

GENERAL AGREEMENT ON TARIFFS AND TRADE

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REPORT BY THE COUNCIL OF REPRESENTATIVES

Draft of Report on the Council's Activities (1965-66) for Submission to the CONTRACTING PARTIES at the Twenty-Third Session

Note by the Director-General

Attached is a draft of a report on the work which the Council has carried out since the twenty-second session of the CONTRACTING PARTIES. The volume and significance of this work clearly indicates the increasing importance of the Council's intersessional rôle and the growing contribution which it is making to the work of the CONTRACTING PARTIES.

The draft report will be revised and supplemented in the light of the Council's meeting beginning on 14 March. Thereafter it will be submitted for adoption by the CONTRACTING PARTIES at their twenty-third session.

The final report will set out those matters on which the Council has taken action intersessionally, including certain matters not on the agenda of the CONTRACTING PARTIES, and will make clear: those on which all necessary action has been completed by the Council; those on which the Council has completed its action and with respect to which it is submitting recommendations to the CONTRACTING PARTIES; and those on which the Council has only done certain preparatory or other work in advance of discussion by the CONTRACTING PARTIES. The report will also, following the meeting of the Council beginning 14 March, contain an Introduction drawing attention in particular to the more important matters dealt with by the Council since the twenty-second session.

It is considered that many items on the session agenda could be dealt with by the CONTRACTING PARTIES through consideration and adoption of the relevant parts of the Council's report.

1. Protocol introducing Part IV (C/M/29 and C/M/32)

At its meeting on 14/15 December, the Council noted that the Protocol introducing Part IV of the General Agreement had not been accepted by the requisite two thirds of the contracting parties to bring the new Chapter into force. Accordingly, it approved the text of a draft decision extending the time-limit for acceptance until the twenty-fourth session. By 7 March, thirty-eight contracting parties had accepted the Protocol. Those countries which have still to accept the Protocol are listed in L/2575.

The Council also drew up a new Declaration providing for the de facto implementation of the amendments until the Protocol enters into force or until the twenty-fourth session. Thirty-eight governments had subscribed to the new Declaration by 7 March (L/2534 and addenda).

2. Provisional accession of Iceland, Tunisia and Yugoslavia (C/M/32)

The arrangements for the provisional accession of Iceland, Tunisia and Yugoslavia were due to expire at the end of 1965. The Governments of Iceland and Tunisia requested an extension of two years and the Working Party on the Accession of Yugoslavia recommended that Yugoslavia's provisional accession should be extended by six months. The Council agreed that the provisional accession of the three countries should be prolonged and approved draft Procès-Verbaux to this end. The Procès-Verbaux in respect of Iceland and Yugoslavia came into force on 28 December 1965 and that for Tunisia on 6 January 1966. Many contracting parties which are parties to the Declarations have not yet accepted the extensions (see L/2584).

At the same time, the Council approved the text of Decisions extending the invitations to Iceland, Tunisia and Yugoslavia to participate in the work of the CONTRACTING PARTIES. The three Decisions were adopted by postal ballot on 17 January 1966. (L/2544, L/2545 and L/2546.)

3. Relations with Poland (C/M/27)

The Council appointed a Working Party to conduct the fourth annual review under paragraphs A:4 and B:3 of the Declaration on relations with Poland and to submit a report to the CONTRACTING PARTIES. The Working Party met on 9 March 1966.

4. United Kingdom temporary import charges (C/M/27)

The Council took note of a report by the Working Party on the United Kingdom Import Charges following the meeting held in June 1965 (L/2446) and agreed that the Working Party should continue its consultations with the United Kingdom. The Working Party subsequently met in October 1965 and a note on this meeting has been distributed in L/2540.

5. Indian regulatory duty (C/M/27 and C/M/32)

At its July meeting, the Council considered a communication from the Indian Government on the imposition of an import levy and requested the Committee on Balance-of-Payments Import Restrictions to examine the balance-of-payments aspect of the matter. The report of the Committee on its examination (L/2501) was adopted by the Council at its December meeting. The Council requested the Committee on Balance-of-Payments Import Restrictions to include, so long as the regulatory duty was maintained, a review of the operation of the duty in future consultations with the Government of India under Article XVIII:B.

6. Balance-of-payments import restrictions (C/M/32)

During 1965, the Committee on Balance-of-Payments Import Restrictions consulted with ten countries:

Finland (L/2510)	Tunisia (L/2500 and Add.1)
Iceland (L/2436)	Turkey (L/2437)
Israel (L/2492)	United Arab Republic (L/2498)
New Zealand (L/2490)	Uruguay (L/2503 and Add.1)
South Africa (L/2435)	Yugoslavia (L/2494)

The Council agreed to recommend the ten reports of the Committee for adoption by the CONTRACTING PARTIES at their twenty-third session. The Council also approved proposals concerning arrangements for consultations by the Committee on Balance-of-Payments Import Restrictions in 1966 (L/2519).

7. Customs unions and free-trade areas

(a) Arab Common Market (C/M/27)

The Council appointed a Working Party to examine the relevant instruments establishing the Arab Common Market and to report to the CONTRACTING PARTIES at their twenty-third session. The Working Party met in November 1965 and its report has been circulated in L/2518.

(b) New Zealand/Australia Free-Trade Agreement (C/M/30)

The Governments of New Zealand and Australia advised that they had signed an Agreement, the text of which was transmitted in document L/2485/Add.1, providing for the establishment of a free-trade area. The Council appointed a Working Party to examine the Agreement and to report to the CONTRACTING PARTIES at their twenty-third session.

(c) United Kingdom/Ireland Free-Trade Area Agreement (C/M/33)

The Government of the United Kingdom submitted the text of an Agreement concluded with the Government of Ireland for the establishment of a free-trade area (L/2552/Add.1). The Council appointed a Working Party to examine the Agreement and to report to the CONTRACTING PARTIES.

8. New waivers requested

(a) Canada/United States Agreement on Automotive Products
(C/M/29 and C/M/31 and Corr.1 and 2)

When the CONTRACTING PARTIES examined the Canada/United States Agreement at their twenty-second session, it was agreed that, if the Government of the United States should consider it necessary to seek action by the CONTRACTING PARTIES in order to reconcile its participation in the Agreement with its obligations under the GATT, the matter would be referred to the Council for consideration. At its October meeting, the Council considered a request from the United States Government for a waiver from paragraph 1 of Article I. During discussion of the United States request in the Council, a number of delegations alluded to the important question of principle involved in an indefinite departure from the most-favoured-nation rule. The Council established a Working Party whose report (L/2509 and Corr.1) it considered in November. When the report was discussed in the Council, the representative of the United States, referring to points that has caused concern to other delegations, confirmed that the granting of preferences to Canada on automotive products would not affect the United States offer in the Kennedy Round and that the United States would later be willing to consider further reduction or elimination of duties on these products. The United States representative also confirmed that the granting of a waiver would in no way prejudice the rights of contracting parties under the General Agreement including those under Article XXIII. Further, the United States was willing to enter into consultation with contracting parties if their trade should be adversely affected by the measures covered by the waiver. The Council approved the text of a Decision providing for a waiver from Article I which was adopted by postal ballot on 20 December 1965 (L/2528).

(b) Australian request for a waiver to grant preferences to less-developed countries (C/M/26, C/M/32 and C/M/33)

The Government of Australia has introduced a formal application to the CONTRACTING PARTIES for a waiver under Article XXV:5 to cover the introduction by Australia of preferential rates of duty on imports of manufactures and semi-manufactured products produced in less-developed countries. In presenting his Government's request, the representative of Australia indicated that, in accordance with the undertaking given in the understandings accompanying

Australia's acceptance of the Protocol to Introduce a Part IV on Trade and Development, the Australian Government was seeking solutions to the problems confronting developing countries, including that of finding export outlets for their manufacturing sectors. The Council appointed a Working Party to prepare a report and submit recommendations. The report of the Working Party has been circulated in L/2527. At its meeting in January 1966, the Council considered the report and in discussion divergencies of view on the merits of the Australian request were revealed. It was noted that the Working Party considered that the only way to proceed would be to seek a decision by the CONTRACTING PARTIES on a waiver, the text of which was acceptable to Australia. However, at the request of the Australian representative, the Council agreed to defer adoption of the report and the finalization of the text of the decision until the twenty-third session of the CONTRACTING PARTIES and that, in the meantime, discussions on the text should continue with a view to arriving at a generally acceptable formulation.

(c) Article XV:6, Indonesia (C/M/33)

Indonesia requested a waiver from the provisions of Article XV:6 requiring a contracting party which withdraws from the International Monetary Fund to accept a special exchange agreement with the CONTRACTING PARTIES. The Council approved the text of a Decision to this end which was adopted by postal ballot on 28 February 1966 (L/2571).

9. Extension of existing waivers

(a) Italian customs treatment for imports of Somalian products (C/M/32)

The waiver granted to the Government of Italy on 19 December 1960, which was due to expire on 31 December 1965, provided that it should be reviewed by the CONTRACTING PARTIES before expiry. At the request of the Government of Italy, the Council approved the text of a Decision extending the waiver until the end of the twenty-third session of the CONTRACTING PARTIES. The Decision was adopted by postal ballot on 17 January 1966 (L/2547).

(b) Renegotiation of Schedule XXXVII - Turkey (C/M/28)

By Decision of 22 August 1964, the CONTRACTING PARTIES suspended the provisions of Article II of the General Agreement to enable Turkey to modify concessions contained in Schedule XXXVII. In terms of this Decision, the negotiations should have been terminated by 31 October 1965, but, at the request of the Government of Turkey, the Council approved the text of a Decision extending the waiver until the end of the twenty-third session of the CONTRACTING PARTIES. The Decision was adopted by postal ballot on 1 November 1965 (L/2491).

(c) Uruguayan import surcharges (C/M/32 and Corr.1)

At their twenty-second session, the CONTRACTING PARTIES extended, until the end of 1965, the waiver granted to Uruguay to authorize: (a) the maintenance of certain surcharges imposed on imports of items bound in the Uruguayan Schedule; and (b) the maintenance of an increased rate of surcharge which had been introduced in November 1964. At the request of the CONTRACTING PARTIES, the Committee on Balance-of-Payments Import Restrictions examined the balance-of-payments aspects of the surcharge and its report was circulated in L/2504. The Council adopted this report and, acting under the authority conferred on it by the CONTRACTING PARTIES in their Decision of 23 March 1965, adopted a Decision authorizing Uruguay to maintain, until the end of the first regular session of the CONTRACTING PARTIES in 1967, its import surcharges, as modified by the decree of 24 November 1964, subject to the relevant terms and conditions of the original waiver of 8 May 1961.

(d) United States tariff classification (C/M/26, C/M/28 and C/M/29)

In July 1963, the CONTRACTING PARTIES granted a waiver to the Government of the United States suspending the application of Article II to the extent necessary to enable the introduction of the tariff schedules established under the Tariff Classification Act prior to the completion of the applicable procedures under Article XXVIII. This waiver was subsequently renewed by the Decision of 26 June 1964. The Government of the United States requested a further extension, until 30 June 1966, and a Decision incorporating this request was approved by the Council and was adopted by postal ballot on 30 June 1965 (L/2453).

At its meeting on 19 October, the Council, at the request of the United States, approved the text of a Decision amending the waiver to refer to the introduction of certain changes in the 1963 United States tariff, (the subject of the original waiver decision of July 1963). The Decision was adopted by postal ballot on 1 December 1965 (L/2522).

10. Luxemburg agricultural import restrictions - review of waiver (C/M/32)

A waiver from the provisions of Article XI was granted to Luxemburg in 1955, was reviewed in 1960 and was due for a further review by the end of 1965. At the request of the Government of Luxemburg, the Council agreed to defer the review of the waiver and to recommend to the CONTRACTING PARTIES that it be reviewed by a working party during the twenty-third session.

11. Reports under waivers (C/M/32)

The Council took note of the reports of the Turkish Government on the operation of the Turkish Stamp Duty (L/2472) and by the Governments of France and the Federal Republic of Germany on trade with the Saar (L/2523).

12. Article XXVIII

(a) General (C/M/32)

The Council, at the request of a number of contracting parties, agreed at its December meeting to the further extension of the time-limit until the end of the twenty-third session, for negotiations notified in 1963 for the modification or withdrawal of concessions under the provisions of paragraph 1 of Article XXVIII.

(b) Australia (C/M/33 and C/M/34/Rev.1)

In January 1966, the Australian Government requested authority under Article XXVIII:4 to enter into negotiations for the withdrawal of certain concessions. The Council granted the authority to renegotiate.

13. Membership of the Advisory Committee to the UNCTAD Board and to the Committee on Commodities (C/M/27 and Corr.1)

The Council agreed, at its July meeting:

- (a) that the Director-General be authorized to enter into discussion with the Secretary-General of the UNCTAD and the Director-General of the FAO with a view to establishing a list of members of the Committee;
- (b) that as soon as practicable the contracting parties should be informed of the list so established; and
- (c) that this procedure would not necessarily set a precedent for the future selection of members of the Advisory Committee after the first three-year term of office.

The acceptance of this procedure was ad referendum but no request for reconsideration of the matter was received within the ten days stipulated.

14. Administrative and financial questions (C/M/27, C/M/30 and C/M/32)

At its July meeting, the Council approved a proposal concerning an increase in General Service Category salary scales (L/2451) and the reclassification of Geneva for purposes of post adjustment (L/2452). At its meeting in December, the Council approved recommendations in L/2513 authorizing the Director-General to apply scales adopted by the General Assembly of the United Nations to CATT professional staff as from 1 January 1966. At the same meeting the Council approved recommendations in L/2502 concerning the assessment of contributions to the 1965 budget of Burundi and Gambia and the advances to the Working Capital Fund of these countries.

The Council agreed, at its meeting on 9 November, to recommend to the CONTRACTING PARTIES the adoption of the report of the Committee on Budget, Finance and Administration, including the scale of contributions and the Resolution on expenditure in 1966. The report was adopted by postal ballot on 10 December 1965.

