerial Decision, particularly as it affected the interests of developing countries. They supported the statement by the representative of Canada and endorsed the request in document C/W/434 for a working party on non-ferrous metals and minerals. Attention was drawn to the other two products in the Ministerial Decision, i.e. fish and forestry products, and concern was expressed that work in those two areas should be speeded up.

The representative of Poland said that the background studies on non-ferrous metals and minerals so far presented by the Secretariat were representative enough in terms of coverage and methodology to justify establishment of a working party without delay while other studies were being prepared.

The representative of Australia said that his delegation's preference was for establishment of three working parties, one for each sector agreed by Ministers in 1982; however, to postpone decisions on setting up one or more working parties until all studies on all three sectors were available would delay the establishment of the working party or parties until some time in 1985. Such a timetable would be far from prudent and would frustrate the intention of the Ministerial Decision.

The representative of the European Communities said that a certain balance had to be struck in carrying out work on all subjects in the Ministerial Declaration. He suggested that the Council consider setting up one working party at the present meeting to cover all three sectors which had been joined together in the Ministerial Decision. However, it was too early to draft terms of reference for such a working party immediately, because only when studies on all three sectors had been examined in capitals would it be possible to define appropriate terms of reference.

The representative of the United States also suggested setting up one working party at the present meeting to cover all three sectors. The Chairman could be designated and the terms of reference could be drawn up in consultation with the Chairman of the Council. The Working Party would examine and discuss each study as it was made available, and in due course would issue a separate report on each of the three sectors.

The representatives of Austria and Spain supported the proposal by the Nordic countries that informal consultations continue and that the Council revert to this item at its next meeting.

The representative of Japan supported the request for establishment of a working party on non-ferrous metals and minerals as contained in document C/W/434.

The representative of Sweden, on behalf of the Nordic countries, said it should be clearly remembered that in this area, unlike others, the Ministers had not set a definite time frame for the completion of the examination. The Nordic countries considered that it was reasonable to have a look at studies concerning fish and forestry products, as well as certain others in the area of non-ferrous metals and minerals, before evaluating the implications of work to be done in this area. They could not share the interpretation that Ministers had decided there should be a separate examination for each sector; the Ministerial Decision had clearly left it to the Council to decide on terms of reference, time frame and procedures. The Nordic countries would not block a consensus on a decision to set up a working party at the present meeting, but they could not accept an immediate decision on terms of reference, time frame and procedures, and proposed that a decision in this respect be taken at the next Council meeting after informal consultations.

The representative of India said it was clear that the proposal in document C/W/434 had received widespread support. While his authorities had not yet finished examining how best the Ministerial Decision could be carried forward, India would not block the overwhelming consensus for establishment of a working party.

The representative of Colombia supported the US proposal, and hoped that once the Working Party's terms of reference were drawn up, it would start work as quickly as possible.

The representative of Canada said it was encouraging that no one was attempting to block a consensus on proceeding with this work. His delegation would have no difficulty with a single working party beginning work on one sector and moving on to the others as more studies became available.

The representative of Chile said that if the Working Party were to make progress in the field of non-ferrous metals and minerals, this would set an example for the other sectors.

The representative of the European Communities reiterated his delegation's concern that work should move forward on all fronts; at some point there would have to be a review of the progress on the whole Ministerial action program, without forgetting some sectors which had so far been left in the background.

The representative of Australia said his delegation would accept, with some reluctance, establishment of one working party to cover all three sectors, on the understanding that it would operate independently for each sector.

The representative of New Zealand supported the statement by the representative of Canada.

The representative of Mexico, speaking as an observer, said that Mexico would closely follow the work in this area.

The Council took note of the statements and agreed to establish a working party to study the three sectors of non-ferrous metals and minerals, forestry products, and fish and fisheries products, and to make separate reports for each sector. The Council authorized the Chairman to draw up terms of reference for the Working Party and to designate its Chairman in consultation with interested delegations so that it could begin work without any need for ratification by the Council.

In response to questions by representatives, the Chairman affirmed that his consultations would be conducted on behalf of, not outside, the Council and that the question of having separate terms of reference for each sector would be resolved in the consultations.

At the Council Meeting on 15/16 May 1984, the Chairman drew attention to document C/126 concerning the chairmanship and terms of reference for the Working Party.

The Council took note of this information.

(h) Exchange rate fluctuations and their effect on trade
(C/M/176, 179)

At its meeting in January 1983, the Council had taken note of the Ministerial Decision on Exchange Rate Fluctuations and their Effect on Trade (BISD 29S/21), and had also taken note that the Director-General would consult with the Managing Director of the International Monetary Fund, as requested in that Decision. At the Council meeting in May 1983, the Director-General had reported on his consultations with the Managing Director of the Fund on the possibility of a study on the effects of erratic fluctuations in exchange rates on international trade.

The resulting study, entitled "Exchange Rate Volatility and World Trade", was before the Council at its meeting on 13 March 1984, together with document L/5626 which noted that the Fund planned to publish the Study in its "Occasional Paper" series, making clear that the Study was done in response to the Decision by GATT Ministers.

The representative of the European Communities said that he had hoped for a statement by the Director-General on this matter, but the Director-General doubtless felt that the introduction in L/5626 was sufficient. The Study's conclusion left him still mystified and somewhat disillusioned. The Community was concerned not only by the question of fluctuation per se, but by erratic fluctuations fuelled by speculative movements.

The representatives of Norway, on behalf of the Nordic countries, and of Egypt and Switzerland proposed that the Council revert to this item at a later meeting when delegations had had time to consider the Study properly.

The representative of Jamaica said that his delegation would also have appreciated a statement by the Director-General on what specific implications the Study had for protectionism, trade and the GATT system. The Study raised many fundamental questions which needed to be clarified. After describing in some detail a number of such questions, he said that perhaps these and others could be discussed and examined in the Consultative Group of Eighteen.

The Director-General recalled the text of the Ministerial Decision, which made clear that his rôle on this subject was primarily that of an intermediary. This was the rôle he had carried out; consequently he could not accept suggestions that the Secretariat should have commented extensively on the Study.

The representative of Jamaica encouraged the Director-General to initiate some informal exchanges on this issue, because the Council could not properly consider implications of such a complicated study for the General Agreement without adequate preparatory examination.

The representative of the European Communities said that the Study merited thorough examination in capitals so that the Council could consider it properly and try to demystify the effects of exchange rate fluctuations on trade.

The Director-General referred to document L/5626 which said that while the Executive Directors of the Fund had approved the Study for transmission to GATT, the Study did not necessarily reflect the views of the Fund's Executive Board. This was a study on which Governments had not yet pronounced, and it was now up to the Council to decide whether and how it should be followed up.

The representative of Pakistan said that the Council now had to consider any implications of the Study for the General Agreement, hopefully from a pragmatic viewpoint.

The Council took note of the statements and agreed to revert to this item at its next meeting.

At the Council meeting on 15/16 May 1984, the representative of the European Communities said he felt that the Study did not go adequately into the effects of monetary instability on world trade. The Community requested the Director-General to ask the International Monetary Fund to supplement the Study with an examination of the medium- and long-term

perspectives of erratic exchange rate fluctuations. When such a supplementary study had been completed, his delegation might suggest the conclusions that could be drawn from it on the possible impact of such fluctuations on international trade and on protectionism.

The representative of Jamaica suggested that before the Director-General was asked to consult with the Fund, the GATT Secretariat might be requested to present to the CONTRACTING PARTIES its own evaluation of the relationship between erratic exchange rate fluctuations and the General Agreement.

The representative of the United States said his Government believed that the Study was thorough and had fulfilled the mandate given by Ministers in 1982. It had come to a conclusion with which the United States fully agreed. The United States doubted that the Study could be carried much further, if at all. Perhaps it would be useful to ask the Secretariat to look at the relationship between exchange rate fluctuations and the General Agreement.

The Director-General proposed informal consultations to clarify what further action could be taken.

The representative of the European Communities emphasized that management and decision-making in the private sector could be severely affected by the effect of erratic exchange rate fluctuations on international trade, and this was why the Community wanted to know if these effects could be quantified.

The representative of Poland said his delegation was disappointed by the lack of consistency between the first part of the Study, containing bold assumptions concerning the potential implications of exchange rate fluctuations on trade, and the rather timid, inconclusive final section. The Study seemed to be written from the perspective of government policy makers rather than of individual traders. Moreover, it made no reference to the international debt exposure of a number of countries.

The representative of Jamaica suggested that the informal consultations should focus on two points: the impact of erratic exchange rate fluctuations on world trade, and the implications of this for the General Agreement.

The representative of the United States agreed with this suggestion.

The representative of Argentina said the consultations should include one aspect ignored in the Study, namely the plight of developing countries confronted by sudden changes in exchange rates.

The representative of the Philippines supported the statement by the representative of Argentina.

The representatives of Israel, and Norway on behalf of the Nordic countries, supported the proposal to hold informal consultations.

The representative of Hungary supported the statements by the representatives of Poland and the European Communities.

The Council took note of the statements, agreed that informal consultations should be held, and agreed to revert to this item at its next meeting.

At the Council Meeting on 14 June 1984, the Chairman said that the informal consultations had begun, and suggested that the Council revert to this matter at a future meeting when they had progressed further.

The representative of the European Communities reiterated that the Community wanted to ascertain whether erratic exchange rate fluctuations affected the development of trade, and if so, to what extent. It wanted the Council to give appropriate attention to this issue, especially in view of the fact that another recent study on the effect of exchange rate volatility on trade -- by the Federal Reserve Bank of New York -- had come to a different conclusion than the Study issued with document L/5626.

The Council agreed to revert to this matter at a future meeting when the informal consultations had progressed further.

(i) Aspects of trade in high-technology goods (C/M/174, 176)

At the Council meeting on 7 February 1984, the representative of the United States said that during the Council's discussions of the US proposal (C/W/409/Rev.2 and Corr.1) throughout 1983, it had become clear that a number of delegations could support the study called for in that document. However, some contracting parties were still unjustifiably uncertain of US motives in this area. This was not just a developed country trade issue; high technology industries were becoming an important force in developing countries' economies. The process of structural adjustment in the developed countries would only be possible if they moved from traditional industries toward the high technology area on the basis of economic market conditions. The United States continued to believe that GATT was the proper multilateral forum for taking action on issues in the trading system. Once again, his delegation asked that members of the Council favourably consider the US proposal.

The representative of the European Communities said that leaders of the private sector in the Community considered that high technology should be discussed at a world-wide level. The Community continued to attach importance to this subject; but it needed to be approached cautiously. His delegation intended to abide by the letter and spirit of the 1982 Ministerial Decision (SR.38/9, page 2) on this subject.

The representative of Jamaica said GATT should examine the trade aspects of high-technology, without any prejudice as to whether contracting parties would take further action in GATT after such an examination. Perhaps the issue should be handed to the Consultative Group of Eighteen, which could discuss it and make a recommendation.

The representative of Argentina said that his delegation had requested further clarification on this subject from countries with a direct stake in the matter; however, no progress had been made in providing such clarification. Argentina could not change its position at this point, but would listen to arguments that might justify special treatment of this sector within GATT.

The representative of Canada reiterated his delegation's support for the US proposal. Canada was concerned at the Council's delay in taking a decision on this item.

The representative of Cuba said the US proposal was premature. Also, such a study would imply a financial and technical outlay by the secretariat that might not be justified.

The representative of Australia reiterated his delegation's view that the Council should move forward on this matter as soon as possible, so that all Council members could become better acquainted with the problems associated with high-technology trade.

The representative of Switzerland said that care should be taken to avoid high technology becoming more and more removed from the implementation of the General Agreement, through all sorts of bilateral, regional or other special arrangements. Contracting parties should also be aware that high technology, especially for industrialized countries, if applied in a liberal manner, could help the process of structural adjustment and sustain the ability of those countries to continue importing goods from developing countries at a satisfactory rate.

The representative of Israel reiterated his delegation's support for the US proposal. GATT should not ignore the problem of access to markets for high-technology goods, which was becoming increasingly specific.

The representative of New Zealand said that GATT had to be flexible in dealing with significant new developments in international trade. His delegation was not opposed to establishing a working party to consider this subject, but New Zealand's priorities dictated that attention should be focused elsewhere at present.

The representative of the United States said he had detected a willingness on the part of some delegations, which had previously shown reluctance on this issue, to discuss substance rather than procedure in the Council. It would be useful for the secretariat to prepare a paper on which to base such a discussion.

The representative of the European Communities said that his delegation would welcome a substantive debate on this issue in the Council, but such a debate would not need to be unduly protracted. The Community did not see why the matter should be dealt with in a secretariat study.

The Council took note of the statements and agreed to revert to this matter at a future meeting.

At the Council meeting on 13 March 1984, the representative of the United States said that his delegation intended to start bilateral consultations with other interested contracting parties so as to develop a paper which could serve as the basis for a substantive discussion of high-technology trade at a future Council meeting.

The representative of Jamaica hoped that the US delegation, in consultation with all contracting parties interested in this matter, would be in a position to have the paper circulated before the next Council meeting so as to permit substantive discussion of this issue.

The Council took note of the statements.

2. Reviews of developments in the trading system (special meetings on Notification, Consultation, Dispute Settlement and Surveillance)
(C/M/177)

At their thirty-fifth session in November 1979, the CONTRACTING PARTIES had adopted the Understanding Regarding Notification, Consultation, Dispute Settlement and Surveillance drawn up in the Multilateral Trade Negotiations (BISD 26S/210). In March 1980, the Council had adopted a proposal (BISD 27S/20) which provided for reviews of developments in the trading system to be conducted by the Council at sessions specially held for that purpose. The Council had held a number of such special meetings during 1980-1983. At its fifth special meeting in July 1983, the Council had agreed that these meetings would also serve to monitor paragraph 7(i) of the 1982 Ministerial Declaration (BISD 29S/9), and that such special meetings would preferably be held twice each year.

At the special meeting on 15 May 1984, the Chairman drew attention to the background document entitled "Developments in the Trading System" (C/W/437 and Corr.1) drawn up by the Secretariat, and pointed out how the present document differed from its predecessors.

The Director-General said he hoped that the new document would provide the Council with a firmer basis for judging the course of events than had been possible at its previous special meetings, and said that the Secretariat intended to continue on this path. The document confirmed all too clearly that trade policy remained in difficulty, even if international trade itself was at last picking up. There was a certain amount of good news in the field of tariffs, but little comfort elsewhere. Referring to the need for transparency, he said that the Secretariat expected to put forward some ideas which might usefully be considered at the next special meeting. If each contracting party undertook, as a matter of routine, to inform the Secretariat each month or every third month of any changes in its trade régime, the basis would be established for a thorough-going revision of notification procedures; this would also oblige national administrations to have a focal point for collecting the material necessary for such notifications. However, transparency was not an end in itself; it carried the risk that when one government was shown to be resorting to particular kinds of action, not necessarily covered by GATT rules, others would find it harder to resist pressures to act in the same way. The aim in improving transparency, and the aim of these special Council meetings, was surely to make the rules a more effective force for the expansion and liberalization of trade.

The representatives of Jamaica, United States, Peru, Sweden on behalf of the Nordic countries, India, South Africa, Canada, Nigeria, Korea, Pakistan, Colombia, European Communities, Singapore, Yugoslavia, Spain, Hungary, Israel, Japan and Australia spoke on the matter under discussion, and gave clarification and additional information on points concerning their national trade policies and régimes as referred to in document C/W/437.

Many representatives expressed satisfaction with document C/W/437, saying it had improved transparency and had given the Council a better basis for assessing trends in the trading system. However, a number of representatives said that the Secretariat's documentation should in future reflect more on trends and on the broader implications of trade policy measures. It was also suggested that future documentation should differentiate among the various commercial measures according to their relative importance for world trade.

A number of representatives welcomed the Director-General's statement that the Council's next special meeting would have before it a Secretariat paper suggesting ways of improving notification procedures.

The opinion was expressed that if the Council failed to make the necessary assessments of trends in the development of the multilateral trading system, this was no fault of the special meetings themselves or of the documentation prepared for them; it was the task of the Council

members to make an overall assessment of developments in the trading system and to see what conclusions could be drawn from the factual information in the Secretariat's documentation. It was suggested that document C/W/437 contained some references which, though important, were of unequal weight; and also, that the documentation for future special meetings should be issued earlier than the ten-day rule which applied to documents for Council meetings generally.

It was suggested that the Council might proceed differently in future by inviting the Secretariat to provide for the special meetings a brief summary of trends in international trade. If the Council were to receive such a summary in advance, it could make a useful assessment of trends in trade and of compliance with paragraph 7(i) of the Ministerial Declaration. Since there were two special meetings of the Council each year, it might review in detail the annual GATT report on international trade during one special meeting and the suggested summary during the other.

The representative of Sweden, on behalf of the Nordic countries, said they considered that the Council's special meetings should emphasize and facilitate review of protectionist measures from the point of view of the commitments in paragraph 7(i) of the Ministerial Declaration. He suggested that informal consultations take place before the next special meeting in order to determine how such an examination could best be arranged. Support was expressed for this proposal.

The Director-General, referring to the question of to what extent actions in the private sector should be reported in the Secretariat's documentation, pointed to paragraph 5 of document C/W/437, which said that inclusion of a measure should not be taken to imply any judgement on its legal status under the General Agreement. Noting that the Secretariat had made only a few comments in the document, he recalled that the Secretariat normally expressed its own views only in the annual GATT report on international trade. He suggested that it might be useful if, during further refinement of reviews of developments in the trading system, the Council was provided twice a year with an assessment by the Secretariat, perhaps as an introduction to the Secretariat's documentation for the special meetings. Referring to comments on certain gaps in document C/W/437, he said his suggestion, made earlier in the meeting, in favour of notifications by contracting parties at regular intervals on the totality of changes in their trade policies, was precisely directed at remedying problems resulting from piecemeal notifications; he invited the Council to give more guidance to the Secretariat on the areas to be covered by the documentation for the special meetings. Improvement of the documentation also required a co-operative effort on the part of delegations which, for instance, might reply more quickly to the Secretariat's requests for comments or information on matters to be included.

Concern was expressed about the state of the GATT dispute settlement system. It was noted that of the 13 disputes under Article XXIII referred to in document C/W/437, three-quarters had involved delays of one sort or another in the final resolution of the matters in question, despite the Ministerial Decision on Dispute Settlement Procedures (BISD 29S/13).

Concern was also expressed that developments over the past six months in the trading system had not facilitated international trade or contributed to world economic recovery. Except for certain advanced tariff reductions in the framework of the MTN tariff cuts and some improvements in their GSP schemes by some contracting parties, protectionism had been increasing in the trade policies of developed countries, particularly protectionism outside GATT disciplines and primarily in sectors which were vitally important to developing country exports, such as textiles and clothing, steel, agriculture, motor vehicles and consumer electronics. While it was expected that economic recovery in some developed countries would contribute to liberalizing trade and to the resolution of balance-of-payments difficulties of developing countries, developed countries had resorted increasingly to import restrictions as well as to anti-dumping and other non-tariff protective measures against alleged unfair competition. The share of developing countries in the overall imports of developed countries in the last few years had been held down as a direct result of escalation of such measures. Recent growth of non-tariff barriers and voluntary restraint agreements had prevented competition and had lessened the positive impact of trade on the process of structural adjustment in the world economy. There had been an increased search for short-term solutions to trade problems and some major trading partners seemed to be questioning the carrying out of internationally assumed obligations, specifically the principles of special treatment for developing countries and of non-discrimination and non-reciprocity on which the GSP was based. Contracting parties had committed themselves in the 1982 Ministerial Declaration to work towards completing and reinforcing the GATT multilateral trading system as the only reliable instrument for the development of world trade, and to contribute through concrete actions to restoring confidence in the basic GATT principles and rules. The first step in that direction should be the elimination of obstacles to exports from developing countries as well as the establishment of more favourable conditions for access of goods from developing countries to industrialized country markets.

The Chairman said that the comments by representatives should assist the Secretariat in preparing for the next special meeting a document which would facilitate the Council's task of assessing trends in international trade and in the trade policies of contracting parties. He suggested that informal consultations be held before the next special meeting to enable the Council to examine more efficiently the implementation of the Ministerial Declaration and of the GATT work program.

The Council agreed that the review of developments in the trading system (special meeting on Notification, Consultation, Dispute Settlement and Surveillance) had been conducted.

3. Consultative Group of Eighteen (C/M/...)

[TO BE COMPLETED]

4. Sub-Committee on Protective Measures (C/M/179)

The Committee on Trade and Development had established the Sub-Committee on Protective Measures in March 1980, in accordance with the CONTRACTING PARTIES' Decision of 28 November 1979 on the Examination of Protective Measures Affecting Imports from Developing Countries (BISD 26S/219).

At its meeting on 14 June 1984, the Council considered the Sub-Committee's reports on its fifth and sixth sessions (COM.TD/SCPM/5 and 6), which had been adopted by the Committee on Trade and Development at its meetings in October 1982 and November 1983, and which had been forwarded to the Council.

The Council adopted the reports.

5. Tariff matters (C/M/...)

[TO BE COMPLETED]

6. Trade in Textiles

(a) Reports of the Textiles Committee and Annual Report of the Textiles Surveillance Body (C/M/176, 178)

At its meeting on 13 March 1984, the Council considered the reports of the Textiles Committee (COM.TEX/35 and 36) and the annual report of the Textiles Surveillance Body (COM.TEX/SB/900 and Corr.1).

The Director-General, Chairman of the Textiles Committee, noted that document COM.TEX/35 was the report by the Textiles Committee on its annual meeting held in December 1983, when it had carried out the second annual review of the operation of the MFA, as extended by the 1981 Protocol¹. The Committee had also considered a report by the Textiles Surveillance Body (TSB) on its activities during the period 27 November 1982 to 9 November 1983. This report (COM.TEX/SB/900 and Corr.1) contained findings by the TSB on its review of all restrictions and bilateral agreements notified by various parties to the MFA. Document COM.TEX/36 was the report on a special meeting of the Textiles Committee held in January 1984 to discuss certain procedures announced by the United States in December 1983 for determining the existence of market disruption, or threat thereof, for textile products not subject to restraint. Serious concern had been expressed by both importing and exporting countries over these procedures; the Committee had noted the statement by the US delegation that, notwithstanding the use of internal procedures, the MFA remained the legal framework within which US trade policy on textiles would be conducted. During this meeting, the Committee had also adopted a proposal by Pakistan for a review to be undertaken by the TSB on the application of the consultation provisions of the agreements concluded under the 1981 Protocol.

The representative of Mexico, speaking as an observer, noted that Mexico was a party to the MFA and said that he was speaking on behalf of developing countries exporters of textiles and clothing. He recalled that at the Textiles Committee meeting in December 1983, the developing exporting countries had expressed their concern about the changed situation in one major importing market. These developments, along with the points made by the TSB in Chapter II of its report (COM.TEX/SB/900 and Corr.1), merited close examination of the increasingly restrictive trend that was emerging in international textiles trade. The developing exporting countries considered that this situation should be kept under close scrutiny by the Council.

¹ BISD 28S/3

The representative of Pakistan, referring to paragraph 48 in COM.TEX/36, said this looked like a summary by the Chairman, whereas it was his understanding that this paragraph contained the conclusions of the Textiles Committee itself. He also suggested that the Chairman of the TSB should in future present that body's report to the Council in order to underline its importance.

The Director-General, referring to paragraph 48 of COM.TEX/36, said he saw no difference with the Pakistan representative's understanding. The text of the report as it now existed had been drawn up in consultation with the delegations concerned.

The Council took note of the statements and agreed to revert to this item at its next meeting.

At the Council meeting on 15/16 May 1984, the representative of Pakistan, speaking on behalf of developing country exporters of textiles and clothing, said that since the special meeting of the Textiles Committee in January 1984, the number of consultation calls issued by the United States had risen to more than 80, covering a large number of developing countries and a wide range of textiles and clothing products. The developing exporting countries were increasingly concerned at this trend and had analysed the factors of market disruption, referred to in Annex A of the MFA, as they applied to the current US textile market. Although the rates of increase in US imports of textiles and clothing from both developing MFA and developed suppliers were quite impressive in relative terms, it had to be emphasized that the overwhelming part of US consumption was still accounted for by domestic production, and that the proportion of total US imports represented by imports from developing MFA suppliers had declined in 1983 for the fourth consecutive year.

The representative of the United Kingdom on behalf of Hong Kong, India, Argentina and Turkey supported the statement by the representative of Pakistan.

The representative of the United Kingdom, on behalf of Hong Kong, noted that a number of exporters had challenged the justification of individual calls affecting them and had taken their complaints to the TSB, which had been able to deal with these cases quickly and effectively. This demonstrated that the TSB was an appropriate forum for pursuing concerns on this subject.

The representative of India said that the facts outlined in the statement by the representative of Pakistan contradicted the assurances given by the United States as contained in paragraph 48(f) of COM.TEX/36. Furthermore, the TSB had found that in some cases which had been brought before it, market disruption had not been demonstrated.

The representative of the United States said his delegation understood the concerns expressed by the representative of Pakistan, but did not share the opinion that recent US measures undermined the MFA or signalled a more sharply protectionist policy. The criteria adopted by the United States for its internal review process, and the requests for consultations which had since been made, were designed to deal with a very real problem of sharply increased US textile and apparel imports. Imports from developing countries had accounted for about 70 per cent of this increase. This rate of growth in imports was not the sign of a strongly protectionist policy, but did pose problems which the United States had to address within the framework of the MFA and the relevant bilateral agreements.

The representative of Argentina said that his delegation wanted the decision of the Textiles Committee, as contained in paragraph 49 of COM.TEX/36, to be carried out, so that the TSB could present to the Committee a review of the way in which the consultation provisions of agreements concluded under the 1981 Protocol of Extension had been applied.

The representative of Turkey voiced concern over departures from the MFA system; implementation of the MFA had become increasingly rigid, and importing countries had imposed stricter restrictions on exports from developing countries. Turkey called on importing countries not to remove from textile producers the possibility of increasing their sales of these products.

The Council took note of the statements and adopted the reports.

(b) United States - Imports of textiles and clothing (C/M/174, 179, 181)

At the Council meeting on 7 February 1984, the representative of Pakistan, speaking on behalf of developing country exporters of textiles and clothing, noted that the United States had announced that as from December 1983 it would follow additional criteria to address the concerns of its textile and apparel industries. These criteria were contrary to those contained in the MFA¹, and specifically contravened its fundamental provision concerning market disruption as set out in Annex A. The US announcement had caused widespread insecurity in international trade in textiles, and marked a shift towards a protectionist policy which contravened commitments given during the 1982 Ministerial meeting.

The representative of the United States said his delegation understood the concern expressed by the developing exporting countries, although it did not agree that the US internal measures undermined the

¹Arrangement Regarding International Trade in Textiles (BISD 21S/3), as extended by the 1981 Protocol (BISD 28S/3).

system. The United States had tried to address that concern by making clear at the Textiles Committee meeting in January 1984 that any request for consultations would be made in accordance with the provisions of the MFA and of relevant bilateral agreements.

The representatives of Brazil, Peru, India, Egypt and the United Kingdom, on behalf of Hong Kong, supported the statement made by the representative of Pakistan.

The representative of Egypt suggested that the Council keep this matter under review.

The representative of the United Kingdom, on behalf of Hong Kong, urged that all consultation calls by the United States be notified to the Textiles Surveillance Body (TSB) as soon as possible.

The Council took note of the statements.

At the Council Meeting on 14 June 1984, the representative of Pakistan, speaking on behalf of developing country exporters of textiles and clothing, expressed concern over a bill entitled "Textile Employment and Fair Trade Act of 1984", recently introduced by a group of US Congressmen, which would further restrict US imports of textiles and clothing.

The representatives of Egypt, Uruguay and Korea endorsed the statement by the representative of Pakistan, and hoped that further US restrictions on textile imports -- which would contradict US obligations under the MFA -- would not come into force.

The representative of the European Communities appealed to the United States to act responsibly and to respect its declarations of attachment to free trade.

The representative of the United Kingdom, on behalf of Hong Kong, endorsed the statements by the representatives of Pakistan and of the European Communities. His delegation hoped that new restrictive legislation of this nature would not be enacted by any contracting party, and also that it would not be used to secure any unilateral departure from existing obligations under the MFA or the General Agreement.

The representative of the United States emphasized that the proposed legislation had been submitted not by the US Administration but by Congressmen whose districts were affected by textile imports. His delegation would convey to Washington the concerns expressed so that the Administration could take them into account when it considered the proposed legislation.

The Council took note of the statements.

At the Council meeting on 2 October 1984, the representative of Pakistan, speaking on behalf of developing country exporters of textiles and clothing, referred to the application of the additional criteria adopted by the United States in December 1983, under which the United States had made more than 100 calls on more than 20 developing suppliers affecting a wide range of textiles and clothing products. Subsequently, in late July 1984, countervailing duty petitions had been filed in the United States on nearly all textiles and clothing products imported from 13 developing countries; the US Department of Commerce had initiated investigations within 20 days of the petitions being filed. Almost simultaneously, new customs regulations had been published which radically transformed existing law and practice on rules of origin. Like the December 1983 measures, these additional measures had disregarded the basic objectives of the MFA and of the 1982 Ministerial Declaration; their impact on and implications for trade were considerable. As for the countervailing duty petitions, even if the Department of Commerce did not eventually impose countervailing duties, the investigations themselves were impediments to trade. Discussion of these issues at special meetings of the Textiles Committee in January and September 1984 had shown overwhelming support for the views held by the developing countries. However, the response from the United States had been negative. The developing country exporters of textiles and clothing therefore proposed to the United States that it enter into plurilateral consultations so as to find appropriate solutions for rectifying the problems facing their trade.

The representative of the European Communities recognized the developing countries' concerns and gave them full moral and political support. He said that the new US rules of origin had been brought into force suddenly, and he listed the negative effects of the new regulations. The instrument chosen by the United States was out of proportion to, and would go beyond, the aim -- which the Community shared -- of preventing and penalizing fraud. Referring to the conclusions of the September 1984 Textiles Committee meeting (COM.TEX/38), he appealed to the United States to withdraw the new rules for reconsideration. Regarding the countervailing duty actions, a fundamental issue for consideration was whether the United States could, under Article I of the General Agreement, renounce in a selective and discriminatory manner the legal coverage of the Protocol of Provisional Application (BISD IV/77) in applying the injury criterion only to those contracting parties that had signed the Subsidies and Countervailing Measures Code.

The representative of Japan said that his delegation fully understood the concerns of developing countries in this matter. Japan had been actively promoting structural adjustment in the textile field, and at the September 1984 Textiles Committee meeting had joined in asking the United States to reconsider its measures.

¹Agreement on Interpretation and Application of Articles VI, XVI and XXIII (BISD 26S/56).

The representative of Colombia said that the US countervailing duty investigations were discriminatory; none of the countries whose textile and clothing imports were being investigated were signatories to the Subsidies and Countervailing Measures Code, so the United States did not have to show proof of injury. Colombia, as one of those countries, had indicated in various GATT bodies that it was thinking of signing that Code but, because of commitments which the United States intended to impose on Colombia, it had not been able to sign.

The representative of the United Kingdom, on behalf of Hong Kong, supported the statement by the representative of Pakistan. Whereas the September 1984 Textiles Committee meeting had examined these issues primarily in the MFA context, his delegation wanted to examine them in the wider context of the General Agreement. The US countervailing duty petitions appeared to amount to little less than harassment and could hardly be regarded as consistent with the aims and objectives of the General Agreement. As for the new US rules of origin, they should not be applied in the textiles sector outside the framework of the GATT, the MFA and the bilateral agreements; more specifically, the use of origin rules by any contracting party as a protective measure could not be justified in terms of the General Agreement. He supported the call by the representative of the European Communities for withdrawal of the US measures, and the proposal by the representative of Pakistan, on behalf of developing country exporters of textiles and clothing, for plurilateral consultations between the United States and affected countries on these issues.

The representative of the United States said he would report to his authorities the concerns over the recent US measures expressed by developing and developed countries. His delegation considered that the appropriate place to discuss these issues was in Washington. He expressed surprise at being advised by the Community on how to run a textile import program. The fact remained that US imports of textiles and clothing had continued to increase. The countervailing duty petitions met the requirements of US laws and the Administration thus had no alternative in this regard.

The Council took note of the statements.

7. Balance-of-payments import restrictions

(a) Arrangements for consultations in 1984 (C/M/174)

Arrangements for consultations in 1984 on balance-of-payments import restrictions were presented to the Council on 7 February 1984.

The Council took note of the arrangements.

(b) Consultation with Brazil (C/M/174)

In December 1983, the Committee held a consultation with Brazil. The report (BOP/R/135) was presented to the Council on 7 February 1984. The Committee had noted that Brazil's balance-of-payments and reserves situation had deteriorated sharply due to a number of factors. While recognizing Brazil's need to maintain import restrictions in the current situation, the Committee had noted that the Brazilian import system remained complex and lacked transparency. It had welcomed a statement by Brazil that it was reviewing the possibility of modifying, simplifying or phasing out a number of import measures. Brazil had mentioned the extent to which import measures adopted by its trading partners had impinged upon its balance of payments. The Committee had recognized the importance of giving particular attention to the possibilities for alleviating and correcting balance-of-payments problems through measures that contracting parties might take to facilitate an expansion of the export earnings of consulting contracting parties.

The representative of Brazil said his delegation had referred to paragraph 12 of the 1979 Declaration on Trade Measures Taken for Balance-of-Payments Purposes (BISD 26S/205), as well as to the recognition by the Consultative Group of Eighteen that balance-of-payments adjustment should be based on export expansion rather than import contraction. Brazil was not proposing any new rules or mechanisms, nor was it asking the Committee to seek any new commitments from any contracting party beyond those implied in the 1979 Declaration. Brazil was trying to bring about, through appropriate consultations under existing provisions, a climate of cooperation, in which contracting parties currently maintaining measures restricting his country's trade might see fit to suspend some of those measures unilaterally, in order to promote an expansion of Brazil's exports during its balance-of-payments adjustment period. Such a suspension would be effected within GATT rules on a non-discriminatory basis. Brazil hoped that the same spirit of co-operation would prevail in the case of other consulting countries.

The Council took note of the statement and adopted the report.

(c) Consultation with Ghana (C/M/174)

In December 1983, the Committee held a consultation with Ghana. The report (BOP/R/136) was presented to the Council on 7 February 1984. The Committee had welcomed Ghana's efforts to overcome its economic difficulties with the aid of multilateral financial institutions. It had noted that Ghana's import régime had been simplified and that it operated without discrimination regarding sources of supply, except for bilateral clearing systems maintained with a few countries. The Committee had encouraged Ghana to pursue its efforts to adjust to the current difficulties, and had hoped that Ghana would soon fulfil its intention to relax trade restrictive measures as soon as its balance-of-payments situation improved.

The Council adopted the report.

(d) Consultation with Nigeria (C/M/178)

In March 1984, the Committee held a consultation with Nigeria. The report (BOP/R/139) was presented to the Council on 16 May 1984. The Committee had recognized that Nigeria faced a serious balance-of-payments problem and that the measures taken during the period 1982-84 had been introduced in view of the extreme urgency of the situation. Efforts had been made to make the existing system more efficient; however, there was still considerable scope for further simplification of the measures and greater transparency in the implementation of the system. The Committee had welcomed the statement by Nigeria that the measures were temporary, and had encouraged the Nigerian authorities to pursue policies of economic stabilization and diversification of production and exports, which would lead to a sounder external position and permit the progressive elimination of the measures.

The representative of Nigeria said that the current economic stabilization measures being taken by his Government represented forward movement in Nigeria's efforts to meet its GATT obligations.

The Council took note of the statement and adopted the report.

(e) Consultation with Hungary (C/M/179)

In May 1984, the Committee held a consultation with Hungary. The report (BOP/R/141) was presented to the Council on 14 June 1984. The Committee had noted that Hungary's balance-of-payments situation had improved as a result of the demand management measures it had taken, despite some continuing negative external factors. The Committee had welcomed Hungary's efforts to ease the restrictions introduced in 1982 and, taking into account the various internal and external factors affecting Hungary's balance of payments, had reiterated the hope that in the light of progress achieved in internal adjustment, Hungary would soon be in a position to announce a timetable for phasing out the remaining restrictions and returning to automatic licensing, in accordance with paragraph 1(c) of the 1979 Declaration.

The Council took note of the statement and adopted the report.

(f) Consultation with Israel (C/M/179)

In May 1984, the Committee held a consultation with Israel. The report (BOP/R/142) was presented to the Council on 14 June 1984. The Committee had recognized that Israel faced serious and persistent balance-of-payments difficulties, and that policies pursued in the recent past had not led to an improvement of the situation. The policies now being followed comprised a wide range of measures, priority being given to alleviating balance-of-payments problems. There were initial signs that these policies were showing positive effects. The Committee had

asked the Secretariat to seek clarification about the status of the licensing measures notified by Israel. The Committee had recommended that Israel should avoid the cumulation of different trade measures taken for similar ends, and indicate -- as soon as practicable in line with improvements in its balance-of-payments situation -- a time schedule for phasing out the restrictions.

The Council adopted the report.

(g) Examination under simplified procedures

- Consultations with Peru, Tunisia and Turkey (C/M/174)

In December 1983, the Committee had held consultations with Peru, Tunisia and Turkey under the simplified procedures. The report (BOP/R/137) was presented to the Council on 7 February 1984.

The Council adopted the report and agreed that Peru, Tunisia and Turkey be deemed to have consulted with the CONTRACTING PARTIES and to have fulfilled their obligations under Article XVIII:12(b) for 1983.

- Consultations with India and Yugoslavia (C/M/179)

In May 1984, the Committee had held consultations with India and Yugoslavia under the simplified procedures. The report (BOP/R/143) was presented to the Council on 14 June 1984.

The Council adopted the report and agreed that India and Yugoslavia be deemed to have consulted with the CONTRACTING PARTIES and to have fulfilled their obligations under Article XVIII:12(b) for 1984.

(h) The trading environment and balance-of-payments consultations (C/M/174, 176, 178, 179)

Following its October 1983 meeting, the Chairman of the Consultative Group of Eighteen had invited the Chairman of the Committee on Balance-of-Payments Restrictions to discuss how the trading environment confronting consulting countries could be given greater weight in the Committee's deliberations (L/5572, paragraph 11).

In a report (BOP/R/138) to the Council on 7 February 1984, the Chairman of the Committee said that this subject had been discussed at informal consultations during November 1983 and January 1984, with particular reference to paragraph 12 of the 1979 Declaration (BISD 26S/208) and to paragraph 2 of the procedures established in 1970 for full consultations (BISD 18S/49). The proposals made by Brazil, referred to in sub-item (b) above, had been taken into account as one main element in the background material for the consultations. Further consultations would be necessary before any firm conclusions could be drawn, and the consultations would continue in the coming weeks.

The Council took note of this information and of document BOP/R/138.

At the Council meeting on 13 March 1984, the Chairman of the Committee drew attention to the main points of a statement, made on his own responsibility, concerning the trading environment and balance-of-payments consultations. The statement was subsequently circulated in document C/125.

The Council agreed to revert to this item at its next meeting.

At the Council meeting on 15/16 May 1984, the representative of the Philippines endorsed the statement in document C/125 and supported its recommendation that the Committee should examine in depth not only the measures taken for balance-of-payments purposes by consulting countries, but also the external trading environment confronting them.

The representative of the United States agreed that the CONTRACTING PARTIES needed to consider ways of improving the balance-of-payments consultative process so as to make it more effective and more relevant to the efforts of consulting countries to alleviate their balance-of-payments difficulties. However, the primary focus of the Committee's consultations should continue to be on the responsibility of the consulting country to obtain balance-of-payments stability through adjustments in its own domestic policies. While the United States was willing to examine suggested actions to remove impediments to export expansion by consulting countries, he cautioned against raising unrealistic expectations. Some of the measures identified by the Committee, such as anti-dumping and countervailing duties, were not protective measures but were actions taken to remedy unfair trade practices by other countries; modification of these measures would not be possible. Certain other measures were taken for similar legitimate reasons, and their modification would encounter considerable opposition. The United States was also concerned that focusing too sharply on individual countries might lead contracting parties to depart from the principles of multilateralism and non-discriminatory treatment.

The representative of the European Communities endorsed the statement in document C/125. Contracting parties should not be lured into a bilateral, discriminatory approach to trade; developing countries needed access to markets, and if the developed and more advanced developing countries opened their markets as much as possible, such an effort would assist in relieving the severe difficulties faced by heavily-indebted nations.

The representative of Jamaica said GATT was concerned with individual products traded by individual countries or groups of countries, and therefore it was essential for the Committee to focus on single countries. In recent years, the developing countries had been forced into the most rigorous domestic measures, and they had little room for further adjustment and stabilization. Measures to assist individual countries should be consistent with the Declaration on Differential and More Favourable Treatment, Reciprocity and Fuller Participation of Developing Countries (BISD 26S/203).

The representative of Argentina said some countries could not adjust their economies more than they were already doing. As far as anti-dumping and countervailing duties were concerned, very much depended on how investigations to determine injury were carried out, whether there were injury tests, and how the duties were applied.

The representative of Brazil supported the statement in document C/125. While adjustment was mainly the responsibility of the consulting country, the process could become not only very difficult but perhaps even impossible without proper consideration of the external factors. The Committee had recognized that it had to look into the question of how the international trading community could co-operate with a consulting country in alleviating its problems. This was a question which could be placed at the level of a certain obligation which surplus countries had towards deficit countries.

The representative of the European Communities said there were some areas, such as safeguards and anti-dumping, where special treatment for developing countries would be inappropriate; in others, such as the dismantling of quantitative restrictions, priority for developing countries was both feasible and appropriate. There was no problem in a bilateral approach to trade problems so long as the results of such agreements were transparent and were profitable to all contracting parties.

The Chairman of the Committee said that document C/125 did not imply any call on contracting parties to renounce their GATT rights; however, paragraph 17(b) called for great caution in launching such new actions concerning products for which a consulting country was a principal or substantial supplier.

The Council took note of the statements and approved the statement by the Chairman of the Committee (C/125).

At its meeting on 14 June 1984, the Council's attention was drawn to points raised by members during the Committee's meeting in May 1984, as reflected in document BOP/R/144.

The representative of Brazil, referring to procedural suggestions in document C/125, confirmed that his country had suggested to its main trading partners a list of co-operative actions that they might adopt on an m.f.n. basis during Brazil's balance-of-payments adjustment period. Brazil was holding bilateral consultations with its main partners to this effect.

The Council took note of document BOP/R/144 and of the statements.

8. Emergency action

- United States - Article XIX action on imports of certain specialty steels (C/M/174, 175)

At the Council meeting on 7 February 1984, the representative of the United States said his authorities believed that the compensatory measures notified by the Community in document L/5524/Add.15 were excessive by the standards of Article XIX:3(a). He outlined the major points of US concern about the measures, and added that his delegation understood the Community was considering adjustment of the measures to address the fact that its quota levels were denominated in ECUs rather than in terms of quantities, which had resulted in an increased dollar impact of the quotas proposed by the Community. There were significant discrepancies between US export data and the Community's import data on products subject to proposed retaliation on both quota and tariff items, particularly with regard to chemical products. The increased Community tariffs on the two chemical items would have a much more severe impact on US trade performance than the US tariffs applied to specialty steel from the Community. He agreed that the Community had the right to retaliate under Article XIX:3(a), unless the Council disapproved of such action. His delegation was not asking the Council to do this at the present meeting. However, more time should be allowed for the two parties to reconcile the major discrepancies and problems in the Community's calculations before the Community retaliated. The United States was therefore requesting the Council to extend the time limit under Article XIX:3(a) for an additional thirty days until the middle of March.

The representative of the European Communities said that in this case both sides had followed GATT procedures in an exemplary way. He did not see why the United States should ask for an extension of the 30-day time limit, which would constitute a precedent. The Community was entitled to exercise retaliatory measures as of mid-February; however, out of goodwill it had extended the deadline to 1 March. The Community could not grant the US request for a further extension. He asked the secretariat whether it was correct that the United States would be able to re-open the issue in the Council if it felt that the Community's retaliation package was excessive.

The representative of the United States said that his delegation had been informed that the Community had suggested to its member States a 20 per cent increase in the quotas in retaliatory items in order to adjust the differences caused by using a particular ECU/dollar exchange rate. In his view, this was an implicit acknowledgement by the Community that its retaliatory action was larger than intended, and it would be appropriate that the action be delayed a short period so that the necessary corrections could be made before the Community actually retaliated, thus avoiding yet another escalating trade dispute.

The representatives of Brazil and Jamaica asked whether the Council would be competent to take a decision or make a recommendation relating to the US request for deferral of the measures.

The Director-General said that if the Community agreed to the US request for an extension of the date of entry into force of the retaliatory measures, this could be done. If the Community did not agree, its retaliatory measures could be put into force on 1 March unless the Council were to disapprove them; but, in the absence of disapproval, the Council could not postpone the entry into force of the measures, because this was the Community's sovereign right.

The representative of India said that the provisions of Article XIX:3(a) were clear: if the Community wanted to suspend substantially equivalent concessions or other obligations, it could do so after the expiry of thirty days on the condition that the CONTRACTING PARTIES did not disapprove, and the Council was not now being asked to do that. The United States could ask the Community to defer the retaliation; but given the language of Article XIX:3(a), India could not see the Council having any rôle to recommend such a deferral, which would have to come unilaterally from the Community if it wanted to agree to the US request.

The representative of Egypt emphasized that retaliation was an exceptional case and that contracting parties had to be careful about such measures.

The representative of the European Communities said that the United States and the Community were fully aware of the gravity of the measures taken by both parties. The Community's decision to implement its measures on 1 March was irrevocable unless the Council disapproved them within the appropriate time. If, after 1 March, the United States considered that the Community's measures were excessive, then the CONTRACTING PARTIES would have the right, as stressed by a working party in 1955, "to require adjustments in the action taken if they consider that the action goes beyond what is necessary to restore the balance of benefits" (BISD 3S/182).

The representative of the United States said that his delegation was aware of its right to ask the Council to disapprove of the retaliation as provided in Article XIX; also, it could use GATT's dispute settlement procedures; but it was trying to achieve a practical solution short of either of those alternatives, and was simply asking for time to resolve this matter bilaterally.

The Council took note of the statements and that the consultations on this matter were to continue.

At its meeting on 28 February 1984, the Council had before it a request by the United States (L/5524/Add.21) for disapproval of the measures notified by the Community. The United States had also provided additional information in document L/5524/Add.22 and Corr.1.

The representative of the United States reiterated that his delegation was not questioning the Community's right under Article XIX to suspend substantially equivalent concessions as retaliation for the US safeguard action on specialty steel. However, it was important for the integrity of the safeguard process that retaliatory action was not excessive. Following high-level consultations between the United States and the Community, US concerns with regard to procedural issues concerning this matter had been resolved. In these circumstances, the proper action for the two parties concerned would be to advise the Council Chairman from time to time on any further developments. Consequently, the United States was not requesting that the Council disapprove, at this meeting, of the suspensions notified by the Community, but reserved its rights in this matter should circumstances change.

The representative of the European Communities reiterated that the Community's decision to implement its measures on 1 March was irrevocable, but that their scope could be adjusted, and that consultations were continuing, with the two parties showing goodwill in trying to find a satisfactory solution. He agreed with the conclusion reached by the representative of the United States, and recalled his own observation made to the Council on 7 February that in this case the two parties had followed GATT procedures in an exemplary way.

The Council took note of the statements.

9. United States - Imports of copper (C/M/176)

At the Council meeting on 13 March 1984, the representative of Chile said that eleven US copper producers, representing 85 per cent of US domestic production, had asked the US International Trade Commission to restrict imports of refined cathode and blister copper. Chile was deeply concerned at this development, which could impede free trade, and might revert to it in greater detail at a future Council meeting.

The Council took note of this information.

10. Norway - Termination of quantitative restrictions on imports from Hungary (C/M/181)

At the Council meeting on 2 October 1984, the representative of Hungary drew attention to document L/5675 announcing that Norway had abolished all quantitative restrictions, referred to in paragraph 4 of Hungary's Protocol of Accession, on imports from Hungary. He expressed appreciation for this measure, and noted that the member States of the European Economic Community were the only contracting parties maintaining quantitative restrictions, inconsistent with Article XIII of the General Agreement, on imports from Hungary.

The Council took note of the statement.

11. Recourse to Articles XXII and XXIII

(a) Canada

- Foreign Investment Review Act (FIRA) (C/M/174)

In March 1982, the Council had established a panel to examine the complaint by the United States. The Panel had submitted its report (L/5504) in October 1983. At its meeting in November 1983, the Council had agreed to revert to this item at its next meeting.

At the Council meeting on 7 February 1984, the representative of Canada said his Government recommended the Council to adopt the report, and would take appropriate steps to make the relevant operations of the Foreign Investment Review Act (FIRA) consistent with Canada's obligations under the General Agreement. Canada noted that the report did not question the validity of the Act itself. The Government would continue to expect foreign firms doing business in Canada to contribute to its economy through their purchase and other business practices by ensuring that Canadian suppliers were given a full and fair opportunity to compete. His delegation had noted that the Panel's findings did not preclude the acceptance of purchase undertakings so long as these did not imply that imported goods were treated less favourably than domestic products. The Canadian Government would henceforth encourage foreign investors to avoid wording, in any purchase undertakings submitted to the Foreign Investment Review Agency, which might imply discrimination. Existing purchase undertakings entered into under the Act would be reviewed in the light of the Panel's report.

The representative of the United States said the report was clear, concise, and well-reasoned; the Panel's work had been exemplary of how the GATT dispute settlement process should function. His delegation commended Canada's decision to take the necessary steps to make FIRA operations consistent with Canada's GATT obligations. The United States believed that the Panel's conclusions added a useful application of relevant GATT provisions to the body of GATT law which all contracting parties had to follow.

The representative of India reiterated his delegation's view that the Panel's report could not be taken to provide an opening for the introduction of new themes, such as investments, in GATT. This dispute concerned two developed contracting parties, and adoption of the report could not contribute to the evolution of case law applying to less developed contracting parties. The report had acknowledged that in disputes involving less developed contracting parties, full account should be taken of the special provisions in the General Agreement and of dispensations relating to these countries, such as Article XVIII:C; thus it was clear that the provisions and arguments invoked against Canada in this case could not be legitimately invoked against less developed contracting parties.

The representatives of Chile, Pakistan, the Philippines, Colombia, Nicaragua and Peru supported the statement by the representative of India.

The representative of Argentina said his delegation's position on this subject was reflected in paragraphs 4.1, 4.2 and 5.2 of the report. Argentina understood that the Panel's conclusions applied solely to the specific case under reference and within the limitations indicated.

The representative of Brazil supported Argentina's position.

The Council took note of the statements and adopted the Panel report (L/5504).

(b) European Economic Community

- Imports of newsprint from Canada (C/M/174, 175, 176, 178)

At the Council meeting on 7 February 1984, the representative of Canada drew attention to his authorities' request for consultations with the European Economic Community under Article XXIII:1, concerning the Community's decision to establish a duty-free quota of 500,000 tonnes for newsprint (L/5589). The consultations had not yet taken place, but informal bilateral discussions were continuing with a view to resolving the issue. In the absence of a settlement in the near future, Canada would return to the issue in the Council.

The Council took note of the statement.

At the Council meeting on 28 February 1984, the representative of Canada said that Article XXIII:1 consultations between Canada and the Community on this matter had failed to produce a satisfactory solution. Canada would therefore ask the Council at its meeting on 13 March to establish a panel to investigate this matter and make appropriate recommendations.

The Council took note of the statement.

At the Council meeting on 13 March 1984, the representative of Canada recalled that the European Economic Community had a bound tariff concession on newsprint at a zero rate within the limits of an annual tariff quota of 1,500,000 tonnes; on 1 January 1984, it had reduced this quota for 1984 to only 500,000 tonnes. This unilateral reduction had impaired Canadian rights under the concession, and had a direct adverse effect on Canadian export interests. Canada considered that the requirements of Article XXIII:1 had been met and asked for establishment of a panel, pursuant to Article XXIII:2. Canada also requested that the Panel be asked to deliver its findings within three months from the present meeting, as provided by paragraph 20 of the 1979 Understanding Regarding Notification, Consultation, Dispute Settlement and Surveillance (BISD 26S/210).

The representative of the European Communities referred to document L/5599 containing the reasons which had led the Community to open the new quota which, he emphasized, was provisional. The Community still hoped it would be possible to reach agreement with Canada. If Canada insisted on requesting a panel, it had been traditional GATT practice since discussion of the legal framework in 1979 not to refuse such a request. The Community would therefore respect the tradition embodied in the 1979 Understanding, and hoped that other countries would do likewise in other cases.

The representative of Finland, speaking also on behalf of Norway and Sweden, and the representatives of Chile, Austria and New Zealand reserved their GATT rights in this case.

The Council took note of the statements, agreed to establish a panel, and authorized the Chairman of the Council to draw up the Panel's terms of reference and to designate its Chairman and members, in consultation with the parties concerned.

At the Council meeting on 15/16 May 1984, the representative of Canada asked the Director-General to make a statement concerning this item under paragraph (ii) of the 1982 Ministerial Decision on Dispute Settlement Procedures (BISD 29S/13).

The Director-General noted that although terms of reference for the Panel had been agreed, there had so far been no agreement on its membership. The time limit for establishment of panels set in paragraph 11 of the 1979 Understanding on Notification, Consultation, Dispute Settlement and Surveillance (BISD 26S/210) had been substantially exceeded. He knew of nothing in the special circumstances of this case which explained the failure over a period of two months to reach agreement on the Panel's membership. It seemed to him that with goodwill and with due regard for the procedures, it should have been possible to reach agreement.

The representative of Canada said his delegation was most concerned about the length of time being taken to reach agreement on the Panel's composition. The undertakings in paragraphs 11 and 12 of the Understanding, particularly with respect to timing, had not been met. Meanwhile, the impact of the measure about which Canada had complained was continuing to affect Canadian exporters and Community importers of newsprint.

The representative of the European Communities agreed that the process of agreeing to the Panel's composition had dragged on too long. The Commission was submitting to the Council of the European Communities a proposal to increase the provisional duty-free quota for newsprint, and the proposed increase would largely cover export possibilities from Canada until the end of 1984. It was therefore incorrect to say that there had been any economic impact of this measure until now.

The Chairman joined the Director-General in appealing to the two parties to make maximum effort to reach a speedy solution to this problem¹.

The Council took note of the statements and agreed to revert to this item at a future meeting.

(c) Japan

(i) Measures on imports of leather (C/M/176, 178)

In April 1983, the Council had established a panel to examine the complaint by the United States.

At its meeting on 13 March 1984, the Council considered the Panel's report (L/5623).

The representative of Japan said that his Government had not yet completed its examination of the report, and he asked the Council to revert to this item at its next meeting.

The representative of the United States said the Panel had properly applied the provisions of Article XI in finding that Japan's quantitative restrictions on leather imports contravened that Article's prohibition of such restrictions. The Panel had also underscored the fact that special historical, cultural and socio-economic circumstances, such as those referred to by Japan in this dispute, could not be used to justify import restrictions in applying the relevant GATT provisions. His delegation asked contracting parties to adopt the report at the next Council meeting and to recommend prompt compliance by Japan with its GATT obligations.

The representatives of Australia and Canada hoped that Japan would agree to adopt the report at the next Council meeting, and that it would provide a precise indication of the time frame over which the quantitative restrictions in question would be eliminated.

The representative of Chile said that his delegation fully agreed with the Panel's recommendation in paragraph 59. However, paragraph 60 raised several questions which would have to be clarified.

The representative of India expressed his delegation's support for the statements by the representatives of Canada, Australia and Chile.

The representatives of Pakistan, New Zealand, the European Communities and Peru agreed to Japan's request for deferment, but expected the report to be adopted at the next Council meeting.

¹For the Panel's composition and terms of reference, see document C/127 issued on 5 June 1984.

The representative of the United Kingdom on behalf of Hong Kong said that paragraph 59 alone should represent the CONTRACTING PARTIES' recommendation on this matter. Paragraph 60 contained a suggestion which did not follow logically from the rest of the report and should therefore be excluded from adoption of the report.

The Council took note of the statements and agreed to revert to this item at its next meeting.

At the Council meeting on 15/16 May 1984, the representative of Japan said that bearing in mind the report's paragraph 43, his delegation was prepared to accept the report in its totality. If the whole report were to be adopted, Japan would make efforts progressively to liberalize import restrictions on leather in the direction of eventual conformity with GATT provisions, but this process would take a certain amount of time. He outlined the measures that Japan would take with a view to expanding leather trade, and added that his delegation would inform the Council periodically about the actions taken by his Government.

The representative of the United States welcomed Japan's willingness to have the report adopted. The United States agreed that, according to customary GATT practice, Japan should be given reasonable time to conform with GATT provisions. The first step which Japan intended to take was inadequate to restore the GATT benefits that had been nullified and impaired by the restrictions, particularly concerning US exports of finished leather. He stressed that the Panel had considered that special historical, cultural and socio-economic circumstances could not be used as a justification for import restrictions or even be considered by a panel in applying the relevant GATT provisions; such circumstances therefore could not be used to justify taking more than a reasonable period of time to eliminate those restrictions.

The representative of Australia supported the report's adoption on the understanding that the Panel's sole legal finding was set out in paragraph 59. The paragraphs which reflected on special factors affecting the manner in which Japan operated its quantitative restrictions on certain leathers could not modify other contracting parties' rights or Japan's obligations under the General Agreement. Australia would closely monitor how Japan implemented future trade liberalization measures on its leather imports.

The representative of Canada supported adoption of the report, and was willing to allow Japan a reasonable time for eliminating all Japanese quantitative restrictions on leather.

The representative of the United Kingdom, on behalf of Hong Kong, said that once a panel had reported clear findings and conclusions on the question of conformity with the General Agreement, recommendations adopted by the CONTRACTING PARTIES should be acted upon without delay and within a reasonable period of time. Any party to a dispute could always find reasons to argue that its circumstances were unique and required special consideration. If such arguments were once recognized as justifying delay, then the effectiveness of the GATT dispute settlement mechanism could be seriously prejudiced.

The representative of Pakistan said that his delegation could agree to Japan being given a certain amount of time to align its trade régime with GATT provisions, and hoped that Japan would consult with all interested parties and report periodically to the Council on further liberalization measures.

The representative of New Zealand supported the report's adoption and said the measures announced by Japan marked a first step in the right direction. New Zealand believed that the CONTRACTING PARTIES should have the reasonable expectation that, consistent with the finding in paragraph 59 of the Panel's report, Japan would take prompt, positive and progressive steps to make its measures conform with the General Agreement.

The representative of the European Communities shared the views expressed by the representative of Australia. He noted that Japan was now going to comply with its obligations under the Agreement on Import Licensing (26S/154).

The representative of Chile said that adoption of the report would not mean that the Council was taking action on the recommendation in paragraph 60. His delegation also had reservations about the choice of words in the report's paragraph 43, which gave the impression that Japanese restrictions on agricultural products were justified or less prejudicial than those affecting manufacturers.

The representative of India said that India would agree to the report's adoption on the clear understanding that the sole legal finding of the Panel was contained in paragraph 59. His delegation continued to have serious doubts over paragraph 60. India would agree to Japan being given a reasonable period of time for reporting compliance with the recommendation in paragraph 59, and would continue to reserve its GATT rights in respect of the findings in that paragraph. Socio-economic reasons could not be a justification for continuing measures which were found to be illegal under the GATT.

The representative of Argentina could agree to the report being adopted on the understanding that Japan's obligations were fully reflected in paragraph 59. The suggestion in paragraph 60 went beyond the Panel's terms of reference. Argentina regretted that the report did not contain any findings in respect of Articles II, X:1 and 3, and XIII:1 and 3.

The Council took note of the statements and adopted the Panel report (L/5623).

(ii) Japan - Measures affecting the world market for copper ores and concentrates (C/M/176, 178, 179)

At its meeting on 13 March 1984, the Council considered a request (L/5627) by the European Economic Community for establishment of a working party under Article XXII:2 to examine Japanese measures affecting the world market for copper ores and concentrates. .

The representative of the European Communities said that Japan at present had a dominant position on the world copper market; its tariff régime and purchasing policy enabled it to keep its domestic price higher than the world price and thus to keep a competitive edge over other producers. The Community had no raw copper resources and had to buy its ore and concentrates on the world market, but it was difficult to do this because the Japanese practices constituted barriers to trade; these practices also hurt mineral producers in developing countries which could not compete with Japanese producers. This problem dated back to the Tokyo Round, when the Community had asked Japan to reduce tariff protection for copper metal and products derived from copper, but without success. After the Tokyo Round the two sides had continued their bilateral negotiations on this issue, again without success, which had led the Community to open consultations in 1982 under Article XXII:1, in which a number of interested contracting parties had participated, but again no satisfactory settlement was reached. This was why the Community had decided to take up the problem in a multilateral framework and ask for a working party under Article XXII:2 rather than a panel under Article XXIII:2.

The representative of Japan said that his delegation was not convinced of the need to set up a working party under Article XXII:2. The Community had not explicitly referred to any specific Articles of the General Agreement to which this matter was related. However, Japan was willing for the matter to be discussed in a multilateral forum such as the Working Party on Trade in Certain Natural Resource Products; that body would examine both tariff and non-tariff measures as well as other factors in the trade of non-ferrous metals including copper.

The representative of the European Communities asked whether there was any precedent for a contracting party to refuse a request made by another contracting party to set up a working party under Article XII:2.

The representative of Japan asked whether there was any precedent for Article XXII being invoked in a case which (a) had nothing to do with the Articles of the General Agreement, and (b) which fell within the ambit of private, independent enterprises in respect of which the Government was not in a position to take any measures. Japan had no government policy concerning copper pricing and purchasing practices.

The Director-General said there had been a series of Article XXII:2 working parties, the last of which had been established in 1968. Since that year, no such working parties had been requested, and the tendency had been to invoke Article XXIII.

The representative of the European Communities said that the tendency of some contracting parties to stick to the letter of the General Agreement, and to overlook its basic objectives, created unbalanced situations which placed their partners in uncomfortable positions. The Community could not understand Japan's refusal of the request for a working party to follow up and examine a matter which went back so many years.

The representative of Japan said it would be a dangerous precedent if a contracting party was automatically granted a working party on the basis that it was dissatisfied with the legitimate commercial activities of private enterprises in other contracting parties which fell outside GATT's purview.

The Director-General said, on a preliminary basis, that any contracting party had the right to raise a problem and have it studied without necessarily having to demonstrate that the problem was linked to a particular GATT article. As to the right of governments to raise questions in GATT concerning practices followed by private firms, he recalled that there were GATT provisions referring to the behaviour of private firms: for example, the Decision of 18 November 1960 concerning restrictive trade practices (BISD 9S/28).

The representative of Japan said that all his Government was objecting to was improper invocation of GATT procedures, because the implications of this were so significant that it could change the nature of GATT.

Several representatives asked for further clarification of this issue, so that the Council could know what it was being asked to decide upon.

The representative of the European Communities wondered whether it was really true that the Japanese Government was totally powerless in this matter. If a country could only produce 50,000 tons of copper ores from its own natural resources, and it actually managed to produce 1,000,000 tons of refined copper then, in the prevailing world market situation, something was wrong somewhere.

The representative of India said it was clear that the implications of this issue were greater than those presented in document L/5627; the legal issues at least would have to be dealt with carefully.

The Chairman asked the two principally interested delegations, and delegations which had expressed their interest in this matter, to consult informally with him with a view to resolving this matter.

The Council took note of the statements and of the Chairman's request, and that the Community maintained its request for establishment of a working party, and agreed to revert to this matter at its next meeting.

At the Council Meeting on 15/16 May 1984, the representative of the European Communities maintained his delegation's request for a working party. The Community was not prejudging the results of such a working party and it was not seeking to condemn Japan. The Community had responded to the requests at the preceding Council meeting for more information on this matter by providing document L/5654, and was prepared to discuss the terms of reference proposed in document C/W/439.

The representative of Japan said that the problems of copper pricing and purchase by Japanese companies were to be seen purely on a commercial basis; he added that the present Japanese tariff rates were lower than the final concession rates agreed in the Tokyo Round. If the Community continued to insist that this problem belonged within GATT then, for reasons already stated, Japan believed that the Working Party on Trade in Certain Natural Resource Products was the most appropriate forum for discussing it.

The representative of Chile said that a contracting party had the right to have a working party set up under Article XXII if it so requested; however, such a working party should examine questions falling within GATT. If Japanese copper pricing and purchasing practices were the competence of private industry and if there was no intervention by the Government, it was difficult to see how the CONTRACTING PARTIES could review the question. As for document L/5654, instead of clarifying the situation, it had led to more confusion. Chile therefore suggested that the Chairman, with the help of the Secretariat, hold informal consultations to clarify this question.

The representatives of the Philippines and of Norway, on behalf of the Nordic countries, supported Chile's proposal.

The representative of the European Communities reiterated his delegation's objection to it being left to the Working Party on Trade in Certain Natural Resource Products to discuss this matter. The Community did not want to block work on a whole sector of the world economy because of one specific case. He agreed to the proposal for informal consultations organized by the Chairman, on which the Secretariat would report to the Council.

The Council took note of the statements and agreed that the Chairman, with the help of the Secretariat, would, organize informal consultations among interested delegations in order to help find an appropriate solution to this problem.

At the Council meeting on 14 June 1984, the Chairman said that the consultations had begun, and he proposed to report on them at a future Council meeting when they had been concluded or had made further progress.

The Council took note of this information.

(d) New Zealand - Imports of electrical transformers from Finland
(C/M/180, 181)

At the Council meeting on 11 July 1984, the representative of Finland said that after New Zealand had initiated anti-dumping proceedings against imports of Finnish electrical transformers, Finland had requested Article XXIII:1 consultations, which had not led to a satisfactory solution. Finland believed that its GATT benefits had been impaired; it reserved its GATT rights and might revert to this matter at a future Council meeting.

The representative of New Zealand rejected any suggestion that it had contravened its GATT obligations on this matter, and reserved its GATT rights.

The Council took note of the statements.

At the Council meeting on 2 October 1984, the Chairman drew attention to document L/5682 concerning Finland's recourse to Article XXIII:2 on this matter.

The representative of Finland noted that in February 1984 New Zealand had decided to impose an anti-dumping duty on imports of two electrical transformers from Finland. The Finnish Government considered that these transformers had not been sold at less than normal value, and that this sale had neither caused nor threatened to cause material injury to New Zealand producers. Finland believed that benefits accruing to it under the General Agreement, especially Article VI, had been impaired. Recent consultations and high-level political contacts had not led to a solution. Consequently, Finland asked that a panel be established to investigate the matter.

The representative of New Zealand said that his Government continued to consider that the transformers had been sold at less than normal value, causing or threatening to cause material injury to the domestic industry in terms of Article VI. Although New Zealand was ready to take all practical steps possible to meet Finnish concerns on this issue within the terms of Article XXIII:1, if Finland asked for a panel, his delegation would not object.

The Council took note of the statements, agreed to establish a panel and authorized the Chairman, in consultation with the two parties concerned, to decide on appropriate terms of reference and to designate the Panel members.

(e) United States

(i) Imports of sugar from Nicaragua (C/M/176)

In July 1983, the Council had established a panel to examine the complaint by Nicaragua.

At its meeting on 13 March 1984, the Council considered the Panel's report (L/5607).

The representative of Nicaragua recalled his delegation's position that the US measure violated Articles II, XI and XIII; the Panel's conclusions as to the inconsistency of the measure under Article XIII were so clear that they alone justified the recommendation for its elimination. However, Nicaragua considered that the United States, by administering its global quota in a discriminatory manner, was granting Nicaragua treatment less favourable than that established in the concession, and consequently it was also violating Article II:1. As for Article XI, Nicaragua considered that it was difficult to examine the reduction of the sugar quota in isolation from the internal regulation system of the US market without which the measure could not have been adopted. However, Nicaragua agreed with the United States on one point at least: regulation of the US sugar market was a matter so important as to deserve specific treatment in GATT. His delegation proposed that all interested contracting parties should initiate consultations, in which the United States would participate, to define the most appropriate framework for examining this matter. Nicaragua expected that the US measure would be promptly terminated, and that the Council would closely monitor progress in this direction.

The representative of the United States reiterated that the US measure had been taken for broader reasons than trade considerations. The reduction in Nicaragua's sugar imports had not secured any economic or trade benefit for the United States, for US sugar producers or any other domestic industry. Discussion of this issue in purely trade terms within GATT, divorced from the broader context of the dispute, was disingenuous. The United States would not object to adoption of the report, but its view of the issue remained the same: the resolution of its broader dispute with Nicaragua was desirable, and within that context the United States could envisage the removal of the action which Nicaragua had challenged before the Panel.

A large number of representatives supported adoption of the Panel's report. Several representatives of developing countries emphasized the importance of a satisfactory settlement of this case for GATT's dispute settlement procedures, particularly as it involved a dispute between a small developing and a major developed contracting party. They considered that the US measure contravened Part IV of the General Agreement and the 1982 Ministerial Declaration (BISD 29S/9).

The representative of Argentina said that the US measure also contravened paragraphs 7.1 and 7.3 of the 1982 Ministerial Declaration. Argentina regretted that the United States had been unable to advance any argument based on the General Agreement to justify its measure. This had served to strengthen his delegation's conviction about the political nature of a measure directed against a developing country.

The representative of Australia supported adoption of the report on the basis of the recommendation in its final paragraph. He noted that the representative of Nicaragua had suggested that interested contracting parties might enter into consultations with the United States to find a framework for examining conformity of the US sugar quota system with Article XI. Australia would not rule out consideration of that suggestion, but this could not be considered as a condition on which Australia supported adoption of the report.

The representative of Cuba said this was yet another case of the violation of the General Agreement by the application of trade and economic measures for political motives.

The representative of Poland said that no measure implemented by a contracting party and having adverse trade implications for another contracting party could be dismissed as irrelevant for the GATT. The fact that such a measure had been motivated by non-economic considerations and objectives was certainly not an extenuating circumstance.

The representative of India hoped that the goodwill shown by both parties would result quickly in relief being granted to Nicaragua.

The representative of the Dominican Republic appealed to the United States to stop using economic measures for political reasons and to re-establish Nicaragua's sugar quota.

The representative of the United Kingdom, on behalf of Hong Kong, reiterated his delegation's position that once a panel report was adopted, it should be acted upon quickly.

The representative of Switzerland reiterated that, subject to the provisions of Article XXI, his country opposed the use of commercial measures for political ends, just as it opposed political measures being used for commercial ends, whatever country was affected.

The Council took note of the statements and adopted the Panel's Report (L/5607). It also took note that the representative of Nicaragua had asked to keep in touch with the Chairman of the Council as to the follow-up on this matter.¹

(ii) Manufacturing Clause (C/M/176, 178)

In April 1983, the Council had established a panel to examine the complaint by the European Communities.

At its meeting on 13 March 1984, the Council considered the Panel's report (L/5609).

¹ See also follow-up item 13 on page 55.

The representative of the United States asked that the matter be deferred until the next Council meeting, when his delegation would be prepared to enter into full consideration of the report so that the Council could take appropriate action.

The representative of the European Communities agreed to the US request for deferment, but said his delegation expected the report to be adopted at the next Council meeting. He said the scope of this case extended well beyond the Manufacturing Clause, and noted that the report's conclusions were clear as to the scope and limitations of the Protocol of Provisional Application.

The Council took note of the statements and agreed to revert to this item at its next meeting.

At the Council meeting on 15 May 1984, the representative of the United States noted that the Manufacturing Clause had been part of US copyright law for 93 years; its elimination would be a difficult issue, requiring legislative action. Implementation of the Panel's recommendation would thus take time. The United States accepted adoption of the Panel's report and intended to make every effort to make its practice conform with GATT provisions.

The representative of the European Communities said that his delegation supported the concise conclusions in the report's paragraphs 42 and 43. The Community welcomed the statement by the representative of the United States and hoped that satisfactory action on this matter would be taken very shortly.

The representative of Hungary supported the Panel's conclusions. His delegation was pleased to see the Community's position, as reflected in paragraph 23 of the report, defending the integrity of Article XIII.

The Council took note of the statements and adopted the Panel report (L/5609).

12. European Economic Community - Quantitative restrictions on imports of certain products from Hong Kong

- Follow-up on the report of the Panel (C/M/174, 178)

In July 1983, the Council had adopted the report of the Panel (L/5511) which had examined the complaint by the United Kingdom on behalf of Hong Kong. The follow-up on the Panel's report had been discussed at subsequent Council meetings in 1983.

At the Council meeting on 7 February 1984, the representative of the United Kingdom, on behalf of Hong Kong, said the CONTRACTING PARTIES' recommendation that France should terminate the quantitative restrictions in question had still not been effectively acted upon. French action in November 1983 to liberalize trade in three product categories had been a

token gesture which affected only 1.5 per cent of the total trade in all items affected by the recommendation, while the recommendation had called unconditionally and unequivocally for the removal of the restrictions. Hong Kong reserved its right to revert to this matter.

The representative of the European Communities said that the recommendation had to leave a certain latitude to the party concerned for implementation in accordance with its own internal procedures and requirements. He confirmed that the Community would conform with the recommendation. Meanwhile, it was investigating imports of quartz watches, and Article XIX safeguard measures were one possible outcome.

The representatives of Pakistan, Jamaica, India, Egypt, Nicaragua and Brazil expressed concern about the functioning of GATT's dispute settlement mechanism as it related to this case.

The representative of the United Kingdom, on behalf of Hong Kong, emphasized that the Panel's finding had resulted in a clear and unconditional recommendation. The Community's minimal increase in some quotas did not address the fact that the CONTRACTING PARTIES had recommended that they should be terminated. This was a matter of concern for the GATT dispute settlement mechanism.

The representative of Brazil suggested that the two parties discuss setting a timetable for implementing the recommendation.

The Council took note of the statements and of the suggestion.

At the Council meeting on 15/16 May 1984, the representative of the United Kingdom, on behalf of Hong Kong, said that the communication from the European Communities in document L/5645 (notifying Article XIX action on quartz watches) had caused concern to Hong Kong. In so far as the Community had replaced a national action that had been found to contravene the General Agreement with a Community action that claimed to conform with Article XIX, the Community had to be congratulated for taking a step in the direction of conformity with GATT and acceptance of the MFN principle. However, Hong Kong was far from convinced of the justification for this new emergency action because the new quota was restricted to digital quartz watches while the alleged damage had occurred in production of mechanical watches. France appeared to have had no digital quartz watch production until March 1984; and perhaps the new measure was aimed at protecting that infant industry. He hoped the statement in document L/5645 that these measures were "subject to possible review in the course of their application" meant that the duration might be reduced but would certainly not exceed three years. Otherwise, at the end of that period, the Council might be faced with another similar communication extending the measures for a further three years. Finally, he drew attention to the fact that quota restrictions continued to be maintained by France, in contravention of the General Agreement, on a number of other products including radios, toys and

umbrellas. These restrictions had existed for many years and Hong Kong had repeatedly pressed for their removal. He called on the Community to indicate what action France would take to comply fully, within a reasonable time, with the CONTRACTING PARTIES' recommendation in this respect. He reserved his delegation's right to revert to this matter at a future Council meeting.

The representative of Singapore noted that the new safeguard action taken by the Community was on an MFN basis. This reaffirmed the basic principle that Article XIX safeguard action had to be non-discriminatory and should be taken only in exceptional circumstances.

The representative of the European Communities stressed that the Community was willing to hold consultations with any interested contracting party on this matter.

The representative of Canada considered that the Community had enjoyed the "reasonable period of time" referred to in paragraph 22 of the 1979 Understanding Regarding Notification, Consultation, Dispute Settlement and Surveillance (BISD 26S/210), and urged the Community to inform the Council as soon as possible of the further steps it would take to implement fully the CONTRACTING PARTIES' recommendation.

The representative of Korea endorsed the statement by the representative of the United Kingdom, on behalf of Hong Kong, concerning document L/5645, and reserved his Government's GATT rights on this matter.

The representative of Japan reserved his Government's GATT rights with respect to the Community's Article XIX action on quartz watches.

The representative of the European Communities said he had taken note of the comments by previous speakers.

The Council took note of the statements.

13. United States - Imports of sugar from Nicaragua

- Follow-up on the report of the Panel (C/M/178, 180)

At its meeting on 13 March 1984, the Council adopted the report of the Panel (L/5607) which had examined the complaint by Nicaragua.¹

At the Council meeting on 16 May 1984, the representative of Nicaragua said that if his authorities were correctly informed, the United States had recently increased its total sugar import quota for the current fiscal year by about 100,000 short tons; however, Nicaragua had not received any share of the increased US quota. He asked the United States to inform the Council of its intention regarding the CONTRACTING PARTIES' recommendation.

¹ See page 52.

The representative of the United States reiterated that for the United States to lift the measures in question would first require a resolution of the broader dispute between his country and Nicaragua. The United States had not obstructed Nicaragua's resort to the GATT dispute settlement process, and recognized that Nicaragua had rights under Article XXIII which it had preserved and could continue to exercise.

The representative of Cuba said that the United States was challenging the CONTRACTING PARTIES' recommendation by not reintroducing Nicaragua's sugar import quota. The United States had also taken other measures which hampered Nicaragua's trade and economic development, such as mining its harbours and exercising other means of military and economic pressure.

The representative of the United States said that the representative of Cuba had exceeded the extent of comments necessary under this item, and any enlargement of the discussion on the follow-up to the Panel's report was out of order.

The representative of Argentina said that the United States should implement the CONTRACTING PARTIES' recommendation; it was reasonable for Nicaragua to request specific information on when and how the United States intended to do this.

The representative of Nicaragua maintained her delegation's request to the United States for information on US intentions regarding the CONTRACTING PARTIES' recommendation.

The Council took note of the statements and agreed to revert to this item at a future meeting.

At the Council meeting on 11 July 1984, the Chairman said that he had received a letter from Nicaragua's Minister of Foreign Trade asking him, in his capacity as Chairman of the Council, to urge the United States to notify the CONTRACTING PARTIES promptly of the measures it intended to take in order to comply with the Panel's recommendation. The Chairman said he had discussed this matter with the delegations of Nicaragua and the United States, and hoped to be able to provide the Council with further information at a later date.

The Council took note of the statement.

14. United States tax legislation (DISC)

- Follow-up on the report of the Panel (C/M/180)

At the Council meeting on 11 July 1984, the representative of the United States recalled that his delegation had pledged to the Council at its meeting on 1 October 1982 that the US Administration would seek new legislation to replace the Domestic International Sales Corporation (DISC) legislation so as to meet the concerns expressed by Council

members. Since that meeting, his delegation had reported periodically to the Council on the Administration's progress toward reaching that goal. He was pleased to inform the Council that on 27 June 1984, Congress had passed the Foreign Sales Corporation Act (FSCA) as part of the Deficit Reduction Act of 1984. The United States believed that the FSCA, as an alternative to the DISC, conformed with the General Agreement and the rulings of the Council on this matter.

The representative of the European Communities said that his delegation had a number of problems with the new Act, which seemed to pose problems of compatibility with the General Agreement and, in particular, with the Council's understanding of November 1981 (L/5271) when the Council had adopted the Panel report (L/4422). His delegation reserved its GATT rights and would revert to this matter at a future Council meeting.

The representatives of Canada and Australia continued to have reservations over certain aspects of the new Act in terms of compatibility with GATT, and therefore reserved their rights to revert to this matter.

The representative of Jamaica trusted that this matter would continue to be dealt with in the Council and not in the Committee on Subsidies and Countervailing Measures.

The Director-General said that the first step would be for the United States to notify the new legislation to GATT once it had been signed by the President, after which the CONTRACTING PARTIES could decide on any appropriate follow-up.

The representative of Brazil said his delegation looked forward to receiving the text of the new US legislation, which was of great interest to his country.

The Council took note of the statements.

15. Customs unions and free-trade areas; regional agreements

(a) Biennial reports

(i) Caribbean Common Market (C/M/181)

At its meeting on 2 October 1984, the Council considered document L/5671 containing information given by the member States of the Caribbean Common Market.

The Council took note of the report.

(ii) Association Agreement between the European Economic Community and Cyprus (C/M/181)

At its meeting on 2 October 1984, the Council considered document L/5668 containing information given by the parties to the Association Agreement between the European Economic Community and Cyprus.

The Council took note of the report.

(iii) Association Agreement between the European Economic Community and Malta (C/M/181)

At its meeting on 2 October 1984, the Council considered document L/5667 containing information given by the parties to the Association Agreement between the European Economic Community and Malta.

The Council took note of the report.

(iv) Agreement between the European Economic Community and Yugoslavia (C/M/174)

At its meeting on 7 February 1984, the Council considered document L/5604 containing information given by the parties to the Agreement between the European Economic Community and Yugoslavia.

The Council took note of the report.

(v) Agreements between the European Economic Community and Austria, Finland, Iceland, Norway, Portugal, Sweden and Switzerland (C/M/175)

At its meeting on 28 February 1984, the Council considered documents L/5611 through L/5617, containing information given by the parties to the Agreements between the European Economic Community and the member States of EFTA and FINEFTA.

The representative of Chile said that his delegation wanted further information on the seven Agreements, and asked that consideration of this item be deferred until the necessary background information was available.

The representative of Sweden said that the information requested by the representative of Chile would be available at the next Council meeting.

The Council took note of the reports and of the statements, and agreed to revert to this item at its next meeting.

At the Council meeting on 13 March 1984, the Chairman said it had not been possible to obtain the information in time for the present meeting. He understood that the Community and EFTA member-State delegations would soon deliver the information directly to the delegation of Chile and also to the Secretariat so that it could be made available to other contracting parties.

The Council took note of the statement and agreed to revert to this matter in due course.

(vi) Co-operation Agreement between the European Economic Community and Algeria, Morocco, Tunisia, Egypt, Jordan, Lebanon and Syria (C/M/181)

At its meeting on 2 October 1984, the Council considered document L/5674, containing information given by the parties to the Co-operation Agreements between the European Economic Community and Algeria, Morocco, Tunisia, Egypt, Jordan, Lebanon and Syria.

The Council took note of the report.

(b) Australia/New Zealand Closer Economic Relations Trade Agreement (ANZCERT) (C/M/175, 181)

In April 1983, the Council had established a working party to examine this Agreement and had authorized the Chairman of the Council to designate the Chairman of the Working Party in consultation with the delegations principally concerned.

At the Council meeting on 28 February 1984, the Chairman informed the Council that following such consultation, Mr. Nogueira Batista (Brazil) had been designated Chairman of the Working Party.

At its meeting on 2 October 1984, the Council considered the report of the Working Party (L/5664). The report noted that the central trade objective of the Agreement was the elimination of remaining barriers to all goods traded between Australia and New Zealand. The parties to the Agreement had submitted that it would create a free-trade area fully compatible with the requirements of Article XXIV. Some contracting parties had reserved their GATT rights with respect to the GATT conformity of the Agreement, and concern had also been expressed as to the GATT rights of third parties in connexion with the Agreement.

The representative of Australia, speaking on behalf of both parties to the Agreement, considered that ANZCERT fully met the requirements of the General Agreement, in particular Article XXIV. Total free trade between Australia and New Zealand would be achieved no later than 1995 without raising barriers to the trade of other contracting parties.

The Council took note of the statements, adopted the report and agreed that the Australia/New Zealand Closer Economic Relations Trade Agreement (ANZCERT) be added to the calendar for examination, every two years, of reports on developments under regional agreements.

16. Waivers under Article XXV:5

(a) India - Auxiliary duty of customs (C/M/176)

By their Decision of 15 November 1973 (BISD 20S/26), as extended until 31 March 1984 (BISD 30S/9), the CONTRACTING PARTIES had waived application of the provisions of Article II of the General Agreement to the extent necessary to enable the Government of India to apply the temporary auxiliary duty of customs on certain items included in its Schedule XII.

At its meeting on 13 March 1984, the Council considered a request by India for a further extension of the waiver until 31 March 1985 (L/5624 and Add.1).

The representative of India explained that the special circumstances which had obliged it to maintain its auxiliary duty on customs the previous year continued to exist. The auxiliary duty was not intended to be a measure of protection designed to restrict imports. India stood ready to consult with any contracting party which might consider that serious damage to its interests was caused or imminently threatened by the application of auxiliary duties.

The Council approved the text of a draft decision (C/W/436) extending the waiver until 31 March 1985, and recommended its adoption by the CONTRACTING PARTIES by postal ballot.

The Decision was adopted on 16 April 1984 (L/5638).

(b) Uruguay - Import surcharges (C/M/179)

By their Decision of 24 October 1972 (BISD 19S/9), as extended until 30 June 1984 (BISD 30S/13) the CONTRACTING PARTIES had waived application of the provisions of Article II of the General Agreement to the extent necessary to allow the Government of Uruguay to maintain certain import surcharges in excess of bound duties.

At its meeting on 14 June 1984, the Council considered a request by Uruguay for a further extension of the waiver until 30 June 1985 (L/5655).

The representative of Uruguay said that his country was engaged in a process of reducing, simplifying and harmonizing its import tariff through the application of a single customs tax, but world economic difficulties had necessitated some adjustments in this process. It was in order to have time to finalize the alignment of concessions in Schedule XXXI with the new tariff structure now in force that Uruguay was asking for a further extension of the waiver.

The Council approved the text of the draft decision extending the waiver until 30 June 1985, and recommended its adoption by the CONTRACTING PARTIES by postal ballot.

The Decision was adopted on 16 July 1984 (L/5663).

(c) Reports under waivers

- United States - Agricultural Adjustment Act (C/M/174)

Under the Decision of 5 March 1955 (BISD 3S/32), the CONTRACTING PARTIES are required to make an annual review of any action taken by the United States under the Decision, on the basis of a report to be furnished by the United States.

At its meeting on 7 February 1984, the Council considered the twenty-sixth annual report (L/5595) submitted by the United States.

The representative of the United States said his authorities considered that the report discharged US obligations under the waiver. He brought certain developments during the period covered by the report to the Council's attention, concerning passage of dairy legislation which significantly affected the US dairy program and which the United States believed would bring production into better balance with demand.

The representative of Australia said the latest report showed that the United States had failed to balance dairy product supply and demand in recent years. Australia recognized that the United States was not the only country unable to control surplus dairy production; however, the waiver had been granted nearly 30 years ago as a temporary measure. His delegation could make similar comments on US non-market oriented practices concerning sugar and other products and measures covered by the waiver. Australia proposed that a working party be established to examine these matters in the context of the twenty-sixth annual report.

The representatives of Chile, New Zealand, Canada, Argentina, Pakistan, Brazil and Nicaragua supported the proposal to establish a working party.

The representative of the European Communities said that his delegation shared the concerns expressed by representatives, but questioned whether another working party would change anything. Perhaps it would be better to refer the whole matter for examination by the Committee on Trade in Agriculture, where there might be a chance to have the waiver terminated.

The representative of Pakistan said that his country was affected by the build-up of US cotton surpluses and their disposal abroad. He suggested that the Working Party have terms of reference which focussed on finding an alternative to a situation which had lasted so many years.

The representative of Brazil said that the new Working Party might propose a "sunset" clause or that the US measures be totally or partially phased out.

The representative of Australia emphasized that under the 1955 Decision, the CONTRACTING PARTIES were required to make an annual review of any action taken by the United States under that Decision. Australia could not agree with the Community's proposal to transfer responsibility for examining the US waiver entirely to the Committee on Trade in Agriculture.

The representative of New Zealand expressed support for the position taken by the representative of Australia.

The representative of the European Communities said that the Community would not oppose a decision to set up a working party, on the understanding that the waiver would also be discussed in the Committee on Trade in Agriculture.

The Council agreed to establish a working party and authorized the Chairman of the Council to designate the Chairman of the Working Party in consultation with the delegations principally concerned.

At the Council meeting on 13 March 1984, the Chairman informed the Council that Mr. Grunwaldt Ramasso (Uruguay) had been designated Chairman of the Working Party.

[17.] United States - Caribbean Basin Economic Recovery Act
(C/M/175, 178)

At their thirty-ninth session in November 1983, the CONTRACTING PARTIES had established a working party to examine the United States request for a waiver under Article XXV:5 (SR.39/1, page 10) concerning this Act, and had agreed that the Chairman of the Council should designate the Chairman of the Working Party in consultation with delegations.

At the Council meeting on 28 February 1984, the Chairman informed the Council that following such consultation, Mr. Chiba (Japan) had been designated Chairman of the Working Party.

At the Council meeting on 15/16 May 1984, the Council agreed to invite to meetings of the Working Party as observers those beneficiary countries which did not have observer status in the Council.

18. Switzerland - Review under Paragraph 4 of the Protocol of Accession
(C/M/181)

Under paragraph 4 of its Protocol of Accession, Switzerland reserved its position with regard to the application of the provisions of Article XI of the General Agreement to permit the application of certain import restrictions pursuant to existing national legislation. The Protocol calls for an annual report by Switzerland on the measures maintained consistently with this reservation, and it requires the CONTRACTING PARTIES to conduct a thorough review of the application of the provisions of paragraph 4 every three years.

At the Council meeting on 2 October 1984, the Chairman drew attention to documents L/5423, L/5596 and L/5673 containing the three most recent annual reports submitted by Switzerland.

The representative of Switzerland said it was clear from the reports that during the period 1981-83 there had been no change in the Swiss system of import restrictions and the products covered. The main feature of Switzerland's agricultural policy remained unchanged: it sought to safeguard a small core of domestic production for strategic and security reasons, while at the same time leaving wide access to its market for foreign produce.

The representative of Australia said that an in-depth examination of the Protocol's operation was necessary to ensure that the terms and conditions of Swiss accession were being adhered to. He proposed that the examination be carried out by a working party, and outlined his delegation's view of what the objectives of such a working party should be. With these objectives in mind, Australia could agree to terms of reference similar to those adopted by the Working Party established in 1981.

The representative of New Zealand endorsed the statement by the representative of Australia and supported the request for a working party. He noted that when the text of the Swiss Protocol had been submitted to the CONTRACTING PARTIES for approval, the Chairman had stated that the reservation could be considered analogous to a waiver granted under Article XXV:5 (SR 23/7, page 104).

The representative of Switzerland suggested that the review be conducted on the same basis as that carried out in 1981, as there had been no changes since then.

The Council took note of the statements and agreed to establish the Working Party to conduct the sixth triennial review of the application of the provisions of paragraph 4 of the Protocol for the Accession of Switzerland, and to report to the Council. Membership would be open to all contracting parties indicating their wish to serve on the Working Party. The Chairman of the Council was authorized to designate the Chairman of the Working Party in consultation with delegations.

19. Consultations on trade

(a) Hungary (C/M/178)

The Protocol for the Accession of Hungary provides for consultations to be held between Hungary and the CONTRACTING PARTIES biennially, in a working party to be established for this purpose, in order to carry out a review of the operation of the Protocol and of the evolution of reciprocal trade between Hungary and the contracting parties. In July 1983, the Council had established a working party to carry out the fifth consultation with the Government of Hungary.

At its meeting on 16 May 1984, the Council considered the report of the Working Party (L/5635). The Working Party had discussed the desirability of removing discriminatory quantitative restrictions still maintained against Hungarian exports by the European Economic Community and Norway, and had expressed concern at the slow progress made over recent years. It had then examined Hungarian imports in general and had noted that while total imports had increased, imports from contracting parties had declined. The Working Party had welcomed the statement by Hungary that it intended to continue to trade with contracting parties on the basis of non-discrimination.

The representative of Hungary said that any agreement sought by the Community bilaterally with Hungary could be based only on the most-favoured-nation principle and non-discrimination, and could not call for a counterpart to be paid for the fulfilment of obligations under Hungary's Protocol of Accession, nor could it legalize discriminatory practices. There would be no justification for any new safeguard measures. Hungary also considered it indispensable that the conclusion of a bilateral agreement be justified by substantial improvement in the conditions affecting Hungarian exports of agricultural and industrial products to the Community market.

The representative of the European Communities said his delegation subscribed fully to the Community position as set out in the report, and he did not agree with the statement by the representative of Hungary.

The representative of Australia supported adoption of the report and expressed his delegation's concern that a number of quantitative restrictions continued to be maintained against Hungary despite paragraph 4(a) of the Protocol of Accession.

The Council took note of the statements and adopted the report.

20. Protectionism - Discussions related to certain US measures
(C/M/174, 175, 178)

At the Council meeting on 7 February 1984, the representative of the European Communities urged the United States to lead the struggle against protectionism so as to ensure maintenance of economic recovery. There had been a worrying tendency evident in the United States over recent months, in parallel with the recovery, for the initiation of all sorts of actions aimed at restricting imports. The tendency was increasing both in volume and coverage and its cumulative effect was devastating. By way of illustration, he mentioned the Community's wine exports which were coming under attack both in the US Congress, through the proposed Wine Equity Bill, and through anti-dumping and countervailing duty complaints. He then quoted a series of statements by the US Deputy Secretary of the Treasury, including the view that it was within the industrialized countries' power to avoid protectionism;

that protectionism only succeeded in shifting the burden of adjustment to consumers and to non-protected industries; and that there were reasons to be optimistic about the future of the international economic system if countries followed policies designed to foster their long-term economic interests and if they avoided short-term political expedients.

The representative of the United States said he did not wish to comment on the merits of the petitions mentioned, which were subject to statutory and transparent procedures that would take several months to complete. His delegation shared, however, the broader concerns expressed by the representative of the European Communities.

The representative of Jamaica said it did not appear from the preceding statements that either the Community or the United States intended to honour commitments on a standstill and rollback of protective measures. He called upon the major trading partners to see the relationship between protectionism, structural adjustment, recovery and debt servicing, and to try to find a program of action in this respect.

The Council took note of the statements.

At the Council meeting on 28 February 1984, the representative of the United States said that his authorities considered recent comments on alleged protectionist forces in the United States to be exaggerated. In 1983, the United States had a trade deficit of US\$69.4 billion, and by all estimates this would rise in 1984 to more than US\$100 billion, which would be the largest imbalance in the history of international trade. Also, US imports were growing at nearly double the rate of growth of gross domestic product; if that ratio was sustained for the rest of 1984, which seemed likely, it was difficult to see how the United States could be accused of being protectionist. His Government had decided in 1983 to encourage import growth, and this policy remained in force. Any country should feel free to criticise the United States once it sustained the same level of trade imbalance, but until then, he suggested that commentators look to criticise elsewhere.

The representative of the European Communities said that if the United States had to confront such large deficits, maybe remedies other than trade restrictive measures could be sought to correct the imbalance. He recalled that in his remarks on this point to the Council on 7 February, he had said that the United States was a great trading power and should therefore lead a crusade against protectionism, helping others to follow suit. This had been an appeal and not a criticism.

The representative of Jamaica reiterated his delegation's concerns over the relationship between structural adjustment, trade liberalization and the recourse to safeguard measures. The CONTRACTING PARTIES were fortunate that the Community and the United States had not started a trade war, because in any such escalation the trading system as a whole,

and the developing countries, would be among the first victims. Jamaica was concerned that GATT, by talking about retaliation and the varying nature of safeguard measures, rather than tackling their underlying causes, was appearing not to take its responsibility for dealing with major problems in the trading system.

The representative of Pakistan said his delegation felt that assurances from the United States that it was resisting protectionism were ceasing to have the value they had two years ago. He understood that sixty calls for consultations under the Arrangement Regarding International Trade in Textiles (BISD 21S/3) had been issued by the United States; a development of that magnitude was serious and called for remedial action.

The Council took note of the statements.

At the Council meeting on 15/16 May 1984, the representative of Peru said his delegation saw with deep concern that protectionist tendencies were proliferating, notwithstanding the commitments contained in the 1982 Ministerial Declaration (BISD 29S/9). He gave details of recent protectionist measures which he said had been taken by the United States against two important sectors of Peru's economy -- textiles and copper -- and called for proliferation of such measures to be avoided, and for full account to be taken of the special situation of developing countries in accordance with Part IV of the General Agreement. Peru did not oppose the adoption of measures that defended an industry from unfair competition, but it rejected those aimed at covertly protecting obsolete industries, thereby penalizing efficiency. Peru called on the United States to resist protectionist pressures and to lead an international crusade against this tendency.

The representative of Chile supported the views expressed by the representative of Peru. Referring to the statement by his delegation at the Council meeting on 13 March 1984¹ concerning the case brought by US copper producers before the United States International Trade Commission (USITC), he said copper-producing countries hoped that the USITC's decision would be compatible with the commitments to free trade made so often by the United States.

The representative of the United States said he understood the concerns expressed by the representative of Peru, but he disagreed that the United States was protectionist, and referred to the statement by his delegation at that meeting concerning textiles². World economic growth and trade were beginning to improve, due largely to US growth and to the fact that the United States had maintained a liberal trade régime in the

¹ See page 40.

² See page 29.

face of increasing trade and current account deficits. There might be differences of opinion over the causes for this imbalance, but it could hardly be said that the high US deficits reflected a protectionist policy. It was also incorrect to characterize individual industries pursuing their rights through transparent US processes as constituting increased protectionism on the part of the US Administration.

The Council took note of the statements.

21. Poland - Economic management system (C/M/176, 179)

At the Council meeting on 13 March 1984, the representative of Poland said that his delegation intended to organize, later in 1984, an informal meeting, open to all contracting parties, so that a group of Polish economists and economic officials might present the essential features of the current reform in Poland's economic management system.

The Council took note of this information.

At the Council meeting on 14 June 1984, the representative of Poland said that the informal meeting was scheduled for 28 June 1984. To his knowledge, this would be the first comprehensive presentation of this subject outside Poland, particularly of its trade-related aspects.

The Council took note of this information.

22. Evolution of the GATT system - Suggestions by Jamaica (C/M/176)

At the Council meeting on 13 March 1984, the representative of Jamaica made several suggestions concerning the evolution of the GATT system: these included encouragement for the Director-General's efforts towards dealing in GATT with the tensions in the open trading system and towards activating work on structural adjustment; ensuring that the collective experience of those who had worked in GATT since its establishment in 1948 was continued and strengthened; improving the preparation and mailing system for GATT documents; further informal consultations on improving the Council's working methods; an early substantial review on how the MTN Agreements and Arrangements should be brought into line with the GATT framework; and a call for a Note by the Secretariat which might review the status of work in the action program resulting from the 1982 Ministerial meeting and on the completion of unfinished MTN business. Finally, concerning recent calls for a new round of multilateral trade negotiations, Jamaica hoped that any such round would be adequately prepared.

The representative of Argentina said that his delegation was also concerned at the brief period between meetings and circulation of documents.

The Director-General said that some of these points might be discussed at the next special Council meeting.

The Council took note of the statements.

23. Training activities (C/M/...)

[TO BE COMPLETED]

24. International Trade Centre

- Joint Advisory Group (C/M/179)

At its meeting on 14 June 1984, the Council considered the report of the Joint Advisory Group on the International Trade Centre UNCTAD/GATT on its seventeenth session (ITC/AG(XVII)/93 and Add.1 and Corr.1). The Group had noted that as the Centre's activities had expanded over the past 20 years, it had faced a corresponding need for increased resources to carry out its program, but unfortunately the level of financing had not kept pace with the growing number of requests for the Centre's services. The Group had urged the Centre to continue its efforts to increase trust fund contributions and to diversify its sources of financing, so as to ensure an expanded program of technical co-operation. The Group had discussed follow-up action required in relation to UNCTAD resolution 158(VI) calling for strengthening the Centre, particularly in relation to commodities. A number of encouraging statements had been made in the Group regarding trust fund contributions to the Centre. These included some increases announced by traditional trust fund donors as well as contributions announced by some new donor countries, including several developing countries.

A number of representatives expressed their appreciation and support for the Centre's work, and for the main recommendations in pages 2-3 of the report. Donor countries were thanked for their contributions to the Centre, and appeals were made for additional resources to be made available.

The Council took note of the statements and adopted the report.

25. Administrative and financial questions

(a) Committee on Budget, Finance and Administration

(i) Assessment of additional contributions on Belize to the 1983 and 1984 Budgets and advance to the Working Capital Fund (C/M/174)

At the Council meeting on 7 February 1984, the Chairman drew attention to document L/5594 proposing that contributions to the 1983 and 1984 Budgets as well as an advance to the Working Capital Fund be assessed on Belize.

The Council adopted the assessment proposed.

(ii) Final position of the 1983 Budget of the GATT (C/M/178)

At its meeting on 16 May 1984, the Council considered document L/5633. The Chairman noted that there had been an increase in the level of outstanding contributions, which had amounted to nearly 8 million Swiss francs at the end of 1983. The situation continued to be a matter of great concern, and, once again, he urged governments to assume their financial responsibilities as promptly as possible.

The representative of Jamaica noted that the increase in contributions assessed on contracting parties was partly due to outstanding contributions, which meant that individual contracting parties were being assessed at a higher figure.

The Director-General said that outstanding contributions which were being carried over from one year to the next were a serious problem, and that the CONTRACTING PARTIES might one day have to depart from orthodoxy and take an appropriate decision in this respect. He emphasized that the Secretariat would continue to follow a very strict budgetary policy.

The Council authorized the increase in appropriations, approved the proposed financing as reflected in document L/5633 and took note of the statements.

(b) Deputy Director-General post (C/M/180)

At its meeting on 11 July 1984, the Council took note of the Director-General's decision to extend Mr. M.G. Mathur's term of appointment for a further period of three years, i.e. until 31 December 1987.

26. Observers

(a) Observer status in GATT (C/M/178, 179, 180, 181)

At its meeting on 15/16 May 1984, following a proposal by the representative of the European Communities, the Council requested the Secretariat to prepare a note summarizing existing practice with respect to admission of non-contracting parties as observers at meetings of the Council and its subsidiary bodies.¹

At its meeting on 14 June 1984, the representative of the United States proposed that the Secretariat note should also address the question of application of the General Agreement on a de facto basis.²

¹ Secretariat Note on Observer Status in GATT (C/129)

² Secretariat Note on De Facto Application of the General Agreement (C/130).

At its meeting on 11 July 1984, the representative of the United States suggested that the Council review the procedures and conditions for considering requests for observer status, particularly those from governments which were not contracting parties, and the rôle played by observers in GATT meetings. He suggested that informal consultations be held on these questions.

The representatives of Israel and the European Communities supported the statement by the representative of the United States.

The Chairman said he would proceed with the informal consultations and proposed that the Council revert to the matter of observer status at its next meeting.

The Council took note of the statements and so agreed.

At its meeting on 2 October 1984, the Chairman reported on the informal consultations that had been held on this question. The process was not yet completed, and he intended to continue the consultations.

The Council took note of the progress report.

(b) Requests

(i) Governments

- El Salvador (C/M/174)

At its meeting on 7 February 1984, the Council agreed to grant El Salvador observer status for Council meetings.

- Costa Rica (C/M/178)

At its meeting on 15 May 1984, the Council agreed to grant Costa Rica observer status for Council meetings.

- Algeria (C/M/179, 180)

At its meeting on 14 June 1984, the Council considered a request by Algeria for permanent observer status in the deliberations and work of the principal GATT bodies.

The representative of Egypt supported acceptance of Algeria's request.

The representative of the United States said that Algeria's application of the General Agreement on a de facto basis put its request in a different category to those submitted by other non-contracting parties. He asked that a decision on Algeria's request be delayed until the Council had examined the question of observers generally and their rôle in GATT.

The Council took note of the statements and agreed to revert to this matter at its next meeting.

At its meeting on 11 July 1984, the Council agreed to grant Algeria observer status for Council meetings.

(ii) International Organizations

- World Bank (C/M/181)

At its meeting on 2 October 1984, the Council agreed to grant the World Bank observer status for Council meetings.

- Inter-American Development Bank (C/M/181)

At its meeting on 2 October 1984, the Council agreed to grant the Inter-American Development Bank observer status for Council meetings.

- Latin American Economic System (C/M/181)

At its meeting on 2 October 1984, the Council agreed to grant the Latin American Economic System (SELA) observer status for Council meetings.

27. Conference rooms - Smoking (C/M/179)

At the Council meeting on 14 June 1984, the representative of the European Communities suggested that consultations might be held on the question of smoking in GATT conference rooms.

The Director-General referred to efforts by the Director-General of the World Health Organization to discourage smoking, and said that it was necessary to proceed on this matter on the basis of a consensus.

It was suggested that GATT follow the practice adopted in the Palais des Nations, which was to prohibit smoking in small conference rooms and to discourage it in large ones.

The Council agreed that informal consultations be held so that a decision on this subject could be taken at a future Council meeting.

28. Arrangements for the fortieth session

(a) Dates for the session (C/M/180)

At its meeting on 11 July 1984, the Council agreed on the dates for the fortieth session.