

GENERAL AGREEMENT ON TARIFFS AND TRADE

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COUNCIL OF REPRESENTATIVES

Draft Report on Work since the Thirty-Second 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-second session in November 1976. The minutes of these meetings have been issued in documents C/M/118 - 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. Anti-dumping practices

- Committee on Anti-Dumping Practices

/to be concluded/

2. Balance-of-payments import restrictions

- Consultations on balance-of-payments import restrictions

(a) Arrangements for consultations in 1977 (C/M/119)

Arrangements for consultations on balance-of-payments import restrictions in 1977 were presented to the Council on 2 March 1977.

The Council took note of the arrangements.

(b) Consultation with Finland (C/M/122)

In May 1977 the Committee on Balance of Payments carried out a consultation with Finland under the provisions of paragraph 4(b) of Article XII. The report (BOP/R/95) was presented to the Council at its meeting on 26 July 1977. The Committee had welcomed the termination of the Finnish import deposit scheme on 31 December 1976. After having reviewed the overall situation the Committee recognized that there was need for a degree of trade restriction. The Committee however expressed some concern as to the possible trade effects of the Cash Payments Scheme.

The Council adopted the report.

(c) Consultation with Israel (C/M/119)

In November 1976 the Committee on Balance of Payments conducted a consultation with Israel during which it also examined the temporary import surcharge. The report (BOP/R/90) was presented to the Council at its meeting on 2 March 1977. The Committee had noted with satisfaction that the import deposit scheme had been eliminated and that the rate of the surcharge had been reduced to 15 per cent, but had regretted that no indication could be given as to an eventual removal of the surcharge. The Committee had invited Israel to pursue more fundamental policy measures which should make a further liberalization of trade possible.

The Council adopted the report.

(d) Consultation with Portugal (C/M/119)

In November 1976 the Committee on Balance of Payments conducted a consultation with Portugal that included an examination of the import surcharge introduced in May 1975. The Committee also examined the import deposit scheme introduced in October 1976. The report (BOP/R/93) was presented to the Council at its meeting on 2 March 1977. The Committee had recognized the serious problems facing the Portuguese economy, but also considered that the Portuguese measures were severe. The Committee had viewed with concern the enabling legislation on quantitative restrictions adopted in October 1976 and urged the Portuguese authorities not to apply the legislation. It was of the view that adjustment in the balance of payments should be achieved through a comprehensive programme of domestic policies and external measures.

The Council adopted the report.

(e) Consultation with Yugoslavia (C/M/119)

In November 1976 the Committee on Balance of Payments carried out a consultation with Yugoslavia under Article XVIII:12(b), which included an examination of the Yugoslav temporary import surcharge. The report (BOP/R/91) was presented to the Council at its meeting on 2 March 1977. The Committee had noted that Yugoslavia's balance of payments had improved markedly and had called for a resumption of import liberalization and the relaxation and eventual removal of the import surcharge.

The Council adopted the report.

(f) Examinations under simplified procedures (C/M/119, 122)

At its meetings in November 1976 and May 1977 the Committee on Balance of Payments examined written statements supplied by a number of developing countries under the simplified procedures. The reports on these examinations (BOP/R/89 and 94) were presented to the Council at its meetings on 2 March and 26 July 1977.

The Council agreed on 2 March 1977 that Bangladesh, Ghana, Greece and Tunisia should be deemed to have consulted with the CONTRACTING PARTIES and to have fulfilled their obligations under Article XVIII:12(b) for 1976 and adopted the report (BOP/R/89).

At the meeting of the Council on 26 July 1977 representatives expressed divergent views as to the interpretation of the simplified procedure for consultations with developing countries (BISD, 20S/47). A number of representatives

questioned the appropriateness of the present procedure, under which a full consultation was deemed obligatory if even one member of the Committee on Balance of Payments Restrictions asked for it. They believed that the simplified procedure should be the general rule. A number of other representatives stressed that the simplified procedure was established as an exception to the provisions of Article XVIII:12(b) and that until new procedures had been established the current procedure should be maintained.

The Chairman pointed out that there was a problem of procedure of a general nature and, leaving aside the particular case dealt with by the Committee, he believed that the general problem could more fruitfully be examined elsewhere.

The Council took note of the exchange of views and adopted the report (BOP/R/94). The Council agreed that Egypt, Indonesia, Peru and Sri Lanka should be deemed to have consulted with the CONTRACTING PARTIES and to have fulfilled their obligations under Article XVIII:12(b) for 1977. The Council noted that a full consultation with Pakistan would be held under the applicable procedures.

3. Consultative Group of Eighteen

/to be concluded/

4. Emergency action and trade restrictive measures

(a) Brazil

- Import restrictions (C/M/119)

At the meeting of the Council on 2 March 1977 the representative of the United States mentioned that Brazil had extended until the end of 1977 the import surcharge, the import deposit and the suspension of import licences on certain products. Brazil had furthermore extended the coverage of the import licences. The representative of Brazil stated that the measures would be duly notified.

The Council took note of the statements.

The measures have since been notified in document L/4494.

(b) Canada

- Article XIX import restrictions on beef (C/M/119)

At the meeting of the Council on 2 March 1977 the representative of New Zealand referred to action taken by Canada under Article XIX in October 1976 concerning import restrictions on beef. He mentioned that an agreement with Canada had been reached on a level of imports during the quota period and that the restrictions had been abolished at the end of 1976 (L/4437/Add.1). He expressed concern, however, that quantitative restrictions of doubtful validity had been imposed in this case, which highlighted the need for international measures to improve world trading conditions for beef. This concern was shared by the representative of Australia.

The representative of Canada pointed out that, in his view, the restrictions were justified under the GATT. Canada's action had resulted from the fact that Canada was the last open market for beef, which had put intolerable pressure on the Canadian market.

The Council took note of the statements.

(c) Finland

- Article XIX action on women's panty hose (tights) (C/M/119)

At the meeting of the Council on 2 March 1977 the representative of Singapore referred to Finland's Article XIX action introducing a surcharge on imports of women's panty hose (tights) (L/4461). He considered that the action was aimed at those developing countries which were able to produce and export at low cost and that the CONTRACTING PARTIES should have been given an opportunity to consult in respect of the proposed action.

The representative of Finland said that the measure had been duly notified and that consultations with interested contracting parties had taken place since March 1975. He explained the reasons for the measure which, in his view, was fully in accordance with the provisions of Article XIX.

The Council took note of the statements.

In June 1977 Finland notified the extension of the measure until 26 June 1978 (L/4461/Add.1).

(d) Greece

- Increase in bound duty (C/M/120)

At the meeting of the Council in May 1977 the representative of Greece said that consultations between Austria and Greece had been held on the matter of an increase in a bound duty. These consultations had resulted in an agreement which had been communicated to the CONTRACTING PARTIES (L/4499).

The Council noted with satisfaction that a conclusion in this case had been reached.

(e) Israel

- Temporary surcharge (C/M/119)

(see item 2(c))

(f) Italy

- Monetary measures (C/M/119)

In September 1976 the Council had established a Working Party to examine the monetary measures introduced by Italy in the light of the relevant provisions of the GATT. The report of the Working Party (L/4442) was presented to the Council at its meeting on 2 March 1977. The Working Party was of the view that the measures, although monetary in form, affected all external transactions, including trade, but were not more restrictive than measures to safeguard the balance of payments expressly provided for in the GATT. The Working Party had invited the Italian authorities to replace the deposit requirements on foreign exchange by comprehensive alternative measures to help restore equilibrium.

The representative of Italy said that the deposit requirement was being phased out and it was the intention of his authorities, as indicated in document L/4353/Add.2, to eliminate the measure completely on 15 April 1977. He pointed out that the tax for the purchase of foreign currency had been gradually reduced and was completely abolished on 18 February 1977. He emphasized that in spite of the monetary measures Italy's imports had increased.

Several representatives expressed satisfaction at the improvement in the Italian situation.

The Council adopted the report.

(g) Portugal

- Import surcharge and import deposits (C/M/119)

(see item 2(d))

(h) South Africa

- Import deposit (C/M/119)

In September 1976 the Council had referred the examination of the temporary import deposit scheme introduced by South Africa to the Committee on Balance-of-Payments Restrictions. The report of the Committee (BOP/R/92) was presented to the Council at its meeting on 2 March 1977. The Committee had reiterated the view that adjustment of balance-of-payments disequilibria through the use of trade measures should be avoided. The Council noted that South Africa had terminated the measure as of 2 February 1977 (L/4386/Add.1) and adopted the report.

(i) Yugoslavia

- Temporary import surcharge (C/M/119)

(see item 2(e))

(j) United States

(i) Import restrictions on beef (C/M/119)

At the meeting of the Council on 2 March 1977 the representative of New Zealand referred to the import restrictions on beef introduced by the United States in October 1976. He stated that although the quotas had been lifted, his delegation had had consultations under Article XXII with the United States on this matter. He believed that the conditions in the United States beef market had not justified the restriction of imports and considered that there was a general inconsistency between the quota provisions of the United States Meat Import Law and the United States obligations under the GATT.

The Council took note of the statement.

(ii) Imports of footwear (C/M/119)

At the meeting of the Council on 2 March 1977 the representative of Uruguay expressed his Government's concern at the threat of relief action by the United States on the basis of recommendations of the International Trade Commission relating to imports of footwear (L/4477). He hoped that Uruguay's interests would be taken into account.

The representative of the United States said that Uruguay's concern would be reported to his authorities.

The Council took note of the statements.

(iii) Suspension of customs liquidation regarding certain Japanese consumer electronic products (C/M/120, 121)

At the meeting of the Council on 23 May 1977 the representative of Japan referred to a recent ruling from the United States Customs Court that the refund of the Japanese commodity tax on certain electronic products constituted a bounty or grant under United States law and that countervailing duties should be assessed. Customs liquidation regarding these products had subsequently been suspended and bonds equal to the amount of the estimated countervailing duty were required. It was Japan's view that the Court ruling and the subsequent United States action was in clear contravention of the provisions of the General Agreement and consequently impaired Japan's rights under the GATT.

The representative of the United States said that he could not agree with some of the conclusions drawn by the representative of Japan. He pointed out that his Government was appealing the Customs Court decision and had not imposed countervailing duties.

The Council referred the matter to a working party and requested the working party to carry out its work expeditiously.

The report of the Working Party (L/4508) was presented to the Council at its meeting on 16 June 1977. All but one member of the Working Party had agreed that the Japanese tax rebate or remission of commodity taxes on exports on certain consumer electronic products was in full accord with the provisions of GATT. They also agreed that, should the decision by the United States Customs Court be upheld and should countervailing duties be imposed on these products, such imposition would be in contravention of the provisions of the GATT, including Article VI:4 and the note to Article XVI, and would constitute a prima facie case of nullification or impairment of Japan's rights under the GATT. They were also of the view that the United States Customs Court decision and the subsequent United States action was already in violation of the GATT and had a serious adverse trade impact upon the Japanese exports in question to the United States.

Several representatives associated themselves with these views.

The representative of the United States shared the concern expressed by other delegations in this case. As a reversal of the Court decision was being pursued by his Government he considered it inappropriate to comment on some of the views expressed. The United States recognized its obligations under the GATT and would do everything possible to honour these obligations.

The Council adopted the report of the Working Party.

The Council also expressed grave concern at the serious implications of the United States Customs Court decision and its consequences for world trade, the Multilateral Trade Negotiations and the GATT system itself. Accordingly, the Council decided to keep the matter under close review and to keep it on its agenda in order to take such action as might be appropriate in the light of further developments.

Subsequently, the United States delegation informed the CONTRACTING PARTIES (L/4543) that the United States Customs Court Decision had been reversed by the Court of Customs and Patent Appeals. This decision, however, was subject to appeal.

5. Recourse to Article XXIII

(a) Canada - Withdrawal of tariff concessions (C/M/119)

In November 1976 the Council had established a panel to examine the complaint by the EEC regarding the withdrawal by Canada of certain tariff concessions under Article XXVIII:3. At its meeting on 2 March 1977 the Council was informed of the composition of the panel.

(b) EEC - Import deposits for animal feed proteins (C/M/119)

In September 1976 the Council had established a panel to examine the United States complaint concerning the EEC programme of import deposits and purchasing requirements affecting non-fat dry milk and certain animal feed proteins.

At its meeting on 2 March 1977 the Council was informed of the composition of the panel.

(c) Japan - Import restrictions on thrown silk (C/M/122)

At the meeting of the Council on 26 July 1977 the representative of the United States referred to problems encountered by United States exporters of thrown silk yarn to Japan. He mentioned that the Japanese foreign exchange banks had been instructed not to open any new letters of credit for imports of thrown silk yarns from the United States. He also mentioned the introduction of a prior permission system on imports of silk yarn. He pointed out that the duty on thrown silk yarn was bound. The United States was of the opinion that the Japanese measures were inconsistent with the GATT. Since consultations on this matter had not led to results, his Government sought recourse to the provisions of Article XXIII:2.

The representative of the European Communities also stated that exporters of silk yarn to Japan had experienced difficulties from the Japanese measures.

A number of other representatives shared the concerns expressed by the United States and the European Communities.

The representative of Japan described the situation of the silk market in Japan, and explained that an explosive increase in imports of silk yarns had led to the introduction of the measures.

The Council requested the United States and Japan to pursue their bilateral consultations under Article XXIII:1 on this matter for a further period. The Council agreed that if these consultations did not lead to a mutually satisfactory solution, an appropriate procedure for consideration of the United States complaint under Article XXIII:2 would be the establishment of a panel. The Council authorized its Chairman to take the necessary steps for the establishment of a panel if the matter had not been settled satisfactorily on a bilateral basis by 20 August 1977.

[To be concluded]

(d) Tax legislation (C/M/119, 120, 122)

- (i) United States tax legislation (DISC) (L/4422)
- (ii) Income tax practices maintained by France (L/4423)
- (iii) Income tax practices maintained by Belgium (L/4424)
- (iv) Income tax practices maintained by the Netherlands (L/4425)

In July 1973 the Council had agreed to establish four panels following the recourse to Article XXIII:2 by the European Communities with regard to the United States tax legislation (DISC) and by the United States with regard to tax practices maintained by France, Belgium and the Netherlands. The question of the composition of the four panels was left to the Chairman of the Council to be settled in agreement with the parties concerned.

At its meeting in February 1976 the Council was informed that agreement had been reached on the composition of the four panels with identical terms of reference and membership. In November 1976 the panels presented their reports to the Council which, after a preliminary consideration, took note of the reports and agreed to consider the matters at a subsequent meeting. The four reports have subsequently been considered by the Council at its meetings on 2 March 1977, 23 May 1977 and 26 July 1977.

With regard to the report on the United States tax legislation (DISC) the representative of the European Communities referred to the conclusions of the panel,

which showed the non-conformity of the United States DISC legislation with the relevant provisions of the GATT. He stated that the DISC legislation had been specifically created to increase exports and quoted figures which illustrated these increases. He pointed out that the DISC legislation related to taxation of profits derived from export activities in the traditional sense of the GATT. The normal procedure was now for the Council to adopt the report and to examine what recommendations or ruling, as appropriate, under paragraph 2 of Article XXIII should be made. He concluded that the appropriate conclusion would be for the Council to recommend that the United States repeal the DISC legislation.

A number of other representatives supported the adoption of the report on the DISC and expressed the hope that in the light of the panel's conclusions the United States would give serious consideration to an early termination of the programme.

The representative of France, referring to the conclusions of the panel that the French tax practices constituted a subsidy on exports, considered that the panel had based its conclusions on an interpretation of the concept of "export" or "export activity", which went beyond the concept of exports in the GATT sense. The activities of foreign branches and subsidiary companies of French corporations in foreign countries did not relate to exports but were internal trade activities in the importing country. The French Government did not share the panel's conceptions and could not therefore accept the panel's conclusions. The French position was described in detail in documents C/97 and Add.1.

The representative of Belgium, referring to the conclusion of the panel that the Belgian tax practices had effects which were not consistent with Belgium's obligations under Article XVI:4, stated that the panel had based its considerations on a concept of export activities, which incorporated transactions effected in foreign countries by branches and subsidiaries of Belgian enterprises. These transactions in his view, did not enter into the framework of export operations and therefore fell outside the scope of Article XVI:4. The Belgian position was described in detail in document C/98.

The representative of the Netherlands, referring to the conclusions of the panel on tax practices maintained by the Netherlands, also considered that any profits accruing from transactions subsequent to importation into a foreign country, could not be ascribed to export activities and fell outside the scope of the relevant GATT obligations. It was now for the Council to determine the legal obligations of contracting parties within the scope of the relevant GATT provisions. He was ready to co-operate in the search for a procedure which would deal with the fundamental question of clarifying the term "export activities". The position of the Netherlands was described in detail in document C/99.

The representative of the United States stressed that the findings of the four panels were closely linked in substance and in form. The panels had come to the conclusion that all the tax practices in question were subsidies inconsistent with Article XVI, and inconsistent with the Declaration of November 1960, which bound the contracting parties which had accepted it. He had found no evidence in the reports to support the complaint that the panels had used an overly broad definition of exports. Moreover, the real issue concerned the definition of subsidies and not of exports. He regretted that the results of the detailed technical work by a group of competent experts were brought into question. This would undermine the basis of all the reports. He considered that the Council should, consistent with past practice, adopt all four reports even if some of the parties wished to maintain certain reservations. The conclusions of the panels had important implications for the tax legislation in all countries concerned. These conclusions supported the United States view that it was important to re-examine the overall tax situation in the larger context of the MTN discussions on subsidies.

The representative of the European Communities disagreed with the United States position of linking the adoption of one report with the adoption of the three other reports, both for procedural and substantive reasons.

A number of other representatives stated that each panel report should be considered on its own merits and there was no factual or legal necessity for the Council to proceed in a parallel way.

A number of representatives called attention to the overriding importance for all contracting parties, but especially for small countries, of maintaining the integrity of the dispute settlement procedures of the GATT. The four reports should therefore be treated as panel reports had always been treated so far.

The Council agreed to revert to these matters at a later meeting.

6. Export inflation insurance schemes (C/M/)

At its meeting in July 1976 the Council established a working party to examine, from the point of view of their effects on international commerce, certain export inflation insurance schemes.

/To be concluded/

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

(a) Arab Common Market (C/M/119)

At the meeting of the Council on 2 March 1977 the representative of Egypt introduced a report on progress achieved in the Arab Common Market (L/4462), under the regular biennial reporting procedures on developments under regional arrangements. He pointed out that, with some exceptions, tariffs on manufactured products had been abolished in 1973 so that a free-trade area among member States had been in operation since then. Work was now in progress for the elimination of non-tariff barriers. Furthermore, other Arab States were in the process of joining the Arab Common Market and a programme for the establishment of a customs union had been adopted, under which customs legislation would be unified and a common external tariff system would be achieved in the period 1978-81. Trade among members of the Arab Common Market had continued to expand as had trade between members and the rest of the world.

The Council took note of the report.

(b) Bangkok Agreement (C/M/119)

In November 1976 the Council established a working party for the examination of the provisions of the Bangkok Agreement and authorized its Chairman to nominate the chairman of the working party.

At its meeting on 2 March 1977 the Council was informed of the nomination of the chairman.

The Working Party is scheduled to begin its work shortly

(c) Caribbean Common Market (C/M/119)

In October 1974 the Council established a working party to examine the provisions of the Treaty Establishing the Caribbean Community and Common Market. The Working Party carried out its task in January 1977 and submitted its report to the Council on 2 March 1977 (L/4470). The parties to the Agreement had emphasized the importance of integration among Commonwealth Caribbean countries. The Working Party had addressed itself to such matters as customs duties, quantitative restrictions, marketing arrangements, trade coverage etc. It was generally agreed that the Caribbean Common Market constituted an interim agreement leading to the establishment of a customs union and that as such it was consistent with the provisions of Article XXIV.

The Council adopted the report.

(d) European Communities

(i) Agreement with Portugal (C/M/122)

In November 1976 the Council established a working party to examine the provisions of the Interim Agreement between the European Communities and Portugal. The report of the working party was presented to the Council at its meeting on 26 July 1977. The working party had not been able to reach any unanimous conclusions as to the compatibility of the Interim Agreement with the provisions of the General Agreement and had therefore limited itself to reporting the opinions expressed by its members.

The Council adopted the report.

(ii) Agreements with Egypt, Jordan, Syria and Lebanon (C/M/120, 122)

The representative of the European Communities informed the Council at its meeting on 23 May 1977 of the signing by the European Communities of Agreements with Egypt, Jordan, Syria and Lebanon. The purpose of the Agreements was a broad co-operation in order to contribute to the economic and social development of these countries and to strengthen their relationship with the European Communities. Pending the ratification of the Agreements the parties had also concluded Interim Agreements, providing for the entry into force of the provisions relating to trade.

The texts of the Interim Agreements were presented to the Council on 26 July 1977. The Council agreed to initiate the customary procedure for the examination of the provisions of the Interim Agreements and established four separate working parties for this purpose.

(iii) Agreements with Tunisia, Algeria and Morocco (C/M/)

At its meeting on 17 September 1976 the Council considered the texts of the Agreements concluded between the European Communities and Tunisia, Algeria and Morocco. The Council established three separate working parties for the examination of the provisions of these Agreements.

/To be concluded/

(e) European Free Trade Association and Finland/EFTA Association (C/M/)

/To be concluded/

(f) Agreements concluded with Finland

(i) Finland-Hungary (C/M/120)

In October 1975 the Council adopted a report of the Working Party on the Agreement between Finland and Hungary, and agreed that in the light of further experience, an appropriate time should be fixed for the further examination of the Agreement.

At its meeting on 23 May 1977 the Council considered the second report of the Working Party (L/4497). The Council took note that the Working Party had been unable to reach any unanimous conclusion as to the compatibility of the Agreement with the provisions of the General Agreement. The Council also noted that there were differences of opinion as to the continuation of the work of the Working Party. The Council agreed that, in the light of further experience and in consultation with the delegations concerned, an appropriate time for a further meeting of the Working Party should be determined. The Council noted the reservation made by the representative of Hungary that he was not able to accept the request for a continuation of the work of the Working Party.

The Council adopted the report.

(ii) Finland-German Democratic Republic (C/M/119)

In November 1975 the Council established a working party for the examination of the provisions of the Agreement between Finland and the German Democratic Republic. The Working Party met in February 1977 but limited itself to an interim report since detailed trade statistics and precise information on the foreign trade régime of the German Democratic Republic were not available. The Interim Report was presented to the Council at its meeting on 2 March 1977 (L/4471).

The Council adopted the Interim Report and took note that the Working Party had agreed to meet again within the coming eighteen months.

(g) Papua New Guinea-Australia Agreement C/M/119, 120, ...)

At its meeting on 2 March 1977 the Council established a working party for the examination of the provisions of the Agreement on Trade and Commercial Relations between Australia and Papua New Guinea. The Working Party met in October 1977.

[To be concluded]

8. Waivers under Article XXV:5

(a) Brazil - Renegotiation of Schedule (C/M/119)

Under the Decision of 26 November 1975 the Government of Brazil had been authorized to retain in effect the new rates in its customs tariff, which were at a level higher than provided for in its schedule, pending the carrying out of and conclusion of appropriate renegotiations. The waiver was due to expire on 31 March 1977.

At its meeting on 2 March 1977 the Council considered a request by Brazil for an extension of the waiver by one year (L/4473).

The Council approved the text of a draft decision extending the waiver until 31 March 1978 and recommended its adoption by the CONTRACTING PARTIES by postal ballot.

The Decision was adopted on 31 March 1977 (L/4484).

(b) India - Auxiliary duty of customs (C/M/121,122)

By Decision of 15 November 1973, as extended by the Decision of 30 July 1976, the CONTRACTING PARTIES had waived until 30 June 1977 the application of the provisions of paragraph 1 of Article II to the extent necessary to enable the Government of India to apply the temporary auxiliary duty of customs on items included in the Indian Schedule.

At its meeting on 16 June 1977 the Council received a request by the Indian Government for an extension of the waiver in order to enable the continuation of the application of the auxiliary duty of customs for nine months with effect from 1 July 1977. The Council agreed to revert to this matter at its next meeting.

At the meeting of the Council on 26 July 1977 the representative of India explained the special circumstances which had compelled his Government to continue to apply the auxiliary duty as a means to provide resources for essential development needs. He expressed his delegation's readiness to consult with any contracting party that considered that serious damage to its interests had been caused or threatened by the auxiliary duty of customs.

The Council approved the text of a draft decision extending the waiver until 31 March 1978 and recommended its adoption by the CONTRACTING PARTIES.

The Decision was adopted by postal ballot on 31 August 1977 (L/4546).

(c) Indonesia - Renegotiation of Schedule (C/M/)

/To be concluded/.

(d) Pakistan - Renegotiation of Schedule (C/M/)

/To be concluded/.

9. Reports under Waiver

United States - Imports of automotive products (C/M/120)

At its meeting on 23 May 1977 the Council took note of the tenth annual report by the Government of the United States under the Decision of 20 December 1965 (L/4495).

10. Renegotiations under Article XXVIII:4

(i) Finland (C/M/122)

At the meeting of the Council on 26 July 1977 the representative of Finland said that new legislation was being prepared by his Government to bring the Finnish import levy/customs duty system for agricultural products in line with that of Finland's trading partners. The proposed changes were of a technical nature and implied only minor changes in the level of protection. The main feature of the revision was the transformation of a number of specific import levies into ad valorem duties.

The Council agreed to grant Finland the authorization for the renegotiation.

(ii) Sweden (C/M/120, 121)

At the meeting of the Council on 23 May 1977 the representative of Sweden presented a request for authorization under the provisions of Article XXVIII:4 to enter into negotiations for the modification of an item in its Schedule.

At its meeting on 16 June 1977 the Council agreed to grant Sweden the authorization requested.

11. Provisional accessions

(a) Provisional accession of the Philippines (C/M/)

/To be concluded/

(b) Provisional accession of Tunisia (C/M/)

/To be concluded/

12. Hungary - Consultations on trade (C/M/120)

The Protocol for the Accession of Hungary provides for consultations to be held biennially between Hungary and the CONTRACTING PARTIES, in order to carry out a review of the operation of the Protocol and of the evolution of trade between Hungary and contracting parties.

At its meeting on 23 May 1977 the Council set up a working party to conduct the second consultation with the Government of Hungary.

/To be concluded/

13. Poland - Consultations on trade (C/M/120)

The Protocol for the Accession of Poland provides for annual consultations. At its meeting on 15 July 1976 the Council established a working party to conduct the ninth annual consultation and to re-examine the question of the establishment of a date for the termination of the transitional period.

The Council considered the report of the Working Party (L/4483) at its meeting on 23 May 1977. The Working Party had noted that discriminatory quantitative restrictions were still maintained in five customs areas. However, a number of these restrictions had been relaxed and the discriminatory element in certain other restrictions had been reduced since the last consultation. The Working Party had also noted that Poland had considerably exceeded its import commitment under its Protocol of Accession. Finally, the Working Party had examined for the sixth time the question of the establishment of a terminal date for the abolition of discriminatory restrictions, but had not been able to reach agreement on this point.

The representative of Poland expressed regret that no agreement had been reached with Poland's trading partners as to the terminal date for the transitional period and emphasized that this could have an impact on the practical aspects of the balance of rights and obligations between Poland and contracting parties.

The Council took note that the Working Party was not in a position to agree on a recommendation with regard to the establishment of a terminal date for the transitional period. In accordance with the provisions of Poland's Protocol of Accession, this question would therefore be re-examined at the Tenth Annual Review.

The Council adopted the report.

14. Romania - consultations on trade (C/M/119)

The Protocol for the Accession of Romania provides for consultations to be held biennially between Romania and the CONTRACTING PARTIES in order to carry out a review of the development of reciprocal trade between Romania and the contracting parties.

At its meeting in February 1975 the Council set up a working party to carry out the second consultation with the Government of Romania. In consultation with the contracting parties mainly concerned the consultations had, for technical reasons, been delayed until January 1977 (SR.32/1).

The report of the Working Party (L/4469) was presented to the Council at its meeting on 2 March 1977. The Working Party had noted the satisfactory development in trade between Romania and the contracting parties and that Romania had fulfilled its import commitment under the Protocol of Accession. The Working Party had considered it useful that before the next consultation interested parties should seek ways and means to speed up solution of the problems raised at the consultation, in particular in respect of their bilateral implications.

The Council adopted the report.

15. International Trade Centre - Joint Advisory Group (C/M/119)

At its meeting on 2 March 1977 the Council considered the report of the Joint UNCTAD/GATT Advisory Group on its tenth session (ITC/AG/X/52). The Group had recognized the importance and effectiveness of integrated assistance projects at the country level and had emphasized the need to intensify assistance to the least developed countries. The Group attached great importance to the training of government and business sectors personnel in trade promotion and export marketing. It felt that high priority should be given to the market development activities of the Centre and to the exploitation of market opportunities for developing countries resulting from the GSP and the MTN. The Group indicated that priority attention should be given to sub-regional training. It also recommended that governments should raise in the UNDP Governing Council the question of allocation of funds for trade promotion activities. Finally, the Group unanimously expressed its appreciation for the generous voluntary contributions which would permit the Centre to continue the expansion of its trade promotion co-operation programme.

A number of representatives spoke on different issues referred to in the report. They expressed, in particular, concern at the financial structure of the Centre, which relied heavily on voluntary contributions from a number of small donor countries. They considered it most desirable that a better balance be established in the financing of the Centre from the point of view of a fair sharing of the technical assistance expenses between member States.

The Council approved the recommendations of the Joint Advisory Group and adopted the report.

16. Arrangement regarding international trade in textiles

- Annual review (C/M/120)

The provisions of Article 10:4 of the Arrangement Regarding International Trade in Textiles required the Textiles Committee to review the operation of the Arrangement once a year and to report thereon to the Council.

The Council considered at its meeting on 23 May 1977 the report of the Textiles Committee on this review which was contained in paragraphs 20 to 36 of document COM.TEX/8. A number of representatives addressed themselves to the crucial question of the extension, modification or discontinuation of the Arrangement, which issue is still before the Textiles Committee.

The Council adopted the report.

17. Training activities (C/M/)

/To be concluded/

18. Status of protocols (C/M/)

/To be concluded/

19. Administrative and financial questions

(a) Committee on Budget, Finance and Administration (C/M/119,)

At its meeting on 2 March 1977 the Council agreed upon the Chairmanship and membership of the Committee on Budget, Finance and Administration.

/To be concluded/

(b) Erosion of salaries (C/M/11), 120

At the meeting of the Council on 2 March 1977 the Director-General recalled that the Council had established in November 1974 an informal tripartite Contact Group to study all aspects of the question of erosion of salaries of professional staff resulting from the fall in the accounting rate of the US dollar since 1971. The Council had recognized the seriousness of the situation and had invited him to put forward proposals aimed at resolving or alleviating the problems that had arisen. The proposals he had made were that for 1974 a partial indemnity be made to the eligible GATT staff in respect of the losses sustained, and that for 1975 and future years the internal accounting rate be blocked at a certain level for salary payments purposes in order to protect the salaries and allowances from future currency fluctuations. Pending the Council's decision in this respect an amount of Sw F 515,610 had been set aside from the 1974 surplus in a suspense account. He stated that as from 1 January 1976 an interim adjustment for professional staff without dependents had come into effect which reduced their losses by about a third, but he noted that no provision for losses had been made for the years 1971 to 1975 and no adjustment had been made for staff with dependents. New adjustments made with effect from 1 January 1977 restored about 60 per cent of the losses experienced by staff without dependents, but no compensation was provided for past losses and the professional staff with dependents continued to receive no compensation. He urged the Council to consider the justice of compensating the staff and now proposed that a partial compensation be made to all staff in the professional and higher category for losses sustained in 1974 only, the cost of which would be covered by the amount held in the Suspense Account.

A number of representatives opposed the proposal.

The representative of Yugoslavia presented a compromise proposal allowing for compensation, in the form of an ex gratia payment, of losses sustained by staff members without dependents in the years 1974 and 1975, on the basis of the interim adjustment which had entered into effect for the year 1976.

At its meeting on 23 May 1977 the Council continued the discussion on the basis of the Yugoslav proposal.

A number of representatives stated their reasons for not being able to support the proposal, which they felt could not be accommodated within the common system and therefore would have the effect of eroding the common system. Several other representatives supported the proposal.

As there was no consensus in support of the Yugoslav proposal the Council reaffirmed the decision taken on 24 November 1974, that the balance of the 1974 surplus account be transferred to the Building Fund.

(c) Final position of the 1976 budget of GATT (C/M/122)

At its meeting on 26 July 1977 the Council considered the report on the final position of the 1976 budget of GATT (L/4520). The Council authorized the necessary increases in the appropriations in respect of certain excess expenditures and approved the proposed financing.

(d) Legal requirements at the new headquarters (C/M/122)

At the meeting of the Council on 26 July 1977 the Director-General said that because of the GATT's move to new headquarters certain aspects of the legal status of GATT in Switzerland had to be reviewed and regularized. So far the GATT had no formal status and there existed only a recognition by the Swiss federal authorities on a provisional basis of ICITO, based on a decision taken in 1948. Therefore discussions had been held with the Swiss federal authorities with the intention of preserving for the GATT, on a more permanent basis, the privileges and immunities which so far had been granted on a provisional basis only to ICITO. These discussions had led to the proposal that the GATT should enter into an agreement with the Swiss federal authorities in the form of an exchange of letters, as set out in document C/100.

The Council approved the text of the proposed letter and authorized the Director-General, acting in the name of and on behalf of the CONTRACTING PARTIES, to confirm to the Swiss federal authorities his agreement with the letter.

(e) Pension problems in Geneva (C/M/122)

At the meeting of the Council on 26 July 1977 the Director-General referred to the problems that had arisen for retired GATT staff whose pensions in terms of Swiss francs had been seriously eroded with the decline in the value of the dollar in relation to the Swiss franc. He said that an adjustment scheme had been drawn up last year, but that the Advisory Committee on Administrative and Budgetary Questions (ACABQ) had recommended that a decision on this matter should be postponed for two years, a recommendation that was accepted by the United Nations General Assembly. The situation of pensioners in Switzerland thus remained serious and no effort should be spared to find ways of alleviating it. He further said that ICITO/GATT so far had only observer status on the United Nations Joint Pension Board and was now seeking a separate seat on the Board. When this would have been obtained it would be necessary to set up a Staff Pension Committee on which there would be representatives of the CONTRACTING PARTIES, the administration and the staff.

The Council took note of the statement.

(f) Revision of salary scales (C/M/120)

At its meeting on 23 May 1977 the Council considered the revised scales of the professional salary system, effective since 1 January 1977, as approved by the General Assembly, including the revised scales as they would be applicable to ungraded posts (L/4487). The Council authorized the Director-General to apply the revised scales of salary and post adjustments as from 1 January 1977.

(g) Terms of appointment of the Director-General (C/M/118)

At its meeting on 10 January 1977 the Council adopted the proposal by the Chairman of the CONTRACTING PARTIES that the terms of appointment of the Director-General, which was due to expire on 5 May 1977, would be extended for a further period of three years (C/96).

20. Arrangements for the thirty-third session (C/M/122)

At its meeting on 26 July 1977 the Council agreed that the thirty-third session of the CONTRACTING PARTIES should be opened on Tuesday, 29 November, and that its duration should be limited to two or three days, if possible.

21. Observer status (C/M/119)

The Council agreed at its meeting on 2 March 1977 to grant observer status in the Council and regular GATT committees and working parties to the Government of Morocco.