

# GENERAL AGREEMENT ON TARIFFS AND TRADE

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CONTRACTING PARTIES  
Forty-Second Session

## COUNCIL OF REPRESENTATIVES

### Draft Report on Work since the Forty-First Session<sup>1</sup>

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 Forty-First Session in November 1985. The minutes of these meetings, which remain the record of the Council's work, are contained in documents C/M/195-C/M/.... Adoption of this report, which summarizes the action taken by the Council, will constitute approval by the CONTRACTING PARTIES of that action.

The following subjects are included in the report:

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1. Work Program resulting from the 1982 Ministerial meeting

- Quantitative Restrictions and Other Non-tariff Measures (C/M/201)

At the Council meeting on 15 July 1986, the Chairman of the Group on Quantitative Restrictions and Other Non-tariff Measures reported on the Group's work since the November 1985 session of the CONTRACTING PARTIES.

The Council took note of this information.

- Problems of Trade in Certain Natural Resource Products

- Non-ferrous Metals and Minerals (C/M/200)

In March 1984, the Council had established the Working Party on Trade in Certain Natural Resource Products 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 Chairman of the Working Party had submitted an interim report on Non-ferrous Metals and Minerals to the Council at its meeting in November 1985.

At its meeting on 17 June 1986, the Council considered the Working Party's final report on non-ferrous metals and minerals (L/5995).

The representative of Hong Kong introduced the report on behalf of the Chairman of the Working Party. The representatives of Canada, Sweden on behalf of the Nordic countries, Australia and Zaïre spoke.

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

2. Reviews of developments in the trading system (special meetings on Notification, Consultation, Dispute Settlement and Surveillance) (C/M/199)

At their Thirty-Fifth Session in November 1979, the CONTRACTING PARTIES had adopted the Understanding regarding Notification, Consultation, Dispute Settlement and Surveillance (BISD 26S/210). In March 1980, the Council had adopted a proposal which provided for the Council to review developments in the trading system at sessions specially held for that purpose (BISD 27S/20). At its 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 a year.

At the special meeting on 17 June 1986, the Council reviewed recent developments in the trading system and monitored implementation of paragraph 7(i) of the 1982 Ministerial Declaration. A note by the Secretariat on "Developments in the Trading System, October 1985-March 1986 (C/W/494 and Corr.1) served as a reference document for the discussion.

The representatives of the European Communities, Jamaica, New Zealand, Egypt, Korea, Canada, Japan, Hong Kong, Australia, Singapore, Finland on behalf of the Nordic countries, Hungary, Yugoslavia, India, Sri Lanka, Thailand, United States, Switzerland, Brazil, Colombia, Uruguay, Nigeria, Pakistan and China (as an observer) spoke.

The Council discussed ways of improving GATT's existing notification and surveillance mechanism, including the effectiveness of the special Council meetings, and suggestions for country reviews. Many representatives expressed appreciation for the reference document prepared by the Secretariat; representatives commented on specific and general points in the Secretariat's documentation, and suggested ways to improve it in future.

The following subjects were also raised: specific trade-opening and trade-restrictive measures taken by contracting parties and developments affecting the functioning of the GATT trading system; the possibility of the CONTRACTING PARTIES making a collective assessment (perhaps available to the public) of trade policy trends and developments; how to deal realistically in GATT with "grey area" measures; bilateral, regional, and voluntary export restraint arrangements; problems of world trade in textiles and in agriculture; the implications of the new US Food Security Act; the problems of debtor countries; the upcoming new round of multilateral trade negotiations; the continuing strength of protectionist pressures and

their underlying causes; the importance of the US market to overall economic stability and growth; relations between the United States and the European Economic Community; the need for a new commitment to standstill and rollback by all contracting parties, in conjunction with launching the new round of multilateral trade negotiations; developments in the world economy during the period under review, such as lower interest rates, reduced inflation and falling oil prices; the ability of various economies to respond to the changing environment; rigidities in economic structures and delays in adjustment; the relationship between trade policies and structural adjustment; discriminatory quantitative restrictions; the lack of GATT disciplines on subsidies; recent developments in the Generalized System of Preferences (GSP); the increased recourse to countervailing duty and anti-dumping actions; the link between trade, finance and development; and specific trade disputes between contracting parties.

The Director-General introduced his periodic report on the Status of Work in Panels and Implementation of Panel Reports (C/139).

The representative of China, speaking as an observer, informed the Council of recent economic and trade policy developments in his country. In order to execute his Government's policies better and to expand further economic and trade relations with other countries, China had indicated its wish to resume its GATT membership; the steps required for this would be taken in due course. China also wanted to participate in the new round of negotiations and to attend the Ministerial meeting in September.

The Chairman, in concluding the discussion, said that suggestions to strengthen the surveillance function of the special Council meetings should be kept in mind in future deliberations. Also, the Secretariat document might be further improved to reflect in a more structured way the current operation of GATT provisions.

The Director-General invited representatives to reflect on how the type of discussion just ended might be improved to the point where a collective assessment, perhaps available to the public, could be made on trade policy trends and developments. This might one day even include an appeal by the CONTRACTING PARTIES addressed to particular contracting parties or groups of contracting parties to take or refrain from taking some type of specific or generalized trade policy action.

The Council took note of the statements and agreed that the review of developments in the trading system had been conducted.

### 3. Consultative Group of Eighteen (C/M/195)

At their Forty-First Session, the CONTRACTING PARTIES had agreed that the Council should take up at its next meeting the question of the composition of the Consultative Group of Eighteen for 1986.

At its meeting on 12 February 1986, the Council approved the Group's composition for 1986 as proposed by the Director-General.

The representatives of Egypt, the United States, the European Communities, Côte d'Ivoire, Indonesia on behalf of the ASEAN contracting parties, Jamaica, Japan and Canada spoke.

The Council took note of the statements.

4. Sub-Committee on Protective Measures (C/M/195)

In March 1980, the Committee on Trade and Development had established the Sub-Committee on Protective Measures, 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). That Decision provided that the Sub-Committee would report on its work to the Committee on Trade and Development and through it to the Council. In November 1985, the Committee on Trade and Development had adopted the Sub-Committee's report on its eighth session (COM.TD/SCPM/8).

At its meeting on 12 February 1986, the Council considered the Sub-Committee's report.

The representatives of Jamaica, Egypt, India and the European Communities spoke.

The Council took note of the statements and adopted the Sub-Committee's report (COM.TD/SCPM/8).

5. Tariff Matters

(a) Committee on Tariff Concessions (C/M/201)

At the Council meeting on 15 July 1986, the Chairman of the Committee on Tariff Concessions appealed to both developed and developing contracting parties to give serious consideration to joining the work in the Tariff Study on collecting tariff and trade data in computerized form.

The representative of the European Communities spoke.

The Council took note of the statements.

(b) Harmonized System  
- Korea - Invocation of Article XXVIII:4 (C/M/200)

At its meeting on 17 June 1986, the Council considered a request by Korea (L/5999) for authority under the provisions of Article XXVIII:4 to renegotiate a number of concessions included in its Schedule LX.

The representatives of Korea, the European Communities, Sweden on behalf of the Nordic countries, Argentina and Japan spoke.

The Council took note of the statements and agreed to grant the authority sought by Korea.

The Council agreed to invite any contracting party, once the delegation of Korea had submitted its documentation mentioned in L/5999 relating to the items on which it intended to conduct renegotiations, to communicate any claims in writing and without delay to the Government of Korea and at the same time to inform the Director-General, if it considered that it had a principal supplying interest or a substantial interest, as provided for in Article XXVIII:1. Any such claim recognized by the Government of Korea would be deemed to be a determination within the terms of Article XXVIII:1.

6. Trade in Textiles  
- Report of the Textiles Committee (C/M/196)

At the Council meeting on 12 March 1986, the Director-General, Chairman of the Textiles Committee, presented the Committee's report (COM.TEX/43).

The representative of the United Kingdom, on behalf of Hong Kong, spoke.

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

7. State trading (C/M/195, 196, 198)

At the Council meeting on 12 February 1986, the representative of Chile referred to his delegation's proposal in L/5955 that the Council establish a periodic review procedure and that consultations be held to clarify the meaning and coverage of the term "State enterprise" in Article XVII:1(a).

The representatives of Cuba and the United States spoke.

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

At the Council meeting on 12 March 1986, the representative of Chile proposed terms of reference for a working party to examine this matter.

The representatives of Canada and Japan spoke.

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

At its meeting on 22 May 1986, the Council considered a communication from Chile in C/W/495 containing terms of reference for a working party.

The representatives of Chile, India, Australia, Cuba, Israel, the United States, Canada and the European Communities spoke.

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

8. Committee on Balance-of-Payments Restrictions (C/M/195, 198)

At the Council meeting on 12 February 1986, the Chairman of the Committee on Balance-of-Payments Restrictions introduced the Committee's reports on its consultations with Israel (BOP/R/155) and Colombia (BOP/R/156) and on its simplified consultations with Egypt, Brazil, Ghana and Tunisia (BOP/R/157).

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

The Chairman of the Committee also reported on its meeting in December 1985 (BOP/R/158), and drew attention to a communication from Portugal (L/5958) indicating that it was no longer invoking the balance-of-payments provisions of the General Agreement. He also drew attention to the program of consultations for 1986 (C/W/491/Rev.1).

The Council took note of the statement and of BOP/R/158, L/5958 and C/W/491/Rev.1.

At the Council meeting on 22 May 1986, the Chairman of the Committee introduced the Committee's reports on its consultations with Argentina (BOP/R/159) and Greece (BOP/R/160) and on its simplified consultations with Bangladesh and Peru (BOP/R/161).

The Chairman of the Committee also reported on its meeting in April 1986 (BOP/R/162).

The Council took note of the statement and of BOP/R/162, and adopted the reports.

9. United States - Measures affecting Cuban sugar exports (C/M/198)

At the Council meeting on 22 May 1986, the representative of Cuba reiterated the points made by his delegation in L/5980 concerning US measures affecting Cuba's sugar exports.

The representatives of the United States, Nicaragua, Argentina, Brazil, Hungary, Peru, Czechoslovakia, Poland and Uruguay spoke.

The Council took note of the statements.

10. United States - Measures on imports of non-beverage ethyl alcohol (C/M/198)

At the Council meeting on 22 May 1986, the representative of Brazil said that his Government had formally requested Article XXIII:1 consultations with the United States on US measures affecting imports of non-beverage ethyl alcohol (L/5993).

The representative of the United States spoke.

The Council took note of the statements.

11. United States - Imports of lumber from Canada (C/M/198, 200, 201)

At the Council meeting on 22 May 1986, the representative of Canada said that his country faced a potential trade problem which could jeopardize Canadian lumber exports to the United States.

The representative of the United States spoke.

The Council took note of the statements.

At the Council meeting on 17 June 1986, the representative of Canada raised this matter again.

The representative of the United States spoke.

The Council took note of the statements.

At the Council meeting on 15 July 1986, the representative of Canada noted that this matter had been the subject of a special meeting of the Committee on Subsidies and Countervailing Measures on 14 July.

The Council took note of the statement.

12. European Economic Community - Suspension of food imports from certain East European countries (C/M/198)

At the Council meeting on 22 May 1986, the representative of Hungary gave his authorities' views on the fact that following the nuclear accident at Chernobyl in the Soviet Union in April 1986, the Community had suspended imports of live animals, fresh meat and some other fresh foods from certain East European countries including Hungary.

The representatives of Poland, Czechoslovakia and the European Communities spoke.

The Council took note of the statements.

13. European Economic Community - Discriminatory restrictions maintained by Portugal and Spain on imports from Japan (C/M/196)

At the Council meeting on 12 March 1986, the representative of Japan expressed his Government's concern over discriminatory import restrictions introduced by Portugal and Spain on 1 March 1986.

The representatives of Hungary and the European Communities spoke.

The Council took note of the statements.

14. Recourse to Articles XXII and XXIII

(a) Canada

(i) Measures affecting the sale of gold coins (C/M/195, 198)

In November 1984, the Council had established a panel to examine South Africa's complaint concerning Canadian measures affecting the sale of gold coins. At its meetings in October and November 1985, the Council had considered the Panel's report (L/5863).

At its meeting on 12 February 1986, the Council continued its consideration of the report.

The representatives of Canada, South Africa and Brazil spoke.

The Council took note of the statements, commended the action taken by Canada in accordance with the Panel's relevant recommendations, and noted the right of the parties to revert to this question as circumstances might require.

The representative of Canada stated his delegation's understanding that the Panel's report had not been adopted.

At its meeting on 22 May 1986, the Council continued its consideration of the Panel's report.

The representatives of South Africa, Canada and the European Communities spoke.

The Council took note of the statements without prejudice to the right of the parties to revert to this question as circumstances might require.

(ii) Import, distribution and sale of alcoholic drinks by provincial marketing agencies (C/M/195, 198)

In March 1985, the Council had established a panel to examine the complaint by the European Communities, and had authorized the Council Chairman, in consultation with the parties concerned, to draw up the Panel's terms of reference and to designate its Chairman and members.

At its meeting on 12 February 1986, the Council was informed of the Panel's terms of reference.

At its meeting on 22 May 1986, the Council considered the Panel's composition.

The representatives of the European Communities, Canada and Australia, and the Director-General spoke.

The Council took note of the statements.

(b) European Economic Community

(i) Production aids granted on canned peaches, canned pears, canned fruit cocktail and dried grapes (C/M/195)

In March 1982, the Council had established a panel to examine the complaint by the United States. At seven meetings in 1985 the Council had considered the Panel's report (L/5778) and had agreed in November 1985 to revert to this matter at its next meeting.

At the Council meeting on 12 February 1986, the Chairman said he had been informed by the two parties that they considered they had settled this dispute in a mutually satisfactory way, and gave details of this settlement.

The representatives of the United States, the European Communities and Chile spoke.

The Council noted that the two parties had settled their dispute in a mutually satisfactory way, thanked the Chairman and the members of the Panel for their work, which had facilitated a resolution of the problem, and took note of the action taken by the parties to the dispute and of the statements made.

(ii) Restrictions on certain imports from  
New Zealand (C/M/196)

At the Council meeting on 12 March 1986, the representative of New Zealand informed the Council that his Government had requested consultations with the European Economic Community under Article XXII:1 concerning France's ban on selected imports from New Zealand (L/5970).

The representative of the European Communities spoke.

The Chairman said that representations had been made to him that some other contracting parties shared New Zealand's concerns on this matter.

The Council took note of the statements.

(c) Japan

(i) Measures affecting the world market for copper ores and concentrates (C/M/198, 200, 201)

At the Council meeting on 22 May 1986, the Council considered the request by the European Economic Community for a working party under Article XXII:2 (C/W/439, L/5627, L/5654, L/5992).

The representatives of the European Communities, Japan, Chile, Korea, and Finland, on behalf of the Nordic countries, spoke.

The Council took note of the statements, agreed to revert to this item at its next meeting, and agreed that in the meantime the Chairman would try to conduct consultations between the interested parties.

At the Council meeting on 17 June 1986, the Chairman proposed that, following the informal consultations which had been held on this matter, the Council agree to establish a group of governmental experts, open to all interested contracting parties, with terms of reference which he suggested. He also proposed that the Council authorize him to designate the Chairman of the group in consultation with interested delegations.

The representatives of the United States, the European Communities, Japan and Chile, and the Deputy Director-General spoke.

The Council took note of the statements and agreed to revert to this item at its next meeting. In the meantime, the Chairman would try to hold consultations with interested parties.

At its meeting on 15 July 1986, the Council agreed to establish a Group of Governmental Experts and authorized the Council Chairman to designate the Chairman of the Group in consultation with interested delegations.

The representatives of the United States, Canada and Jamaica spoke.

The Council took note of the statements.

(ii) Quantitative restrictions on certain agricultural products  
(C/M/201)

At the Council meeting on 15 July 1986, the representative of the United States said that at the next Council meeting his delegation would ask for a panel to be established on quantitative restrictions which had been maintained by Japan since 1963 on 12 categories of agricultural products.

The representatives of Japan and Australia spoke.

The Council took note of the statements.

(d) United States - Trade measures affecting Nicaragua (C/M/195,  
196)

In October 1985, the Council had established a panel to examine Nicaragua's complaint.

At the Council meeting on 12 February 1986, the representative of Nicaragua said his delegation preferred to revert to this matter at a later meeting.

The Council took note of the statement.

At the Council meeting on 12 March 1986, the Chairman informed the Council of the terms of reference which had been agreed for the Panel.

The representatives of the United States, Nicaragua, Colombia, Argentina, Uruguay, Brazil, Cuba, Peru, Chile and Venezuela (as an observer) spoke.

The Chairman informed the Council that consultations on the Panel's composition were likely to be concluded in the near future and that contracting parties would be informed of the results.

The Council took note of the statements.

15. United States - Manufacturing Clause  
- Follow-up on the Panel report (C/M/196, 198, 200, 201)

In May 1984, the Council had adopted the Panel report (L/5609) on the complaint by the European Communities.

At its meeting on 12 March 1986, the Council considered a communication from the European Communities in L/5968.

The representatives of the European Communities, United States, Sweden on behalf of the Nordic countries, Canada and Switzerland spoke.

The Council took note of the statements, of the serious concern expressed by a number of delegations, and of the views expressed that the United States should implement the CONTRACTING PARTIES' recommendation as contained in the final paragraph of the Panel report (L/5609), and agreed to revert to this matter at a future meeting.

At its meeting on 22 May 1986, the Council again considered the communication from the European Communities in L/5968.

The representatives of the European Communities, the United States, Argentina, Sweden, Australia and Hong Kong spoke.

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

At its meeting on 17 June 1986 the Council again considered the communication from the European Communities in L/5968.

The representatives of the European Communities and the United States spoke.

The Council took note of the statements.

At the Council meeting on 15 July 1986, the representative of the United States informed the Council that the Manufacturing Clause had expired as of 1 July 1986 and had not been extended by Congress.

The representative of the European Communities spoke.

The Council took note of the statements.

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

(a) Enlargement of the European Economic Community (C/M/195, 201)

At its meeting on 12 February 1986, the Council considered L/5936 and Add.1 concerning the accession of Portugal and Spain to the European Economic Community.

The representatives of the United States, Jamaica, Colombia, Japan, Australia, Nicaragua, Canada, Hungary, Argentina, Trinidad and Tobago, Poland, Chile, New Zealand, Yugoslavia, Czechoslovakia and the European Communities spoke.

The Council took note of the statements, established a Working Party and authorized the Council Chairman to designate the Chairman of the Working Party in consultation with delegations principally concerned.

At the Council meeting on 15 July 1986, the representative of Brazil referred to an interim agreement reached by the European Communities with the United States on the import régime for certain agricultural products in Spain following enlargement of the European Communities.

The Council took note of the statement.

(b) Biennial reports

(i) Agreement between the EFTA countries and Spain (C/M/195)

At its meeting on 12 February 1986, the Council took note of the report (L/5886) by the parties to the Agreement between the EFTA countries and Spain.

(ii) Agreement between the European Economic Community and Israel (C/M/195)

At its meeting on 12 February 1986, the Council took note of the report (L/5910) by the parties to the Agreement between the European Economic Community and Israel.

(iii) Central American Common Market (C/M/195)

At its meeting on 12 February 1986, the Council took note of the report (L/5938) by the Central American Common Market.

(iv) European Free Trade Association and Finland - EFTA Association (C/M/195)

At its meeting on 12 February 1986, the Council took note of the report (L/5946) by the parties to the European Free Trade Association, the Finland-EFTA Association and the EFTA-Spain Agreement, and noted that the EFTA Secretary-General had notified GATT of Finland's accession to EFTA on 1 January 1986 (L/5960).

(v) Finland and Czechoslovakia (C/M/198)

At its meeting on 22 May 1986, the Council took note of the report (L/5974) by the parties to the Agreement between Finland and Czechoslovakia.

The Chairman drew attention to the fact that a number of other reports to be submitted in accordance with the agreed calendar were considerably overdue.

The Council took note of the Chairman's statement.

17. Waivers under Article XXV:5

(a) CARIBCAN - Request by Canada for a waiver under Article XXV:5 (C/M/195)

At the Council meeting on 12 February 1986, the Chairman drew attention to Canada's request in L/5948 for a waiver under Article XXV:5 concerning its package of trade, development assistance and taxation measures designed to help Commonwealth CARIBCAN countries.

The representatives of Canada, Japan, Switzerland, Singapore, Colombia, the European Communities, Jamaica, Trinidad and Tobago, and Malaysia spoke.

The Council took note of the statements and established a working party to examine Canada's request.

(b) India - Auxiliary duty of customs (C/M/195, 196)

By their Decision of 15 November 1973, 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 its auxiliary duty of customs on certain items included in its Schedule XII. The waiver, which had been extended a number of times, was due to expire on 31 March 1986.

At the Council meeting on 12 February 1986, the Chairman drew attention to India's communication in L/5959 and said that the representative of India had asked the Council to revert to this item at its next meeting.

The Council so agreed.

At the Council meeting on 12 March 1986, the representative of India said that his Government had decided to exempt the four remaining items from the auxiliary duty and would therefore not request a further extension of the waiver.

The representative of the United States spoke.

The Chairman, on behalf of the Council, commended the Indian Government for its decision.

The Council took note of the statements.

(c) Uruguay - Import Surcharges  
- Request for extension of waiver (C/M/200)

By their Decision of 24 October 1972 (BISD 19S/9), the CONTRACTING PARTIES had waived the application of the provisions of Article II to the extent necessary to allow the Government of Uruguay to maintain certain import surcharges in excess of bound duties. The waiver, which had been extended a number of times, was due to expire on 30 June 1986.

At the Council meeting on 17 June 1986, the Chairman drew attention to Uruguay's request (L/6000) for a further extension of the waiver, and to the draft decision in C/W/497.

The representative of Uruguay spoke.

The Council took note of the statement, approved the text of the draft Decision extending the waiver until 30 June 1987 and recommended its adoption by the CONTRACTING PARTIES by postal ballot.

The Decision was adopted on 18 July 1986 (L/6029).

(d) Reports under waivers

- United States - Agricultural Adjustment Act

(i) Working Party report (C/M/198)

In January 1985, the Council had established a Working Party to examine the twenty-seventh annual report (L/5772) submitted by the United States under the Decision of 5 March 1955 (BISD 3S/32), and to report to the Council.

At its meeting on 22 May 1986, the Council considered the Working Party's report (L/5983).

The representative of Uruguay introduced the report on behalf of the Chairman of the Working Party. The representatives of the United States and the European Communities spoke.

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

(ii) Twenty-eighth annual report by the United States  
(C/M/198, 200, 201)

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 22 May 1986, the Council considered the twenty-eighth annual report by the United States (L/5981 and Corr.1).

The representatives of the United States, Canada, Argentina, New Zealand, Brazil, Colombia, Peru, Uruguay, Australia, the European Communities, Thailand and Chile, and the Director-General spoke.

The Council took note of the statements, agreed to establish a working party, with the terms of reference and chairmanship to be decided in consultations to be held as soon as possible, and agreed to revert to this item at its next meeting.

The Chairman said that the Working Party would begin its work as soon as its terms of reference and chairmanship had been decided.

At its meeting on 17 June 1986, the Council considered the Working Party's terms of reference and chairmanship.

The representatives of the United States, the European Communities, Australia and Canada spoke.

The Council took note of the statements. The Council also took note that agreement had been reached on the designation of the Chairman of the Working Party and that the Council Chairman would continue consultations on its terms of reference.

The Chairman confirmed that the Working Party would begin its work as soon as its terms of reference had been decided.

At the Council meeting on 15 July 1986, the Chairman informed the Council of the Working Party's terms of reference. He added that he had taken note of the comments of representatives and understood that the traditional terms of reference would permit the Working Party to make appropriate recommendations.

The Council took note of the terms of reference and of the Chairman's statement.

18. Japan - Renegotiations under Article XXVIII on leather and leather footwear (C/M/198)

At the Council meeting on 22 May 1986, the representative of Japan presented his Government's final information concerning its measures on imports of leather and leather footwear (L/5978).

The representatives of Hong Kong, Chile, Uruguay, Korea and the European Communities spoke.

The Council took note of the statements.

19. Hong Kong's status as a contracting party (C/M/198, 200)

At the Council meeting on 22 May 1986, the Chairman welcomed Hong Kong as a contracting party, recalling that Hong Kong had become a contracting party on 23 April 1986, in accordance with the procedures of Article XXVI:5(c).

The representative of India spoke.

The Council took note of the statements.

At the Council meeting on 17 June 1986, the representative of India reserved India's position regarding the status of Hong Kong as a contracting party from 1 July 1997.

The Council took note of the statement.

20. Accession, provisional accession

(a) Mexico (C/M/195, 201)

At its meeting on 12 February 1986, the Council considered Mexico's application to accede to the General Agreement (L/5919).

The representatives of the United States, Chile, Nicaragua, Uruguay, Canada, the European Communities, Japan, Brazil, New Zealand, Egypt, India, and Mexico (as an observer) spoke.

The Council took note of the statements and established a working party to examine Mexico's application and to report to the Council.

At its meeting on 15 July 1986, the Council considered the Working Party's report (L/6010 and Addenda and Corrigenda).

The Chairman of the Working Party introduced the report. The representatives of the United States, the European Communities, Canada, Romania, Peru, Switzerland, Norway on behalf of the Nordic countries, Yugoslavia, Nicaragua, New Zealand, Spain, Argentina, Austria, Hungary, Japan, Cuba, Czechoslovakia, Thailand on behalf of the ASEAN contracting parties, Colombia, Egypt, Sri Lanka, Brazil, Uruguay, Israel, Bangladesh, Turkey, Hong Kong, Trinidad and Tobago, Korea, India, Zaire, Jamaica, Australia, Gabon, Pakistan, Kuwait, Kenya (as a contracting party observer) and Mexico (as an observer) spoke.

The Council approved the terms of the draft Protocol of Accession, approved the text of the draft Decision and agreed that it should be submitted to a vote by postal ballot. The Council also adopted the Working Party's report and took note of the statements.

The Decision was adopted by the CONTRACTING PARTIES by a two-thirds majority on 17 July 1986 (L/6024).

(b) Morocco (C/M/198, 201)

At its meeting on 22 May 1986, the Council considered the report of the Working Party on the Accession of Morocco (L/5967).

Mr. Mathur, Deputy Director-General, introduced the report on behalf of the Chairman of the Working Party. The Chairman of the Council, and the representatives of Morocco (as an observer) and the European Communities spoke.

The Council took note of the statements and adopted the report. The Council also approved the terms of the draft Protocol of Accession, with the understanding that the Schedule LXXXI-Morocco, and any other Schedules resulting from the negotiations, would be circulated as soon as possible as an addendum to the Working Party's report and would be annexed to the Protocol. The Council then approved the text of the draft Decision and agreed that it should be submitted to a vote by postal ballot once the relevant Schedules had been circulated.

At its meeting on 15 July 1986, the Council took note of the statement by the observer from Morocco and agreed that in order to allow enough time for the Government of Morocco to sign the Protocol of Accession, the date in paragraph 5 of that instrument be amended so that it would be open for signature until 15 October 1986.

21. China's status as a contracting party (C/M/201)

At the Council meeting on 15 July 1986, the representative of China, speaking as an observer, drew attention to L/6017 in which his Government had announced its decision to seek the resumption of its status as a contracting party to GATT.

The representatives of the European Communities, United States, Canada, Japan, Bangladesh, Australia, New Zealand, Egypt, Romania, Chile, Hungary, Sri Lanka, Norway on behalf of the Nordic countries, Peru, Korea, Hong Kong, Poland, Senegal, Austria, Pakistan, Czechoslovakia, Zaïre, Yugoslvaia, India, Jamaica, and Mexico (as an observer) spoke.

The Chairman said he believed that he spoke on behalf of members of the Council in welcoming China's initiative towards GATT membership. In due course the Council would set in motion the formal procedures for examining China's request when the memorandum on its economic system and trade régime had been circulated.

The Council took note of the statements and agreed to revert to this matter at the appropriate time.

22. Switzerland - Review under paragraph 4 of the Protocol of Accession (C/M/200)

In October 1984, the Council had established a Working Party to conduct the sixth triennial review of the application of the provisions of paragraph 4 of the Protocol of Accession of Switzerland, and to report to the Council.

At its meeting on 17 June 1986, the Council considered the Working Party's report (L/6003).

The Chairman of the Working Party introduced the report. The representatives of New Zealand, Australia and Switzerland spoke.

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

23. Consultations on trade - Hungary (C/M/198)

In June 1985, the Council had established a Working Party to carry out the sixth consultation with the Government of Hungary and to report to the Council.

At its meeting on 22 May 1986, the Council considered the Working Party's report (L/5977 and Add.1).

The Chairman of the Working Party introduced the report. The representatives of Hungary, Canada, the European Communities, Australia, Hong Kong, India, Japan, Argentina, the United States, Poland and Czechoslovakia spoke.

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

24. Norway - Import liberalization (C/M/195)

At the Council meeting on 12 February 1986, the representative of Norway informed the Council that with effect from 1 January 1986 his authorities had removed licensing requirements on imports of a number of products.

The Council took note of the statement.

25. Training Activities (C/M/196)

At the Council meeting on 12 March 1986, the representative of Switzerland announced that his country had decided to finance a seminar on negotiating techniques which would take place in April 1986 as part of the present commercial policy training course.

The representative of Argentina spoke.

The Council took note of the statements.

26. International Trade Centre  
- Report of the Joint Advisory Group (C/M/200)

At its meeting on 17 June 1986, the Council considered the report of the Joint Advisory Group on the International Trade Centre UNCTAD/GATT on its nineteenth session (ITC/AG(XIX)104).

The representative of Indonesia introduced the report on behalf of the Chairman of the Group. The representatives of Uruguay, Chile, Indonesia, Finland on behalf of the Nordic countries, and Hungary spoke.

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

27. Administrative and financial matters

(a) Committee on Budget, Finance and Administration

(i) Membership (C/M/195, 201)

At its meeting in October 1985, the Council had decided to invite four additional members to sit on the Committee on Budget, Finance and Administration. It had also agreed that membership of the Committee for 1986 would be decided by the CONTRACTING PARTIES at their November 1985 Session or by the Council at its first meeting in 1986.

At its meeting on 12 February 1986, the Council agreed that the Committee's membership for 1986 remain unchanged (L/5964).

At its meeting on 15 July 1986, the Council agreed to the request by the Netherlands to rejoin the Committee (L/6013), agreed to the request by Hong Kong to join the Committee (L/6015), and took note that Greece had withdrawn from the Committee (L/6016).

(ii) Interim report of the Committee (C/M/201)

At its meeting on 15 July 1986, the Council considered an interim report by the Committee (L/6014).

The Chairman of the Committee introduced the report.

The Council approved the recommendations in paragraphs 9, 17-20, and 22 of L/6014 and adopted the interim report.

The representative of Bangladesh and the Chairman of the Budget Committee spoke.

The Council took note of the statements.

(b) Salaries and pensions of professional and higher category officials (C/M/198, 201)

At the Council meeting on 22 May 1986, the Director-General informed the Council of two problems which were causing great concern among GATT professional and higher category officials, and which could have a serious impact on the future staffing of the organization. One concerned the level of pensionable remuneration; the other was the effect of the fluctuating rate of the US dollar on both take-home pay and pensions.

The Council took note of this information.

At the Council meeting on 15 July 1986, during the discussion on the interim report of the Budget Committee, the representative of Ghana asked what action had been taken regarding the Committee's agenda item 4, "Floor Rate for Salary and Allowance Payments to Staff in the Professional and Higher Categories".

The Director-General and the Chairman of the Budget Committee spoke.

The Council took note of the statements, recognized the importance of the problem concerning the floor rate for professional salary and allowance payments and its effect on staff morale and working conditions, and took note that discussions were taking place on this matter. The Council agreed to revert to this matter at a future meeting in the light of developments.

(c) Director-General

(i) Renewal of appointment (C/M/197)

At its meeting on 15 May 1986, the Council decided that Mr. Dunkel's appointment as Director-General be renewed for a further period of three years from 1 October 1986.

(ii) Procedures for future appointment of the Director-General (C/M/196, 197, 200, 201)

At the Council meeting on 12 March 1986, the representative of Egypt asked the Secretariat to draft a note on the rules, procedures and practices followed in the past concerning renewal of the Director-General's appointment.

The representative of Brazil spoke.

The Director-General noted that the Chairman of the CONTRACTING PARTIES had already asked the Secretariat to prepare such a note, which would be distributed.

The Council took note of the statements.

At its meeting on 15 May 1986, the Council agreed:

- that detailed rules and procedures be examined for the appointment to the office of Director-General in future and for the renewal of such appointment;
- that consultations be initiated for this purpose forthwith;
- that the Chairman of the CONTRACTING PARTIES be invited to discuss with contracting parties how these consultations could be organized; and
- that a decision on the new rules and procedures be reached by the November 1986 Session of the CONTRACTING PARTIES.

The representatives of Argentina, Australia, Austria, Brazil, Canada, Chile, Cuba, Czechoslovakia, Egypt, the European Communities, India, Israel, Jamaica, Malaysia, New Zealand, Nicaragua, Pakistan, Peru, Poland, Singapore on behalf of the ASEAN contracting parties, Sweden on behalf of the Nordic countries, Switzerland, Tunisia, Turkey, United States, Uruguay, Yugoslavia and Zaïre spoke.

At the Council meeting on 17 June 1986, the representative of Brazil submitted proposals (C/W/499) for consideration in the consultations envisaged in the Council's decision on new rules and procedures on this matter.

The Council took note of the statement.

At its meeting on 15 July 1986, the Council considered Brazil's proposals (C/W/499).

The representatives of Brazil, Israel and Canada, and the Chairman of the CONTRACTING PARTIES, spoke.

The Council took note of the communication from Brazil (C/W/499) and of the statements.

(d) Deputy Director-General post (C/M/198)

At the Council meeting on 22 May 1986, the Chairman noted that the contract of Mr. Kelly, Deputy Director-General, was due to expire on 31 May 1986. The Director-General had requested Mr. Kelly to stay in his post until 31 December 1986, and Mr. Kelly had agreed to do so.

The Council took note of this information.

28. Council membership

- Hong Kong (C/M/198)
- Kuwait (C/M/198)

At the Council meeting on 22 May 1986, the Chairman welcomed Hong Kong as a contracting party and as a member of the Council.

The representative of India reserved India's rights regarding the admission of Hong Kong as a contracting party, and would revert to this matter at a future meeting.

The Chairman then welcomed Kuwait as a Council member.

The Council took note of the statements.

29. Observer status

(a) Requests

- International organizations
- World Intellectual Property Organization (WIPO) (C/M/195)

At its meeting on 12 February 1986, the Council agreed to grant the World Intellectual Property Organization (WIPO) observer status for Council meetings and Sessions of the CONTRACTING PARTIES.

- Cooperation Council for the Arab States of the Gulf (GCC)  
(C/M/195, 196)

At its meeting on 12 February 1986, the Council considered the request from the Gulf Cooperation Council (GCC) in L/5954.

The representatives of Kuwait (speaking as a contracting party observer), Egypt, Jamaica, European Communities, India, Chile, Bangladesh, United States, Singapore, Malaysia, Nicaragua, Yugoslavia, Indonesia, Canada, Argentina, Pakistan, Trinidad and Tobago, Brazil, Japan, Peru, Turkey, Gabon, Colombia, Hungary, Uruguay, Poland, Korea, Australia, Czechoslovakia, Austria, New Zealand and Romania spoke.

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

At the Council meeting on 12 March 1986, the representatives of the European Communities, Kuwait (speaking as a contracting party observer and on behalf of the GCC), and Iran (as an observer) spoke.

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<sup>i</sup> See Item 19, Hong Kong's status as a contracting party.

The Council took note of the statements and agreed to grant the Cooperation Council for the Arab States of the Gulf (GCC) observer status for Council meetings and sessions of the CONTRACTING PARTIES.

(b) Observer status in GATT (C/M/195, 196, 198, 201)

At its meeting on 12 February 1986, the Council agreed, during its discussion on the Gulf Cooperation Council's request for observer status, that the Chairman should continue consultations on the wider issue of observer status, including the proposal to set up a working party.

At the Council meeting on 12 March 1986, the Chairman made a progress report on his consultations on observer status for governments and for international organizations.

The representatives of the European Communities and the United States spoke.

The Council took note of the statements and agreed to revert to this matter at a future meeting. It was agreed that it would remain open for the Council to consider whether a working party would be needed.

At the Council meeting on 22 May 1986, the Chairman noted that since the Council meeting on 12 March, he had held another informal consultation on observer status in GATT; he expected to hold a further consultation in the next few weeks and would report on the results at a future Council meeting.

The Council took note of this information.

At the Council meeting on 15 July 1986, the Chairman said he would make a progress report on the informal consultations on observer status in GATT at the next Council meeting.

The Council took note of this information.

30. Arrangements for the Forty-Second Session  
- Dates for the Session (C/M/201)

At its meeting on 15 July 1986, the Council considered the Director-General's proposal on the dates for the Forty-Second Session.

The representatives of the United States, Canada, India, and the Director-General spoke.

The Council took note of the statements and adopted the Director-General's proposal.