

**GENERAL AGREEMENT ON
TARIFFS AND TRADE**

CONTRACTING PARTIES
Thirty-Ninth Session

COUNCIL OF REPRESENTATIVES

Draft Report on Work since the Thirty-Eighth 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-eighth session in November 1982. The minutes of these meetings are contained in documents C/M/165-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. Action Programme resulting from the Ministerial Meeting (C/M/165)

The Council took the following action to follow up on the decisions taken by Ministers at the thirty-eighth session of the CONTRACTING PARTIES in November 1982.

(a) Safeguards (C/M/165, 168, 170)

At its meeting on 26 January 1983, the Council took note of the decision on Safeguards (BISD 29S/12-13) and of the statement by the Chairman of the Ministerial meeting in his summing up, which stressed the urgency which Ministers attached to the negotiation of a comprehensive understanding on Safeguards (SR.38/9, page 2). The Council also took note that an interim report on this subject was requested, of the Chairman's intention to convene informal consultations on this matter shortly, and that the Safeguards Committee would be convened after these consultations had taken place.

At the Council meeting on 26 May 1983, the Chairman said that over the recent months, he had held, jointly with the Director-General in his capacity as Chairman of the Safeguards Committee, a series of informal consultations with a view to exploring how effective progress might be made. He hoped it would be possible to draw up a first set of reflections resulting from these discussions to serve as a basis for the interim report to the Council envisaged by the Ministers. It was his intention to present such a report to the Council at its next meeting.

The Council took note of this information.

At the Council meeting on 12 July 1983, the Chairman presented, on his own responsibility, his interim report (Spec(83)27) to the Council. He said that the atmosphere in the informal consultations had been good, and that it had been clearly understood that the examination did not prejudice the legal nature of the measures discussed, nor the GATT rights and obligations of the participants. He added that the consultations had so far been carried out within a relatively small circle; but he and the Director-General continued to be ready at any time to consult with other interested contracting parties on the matters under examination. It was his firm intention to carry the consultations forward in the coming months and to make a vigorous effort to develop realistic and pragmatic proposals in sufficient time to serve as a basis for action by the CONTRACTING PARTIES, in accordance with the decision taken at the 1982 Ministerial Meeting.

The representatives of Jamaica, Japan, Israel, European Communities, India, United States and Canada commented on the interim report.

The Council took note of the Chairman's interim report and of the statements.

(b) GATT Rules and Activities Related to Developing Countries (C/M/165)

At its meeting on 26 January 1983, the Council took note that the Committee on Trade and Development would take the necessary action for the implementation of the decision by Ministers under GATT Rules and Activities Relating to Developing Countries and the Annex to that decision (BISD 29S/13 and 22).

(c) Dispute Settlement Procedures (C/M/165)

At its meeting on 26 January 1983, the Council took note of the decision adopted by Ministers on Dispute Settlement Procedures (BISD 29S/13-16) and in particular of its sub-paragraphs (i), (ii) and (vii), under which the Council would receive information and would be called upon to take action on specific cases, and of sub-paragraph (viii), which provided for periodic reviews by the Council of action taken pursuant to recommendations or rulings of the CONTRACTING PARTIES.

At the Council meeting on 9 March 1983, the Chairman recalled that it had been decided at the 1982 Ministerial meeting (BISD 29S/14) that the Director-General should inform the Council of conciliatory processes in which he would participate, and of cases in which it had not been possible to meet time-limits established under the 1979 Understanding on Notification, Consultation, Dispute Settlement and Surveillance (BISD 26S/210). Pursuant to these instructions, the Director-General made a full report on the state of work of the panels presently in operation. In his statement, he stressed the need for preserving the confidentiality of the panels' proceedings, and that panel members acted in a personal capacity, not as national delegates.

The representative of the United States welcomed the Director-General's initiative in calling attention to the fact that the dispute settlement process was too lengthy a procedure. This deserved priority attention.

The representative of the European Communities said that improvements could be made in the manner in which the dispute settlement mechanism was used. The important consideration was to use existing GATT machinery to reconcile, conciliate and come up with reasonable solutions between contracting parties.

The representative of Chile was concerned at the precedent of parties to a dispute divulging panel conclusions to the public and adopting positions on conclusions which did not meet commitments entered into under the 1979 Understanding.

The Chairman expressed confidence that the contracting parties would reflect carefully on the report by the Director-General.

The Council took note of the statements.

(d) Trade in Agriculture (C/M/165)

At its meeting on 26 January 1983, the Council took note of the decision on Trade in Agriculture (BISD 29S/16-17) and agreed that the Committee on Trade in Agriculture be constituted. The Committee would conduct its first meeting on 2-4 March 1983. It would be the Committee's responsibility to designate its Chairman.

(e) Tropical Products (C/M/165)

At its meeting on 26 January 1983, the Council took note of the work on liberalization of trade in tropical products that had been carried out by the Committee on Trade and Development, and agreed that the Committee should make arrangements for carrying out the consultations and appropriate negotiations aimed at further liberalization of trade in tropical products as envisaged in the relevant decision by Ministers (BISD 29S/17) including the establishment of such special group or body as might be considered necessary for this purpose.

(f) Quantitative Restrictions and Other Non-Tariff Measures (C/M/165)

At its meeting on 26 January 1983, the Council took note of the decision on Quantitative Restrictions and Other Non-Tariff Measures (BISD 29S/17-18), and agreed that the Group on Quantitative Restrictions and Other Non-Tariff Measures be constituted, open to all contracting parties, to carry out the task described in paragraph 1 of the decision and to report to the Council as prescribed in paragraph 2. It was agreed that the Group would conduct its first meeting on 10-11 March 1983, and that it would be the Group's responsibility to designate its Chairman.

(g) Tariffs (C/M/165)

At its meeting on 26 January 1983, the Council took note of the decision on Tariffs (BISD 29S/18), and requested the Committee on Tariff Concessions and the Committee on Trade and Development to give prompt attention to the problem of tariff escalation, and to make appropriate recommendations on action directed towards its elimination or reduction. The Council also took note of the elements in the decision related to the introduction of a common system for classifying products for tariff and statistical purposes.

(h) MTN Agreements and Arrangements (C/M/165, 166, 167)

At the Ministerial Meeting in November 1982, the CONTRACTING PARTIES had decided to review the operation of the MTN Agreements and Arrangements, taking into account reports from the Committees or Councils concerned, with a view to determining what action, if any, was called for, in terms of their decision of November 1979 (BISD 26S/201).

The CONTRACTING PARTIES had further agreed that, for this purpose, the review should focus on the adequacy and effectiveness of these Agreements and Arrangements and on the obstacles to the acceptance of them by interested parties (BISD 29S/18).

At its meeting on 26 January 1983, the Council took note of the Ministers' decision on this subject and that the Chairman would hold informal consultations with delegations on how the review could most effectively be carried out. The Council agreed to revert to this item at its next meeting.

At the Council meeting on 9 March 1983, the Chairman said that following his informal consultations with delegations and with the secretariat on this matter, he now proposed that the Council invite the MTN Committees and Councils to take account of the Ministerial decision in their annual reports, and to transmit these reports to the Council, so that the Council could assist the CONTRACTING PARTIES in the review called for in that decision, in the light of these reports and of observations by delegations. The Council would then report to the CONTRACTING PARTIES at their thirty-ninth session in November 1983 on the results of its discussions. For this purpose, these reports by the MTN Committees and Councils would need to be in circulation and available to members of the Council well in advance of the Council's meeting on 1 November 1983 at which the Council would discuss the matter.

The representative of the United States proposed that the Chairman of the Council might invite each of the relevant Committees and Councils to set aside time at their forthcoming meetings for presentations by non-signatories concerned with the obstacles that they saw in accepting one or other of the MTN instruments.

The representative of Colombia supported the US proposal that non-signatories could give their views at meetings of the MTN Committees and Councils.

The representatives of Brazil and Australia suggested that the text of the Chairman's proposal be circulated before the Council took a decision on this matter.

The Council agreed that the text of the Chairman's proposal would be circulated, and that following further consultations the Council would revert to this item at its next meeting.

At the Council meeting on 20 April 1983, the Chairman said that he understood from informal consultations held with a number of delegations since the last Council meeting that his proposal was acceptable.

The Council agreed to the Chairman's proposal, and that in preparing their reports, the MTN Committees and Councils might wish to take note of the understanding of the delegation of New Zealand that the option for continued review beyond the 1983 CONTRACTING PARTIES session was not foreclosed in any way by the action which the Council had taken.

(i) Structural Adjustment and Trade Policy (C/M/165)

At its meeting on 26 January 1983, the Council took note that the work to be done on Structural Adjustment and Trade Policy in fulfilment of the decision (BISD 29S/19) would fall to the existing Working Party. The Council designated the Chairman of the Working Party and took note that the Committee would hold its next meeting on 1 March 1983.

(j) Trade in Counterfeit Goods (C/M/165, 167, 168, 170, 171, 173)

At its meeting on 26 January 1983, the Council took note of the decision on Trade in Counterfeit Goods (BISD 19S/19) and that the Council had been instructed therein to examine this question. The Council took note that for the purposes of this examination, the Director-General would hold consultations with the Director General of the World Intellectual Property Organization (W.I.P.O.) with the intention to report back to the Council within the following two or three months.

The Council took note of a statement by the representative of the United States that depending on the results of the Director-General's consultations, the US delegation might ask the Council at a later stage to establish a working party to examine the results of the consultations.

At the Council meeting on 20 April 1983, the Chairman informed the Council that the consultations were underway, and that the Director-General expected to be in a position to report on them at the next Council meeting.

The Council took note of this information.

At the Council meeting on 26 May 1983, the Council considered the report by the Director-General on his consultations with the Director General of the W.I.P.O. in document C/W/418.

The Director-General said that the report, together with its Annex, contained an agreed summary of the points covered by the consultations and of the views expressed by the Director General of W.I.P.O. The Director-General added that it was for governments to decide how they wanted to proceed in the matter.

The representative of the United States said that the report could be useful for further consideration of this matter in GATT. He urged the Director-General to organize informal consultations among the interested delegations concerning implementation of the Ministers' instructions on this matter in the light of the report, so that the Council could determine a course of action at its next meeting.

The representative of the European Communities agreed generally with the views expressed by the representative of the United States and supported the suggestion for further informal consultations. He said that care would be needed lest measures to prevent trade in counterfeit goods be used for protectionist purposes; and he urged that governments intent on attacking counterfeit trade attend to problems in their own countries before acting multilaterally.

The representatives of Argentina and Brazil said that the report would be carefully examined by their respective authorities.

The Council took note of the Director-General's report (C/W/418) and of the statements, and agreed to revert to this item at its next meeting.

At the Council meeting on 12 July 1983, the representative of the European Communities said that his delegation wanted work in GATT on this subject, with the co-operation of the GATT and W.I.P.O. secretariats; it also believed that one could not rely simply on treaties such as the Paris Convention for the Protection of Industrial Property, which were based on national legislation. The Community was open-minded about how action on this issue should be pursued within GATT in accordance with the Ministerial Declaration.

The representative of the United States said that it remained for the Council to carry out the examination as instructed by the Ministers. His delegation hoped that the Council would set up a working party for this purpose at that meeting.

The representative of Brazil proposed that a joint study be made by the GATT and W.I.P.O. secretariats on the legal and institutional aspects of this matter.

The representatives of Korea, Argentina, Uruguay, Colombia, Nicaragua and India supported the Brazilian proposal.

The representative of Jamaica said that his delegation did not believe there was a need either for a working party or for a further study on this matter.

The Director-General said he doubted that further consultations between the Director General of W.I.P.O. and himself could advance the matter in the absence of the necessary action in the governing bodies of

the two organizations. One way of further clarifying the legal and institutional aspects of the question would be for the contracting parties to conduct an exercise parallel to that in paragraph 4 of C/W/418 in respect of the GATT itself.

The representative of Switzerland supported the US proposal to set up a working party.

The Council took note of the statements, agreed that consultations would continue among delegations, and between delegations and the secretariat, in order to find a solution, and agreed to revert to this matter, if possible, at the next meeting.

At the Council meeting on 3 October 1983, the Chairman said some contacts had been held since the 12 July meeting, but he understood that a number of delegations would find it useful to have more time to consult on this matter.

The representative of Austria said that his Government still considered that better international co-operation within W.I.P.O. was the appropriate way to combat international trade in counterfeit goods.

The Council took note of the statement by the representative of Austria and that further consultations would be held among interested delegations, and between delegations and the secretariat, and agreed to revert to this item at its next meeting.

(k) Export of Domestically Prohibited Goods (C/M/165)

At its meeting on 26 January 1983, the Council took note of the decision on the Export of Domestically Prohibited Goods (BISD 29S/19) and that the secretariat would be expected to make the necessary arrangements.

The Council took note of a request by the United States that the secretariat, in making the necessary arrangements, begin the process as promptly as possible in the light of the considerable amount of work entailed in carrying out the decision.

(l) Export Credits for Capital Goods (C/M/165)

At its meeting on 26 January 1983, the Council took note of the decision on Export Credits for Capital Goods (BISD 29S/19-20) and that, as requested, the Director-General would be consulting contracting parties concerned.

(m) Textiles and Clothing (C/M/165)

At its meeting on 26 January 1983, the Council took note of the decision on Textiles and Clothing (BISD 29S/20) and requested the secretariat to produce documentation covering the study referred to in the

first paragraph thereof - parts (i), (ii) and (iii) - with such assistance as it needed from delegations. Once this documentation was available, the Council would make further arrangements by setting up a working group as necessary for completing the work called for in the decision. The Council also took note of statements made by the representatives of Brazil, Canada, India, Mexico, the United Kingdom on behalf of Hong Kong, and the United States.

(n) Problems of Trade in Certain Natural Resource Products (C/M/165, 166, 167, 171)

At its meeting on 26 January 1983, the Council took note of the decision on Problems of Trade in Certain Natural Resource Products (BISD 29S/20-21). The Council also took note that informal consultations were taking place on terms of reference, time frame and procedures, and that the secretariat would prepare draft terms of reference which would permit the Council to take action at its next meeting. The Council agreed to revert to this matter at its next meeting and that, in the meantime, in areas where there existed substantial agreement, the secretariat could begin some of the technical work. The Council also took note of statements made by the representatives of Canada, Chile, Finland on behalf of the Nordic countries, and New Zealand.

At the Council meeting on 9 March 1983, the Chairman said that informal consultations between the secretariat and interested delegations on the proposed terms of reference for the studies were continuing.

The Council agreed to defer consideration of this item until the next meeting.

At the Council meeting on 20 April 1983, the Chairman said that further informal consultations between the secretariat and interested delegations had resulted in revised proposals concerning terms of reference for the studies.

The representative of Turkey said that his delegation could approve the draft decision on fish and fishery products on the basis of its interpretation and reservation that it could not accept the concept of economic zones as a factor for consideration within the activities of GATT.

The Council took note of the statement and adopted the draft decisions (L/5483, L/5484 and L/5485).

The Chairman said that it was his personal understanding that the normal procedure for the examination of such studies by the Council was the establishment of working parties.

The representative of the European Communities said it might transpire that the establishment of one or more working parties might not be required.

The representative of Canada said that the adoption of the draft decisions represented only the first step in fulfilling a clear Ministerial mandate to examine problems of trade in natural resource products.

The Council took note of the Chairman's statement and of the statements by representatives.

At the Council meeting on 3 October 1983, the representative of Canada said that his delegation looked forward to the imminent circulation of the secretariat's study on lead, and considered it would be desirable for the secretariat to hold consultations with interested delegations to determine what the analysis section of the study should contain.

The representatives of Chile, Peru and Australia supported the Canadian proposal.

The representative of the European Communities said it was not appropriate to discuss the Canadian proposal until the relevant documents had been circulated and examined in capitals.

The Council took note of the statements.

(o) Exchange Rate Fluctuations and their Effect on Trade (C/M/165, 168)

At its meeting on 26 January 1983, the Council took note of the decision on Exchange Rate Fluctuations and their Effect on Trade (BISD 29S/21), and that the Director-General would consult the Managing Director of the International Monetary Fund, as requested, in the near future, and would report back to the Council on the results of these consultations.

At the Council meeting on 26 May 1983, the Director-General said that he had consulted the Managing Director of the International Monetary Fund on the possibility of a study of the effects of erratic fluctuations in exchange rates on international trade. As a result of those consultations, the Fund had undertaken to have its contribution to the study ready for submission to its Executive Directors in November 1983; and the GATT secretariat would have an opportunity to comment on the Fund's contribution before that meeting. He hoped that the study would thus be available by the end of 1983.

The representative of the European Communities said that an attempt should be made to establish some kind of co-operation as regards consideration of financial and monetary problems on the one side and of trade problems on the other.

The Communities believed that while governments were responsible for their own national economic policies, the international environment, particularly in terms of financial and monetary problems, must not become

an obstacle to efforts undertaken on the domestic front, especially where national economies were fragile and vulnerable. GATT obviously had a rôle to play in assessing the impact of erratic exchange rate fluctuations on international trade, and the Community was interested to know their impact in terms of micro-economics.

In reply to questions by the representative of Jamaica, the Director-General said that the study would be a joint effort by the GATT and the IMF secretariats, and he stressed that the GATT secretariat would have an opportunity to comment on the study before it was submitted to the Fund's Executive Directors.

The Council took note of the statements.

(p) Dual Pricing and Rules of Origin (C/M/165)

At its meeting on 26 January 1983, the Council took note of the decision on Dual Pricing and Rules of Origin (BISD 29S/21) and that delegations be invited to send to the secretariat any comments or suggestions they might have on these subjects and on the manner in which these studies should be carried out.

(q) Services (C/M/165)

At its meeting on 26 January 1983, the Council took note of the decision on Services (BISD 29S/21-22), including the recommendation and invitation to contracting parties. The Council agreed to revert to this matter at a later stage and noted that consultations were proceeding concerning certain points related to the decision. The Council also took note of statements made by the representatives of Colombia and the United States.

(r) Aspects of Trade in High-Technology Goods (C/M/165, 166, 167,
168, 170, 171, 173)

At its meeting on 26 January 1983, the Council took note of the decision on Aspects of Trade in High Technology Goods (SR.38/9, page 2) as well as of a proposal by the United States (C/W/409), and that there would be further consultations on this matter, and agreed to revert to it in due course.

At the Council meeting on 9 March 1983, the representative of the United States said that the consultations were continuing, and suggested that further consideration of this item be deferred until the next meeting.

The representative of the European Communities said that the decision by Ministers on this issue did not have the same scope as the other decisions which figured in the Ministerial Declaration itself.

The Council took note of the statements and agreed to revert to this item at its next meeting, while noting that consultations would be carried out in the meantime.

At the Council meeting on 20 April 1983, the Chairman drew attention to a revision of the US proposal (C/W/409/Rev.1).

The representative of the United States said his delegation believed that the revised proposal met the concerns expressed by some delegations and that it should be acceptable to the Council.

The representatives of New Zealand, Canada, Spain, Argentina, the European Communities and Brazil expressed their respective views concerning the revised proposal.

The representative of the United States noted that his delegation would undertake further consultations so that the Council could take a decision on this matter at its next meeting.

The Council took note of the statements and agreed to revert to this item at its next meeting, with the understanding that further consultations would take place.

At the Council meeting on 26 May 1983, the Chairman drew attention to a further revision of the proposal by the United States (C/W/409/Rev.2).

The representative of the United States said that his delegation considered that the revised proposal went a long way towards meeting the concerns expressed by other delegations at the Council meeting on 20 April.

The representative of Brazil said his delegation could accept the revised proposal with an amendment suggested by the representative of the United States.

The representative of the United States stressed that the sectors to be examined would have to be agreed in consultation with interested delegations and the secretariat.

The representative of Israel said that his delegation basically supported the latest US proposal, but would prefer the document to contain two footnotes, which he described.

The representative of the European Communities said that his delegation wanted to consider this matter carefully on the basis of a correct assessment of the situation, and would continue to examine it in the light of statements made in the Council and in consultations.

The representative of Brazil said that his delegation supported the proposal on the understanding that that reference in paragraph 2 was only to the General Agreement itself.

The representative of Switzerland said that consultations should be continued so as to reach a satisfactory solution as soon as possible.

The representative of Japan said that his authorities strongly hoped that GATT would study this issue as soon as possible.

The representative of the United States urged that delegations be prepared to reach a decision at the next Council meeting.

The representative of Spain said that his delegation understood that the phrase in paragraph 2 of the proposal referred only to the General Agreement and not to other agreements negotiated later.

The Council took note of the statements and agreed to revert to this item at its next meeting, on the understanding that further consultations would take place in the meantime.

At the Council meeting on 12 July 1983, the representative of the United States pointed out that the reference in paragraph 2 of that text to "the provisions and objectives of the General Agreement" was not intended to relate to any of the MTN Agreements.

The representative of the European Communities wondered whether this matter was of immediate priority for a majority of the contracting parties. He also wondered what exactly would be studied, why the study was being requested, and whether the interest of certain contracting parties which had advantages in the high-technology sector reflected a wish to establish a new Code.

The representative of Jamaica said he did not believe that carrying out the study would prejudice the outcome. The secretariat should begin the study, and the Council would see what came of it.

The representative of Argentina said that his delegation preferred to revert to this item at a future Council meeting.

The representatives of Switzerland, Israel and the Philippines supported the latest US proposal.

The representative of Trinidad and Tobago reserved the position of his delegation on the latest US proposal.

The representative of Canada supported the latest US proposal, with the footnote indicating that the reference to sectors was illustrative.

The representative of Japan said that the Council should act favourably on the latest US proposal as soon as possible.

The Council took note of the statements and agreed to revert to this item at its next meeting, on the understanding that further consultations would take place in the meantime.

At the Council meeting on 3 October 1983, the representative of the United States said that his delegation remained willing to discuss constructive comments concerning the modest work program (C/W/409/Rev.2 and Corr.1) that it had proposed.

The representative of the European Communities recalled that at the Ministerial meeting, the CONTRACTING PARTIES had referred this item to the Council for further consideration (SR.38/9, page 2) without prejudging what the Council might decide after or during such consideration. This matter was of great interest to the Community and its member States; but his delegation had received no clear reply to the questions which it had raised at the meeting on 12 July regarding the real aims of the proposed study. His delegation thus asked whether the Chairman could undertake consultations in order to clarify the hidden sides of the US proposal.

The representative of the United States said that his delegation was prepared to continue consultations on the understanding that they would be concluded by the next Council meeting and that this issue would appear on the agenda of that meeting.

The Chairman said that if the Community, the United States and other contracting parties so wished, he would hold consultations with interested delegations before the next Council meeting.

The representative of Japan supported the US initiative and said he was not convinced by arguments against the proposal; he hoped that the Chairman's consultations would get the exercise started.

The representative of Israel said that the question of high-technology trade interested all contracting parties. Positive progress could only come through a preliminary secretariat study, which would pinpoint the main questions involved.

The Council took note of the statements and agreed to revert to this item at its next meeting, on the understanding that the Chairman would, in the meantime, have consultations with interested contracting parties.

(s) Trade in Tropical Agricultural Products - Proposals by the Ivory Coast (C/M/165)

At its meeting on 26 January 1983, the Council took note that the Committee on Trade and Development would examine, at its next session, the proposals on Tropical Agricultural Products presented by the Ivory Coast (SR.38/9, page 1, W.38/3) with a view to determining further action that might be taken.

(t) Other remarks made by representatives (C/M/165)

At the Council meeting on 26 January 1983, the representative of the European Communities said that the Ministerial Declaration and its accompanying observations constituted a whole which must be implemented as such, without reopening the discussions of the preparatory phase. He felt that the implementation of the Ministerial decisions was to be approached as a long-term effort; a work programme had been established for the rest of the 1980s, which must be carried out harmoniously. With reference to the 1984 deadline in many decisions, he expressed caution since he feared that all the issues involved might not be resolved by that date. He also said that the multiplication of additional organs should be avoided. He referred specifically to the decisions related to tropical products, to natural resource products and to textiles and clothing. He was concerned by a tendency to want to decide for the secretariat on how it should carry out the tasks assigned to it. In his view, the secretariat should assume its own responsibilities, develop working hypotheses and consult with delegations as necessary.

The representative of Poland said that informal consultations were the proper channel for pursuing the compromise on some of the outstanding problems; he urged that balance be maintained between the informal and formal procedures in carrying out the work.

The representative of Brazil said that the Ministerial Declaration could only be changed by the CONTRACTING PARTIES themselves. Nothing could be added to or subtracted from it, either by the Council or any other GATT organ, including the Committee on Trade and Development, or by the secretariat. The decisions should be interpreted as constituting the normal work programme in GATT; and existing mechanisms should be utilized to the greatest extent possible.

The Council took note of the statements.

2. Reviews of developments in the trading system (special meetings of the Council on Notification, Consultation, Dispute Settlement and Surveillance) (C/M/168, 169, 171, 172)

At their thirty-fifth session in November 1979, the CONTRACTING PARTIES had adopted the Understanding Regarding Notification, Consultation, Dispute Settlement and Surveillance drawn up in the Multilateral Trade Negotiations (BISD 26S/210). In March 1980, the Council had adopted a proposal (BISD 27S/20) which provided, inter alia, for reviews in respect of developments in the trading system to be conducted by the Council at sessions specially held for that purpose. The Council had held four special meetings to review this matter in November 1980, May 1981, November 1981 and June 1982.

At the regular Council meeting on 26 May 1983, the Chairman said that as a result of discussion at the May 1983 meeting of the Consultative Group of Eighteen, it appeared that at its next special meeting on 12 July 1983, the Council should also deal with paragraph 7(i) of the 1982 Ministerial Declaration (BISD 29S/9).

The Council took note of this information.

At the special meeting on 12 July 1983, the Director-General referred to the documentation for the review of the trading system, prepared by the secretariat on its own responsibility, and said that for the first time it contained information which had been obtained from press reports, official bulletins or unofficially from delegations concerning a number of trade measures or agreements which had not been notified to the secretariat. He stressed that the inclusion of the non-notified measures implied no judgement as to their legality or illegality under GATT. He pointed out that some of the notifications listed elsewhere in the documentation related to measures of liberalization, and hoped that such measures would be systematically covered in future and that there would be more of them. He added that in listing non-notified measures, the secretariat had been forced to recognize that its capacity for monitoring developments in trade policy was inadequate. He was therefore taking steps to remedy this defect. He also intended to rationalize the secretariat's capacity to handle information that was notified.

The Director-General then drew the Council's attention to a suggestion made by the Consultative Group of Eighteen in May 1983 that the undertakings contained in paragraph 7(i) of the 1982 Ministerial Declaration should be systematically monitored by the Council, meeting in special session. The Director-General expressed concern about the trend of events since the 1982 Ministerial Meeting, which in many ways seemed to run counter to the intention of Ministers to stop the proliferation of restrictive measures. If the Council accepted the suggestion made by the Consultative Group, it might be necessary to hold two special meetings a year in order to monitor effectively the sometimes rapid changes in trade policy.

The representatives of Australia, Brazil, Canada, Chile, Colombia, Egypt, the European Communities, Finland on behalf of the Nordic countries, Hungary, India, Israel, Jamaica, Japan, Nigeria, New Zealand, Poland, Singapore, Switzerland, the United States and Uruguay spoke on the matter under discussion.

A number of representatives agreed with the thrust of the Director-General's introductory comments and conclusions; they shared his concern over the deterioration in international trade relations since November 1982 in spite of the commitments undertaken at the Ministerial Meeting and at other high-level meetings such as the 1983 Summit Conference at Williamsburg and the 1983 UNCTAD VI at Belgrade. It was stated that the majority of the trade measures applied had not been notified. This carried the risk of reducing GATT to a body which could only make declaratory proposals while the trading system was subjected to uncontrollable segmentation.

Many representatives agreed with the suggestion by the Consultative Group of Eighteen that the Council should review developments in the multilateral trading system and, in particular, monitor in regular special meetings the implementation of the commitments in paragraph 7(i) of the 1982 Ministerial Declaration. The view was expressed that the multilateral trading system would be greatly weakened if the use of various trade restricting measures, including measures taken outside GATT rules, was left unchecked. This pointed to the necessity of examining how such measures could be subjected to appropriate disciplines in GATT, and what actions would be needed to secure their phasing out. It was also said that the documentation for the review of the trading system indicated that VER/OMA¹ measures were of growing significance and that an increasing number of trade-distorting measures were being taken outside GATT, often without the discipline of surveillance and notification.

A number of representatives welcomed the inclusion in the documentation of information not based on notifications. The secretariat should be encouraged to continue to use other information, since it was important to have as accurate a view as possible of trade policy measures taken. It was suggested that for future special Council sessions, it was important to have a document summarizing all relevant measures taken in the period since the last review, as well as measures terminated. At the same time, concern was expressed that the current exercise on Safeguards might be hindered if the documentation were to fall into the hands of people outside the GATT who were not fully aware of the context.

¹Voluntary Export Restraints (VER)/Orderly Marketing Arrangements (OMA).

It was suggested that contracting parties should be urged to meet the relevant notification requirements strictly; and reverse notifications should also be invited. Referring to Article XXII consultations, one representative said there still existed important divergences of views as to the legal obligation to notify. Support was expressed for a proposal by the Nordic countries that a working party be established to look into the need for notifications, priorities, periodicity and possibly better use of notifications.

One representative noted that there were no notifications in respect of Article XXXVII:2(a). He hoped that the contracting parties would bring back into full use the provisions of Article XXXVII:1 and 2, both in respect of actions taken under some legal provisions and also actions which circumvented legal provisions or went against them.

Concern was expressed that factors external to trade and economics were increasingly entering into the picture in the form of politically motivated actions alien to the letter and spirit of the GATT system.

Concern was also expressed that GATT was increasingly failing to resolve disputes. It was stated that settlement of disputes required both a clear finding as to whether a breach of the General Agreement existed, and a recommendation that pointed to rectification. It was also stressed that the inclusion of references in the documentation to certain dispute settlement cases which did not involve all the members of the Council should not be interpreted to mean that some contracting parties had given up certain principles which they had so far supported, including the principle that it was the signatories of the NTM Codes which were responsible for the settlement of disputes arising under the Codes.

The Director-General drew attention to the "procedures under Article XXII on questions affecting the interests of a number of contracting parties", adopted on 10 November 1958 (BISD 7S/24). He considered it important that, even in the absence of an express obligation, such information should be notified. Responding to a question, he recalled that the documentation prepared by the secretariat for the special Council sessions had, so far, never included statistics on the trade covered by various notified measures.

The Chairman stated that the discussion had been positive and useful, reflecting the great importance which governments attached to effectively monitoring developments in the trading system and to their commitments as GATT contracting parties. He summarized briefly the discussion, after which the Council agreed as follows: The special meetings of the Council to review developments in the trading system would serve to monitor paragraph 7(i) of the Ministerial Declaration, as suggested by the Consultative Group of Eighteen. Such special meetings would preferably be held twice each year. The secretariat should continue its efforts to improve transparency, inter alia, through information not based on

notifications. In respect of notification requirements, the secretariat should endeavour to streamline the information process. Delegations would co-operate with the secretariat in these efforts. The Council would consider the proposal by the Nordic countries for the establishment of a working party to examine the need for notifications, priorities, periodicity and possibly the best use of notifications.

The Chairman said he intended to reconvene the Council in special session for its next review of developments in the trading system before the thirty-ninth session of the CONTRACTING PARTIES.

The Council agreed that the review on Notification, Consultation, Dispute Settlement and Surveillance had been conducted.

At the Council meeting on 3 October 1983, the Chairman said that the next special session to review developments in the trading system would take place on 1 November 1983.

The Director-General informed the Council that a new division had been established within the secretariat, to be entitled the "Trade Policies Division", whose work would be directly relevant to the reviews carried out by the Council in special session.

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

[TO BE COMPLETED]

4. Tariff matters

- GATT concessions under the Harmonized Commodity Description and Coding System (C/M/167, 170)

At the Council meeting on 20 April 1983, the Chairman recalled that at its meeting on 28 February 1983, the Committee on Tariff Concessions had unanimously adopted a document containing procedures for the rectification and re-negotiation of GATT schedules which would become necessary in connexion with the introduction of the Harmonized Commodity Description and Coding System (Harmonized System) being elaborated in the Customs Co-operation Council. The Committee had also decided to submit the document containing the procedures to the GATT Council for approval. The Chairman said that it was his understanding that some delegations wished to reflect further on this matter, and proposed that the Council agree to revert to this item at a future meeting.

The Council so agreed.

At the Council meeting on 12 July 1983, the Chairman said that the Customs Co-operation Council had in the meantime adopted the Harmonized System, with the proviso that the System would enter into force, at the earliest, on 1 January 1987 (rather than 1985). He added that in no way

could the adoption of the procedures contained in the Annex to document L/5470/Rev.1 prejudice the position of any contracting party in respect of that contracting party's ultimate decision on the adoption of the Harmonized System itself.

The representative of Brazil said that while accepting document L/5470/Rev.1, she wished to express the understanding of the Brazilian Government that, under this document, any contracting party was entitled to request the maintenance of particular tariff items of interest to it in the new nomenclature, whenever tariff lines with different bound rates were combined or whenever bound rates were combined with unbound rates.

The Council took note of the statements and approved the procedures contained in the Annex to document L/5470/Rev.1.

5. Trade in Textiles

- Report of the Textiles Committee and Annual Report of the Textiles Surveillance Body (C/M/166)

At its meeting on 9 March 1983, the Council considered the report of the Textiles Committee (COM.TEX/31) and the annual report of the Textiles Surveillance Body (COM.TEX/SB/811 and Add.1).

The Director-General, Chairman of the Textiles Committee, said the Committee had met in December 1982 to conduct the first annual review of the operation of the Arrangement Regarding International Trade in Textiles (MFA)¹ as extended by the 1981 Protocol.² For the purpose of this review, the Textiles Committee had before it the above-mentioned report from the Textiles Surveillance Body. The Committee had also considered basic statistical data on production and trade in textile products, and an analysis of these statistics prepared by the secretariat. Furthermore, the Committee had also heard a report from the Chairman of the Sub-Committee on Adjustment on the progress made in this area, particularly concerning the collection of information relevant to the work of the Sub-Committee.

The representative of Brazil expressed the hope that the possibility of success on the safeguards issue would not be damaged by the experience of bilateral textiles negotiations during 1982.

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

¹BISD 21S/3

²BISD 28S/3

6. Structural Adjustment and Trade Policy (C/M/...)

[TO BE COMPLETED]

7. Balance-of-payments import restrictions

(a) Arrangements for consultations in 1983 (C/M/165)

Arrangements for consultations on balance-of-payments import restrictions in 1983 were presented to the Council on 26 January 1983 (C/W/406).

The Council took note of the arrangements.

(b) Notes by the Committee (C/M/165, 167)

In October 1982, the Committee had agreed that the secretariat should prepare, in addition to reports on balance-of-payments consultations, notes on the Committee's discussions of any "other business", in particular follow-up action on previous consultations and on notifications of trade measures taken for balance-of-payments purposes made under the Declaration on Trade Measures Taken for Balance-of-Payments Purposes (BISD 26S/205).

On 26 January 1983, two such Notes (BOP/R/127 and 130) were presented to the Council.

The Council took note of documents BOP/R/127 and 130.

On 20 April 1983, the Council was informed that the Committee had met on 11 March to discuss other business, in particular the schedule of its further meetings, and that the note distributed in document BOP/R/132 was of particular interest for the contracting parties scheduled to consult in 1983.

The Council took note of document BOP/R/132.

(c) Consultation with Hungary (C/M/167)

In March 1983, the Committee on Balance-of-Payments Restrictions held a consultation with Hungary. The report (BOP/R/131) was presented to the Council on 20 April 1983. The Committee had recognized Hungary's serious balance-of-payments problems, which had led to the invocation of Article XII. The Committee had noted, however, that in responding to these problems, Hungary had introduced measures interfering with imports of particular products settled in convertible currencies, and had regretted that Hungary did not rely solely on measures and policies of a more general nature. The Committee had requested Hungary to pursue its

adjustment effort, announce a time-table for the removal of the quotas and the surcharge as soon as possible, and gradually withdraw the restrictive import measures as the balance-of-payments situation improved.

The Council adopted the report.

(d) Consultation with Israel (C/M/165)

In November 1982, the Committee on Balance-of-Payments Restrictions held a consultation with Israel. The report (BOP/R/129) was presented to the Council on 26 January 1983. The Committee noted that in November 1980 the Israeli Government had terminated the import deposit scheme introduced in November 1979, had extended the coverage of its list of quantitative restrictions and had introduced a three per cent temporary surcharge on all imports. The Committee believed these additional restrictive measures could have been avoided through a strengthening of more fundamental adjustment policies which the Israeli authorities were already pursuing.

The Council adopted the report.

(e) Examination under simplified procedures

- Consultations with Bangladesh, Ghana and the Philippines
(C/M/165)

In November 1982, the Committee had examined written statements supplied by Bangladesh, Ghana and the Philippines under the simplified procedures.

The report (BOP/R/128) was presented to the Council on 26 January 1983.

The Council adopted the report and agreed that Bangladesh and the Philippines be deemed to have consulted with the CONTRACTING PARTIES and to have fulfilled their obligations under Article XVIII:12(b) for 1982, and agreed that a full consultation should be held with Ghana in 1983.

8. Emergency action

(a) Canada - Article XIX actions on leather and non-leather footwear
(C/W/165)

At the Council meeting on 26 January 1983, the Chairman said the parties concerned had reached a satisfactory resolution on the matter referred to in documents L/5263/Add.8 and 9 and documents L/5351/Add.5 and 6, and the European Communities had withdrawn the notification in documents L/5263/Add.8 and L/5351 Add.5.

The Council took note of this information.

(b) United States

(i) Article XIX action on imports of certain motorcycles
(C/M/167)

At the Council meeting on 20 April 1983, the representative of Japan said that the United States had recently taken a trade restrictive measure concerning the import of certain types of motorcycles. Japan was concerned that this measure did not conform to relevant provisions of the General Agreement, and reserved all its GATT rights.

The representative of the United States said that the measure had been taken under Article XIX of the General Agreement, and the United States expected to notify¹ GATT shortly of the specific action it had taken.

The Council took note of the statements.

(ii) Article XIX action on imports of certain specialty steels
(C/M/170)

At the Council meeting on 12 July 1983, the representative of the European Communities said that his authorities were astonished by the severe measures taken by the United States against imports of certain specialty steels. Certain specialty steel exports from EEC member States had already been hit by US anti-dumping duties; and the cumulative effect of all these US measures would amount to a prohibition of imports of these products, causing irreparable damage to the Community. The Community fully reserved its rights under the General Agreement, and requested the United States to notify the measures to GATT formally there and then, and to launch consultations as soon as notification had been made.

The representatives of Brazil, Jamaica and Austria expressed views in respect of the US measures. The representatives of Japan, Canada, Sweden and Spain reserved their Governments' GATT rights in respect of the US measures.

The representative of the United States said that although restrictive action had been taken, the United States had tried to take into account the views of its trading partners. The United States intended to notify² the action to GATT shortly, and was prepared to enter into consultations with any interested party.

The Council took note of the statements.

¹ See L/5493 and Add.1

² See L/5524

9. European Economic Community - Import quota on softwood lumber products (C/M/165, 167)

At the Council meeting on 26 January 1983, the representative of Canada drew attention to the establishment by the EEC of an import quota on softwood lumber products falling under tariff heading 44.05, which related to imports into France.

The representative of the European Communities confirmed the intention of his authorities to notify the import measure in question, which had been taken by a member State as a result of a natural catastrophe.

The Council took note of the statements.

At the Council meeting on 20 April 1983, the representative of Canada welcomed the Community's notification of the measure (L/5456). Canada would monitor the situation closely and would avail itself of its GATT rights if its trade was adversely affected.

The Council took note of the statement.

10. Trade restrictions affecting Argentina applied for non-economic reasons (C/M/165)

In May 1982, the Council had considered a communication from the delegation of Argentina in respect of trade restrictions affecting Argentina applied for non-economic reasons, together with a communication from the delegations of the European Communities, Australia and Canada. The Council had considered this matter further at its meetings in June, July and October 1982. At the Council meeting on 2 November 1982 the delegation of Argentina had submitted a draft decision (C/W/402) concerning Article XXI for consideration and adoption at the thirty-eighth session of the CONTRACTING PARTIES.

At the Council meeting on 26 January 1983, the representative of Argentina referred to the earlier consideration of this item by the Council and to the Decision by the CONTRACTING PARTIES at the thirty-eighth session establishing procedures for the application of Article XXI (BISD 29S/23-24). He pointed out that paragraph 2 of the Decision referred to all the rights of an affected contracting party under the General Agreement. Accordingly, he reiterated the position of his Government that without prejudice to its request for an interpretation of Article XXI, Argentina reserved all its rights under Article XXIII in respect of any injury resulting from trade restrictions applied in the context of Article XXI. His Government reserved the right in the future to revert to Article XXIII and any other Article of the General Agreement, especially Article XII. He also recalled that his delegation had asked

that the secretariat begin preliminary work to prepare a note interpreting Article XXI. In his view, the time had come for the secretariat to think again about this problem, bearing in mind paragraph 7(iii) of the Ministerial Declaration (BISD 29S/9), and to begin preparing the background material for future work in this area.

The representative of the European Communities said that his delegation wished to reserve its position on the statement made by the representative of Argentina, and might wish to revert to it at a later date when its purport was fully understood.

The representative of the United States wished to reserve the right of his delegation to respond to the statement by the representative of Argentina until it had had an opportunity to digest fully the purport of the statement.

The Council took note of the statements.

11. Recourse to Articles XXII and XXIII

(a) Canada - Foreign Investment Review Act (FIRA) (C/M/171)

In March 1982 the Council had established a panel to examine the complaint by the United States.

At its meeting on 3 October 1983, the Council considered the Panel's report (L/5504).

The representative of Canada said that his authorities had not yet completed their examination of the report, and proposed that consideration of the report be postponed until the next Council meeting.

The representative of the United States said that his delegation did not agree with some of the Panel's conclusions but, in keeping with commitments concerning GATT's dispute settlement procedures, the United States would accept Council adoption of the report.

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

(b) European Economic Community

(i) Quantitative restrictions on imports of certain products from Hong Kong (C/M/165, 170, 171)

In October 1982, the Council had established a panel to examine the complaint by the United Kingdom on behalf of Hong Kong, and had authorized the Chairman of the Council to designate the Chairman and members of the Panel in consultation with the parties concerned.

At its meeting on 26 January 1983, the Council was informed of the composition of the Panel.

At its meeting on 12 July 1983, the Council considered the Panel's report (L/5511).

The representative of the United Kingdom, speaking on behalf of Hong Kong, said that the report contained the most clear-cut and precise findings and conclusions presented by any panel in the past few years. His delegation believed that the Council should adopt the report at the present meeting.

The representative of the European Communities said that his delegation had no objection to the Panel's report and its conclusions being adopted. However, he regretted that the conclusions had not taken sufficient account of the arguments by the Community concerning the difficult and long-standing problem of residual quantitative restrictions.

The representatives of Hungary and of the Philippines, the latter speaking on behalf of the ASEAN delegations, supported the findings of the report. The representatives of India, Japan, Australia, Jamaica, Chile, Peru, Pakistan, Brazil, Colombia, Korea, Sri Lanka and Egypt supported adoption of the report.

The Council took note of the statements and adopted the Panel report (L/5511) with the recommendation suggested in its paragraph 34.

The representative of the United Kingdom, speaking on behalf of Hong Kong, asked that the Council revert to this matter at its next meeting.

The representative of the European Communities said that the Community had shown a constructive, conciliatory spirit in this case; and members of the Council should remember the great difficulties facing governments in implementing international obligations.

The Council took note of the statements.

At the Council meeting on 3 October 1983, the representative of the European Communities described steps taken by the French authorities subsequent to the Council's adoption of the Panel report, and said that his delegation would keep the Council informed about developments.

The representative of the United Kingdom, speaking on behalf of Hong Kong, welcomed the action taken by France in respect of some product categories and urged that it be taken in respect of the rest without delay. His delegation intended to revert to this item at the next Council meeting, unless before then all the remaining five product categories had been liberalized.

The Council took note of the statements and agreed to revert to this item at its next meeting, if the delegation of the United Kingdom, on behalf of Hong Kong, so desired at that time.

(ii) Sugar régime (C/M/166)

At the Council meeting on 9 March 1983, the representative of Colombia recalled that at the Council meeting on 1 October 1982, he had reported on the results of the joint consultation under Article XXIII:1 which ten contracting parties (Argentina, Australia, Brazil, Colombia, Cuba, Dominican Republic, India, Nicaragua, Peru and the Philippines) had held with the European Economic Community regarding the subsidization inherent in the EEC's common sugar régime. He said that no satisfactory action had been taken by the EEC, and that these countries still reserved their right to raise the complaint again in GATT. However, in the hope that a successful solution could be reached, they had taken note that in the near future the EEC would be joining the members of the present International Sugar Agreement in negotiations on a new agreement.

The representative of Pakistan outlined certain specific and general concerns of his authorities on this matter.

The representative of the European Communities said he had taken note of the statements by the representatives of Colombia and Pakistan. The EEC maintained its belief that it had fully respected its obligations under the General Agreement.

The Council took note of the statements.

(iii) Imports of citrus fruit and products (C/M/167, 168, 170)

At the Council meeting on 20 April 1983, the Chairman recalled that in November 1982 the Council had agreed to establish a Panel to examine the US complaint. He had been authorized to decide on appropriate terms of reference for the Panel, in consultation with the two parties concerned and with other contracting parties which had indicated an interest in the matter. He informed the Council that agreement had been reached on terms of reference on the basis of understandings inter alia, that the reference to relevant GATT provisions in the Panel's terms of reference was understood to include also relevant interpretative material relating to such provisions.

The representatives of Chile and Australia reserved their rights to submit their views to the Panel once it was set up.

The representative of Brazil said he could accept the terms of reference. However, referring to the understanding that the reference to relevant GATT provisions was understood to include also relevant interpretative material relating to such provisions, he expressed the view that one could not include interpretations that had been made individually by contracting parties or groups of contracting parties.

The representative of the European Communities said the point raised by the representative of Brazil could have far-reaching consequences, and he suggested that there should be further consultations.

The representative of the United States saw no need to delay movement on this matter. He agreed that relevant interpretative material meant interpretations that had been agreed.

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

At the Council meeting on 26 May 1983, the Chairman said that on the basis of further consultations with delegations, he wished to inform the Council of the terms of reference for the Panel. He then made the following statement: "Agreement on the above-mentioned terms of reference has been reached on the basis of the following understandings. As regards product coverage, it is understood that the reference to document L/5337 means a reference to the products indicated therein. Given the special nature of this matter, in that the tariff treatment which is to be examined by the Panel is an element of Agreements entered into by the European Community with certain Mediterranean countries, it is expected that the Panel will take due account, inter alia, of the reports of the working parties relating to these agreements and of the minutes of the Council sessions where these reports were discussed and adopted, and, in setting up its own working procedures, will provide adequate opportunities for these countries to participate in the work of the Panel as necessary and appropriate."

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

The representative of the United States said that his delegation had reluctantly accepted the understanding in order to have the Panel established.

The representative of the European Communities described why his authorities considered this particular matter to be out of the ordinary.

The representative of Spain said that the complaint had not been made against the Mediterranean countries, but they had vital export interests in this matter and wanted to ensure that their interests would be fully taken into account.

The Chairman said that consultations would be pursued actively concerning the composition of the Panel.

The Council took note of the statements.

At its meeting on 12 July 1983, the Council was informed of the Panel's composition.

The representative of Brazil said that her delegation reserved its right to make a representation to the Panel and to follow its work.

The Council took note of the statement.

(c) Japan

(i) Measures on imports of leather (C/M/166, 167, 170)

At the Council meeting on 9 March 1983, the representative of the United States recalled that his delegation had brought the same basic complaint to a GATT panel several years earlier. That proceeding had been terminated in March 1979 on the basis of a bilateral settlement, with both parties reserving their GATT rights (BISD 26S/320-321). Unfortunately, the bilateral agreement had proved ineffective in meeting US objectives and it had not proved possible to reach a new bilateral agreement acceptable to the United States. The United States therefore asked for the establishment of a panel to examine this matter (L/5462), and was prepared to continue bilateral efforts to find a solution while the panel was being established and during its work.

The representatives of Pakistan, Australia and Canada supported the US request for a panel.

The representative of Japan said that in response to US proposals, his country had undertaken bilateral consultations on this matter under Article XXIII:1, during which Japan had fully explained the socio-economic background which had given it no choice but to maintain the restrictions in question. Japan considered it reasonable that instead of proceeding under Article XXIII:2, the two parties should continue consultations under Article XXIII:1 and, if necessary, discuss the matter at the next Council meeting.

The representative of the European Communities said that the EEC reserved its right to present its views to a panel in the event one were established.

The representative of Pakistan emphasized the need for maintaining the most-favoured-nation principle in whatever quotas might be established between Japan and its trading partners.

The Council took note of the statements, agreed to revert to this item at its next meeting, and requested the parties concerned to conduct further bilateral consultations in the meantime.

At the Council meeting on 20 April 1983, the representative of the United States said that the further consultations had not been successful. There was no justification for further delay in establishing a panel, which would not preclude the possibility of a bilateral settlement before the panel might be ready to report to the Council.

The representative of Japan said that Japan was still prepared to continue bilateral discussions with the United States, and believed that establishment of a panel was premature.

The representatives of Australia, Canada, the European Communities and New Zealand supported the request for a panel, and reserved their rights to submit their views to a panel in the event that one were established.

The representative of Spain reserved his delegation's right to make a presentation to a panel with respect to problems which might arise on this matter between Spain and Japan.

The Council took note of the statements, agreed to establish a panel, and authorized the Chairman to draw up its terms of reference and to designate its chairman and members in consultation with the parties concerned. The Council also took note of the Chairman's understanding that this did not preclude further bilateral consultations taking place.

At its meeting on 12 July 1983, the Council was informed of the Panel's composition and terms of reference.

The representatives of India, the European Communities, Pakistan, Australia, Canada and New Zealand reserved the rights of their delegations to make representations to the Panel and to follow its work.

The Council took note of the statements.

- (ii) Nullification or impairment of benefits accruing to the European Economic Community under the General Agreement and impeding to the attainment of GATT objectives
(C/M/167)

At the Council meeting on 20 April 1983, the representative of the European Communities said that the Community was determined to make it clearly known that the step it had taken, in bringing this matter before the Council (L/5479), should be considered as an act of faith and confidence in the multilateral trading system. He added that it would be premature on the Community's part to prejudge the results of the initiative which it had taken, and reiterated that the Community had taken account of various recent measures taken by the Japanese government, which went in the right direction.

The representative of Japan described a series of trade liberalization measures taken by his Government, on its own initiative and without seeking reciprocity, to strengthen the GATT system and to help its

trading partners, including the European Economic Community. The Japanese Government was determined to pursue liberal trade policies, consistent with its belief in supporting GATT principles, and was willing to continue the dialogue with the European Community, including the suitable procedure to handle this matter. Japan retained its position on the content of document L/5479, including the appropriateness of this action, and reserved all rights to react to the document at a later stage.

The representative of Chile said that requests for a panel or a working party should be honoured promptly. In the present case, however, he urged extreme caution, and enquired as to the specific measures and policies which the EEC was asking to be examined.

The Council agreed to revert to this matter at one of its following meetings.

(d) United States

(i) Imports of certain automotive spring assemblies
(C/M/165, 167, 168)

In 1981 the Council had established a panel to examine the complaint by Canada. The Panel had submitted its report (L/5333) in June 1982. At its meeting on 2 November 1982, the Council had agreed to revert to this item at its next meeting after the thirty-eighth session of the CONTRACTING PARTIES.

At the Council meeting on 26 January 1983 the Chairman said it would be desirable to conclude consideration of this item, which had been brought repeatedly before the Council. He suggested that he consult informally with the two parties and other interested delegations with a view to seeing how the matter could be resolved.

The Council agreed to the Chairman's proposal.

At the Council meeting on 20 April 1983, the Chairman said that he had held informal consultations with the two parties and other interested delegations, but he was not yet in a position to make a proposal to the Council. With the assistance of the Secretariat, he proposed to continue these consultations.

The representative of the United States stated his delegation's willingness to cooperate with further efforts to achieve a solution, so long as these efforts proceeded expeditiously. The United States believed that the report should be adopted in accordance with customary practice.

The representative of Canada said that his authorities' concerns with the report were primarily substantive in nature, not only procedural; they believed that these concerns were shared by a number of other contracting parties.

The representative of Singapore said that without strict implementation of, and rigid compliance with, the dispute settlement process, the multilateral trading system could not function effectively.

The representative of Brazil reiterated that his delegation's concerns in this matter were substantive rather than procedural. One solution would be to reject the report. Another solution would be for the Council to write its own decision, assisted by the Panel's report.

The Chairman said he fully shared the concern voiced by a number of representatives with regard to fulfilling the Council's responsibilities in the field of dispute settlement.

The Council took note of the statements and agreed that the Chairman should continue the process of informal consultations with the two parties and other interested delegations.

At the Council meeting on 26 May 1983, the Chairman proposed that the Council take note of the statements made in the discussion on the report of the Panel (L/5333), and adopt the report on the understanding that this shall not foreclose future examination of the use of Section 337 to deal with patent infringement cases from the point of view of consistency with Articles III and XX of the General Agreement.

The representative of Brazil said that his delegation would not oppose a consensus on this proposal, but would not join it. Brazil reserved its position entirely, not only on the substance of this matter but also on the procedures that the Council had adopted in dealing with the Panel report.

The representative of Jamaica expressed the view that if the two parties to a dispute had settled their dispute bilaterally, the Council could take note of a panel report and need not adopt it.

The Chairman said that the Council was always free to decide how it wanted to proceed.

The Council agreed to the Chairman's proposal.

The representative of Canada said that for previously explained reasons Canada would have preferred not to adopt the Panel's report. In particular, Canada was concerned that certain aspects of the report created possible risks with respect to future application and interpretation of Article XX. However, in the light of the various statements made and of the understanding just agreed, Canada believed that those risks had been minimized and was thus able to agree with the Chairman's proposal.

The representative of the United States said that the Panel report and the understanding just agreed stood on their own merits, and no interpretations that the United States or any other member of the Council might ascribe to the report or to the understanding were binding on the Council as a whole. He recalled that his delegation had never claimed that adoption of the report would constitute a blanket approval of any use of Section 337 for patent infringement cases, or that the United States would thereby be immunized from future GATT examination in the dispute settlement process. The United States did not anticipate or fear a future challenge on Section 337 under Article XXIII, and continued to respect the right of all contracting parties to invoke dispute settlement procedures.

The representative of the European Communities said his delegation would have preferred not to adopt the Panel's report, but it considered that the understanding represented a reasonable compromise which preserved the rights of contracting parties to challenge the use of Section 337.

The Council took note of the statements.

(ii) Manufacturing clause (C/M/167, 170)

At the Council meeting on 20 April 1983, the representative of the European Communities said that the US measure in question effectively prohibited imports to the United States of certain literary material by an American author unless the material had been manufactured in the United States or Canada. The measure was contrary to Articles XI and XIII. The Community and the United States had held several rounds of consultations under Articles XXII and XXIII which had concentrated on the question of prejudice caused by the legislation, but without a satisfactory result. Therefore, the Community asked the Council to establish a panel to examine the US measure and in particular to concentrate on the amount of prejudice involved and on the amount of compensation which would be appropriate (L/5467).

The representative of the United States said that his delegation would not block establishment of a panel, but could not accept the terms of reference suggested by the Community, which assumed that the manufacturing clause was contrary to the General Agreement.

The representative of Argentina asked that his delegation be consulted on the panel's terms of reference.

The Council agreed to establish a panel to examine the complaint by the European Communities, and authorized the Chairman, in consultation with the two parties concerned and with other contracting parties which had expressed an interest, to decide on appropriate terms of reference, and in consultation with the two parties concerned, to designate the members of the Panel.

At its meeting on 12 July 1983, the Council was informed of the Panel's composition and terms of reference.

(iii) Imports of sugar from Nicaragua (C/M/168, 170, 171)

At the Council meeting on 26 May 1983, the Chairman drew attention to document L/5492 containing a communication from the delegation of Nicaragua.

The representative of Nicaragua said that the announcement by the United States of a forthcoming reduction, effective on 1 October 1983, of his country's sugar quota had serious consequences not only for Nicaragua's sugar sector but also for the general development of its economy. Nicaragua considered that the US measure was unilateral, discriminatory, and violated the principles of the General Agreement, particularly those of Articles II and XIII:2(d) and 4. The measure also went against the spirit and the letter of Part IV. As with any restrictive trade measure, the United States should have notified this to the contracting party affected. The reasons put forward by the United States as justification for the proposed quota cut were not economic reasons and therefore could not be accepted by Nicaragua. Nicaragua had requested bilateral consultations with the United States under Article XXIII:1.

The representative of the United States confirmed that his delegation would soon be holding Article XXIII:1 consultations on this matter with Nicaragua. Beginning in October 1983, the allocation of any US sugar import quota would be modified by a reduction of Nicaragua's allocation, which would be redistributed to Honduras, Costa Rica and El Salvador. The reasons for the decision were well known, and had been the subject of discussion in other, more appropriate international fora. His delegation was willing to consult with any other contracting party wishing to do so.

The representative of Argentina was struck by the selective, political nature of the US measure against Nicaragua; there had been other cases recently of developed countries adopting restrictive trade measures against developing countries in violation of the spirit and letter of the General Agreement, particularly Part IV. He also recalled the formal undertaking in the 1982 Ministerial Declaration to abstain from taking restrictive trade measures for reasons of a non-economic character not consistent with the General Agreement (BISD 29S/9, paragraph 7(iii)).

The representative of Cuba said that once again an arbitrary trade measure was being taken against a contracting party, for political rather than for economic or trade reasons. He recalled that in 1960 the United States had cut Cuba's sugar quota. The US measure against Nicaragua had violated the 1982 Ministerial Declaration only six months after its adoption. In his view, the solution of this dispute would show whether that Declaration was credible or not.

The representative of Poland said there had recently been a disturbing proliferation of trade restrictive measures with unmistakably political origins.

The representatives of Colombia, Peru, Chile and Uruguay expressed support for Nicaragua and concern at what they saw as an erosion of the General Agreement and of the 1982 Ministerial Declaration concerning trade measures taken for non-economic reasons.

The representative of Spain believed that this dispute brought the risk of politicizing the GATT.

The representatives of Sweden, Romania, Czechoslovakia, Portugal, Yugoslavia and Jamaica expressed satisfaction that the two parties would be opening Article XXIII:1 consultations and hoped for a satisfactory solution within the GATT framework.

The representative of Brazil assumed that the United States would notify the measure against Nicaragua to GATT.

The representative of Switzerland said that his authorities were against the use of trade measures for political reasons, just as they rejected the use of political measures for trade purposes.

The representative of India hoped that the United States would notify the measure to GATT, and that contracting parties would adhere to their commitment against trade measures for non-economic reasons contained in the 1982 Ministerial Declaration.

The representative of Guatemala, speaking as an observer, said his delegation was following this matter with great interest.

The representative of the European Communities said that his delegation did not intend to support either party in this dispute. It was glad that GATT mechanisms were going to be used, and hoped that a satisfactory solution could be found.

The representative of Nicaragua reiterated his delegation's full trust in the GATT and in its machinery, which he was sure would produce a solution satisfactory to the two parties.

The Council took note of the statements.

At the Council meeting on 12 July 1983, the Chairman drew attention to document L/5513 containing a communication from the delegation of Nicaragua.

The representative of Nicaragua said that at the Council meeting on 26 May 1983, the representative of the United States had accepted the political origin of the US measure against Nicaragua, and had agreed to Article XXIII:1 consultations. Taking into consideration the negative attitude which had been adopted by the United States in those consultations, Nicaragua was asking the CONTRACTING PARTIES to establish a panel to examine the matter under Article XXIII:2.

The representative of the United States said that his delegation regretted Nicaragua's request for a panel. The United States did not consider that the future measure was inconsistent with the General Agreement. A political solution could resolve the trade aspect of this dispute; but a GATT panel could not appropriately examine or assist in the resolution of the political or security issues that lay at its core.

The representatives of India, Colombia, Spain, Brazil, Singapore, Argentina, Switzerland and Finland on behalf of the Nordic countries supported Nicaragua's request for a panel.

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

The representative of the European Communities said that his delegation wanted to be associated with drafting the Panel's terms of reference.

The Council took note of the statements.

At its meeting on 3 October 1983, the Council was informed of the Panel's composition and terms of reference.

The representative of Nicaragua emphasized the seriousness of the US measure, which had not been notified to the CONTRACTING PARTIES, and of its implications for the economy of a developing contracting party which was passing through particularly difficult circumstances.

The Council took note of the statement.

12. United States tax legislation (DISC)

- Follow-up on the report of the Panel (C/M/165, 166, 168, 170, 171)

At the meeting of the Council in May 1982, the European Communities had proposed that the Council adopt a draft decision (C/M/157, page 16). There had been further discussion at the meeting in June 1982 and again at

the meeting in July, at which the European Communities had proposed that the Council adopt an additional draft decision (C/W/392). The Council had considered this item further at its meeting in October 1982.

At the Council meeting on 26 January 1983, the representative of the United States said there had been intensive efforts in Washington to develop a proposal for amending the DISC legislation. He anticipated that a final proposal would have been developed by the next Council meeting in March 1983.

The representative of the European Communities said that his authorities believed the Council should decide upon the draft decision submitted by the EEC six months previously in document C/W/392.

The representative of Canada said that Canada would reserve its judgment on the US proposal, and continued to support that part of the proposed decision (C/M/157, page 16) which called on the United States to take appropriate action without delay to bring the DISC into conformity with the General Agreement.

The representatives of Australia, Sweden (on behalf of the Nordic countries), Japan, Spain and Brazil expressed sympathy with the EEC's views on this issue, and recalled their support over the years for moves to have the United States make the DISC system conform with its GATT obligations.

The representative of the European Communities said that he wished to make clear that the two draft decisions (C/M/157, page 16 and C/W/392) had different objectives and that both remained before the Council.

The Council took note of the statements and that the two proposals by the European Communities were maintained, and agreed to revert to this item at its next meeting.

At the meeting of the Council on 9 March 1983, the representative of the United States said that the US Cabinet had approved a general proposal to replace the DISC legislation, and that the proposal had been presented to Congress. The Administration would urge Congress to enact the legislation as quickly as possible, and his delegation would report to the Council on results.

Many delegations expressed satisfaction with the statement of the representative of the United States, although they would wait to see whether the final legislation conformed to the General Agreement.

The representative of the European Communities proposed that the Council establish a working party to evaluate the injury resulting from application of the DISC legislation over a period of time to be decided upon; this would be in pursuance of the draft decision contained in document C/W/392. The working party could also be the first instance where contracting parties would be informed of what was happening as a result of the initiative taken by the US Administration.

The representative of Canada supported the EEC request for a working party to examine trade damages caused by the DISC. However, such a working party should not have any broader mandate than examining the questions of trade damages; any monitoring of the new US legislation should be carried out by existing GATT bodies.

The representative of Australia did not believe it was timely to set up a working party at this stage to examine this matter.

The representative of Finland, speaking on behalf of the Nordic countries, said that they expected to be informed of the exact contents of the legislation as soon as possible, and might wish to discuss it bilaterally with the United States.

The representative of Switzerland said GATT could not interfere with the domestic procedures of a contracting party by expressing an opinion on legislation which had not yet been officially notified and which was not yet in force.

The representative of Brazil opposed any idea of the GATT monitoring the legislative process in the US Congress, as this was a domestic matter within a sovereign State. However, if the Council agreed to establish a working party to assess trade damage caused by DISC, Brazil might be interested in participating.

The representative of Spain said it would not be known what subtleties or major differences might be introduced in the draft US legislation before it became applicable law.

The representative of Argentina said if the Council decided to set up a working party, his delegation would be interested in participating.

The representative of Chile said it would be premature to set up a working party on this matter.

The representative of India considered it important that the Council concern itself with a speedy solution of this problem, which should be periodically and automatically on the Council agenda. As for examination of injury, if the EEC insisted on asking for a working party, the GATT Council would, according to its tradition, have to agree to this, and India would be interested in participating.

The representative of Singapore considered it untimely to set up a working party to examine this question.

The representative of the European Communities said that the proposed working party on evaluation of injury would be without prejudice to the Council's eventual decision on compensation.

The representative of the United States said that the Community's proposal for a working party was counter-productive in terms of the US legislative process, and unwarranted under the circumstances or under GATT rules, procedures or precedents.

The representative of Canada recalled that all along the rights of individual contracting parties had been reserved.

The representative of the United Kingdom, speaking on behalf of Hong Kong, said that a contracting party had a right to automatic establishment of a working party or panel to assess damage resulting from actions inconsistent with the General Agreement.

The representative of Hungary supported the statements made by the representatives of Canada and of the United Kingdom speaking on behalf of Hong Kong.

The Council took note of the statements, noted that the proposals by the European Communities (C/M/157, page 16 and C/W/392) were maintained, noted the request made by the European Economic Community to establish a working party to evaluate damage as a result of the DISC legislation, and agreed to revert to this item at a future meeting of the Council.

At the Council meeting on 26 May 1983, the representative of the United States said that the US Administration would shortly submit to Congress a proposal to replace the DISC through substantial modification of existing US tax law. The United States remained willing to discuss details of its proposal bilaterally; however, he had to caution that tax legislation was the constitutional prerogative of Congress, so any discussion of details of the proposal might be of limited use at this point.

The representative of the European Communities said that his delegation was concerned by press reports that the United States was considering transforming the tax deferrals under the DISC into definitive exemptions. The Community might wish to return to the question of the establishment of a working party in connexion with the past injury. The two EEC proposals were maintained.

The Council took note of the statements.

At the Council meeting on 12 July 1983, the representative of the European Communities said that the Council still had no concrete idea on the new legislation to replace the DISC. Until US tax law was brought into line with GATT rules, US firms would continue to enjoy a subsidy that had continued for years and that affected an enormous volume of trade. The Community had proposed two draft decisions to the Council which were still on the table.

The representative of the United States said that the drafting of the relevant bill was underway; and the Administration was currently seeking to arrange Congressional sponsorship of the bill. He warned, however, that the value of this information would depend on future events.

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

At the Council meeting on 3 October 1983, the Chairman drew attention to a communication from the European Communities on this matter in document C/W/423.

The representative of the European Communities said that his authorities' intention, in submitting draft terms of reference for a working party to examine the incidence of the DISC subsidy, was not to interfere in the US legislative process; nor did the Community question the good faith of the US Government. The Community was proposing a factual study, and was not asking for a political judgement. The Community did not wish to anticipate what action the Council might take on the basis of a report by such a working party.

The representative of the United States said that the Community's request for a working party was unwarranted. It was viewed in Washington as an act of bad faith and contrary to the understanding (L/5271) when the Council adopted the Panel's report, and as an attempt to influence the new US legislation. He strongly urged the Community to reconsider its proposal and to withdraw it from future Council agendas .

The representatives of Finland, speaking on behalf of the Nordic countries, India, Switzerland, Canada, Argentina, Australia, Japan and New Zealand then expressed their respective views on this matter. Several delegations said that they counted on the US delegation to clarify the contents of the new bill, and to keep the Council informed of the legislative process. They said that their prime objective continued to be that the United States should modify the DISC quickly or replace it with a new system consistent with GATT. Support was expressed for the Community's right to ask for establishment of a working party on this issue; however, some delegations considered that setting up a working party with the terms of reference suggested by the Community, at this time and on a question as complex as this, would be inappropriate, counter-productive and a recipe for lengthy deliberations without any prospect of concrete and useful results. They preferred to wait for the completion of the US legislative process before deciding on appropriate further procedures in the Council.

The representative of the European Communities said that the proposal in document C/W/423 should be viewed more as a routine application of the dispute settlement procedure. The Community's aim was to deal with the past problems, and it reserved the right to call for a working party. When new tax legislation had been passed, the Council could revert to this issue.

The representative of the United States considered that there was a difference in perception on this issue and sometimes, at least when one was dealing with the US Congress, perception had a great deal to do with the outcome.

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

13. United States - Import duty on Vitamin B12

- Follow-up on the report of the Panel (C/M/166)

In October 1982, the Council had adopted the report of the Panel which had examined the complaint by the European Communities concerning US import duty on vitamin B12 (BISD 29S/110-119). At that meeting, the Chairman had reaffirmed that any representative would have the right in future to bring to the notice of the Council any fact related to the adoption of the report.

At the Council meeting on 9 March 1983, the representative of the European Communities recalled that in October 1982 the United States had not been prepared to advance the implementation of its Tokyo Round concession rate on feedgrade vitamin B12. The EEC now wanted to exercise its rights under Article XXVIII:3(a) in order to redress the situation, and intended to increase customs duties by several points on imports of acetic acid (CCCN 29.14 A II a) in order to compensate for injury.

The representative of the United States denied that the EEC had any Article XXVIII rights in this case. He hoped that the Community would reflect further before taking the proposed action which, in the view of the United States, would constitute a clear and patent violation of the Community's GATT obligations.

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

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

(a) Accession of Greece to the European Communities (C/M/166)

In November 1979, the Council had established a Working Party to examine the provisions of the documents concerning the accession of Greece to the European Communities and to report to the Council.

At its meeting on 9 March 1983, the Council considered the report of the Working Party (L/5453). The report concluded that "as the Working Party could not reach any unanimous conclusions as to the compatibility of the provisions of the documents concerning the accession of Greece to the European Communities with the provisions of the General Agreement, it considered that it should limit itself to reporting the opinions expressed to the Council".

The representative of Australia said that the only substantive basis on which the CONTRACTING PARTIES could conclude this matter was to note that they had not been able to determine that the accession of Greece to the European Communities conformed to the member States' obligations under the General Agreement. Australia also questioned whether some of the recent non-tariff measures adopted by Greece, particularly on agricultural products, conformed with the General Agreement.

The representative of Chile appealed to Greece to bring into conformity with the General Agreement certain of its import restrictions, in particular quantitative restrictions.

The representative of Hungary contested the EEC's view, as contained in the report, that the criterion for examining the GATT conformity of the accession was the general incidence of the effects of the creation of a customs union, and that implications of the accession for a particular contracting party were not relevant under Article XXIV. In Hungary's view, Greece's accession to the EEC did not conform with the General Agreement.

The representative of New Zealand registered his delegation's disappointment that the Working Party had not been able to reach agreed conclusions.

The representative of Czechoslovakia considered that the accession of Greece to the European Communities did not conform with Article XXIV.

The representatives of Austria, Spain, Israel and Finland speaking on behalf of the Nordic countries, considered that the accession of Greece to the European Communities did conform with Article XXIV of the General Agreement.

The representative of the United States said that the accession of Greece to the EEC existed, as did a number of other arrangements and trade practices, in a grey area.

The representative of the European Communities described the efforts made by Greece to liberalize its trade, and said there were few other examples in the history of GATT of such mass liberalization undertaken so quickly. Consequently, the EEC considered that the balance sheet was positive for the other contracting parties.

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

(b) Australia/New Zealand Closer Economic Relations Trade Agreement (ANZCERT) (C/M/167)

At the meeting on 20 April 1983, the Council considered a communication from New Zealand (L/5475) concerning the Australia/New Zealand Closer Economic Relations Trade Agreement (ANZCERT).

The representative of New Zealand said that the new Agreement (ANZCERT) had come into effect on 1 January 1983, superseding the New Zealand-Australia Free-Trade Agreement (NAFTA). The new Agreement was a fully comprehensive free-trade agreement with a plan and schedule covering all goods traded between the two countries, and was fully compatible with the relevant provisions of Article XXIV.

The representative of Australia said that the new Agreement would result in further increasing freedom of trade by the development of closer integration between the economies of its two partners. It did not raise barriers to the trade of other countries.

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

(c) Biennial reports

(i) Calendar of biennial reports (C/M/168)

At its meeting on 26 May 1983, the Council established a calendar¹ for the period October 1983-April 1985 fixing dates by which contracting parties that were members of a regional agreement are invited to submit a biennial report on developments under the agreement concerned. The Council also took note of a statement by the representative of Pakistan that the Council should at some point carry out an overview of regional agreements.

(ii) Biennial reports considered by the Council

- Meeting of the Council on 20 April 1983 (C/M/167)

At its meeting on 20 April 1983, the Council considered document L/5465 containing information given by the parties to the Agreement between the EFTA countries and Spain.

¹Subsequently circulated in document L/5502.

The representative of the United States said his government was disappointed that the parties to the Agreement had failed to submit a detailed report. He asked several questions about the Agreement and reiterated his government's concern over what it saw as the incompatibility of the Agreement with the General Agreement. He urged the parties to the Agreement to submit more detailed reports in future so that a request for a working party to examine the matter could be avoided.

The representative of Australia also expressed dissatisfaction with the information that had been provided by parties to the Agreement on earlier occasions, and reserved Australia's rights on the possibility of requesting a working party to examine the Agreement.

The representative of Norway, speaking for the country which held the EFTA chairmanship, expressed the view that the report contained considerable information on developments which had taken place since the Agreement had come into force in May 1980.

The representative of Switzerland recalled that the Agreement was a multilateral interim instrument leading to the full integration of Spain in the European free-trade system, and should be seen in the context of Spain's accession to the European Economic Community.

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

- Meeting of the Council on 12 July 1983 (C/M/170)

At its meeting on 12 July 1983, the Council considered document L/5488 containing information given by the parties to the South Pacific Regional Trade and Economic Co-operation Agreement (SPARTECA), and document L/5516 containing information given by the parties to the Agreement between the European Economic Community and Spain.

The representative of the United States suggested that consideration of this item be postponed until the next Council meeting.

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

- Meeting of the Council on 3 October 1983 (C/M/171)

At its meeting on 3 October 1983, the Council took note of the following reports:

- (a) South Pacific Regional Trade and Economic Co-operation Agreement (SPARTECA) (L/5488)
- (b) Agreement between the European Economic Community and Spain (L/5516)

- (c) Agreement between the European Communities and Israel (L/5531)
 - (d) Central American Common Market (L/5536)
 - (e) Agreement between Finland and Hungary (L/5539)
15. Waivers under Article XXV:5
- (a) India - Auxiliary duty of customs (C/M/166)

By their Decision of 15 November 1973 (BISD 20S/26), as extended until 31 March 1983 (BISD 29S/25), the CONTRACTING PARTIES had waived application of the provisions of Article II of the General Agreement to the extent necessary to enable the Government of India to apply the temporary auxiliary duty of customs on certain items included in its Schedule XII.

At its meeting on 9 March 1983, the Council considered a request by India for a further extension of the waiver until 31 March 1984 (L/5463 and Add.1).

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

The representative of the United States said his delegation hoped that if India's economy improved considerably over the next year, the auxiliary duty of customs could be lifted earlier than April 1984.

The Council approved the text of a draft decision (C/W/413) extending the waiver until 31 March 1984, and recommended its adoption by the CONTRACTING PARTIES by postal ballot.

The Decision was adopted on 11 April 1983 (L/5474).

- (b) Pakistan - Renegotiation of Schedule (C/M/171)

By their decision of 29 November 1977 (BISD 24S/15), as extended until 31 December 1983 (BISD 29S/26), the CONTRACTING PARTIES had waived application of the provisions of Article II of the General Agreement to enable Pakistan to maintain in force the rates of duty provided in its revised Customs Tariff, pending the completion of negotiations for the modification or withdrawal of concessions in its Schedule XV.

At its meeting on 3 October 1983, the Council considered a request by Pakistan for a further extension of the waiver until 31 December 1984 (L/5533).

The representative of Pakistan said that the negotiations had turned out to be more complicated than the normal open-season tariff negotiations and had also taken more time because the composition of Pakistan's exports had changed. It would not be possible to complete the negotiations with all contracting parties by the end of 1983.

The Council approved the text of the draft decision (C/W/422) extending the waiver until 31 December 1984, and recommended its adoption by the CONTRACTING PARTIES by postal ballot.

(c) Uruguay - Import surcharges (C/M/168)

By their Decision of 24 October 1972 (BISD 19S/9), as extended until 30 June 1983 (BISD 29S/27), the CONTRACTING PARTIES had waived application of the provisions of Article II of the General Agreement to the extent necessary to allow the Government of Uruguay to maintain certain import surcharges in excess of bound duties.

At its meeting on 26 May 1983, the Council considered a request by Uruguay for a further extension of the waiver until 31 December 1983 (L/5489).

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

The Council approved the text of the draft decision extending the waiver until 31 December 1983, and recommended its adoption by the CONTRACTING PARTIES by postal ballot.

The Decision was adopted on 27 June 1983 (L/5505).

(d) Reports under waivers

- United States - Agricultural Adjustment Act (C/M/166, 167)

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 Government of the United States. At its meeting on 29-30 June 1982, the Council had established a Working Party to examine the 24th annual report (L/5328) submitted by the United States.

At its meeting on 9 March 1983, the Council considered the report of the Working Party (L/5461).

The representative of Australia said that the newly-established Committee on Trade in Agriculture should examine the US waiver and make recommendations with a view to achieving greater liberalization in trade in agricultural products. Australia expected, however, that the Council would continue to review the operation of the waiver, with a further working party being established later in 1983 to examine the next annual report by the United States.

The representative of New Zealand asked the United States to take note of the dissatisfaction among contracting parties with the continued lack of recognition by the United States that circumstances had greatly changed since the waiver had been granted in 1955.

The representative of Canada said it was never intended that the waiver should be permanent, and it was a strongly held view that no compensation should be paid for removal of the waiver.

The representative of Argentina appealed to the United States to ensure that this issue was quickly resolved within the framework of the Committee on Trade in Agriculture.

The representatives of Pakistan and of the European Communities looked forward to this issue being taken up in the Committee on Trade in Agriculture.

The representative of Chile said there could be no question that contracting parties should be required to enter into negotiations for termination of the waiver.

The representative of the United States said his delegation had no objection to the waiver being among the subjects to be examined in the Committee on Trade in Agriculture, as the United States considered that the difficulties encountered in agriculture were such that no country could solve the problems alone.

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

At its meeting on 20 April 1983, the Council considered the twenty-fifth annual report (L/5469) submitted by the United States.

The representative of the United States said that his delegation did not object to setting up a working party to consider the report, but noted that the broad question of agriculture, including both export subsidies and import restrictions, would be the subject of thorough discussion within the newly-established Committee on Trade in Agriculture.

The representative of New Zealand said his authorities considered that the most recent US report was a disappointing document which differed little from its predecessors. The intent of the waiver had not been to grant the United States a permanent derogation from Article XI of the General Agreement. New Zealand welcomed the fact that the waiver would be considered by the Committee on Trade in Agriculture; but this would not in any way obviate examining the latest report in the normal manner.

The representative of Australia supported establishment of a working party to examine the latest US report. Australia hoped that as a result of the review to be carried out by the working party, and of the work on this matter in the Committee on Trade in Agriculture, the United States would provide the CONTRACTING PARTIES with a clear commitment of its intentions to terminate the waiver.

The representative of Brazil referred to results of Article XXII bilateral consultations on sugar held between Brazil and the United States in September 1982, and said that Brazil had decided to reserve its rights under the General Agreement.

The representative of the European Communities said that the Community was not against setting up a working party, but preferred to review the problem in the Committee on Trade in Agriculture.

The representatives of Pakistan, Canada, Chile and Nigeria supported the request for a working party.

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

16. Negotiations under Article XXVIII

(a) European Economic Community - Application of Article XXVIII to new products (C/M/170, 171)

At the Council meeting on 12 July 1983, the representative of Japan referred to a recently circulated Japanese communication (L/5522) concerning the European Economic Community's raising of its tariff rate on compact disc players, a new product in which there had not yet been any trade. Japan believed that this was not a matter solely to be dealt with under Article XXVIII; it should be considered in a much wider context, i.e., trade in high technology goods in general, as well as with rules concerning safeguards measures and standards. He said that, consequently, Japan had concluded that it was not appropriate to enter into negotiations with the European Community, which the latter had proposed under Article XXVIII. He then referred to a number of problems related to this matter and proposed the establishment of a working party to examine them.

The representative of the European Communities referred to earlier instances where Japan had renegotiated tariff rates on new items, and asked why Japan should now refuse the Community the same opportunities that it had afforded itself in the past. The Community continued to believe that Article XXVIII and the possibilities offered to renegotiate concessions should be used in a limited and exceptional way. The Community intended to apply the letter and spirit of this Article and was ready to offer compensation. The Committee on Tariff Concessions already provided a proper forum to discuss this issue; but the Community was not prepared to renounce its rights under Article XXVIII in any way.

The representative of Japan said that his delegation had no intention of infringing the fundamental rights of the Community under Article XXVIII, but this problem had such wide scope that it transcended Article XXVIII. The Committee on Tariff Concessions would be too limited a forum for examination of the issues involved.

The representative of the United States said that his delegation shared Japan's concern about withdrawal under Article XXVIII of bindings covering new products which were not yet being traded but which had prospects for significant future trade. His delegation supported Japan's proposal that future study be addressed to this issue, but was open-minded on where that discussion should take place.

The representative of the European Communities said that the Community was not against discussing this matter; but this should not be done in a working party. The Committee on Tariff Concessions was the appropriate forum.

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

At the Council meeting on 3 October 1983, the Chairman drew attention to document C/W/424 containing Japan's request for establishment of a working party to examine this matter.

The representative of Japan said his Government believed that the product in question belonged to a category of goods which could enjoy a future of continued consumption and contribute to the expansion of trade. The serious problems arising from this matter had led Japan to conclude that it was of common concern for all contracting parties and deserved a thorough examination on a priority basis by a working party.

The representative of the European Communities recalled his delegation's willingness to try to arrive at a solution to the general question of applicability of Article XXVIII in the Committee on Tariff Concessions, which was fully competent to discuss the issue. The Community had also made clear its belief that recourse to Article XXVIII

should only be made exceptionally and in a limited way. The Community was ready to discuss the question of compensation in this specific case; but the position of Japan was equivalent to a refusal of the Community's rights.

The representative of the United States expressed concern that there might be tendency not to use Article XXVIII as originally prescribed. His delegation looked forward to discussing this issue at the next meeting of the Committee on Tariff Concessions.

The representatives of India, Canada, Australia, Austria, Argentina, New Zealand and Switzerland expressed their respective views on this matter. They agreed that it was a matter of common concern for all contracting parties to seek clarification on the interpretation and applicability of Article XXVIII. The view was expressed that the precise forum in which the examination was carried out was not the most important issue, because if it were done in the Committee on Tariff Concessions, that Committee had to report to the Council. It was suggested that the Committee on Tariff Concessions might be asked to review the interpretation and application of Article XXVIII in general terms including, but not necessarily limited, to new products. There was the question of determining what constituted substantially equivalent concessions in a situation where there was no past trade, but where there was the prospect of rapid future trade growth.

The representative of Japan said that his delegation would go along with the majority view that this item be examined in the Committee on Tariff Concessions, whose terms of reference were comprehensive enough to encompass examination of this matter.

The Council took note of the statements and agreed to refer this matter to the Committee on Tariff Concessions for further consideration. It also took note that the Committee would in due course report to the Council.

(b) Portugal - Renegotiation under Article XXVIII:4 (C/M/170)

At its meeting on 12 July 1983, the Council considered document SECRET/300, in which the Government of Portugal had submitted a request for authority under the provisions of Article XXVIII:4 to renegotiate a concession included in the Portuguese Schedule.

The representative of Portugal said that the withdrawal of the concession on the product in question was indispensable in the context of restructuring industry in his country; the withdrawal affected a product which at present was not produced in Portugal and would permit development of a new industry in that product within the next few months. His delegation was ready to negotiate on this matter immediately with any interested contracting party.

The Council took note of the statement and agreed to grant the authority sought by Portugal.

17. Accession, provisional accession

- Paraguay (C/M/165)

At its meeting on 26 January 1983, the Council agreed to reactivate the earlier Working Party on the Accession of Paraguay. The membership of the Working Party would be open to all contracting parties indicating their wish to serve on the Working Party, and agreed to authorize the Chairman of the Council to designate the Chairman of the Working Party in consultation with interested delegations.

18. Poland - Suspension of most-favoured nation treatment by the United States (C/M/165, 167)

In October 1982, the United States had suspended application of most-favoured-nation tariff treatment to Poland on the grounds that Poland had been unable to fulfil its import commitments under its Protocol of Accession and that bilateral consultations had not led to a satisfactory solution (L/5396).

At the Council meeting on 2 November 1982, Poland had submitted a draft decision in document C/W/ 401. Thereafter, the matter had been raised at the thirty-eighth session. After discussion at the session, the Chairman of the CONTRACTING PARTIES had stated that this matter would be considered further by the Council (SR.38/1, pages 8-10).

At the Council meeting on 26 January 1983, the representative of Poland said his authorities continued to challenge the legal, procedural and substantive aspects of the United States action. Poland stood by its view that the United States initiative had been motivated primarily by political considerations unrelated to the legitimate commercial interests of contracting parties, and that it had severely distorted the fundamental GATT rule of non-discrimination. There had also been a clear failure to conduct prior bilateral consultations as envisaged by the letter and the practice of GATT. The United States had formally justified its action by referring to Poland's import performance during the most recent years, whereas, over a longer period of time, Poland had substantially overfulfilled the rates of imports provided for under its Protocol of Accession (BISD 15S/46). Poland hoped that following the passage of time and after the declarations made at the Ministerial meeting, including the commitment to "abstain from taking restrictive trade measures for reasons of a non-economic character"¹, the Council could tackle this issue with fresh hope of progress.

¹BISD 29S/9, paragraph 7(111)

The representative of the United States said that nothing had changed since this issue had been discussed in detail at the Council meeting on 2 November 1982. The United States firmly believed that it had acted within its rights under paragraph 7 of the Protocol of Accession, and that Poland had not honoured its obligations under its GATT Schedule. There was no justification for the proposed decision in document C/W/401, which sought to over-ride the Protocol of Accession. The United States continued to recognize that Poland also had rights under paragraph 7, which it was free to invoke should it so choose; but the proposed decision was not in line with those rights.

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

At the meeting of the Council on 20 April 1983, the representative of Poland noted that six months had passed since the United States had suspended most-favoured-nation tariff treatment to Poland. He referred to his delegation's earlier arguments on this case. In the absence of a major positive development, Poland would want to revert to this item at subsequent Council meetings, and reserved the right to avail itself of the dispute settlement procedure established under the General Agreement.

The representative of the United States said that the United States had acted within its rights under Poland's GATT Protocol of Accession. There had been no fundamental change in the situation.

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

19. Consultations on Trade

(a) Hungary (C/M/170)

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

At its meeting on 12 July 1983, the Council agreed to establish a working party to conduct the fifth consultation with the Government of Hungary.

(b) Romania (C/M/166)

The Protocol for the Accession of Romania provides for biennial consultations to be held between Romania and the CONTRACTING PARTIES in order to review the development of reciprocal trade and the measures

taken under the terms of the Protocol. In October 1982, the Council had established a Working Party to conduct the fourth consultation with the Government of Romania.

At its meeting on 9 March 1983, the Council considered the report of the Working Party (L/5464). The Working Party had heard how the general economic crisis had affected Romania's foreign trade with contracting parties. The Romanian delegation had noted with satisfaction that most discriminatory quantitative restrictions against its exports had been further reduced, and had reiterated its request for removal of those still maintained.

The Council adopted the report.

20. Canada - Customs valuation of imports of clothing from Hong Kong (C/M/165)

At the Council meeting on 26 January 1983, the representative of the United Kingdom, speaking on behalf of Hong Kong, said that the Canadian value for duty of garments imported from Hong Kong involved discriminatory and arbitrary mark-ups which were contrary to the provisions of Articles I and VII of the General Agreement. To avoid any misunderstanding on the part of the Canadian authorities that the absence of any objection under the General Agreement from suppliers affected by the ministerial prescriptions could be taken to imply that Canada's application of these mark-ups was in accordance with its GATT rights, the Hong Kong Government felt that it was now necessary to put its view formally on the record in the GATT and to reserve Hong Kong's position under the General Agreement.

The representative of Canada said he had taken note of the statement by the representative of the United Kingdom, speaking on behalf of Hong Kong, and that he would report to his authorities accordingly.

The Council took note of the statements.

21. Japan - Further opening of the Japanese market (C/M/165, 168)

At the Council meeting on 26 January 1983, the representative of Japan said that following the letter and spirit of the Ministerial Declaration (BISD 29S/9) his Government had decided on a series of measures for further opening the Japanese market, such as a substantial reduction of tariff rates, a relaxation of import restrictions, and an improvement of import-testing procedures including a comprehensive review of standards and certification systems.

The Council took note of the statement.

At the Council meeting on 26 May 1983, the representative of Japan informed the Council of the two latest developments in the further opening of the Japanese market: first, a revision of Japan's scheme

under the Generalized System of Preferences in the financial year 1984; and second, the amendments to the related laws concerning standards and certification systems (L/5494).

The Council took note of the statement.

22. Suspension of GATT obligations between the United States and Czechoslovakia (C/M/170)

At the Council meeting on 12 July 1983, the representative of Czechoslovakia recalled that in 1951, the United States had proposed that all GATT obligations existing between the United States and Czechoslovakia be formally terminated. The CONTRACTING PARTIES had discussed this matter at their sixth session and had adopted, against the will of Czechoslovakia, the Declaration that the two Governments should be free to suspend, each with respect to the other, the obligations of the General Agreement, without however thereby modifying their GATT obligations towards the other contracting parties. The suspension of obligations was still in force. He said that in February 1983 Czechoslovakia had asked the United States for consultations on this matter, but the United States had not agreed to that request. Czechoslovakia now considered it appropriate to inform the Council about this problem, and intended to revert to this matter later at an appropriate time.

The representative of the United States said that the suspension of GATT obligations was reciprocal and had been authorized by a decision of the CONTRACTING PARTIES. This matter had been discussed bilaterally on an informal basis; and the United States had informed Czechoslovakia that it saw no basis under current circumstances for changing the reciprocal suspension of obligations, which did not affect the rights of third countries.

The Council took note of the statements and of the intention of the Government of Czechoslovakia to revert to this matter later at an appropriate time.

23. United States - Caribbean Basin Economic Recovery Act (C/M/171)

At the Council meeting on 3 October 1983, the representative of the United States said that on 5 August 1983 the US President had signed into law the Caribbean Basin Economic Recovery Act. The United States hoped to implement the provisions of the Act on 1 January 1984. His delegation would be prepared to discuss this issue at the next Council meeting; meanwhile it was willing to consult informally about the Initiative with all interested contracting parties.

The Council took note of the statement.

24. Training Activities (C/M/...)

[TO BE COMPLETED]

25. International Trade Centre

- Joint Advisory Group (C/M/168)

At its meeting on 26 May 1983, the Council considered the report of the Joint Advisory Group on the International Trade Centre UNCTAD/GATT on its sixteenth session (ITC/AG(XVI)/88). The Group had noted that total net financial resources available to the ITC, including carry-over from previous years, had declined in 1982. The Centre's Third Medium-Term Programme for 1983-1985 had a target of available extrabudgetary resources of US\$60 million for the three-year period. The Group had urged that the resources required by the Centre should be forthcoming from present and new donors. The Group had decided to recommend that the Centre seek through its parent bodies executing agency status with the United Nations Development Programme, and had noted that acquisition by the ITC of executing agency status with the UNDP would in no way modify the Centre's status as a joint subsidiary organ of GATT and the United Nations, the latter acting through UNCTAD.

A number of representatives expressed their appreciation and support for the work of the ITC, and said they would like to see greater funds put at its disposal. They also supported the recommendation to grant the ITC executing agency status with the UNDP.

The Director-General said that his visits to contracting parties had reinforced his conviction of the important rôle played by the ITC, and he fully associated himself with the appeals for new resources to be offered to the Centre. He said that adoption of the Group's report by the Council would give him the necessary authority as Director-General to contact the UNDP and inform it of the Council's decision; he would do this after consulting with the Secretary-General of UNCTAD.

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

26. Administrative and financial questions

- Committee on Budget, Finance and Administration

(a) Report (C/M/166)

At its meeting on 9 March 1983, the Council considered the report (L/5460) on the Committee's examination of the supplementary budget estimates proposed for 1983 to cover additional expenditure resulting from the Ministerial Decisions. On the basis of its examination, the Committee recommended that the Council approve the revised supplementary budget estimates amounting to Sw F 1,078,000, as well as the

corresponding supplementary appropriations to be financed by the assessment of additional contributions on contracting parties. In presenting the report, the Chairman of the Committee referred to the continuing precariousness of the secretariat's financial position.

The Chairman of the Council stressed the vital importance of the regular and timely receipt of contributions in order to maintain healthy cash management in the secretariat, and entreated all contracting parties that had not already done so, to pay their outstanding, as well as their current contributions, as quickly as possible.

The representative of Pakistan suggested there should be a mid-year review in 1983 of the budget estimates, after the various work plans had been finalized. His delegation considered there had not been adequate provision for technical assistance.

The representative of New Zealand supported the proposal for a mid-year review of the budget estimates.

The Council took note of the statements, adopted the report (L/5460), and approved the recommendation therein.

(b) Final position of the 1982 Budget of the GATT (C/M/168)

At its meeting on 26 May 1983, the Council considered document L/5477 containing the final position of the 1982 Budget. The Chairman noted with satisfaction that the Director-General had been able to cover the additional cost resulting from the 1982 Ministerial Meeting within the approved Budget. Outstanding contributions continued to be a matter of great concern; and once again, the Chairman urged governments to assume their financial responsibilities as promptly as possible.

The representative of Jamaica said that at some stage the Council ought to look at the possibility of re-scheduling the debt arising from the outstanding contributions. He also considered that there was a need to show separately meetings of the Council and meetings of the Committees and Councils established under the MTN.

The Director-General said that the excess expenditure for meetings in 1982 was largely a result of preparations for the Ministerial Meeting.

The Council authorized the increase in appropriations, approved the proposed financing as reflected in document L/5477 and took note of the statements.

(c) Assessment of additional contributions to the 1982 and 1983 Budgets and advances to the Working Capital Fund (C/M/165, 168)

At the Council meeting on 26 January 1983, the Chairman drew attention to document L/5410 containing a proposal that following the accession of Thailand, a contribution to the 1982 Budget as well as an advance to the Working Capital Fund be assessed on Thailand.

The Council adopted the assessments.

At the Council meeting on 26 May 1983, the Chairman drew attention to document L/5482 containing a proposal that following the accession of Maldives in accordance with the provisions of Article XXVI:5(c), a contribution to the 1983 Budget as well as an advance to the Working Capital Fund be assessed on Maldives.

The Council adopted the assessments.

27. Council

(a) Membership (C/M/165)

At the Council meeting on 26 January 1983, Thailand became a member of the Council.

(b) Observer status

(i) Guatemala (C/M/168, 170, 171)

At its meeting on 26 May 1983, the Council agreed to invite Guatemala to attend the meeting as an observer, as a Rule 8 country.

At its meeting on 12 July 1983, the Council again agreed to invite the representative of Guatemala to attend the meeting as an observer as a Rule 8 country.

At its meeting on 3 October 1983, the Council accorded to Guatemala observer status for Council meetings.

(ii) Honduras (C/M/171)

At its meeting on 3 October 1983, the Council accorded to Honduras observer status for Council meetings.

28. Arrangements for the thirty-ninth session (C/M/170)

At its meeting on 12 July 1981, the Council agreed on the dates for the thirty-ninth session.