

# GENERAL AGREEMENT ON TARIFFS AND TRADE

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CONTRACTING PARTIES  
Thirty-Second Session

## SUMMARY RECORD OF THE FIRST MEETING

Held in the Palais des Nations, Geneva,  
on Monday, 22 November 1976, at 3 p.m.

Chairman: Mr. G.L. EASTERBROOK SMITH (New Zealand)

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### Opening address<sup>1</sup> by the Chairman

The CHAIRMAN said that the CONTRACTING PARTIES met against a background of apparent improvement in the serious and difficult economic situation of the last several years. However, while the world's key economies were experiencing improvement there were still many countries for which the upturn was still to come and which continued to be plagued by imbalance in their external accounts and by pressures on their exchange rates. The smaller and weaker economies, in particular, depended on an improvement in world trading conditions in their efforts to stimulate economic recovery. While the recession had had serious effects in practically every country it had also produced a greater awareness of the interdependence that existed in the international economic order. Because of this interdependence, GATT would have a rôle of increasing importance in monitoring the evolution of international trade. As a consequence, the extent to which the obligations under the General Agreement were respected would become more critical to its success. He felt that the GATT had proved its value in helping to ensure that trade restrictive measures were the exception. He wondered whether contracting parties could try to ensure that the economic conditions of the recent past were not repeated. He believed that multilateral co-operation in

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<sup>1</sup>The full text of the Chairman's address is contained in press release GATT/1188.

an international trading framework could also deal with these conditions, if countries were prepared to recognize their responsibilities and the extent to which economic policies of one country might affect the prosperity of others. He felt that the next decade would be a key period in the evolution of GATT and that there was a need for realignment in the framework of rules governing trading contracts between nations to reflect the current realities of the international economic system. However, while reassessment was desirable, it was necessary not to lose sight of the basic functions of GATT and its basic objectives. These objectives had not changed and the continued reduction or removal of barriers to trade remained a constant concern of the GATT.

Looking back over the last year he stated that contracting parties had been aware of the need to avoid adopting policies which ran counter to the common interests. The increased surveillance of specific trade measures brought before the CONTRACTING PARTIES for their consideration was an indication of the importance attached to the rights and obligations under the General Agreement. On the other hand, substantial progress was still to be made in the field of agricultural trade and more efforts were needed in areas such as subsidization, the handling of trade measures for balance-of-payments purposes and the continuing problems of developing countries in securing a substantial increase in their export earnings. He considered that the recent establishment of a "framework" group was an important indication of the readiness to react to the evolution of trade policy practices. He also referred to the Consultative Group of Eighteen which provided a forum for productive discussions on the way in which GATT could evolve in order to reflect the needs of the contracting parties.

In turning to the Multilateral Trade Negotiations he said that the intensive work of the past year had provided a valid basis for productive negotiations in the year ahead. He emphasized the need for rapid progress as it was essential that the liberalization and expansion of trade called for in the Tokyo Declaration should be achieved at a time when it was needed as an impetus to world economic growth. It was necessary in this respect that the particular interests of developing countries were adequately reflected in the progress of negotiations. A primary goal, furthermore, was to reach agreement on a tariff-cutting formula and to ensure that similar progress was made on other barriers to trade. However, care should be taken that the desire for quick results did not conflict with the desire for substantial and lasting results. All participants in the negotiations should be aware that they were establishing the basic framework for the conduct of world trade for the next decade or more. Only by accepting the disciplines and mutuality of advantages could a body such as the GATT continue to be an effective and viable instrument in regulating international trade.

After having opened the session the CHAIRMAN paid tribute to the late Ambassador Tsurumi, Permanent Representative of Japan. The representatives to the thirty-second session observed a minute of silence in his memory.

Mr. KITAHARA (Japan) thanked the CONTRACTING PARTIES for their expression of sympathy.

1. Adoption of agenda

The CHAIRMAN referred to the Provisional Agenda (L/4410) and said that the agenda consisted basically of two principal items: the Report of the Council, covering the subjects which had been considered in the first instance in the Council, and the Activities of GATT, under which contracting parties had the opportunity to review major developments in the international economic situation and of international policies. Delegations had furthermore an opportunity to comment on the Report of the Committee on Trade and Development

The agenda proposed in document L/4410 was adopted.

2. Order of business

The CHAIRMAN drew attention to the proposed Plan of Plenary Meetings circulated in document W.32/1.

The CONTRACTING PARTIES approved the Plan of Plenary Meetings as proposed in document W.32/1.

3. Presentation of reports

Mr. MACIEL (Brazil), Chairman of the Council, in introducing the report of the Council (L/4440), stated that the Council had held seven meetings since the last session of the CONTRACTING PARTIES and had considered more than eighty subjects of a varying order of importance. A number of the subjects were more or less routine matters, so that the action taken by the Council could be approved without further comments. Other matters were of great significance to certain delegations, which would wish to draw attention to the importance they attached to these matters.

Mr. TOMIC (Yugoslavia), Acting Chairman of the Committee on Trade and Development, presented the report of the Committee (L/4438). He stated that when reviewing the implementation of Part IV, many delegations of developing countries

had referred to the maintenance and imposition by developed countries of restrictions in respect of sectors in which developing countries had become competitive, and had urged that consideration be given to exempting developing countries from such import restrictions. The Committee had also had a discussion on the application of Part IV in relation to the objectives it was intended to serve. Many delegations from developing countries stated that all the proposals for improvements of the provisions of Part IV which they had made earlier, were still valid. These proposals should provide background information for work in the MTN Group recently established in accordance with paragraph 9 of the Tokyo Declaration. In reviewing developments in the multilateral negotiations delegations from developing countries had referred specifically to the importance of special procedures and special measures for developing countries, the importance of ensuring that no sector of international trade of interest to developing countries was excluded, the need for improvements in and early implementation of the offers on tropical products and the security of the GSP.

He stated that the delegations from developing countries had expressed their appreciation for the technical assistance provided to them by the secretariat in the framework of the MTN. As increased requests for this assistance were to be expected, the technical assistance unit of the secretariat should have sufficient resources to deal with them. The Committee had also reviewed the trade and payments position of developing countries with particular reference to trends in commodity prices. In relation to the expansion of trade among developing countries, the Committee had noted the third annual report by the Committee of Participating Countries on the operation of the Protocol Relating to Trade Negotiations Among Developing Countries. Some delegations had expressed their support for a new round of negotiations under the Protocol and hoped that other developing countries would consider the possibility of accession to the Protocol in the near future.

#### 4. Report of the Council (L/4440)

The CHAIRMAN referred to the Report of the Council of Representatives on its work since the thirty-first session of the CONTRACTING PARTIES. The following comments were made in connexion with the items dealt with in the report.

##### Item 1 - Anti-dumping practices

Mr. KITAHARA (Japan) recalled that his delegation had consistently stressed that it was important that anti-dumping measures should be implemented in such a way as not to cause unjustifiable obstacles to international trade and that the anti-dumping systems of the parties to the Anti-Dumping Code, as well as the administration thereof, should be strictly in line with the provisions of the Code.

He welcomed the acceptance of the Code by Australia and expressed the hope that the Australian Government would conduct its anti-dumping system in accordance with the provisions of the Code. He also hoped that more contracting parties, especially developed contracting parties, would be in a position to accede to the Code in the near future. He recalled earlier statements by his delegation that the investigations conducted by the International Trade Commission of the United States on allegedly unfair trade practices, including dumping by Japanese exporters of TV receiving sets, duplicated the anti-dumping and countervailing investigations conducted by the United States Department of Treasury. He expressed his deep concern at such a duplication of investigations which constituted a serious obstacle to international trade.

Mr. NYERGES (Hungary), referring to the Report of the Council on this subject, pointed out that Hungary had been among the countries of which the Committee on Anti-Dumping Practices had examined the anti-dumping legislation.

Mr. PHAN VAN PHI (European Communities) recalled the concern expressed by the Community relating firstly to the fact that the United States followed a practice in the field of anti-dumping which continuously was to be examined because of the problems it created in the light of its compatibility with the Anti-Dumping Code. Secondly, there was the fact that recently a proliferation of procedures had appeared based on the United States Trade Act, in parallel with other anti-dumping procedures. This resulted in a multiplication of investigations which were harassing international trade. The Community remained attentive to these problems for which it hoped that a solution might be found in the framework of the multilateral negotiations.

Mr. STONE (Canada) also expressed his concern with regard to the investigations by the United States International Trade Commission, which seemed to involve duplication of investigations with regard to dumping and subsidization. This might raise questions with regard to their compatibility with the obligations of the United States under the GATT. He shared the concerns expressed as to the adverse effects that procedures of this kind could have on a wide range of trade, if steps were not taken to bring about an improvement in the situation.

Mr. METAXAS (Greece) stated that the Greek Government, in order to ensure a uniform application of the mechanism of commercial activity of different countries had enacted its anti-dumping law with effect from 27 July 1976. As a result, the Greek legislation was now in conformity with the provisions of the Anti-Dumping Code.

Mr. YEUTTER (United States) stated that the question of duplication of investigations had already been discussed in the Committee on Anti-Dumping Practices. He appreciated the concerns expressed in this respect and gave the assurance that this question would be examined in a positive spirit by his Government. The Anti-Dumping Committee would be informed of the outcome of this examination. The United States tried to respond as positively as it could to avoid this problem of duplication.

Section 4 - Emergency actions and trade restrictive measures

Mr. LHO (Korea) said that the report of the Council showed the extent to which developed countries had introduced in 1976 various import restrictive measures in addition to existing ones affecting the main export products of developing countries. He expressed his concern about these measures which inevitably hindered the efforts of developing countries to ameliorate their balance-of-payments situation and to secure sustained economic growth. He considered that these restrictions were contrary to the objectives and principles of GATT to achieve expansion and liberalization of world trade, and to the spirit and letter of Part IV which specifically committed developed countries to assist the developing countries. He urged that developed countries should eliminate and reduce as soon as possible those restrictive measures which affected products of export interest to developing countries and refrain from introducing new restrictions. Referring to the safeguard actions taken by developed countries under Article XIX, he said that in spite of their commitments under Part IV, developed countries had not exempted developing countries from the application of such restrictions. He pointed out that for most of the developing countries retaliation was either ineffective or impossible, and compensation was only a vain expectation. This fact showed the need for differential treatment for developing countries.

Mr. LALL (India) associated himself with the observations made by the representative of Korea.

Item 4(a)(i) - Australia - Restrictive measures on imports

Mr. PHAN VAN PHI (European Communities) said that the Communities had already expressed their concern regarding the measures introduced by the Australian Government in certain industrial sectors, most of which were already enjoying a substantial degree of tariff protection. The European Communities were aware that Australia had shown good will by relaxing and eliminating some of the measures. It was to be hoped that in the near future the Australian Government could find the ways and means of affording a global solution to its structural economic difficulties.

Mr. TEESE (Australia) recalled that the Australian measures had been taken against the background of very real economic problems and that it had always been the view of the Australian Government that these actions were very much temporary actions and that, as had been proved by events, they would be removed at the earliest opportunity. He regretted that Australia had had to take these measures, but in many cases it had been faced with no other alternative. The measures were reviewed constantly and would be removed at the earliest possible moment.

Item 4(c)(i) - Canada - Import quotas on eggs

Mr. STONE (Canada), commenting on the work of the working party which had examined the imposition of import quotas for eggs and egg products by Canada, stated that his authorities appreciated the efforts of the working party and had fully taken into account its recommendations. He stated that the Canadian import quotas on eggs should not be considered to be emergency actions or trade restrictive measures as they were an integral element of a domestic supply management programme for eggs and hence entirely in accordance with the provisions of Article XI of the General Agreement.

Item 4(d)(i) - European Economic Community - Emergency action on imports of bovine meat and Article XXII consultations

Mr. GREIG (New Zealand) said that his delegation had been actively involved in the Article XXII consultations with the EEC on this matter. Although the embargo was lifted in April 1975, the succession of restrictive import mechanisms had excluded any significant liberalization of trade with third countries. Particularly long distance suppliers such as New Zealand had been prevented from marketing beef in the EEC. Although the EEC had not in the past been the major beef market for New Zealand, it represented a trade potential which New Zealand was interested in developing. He pointed out that the fact that substantial quantities of beef from third countries had been excluded from the Community market, had contributed to increased difficulties in New Zealand's traditional markets. Though the Community had undertaken to return to more normal trading conditions, the variable levy system which had been suggested for 1977, did not appear to offer increased trading opportunities for third country suppliers. He expressed disappointment with the lack of progress by the EEC in introducing measures that would facilitate substantial and regular access to the Community market on a non-discriminatory basis.

Mr. NYERGES (Hungary) stated that his delegation was among the large number of delegations which at the meetings of the Council had expressed their concern at the situation and the hope that normal access to the EEC market could be restored at an early stage. He repeated this concern and enquired when and how this abnormal situation would end.

Mr. WILLENPART (Austria) stated that already at last year's session he had referred to the serious effects which this action had on Austrian cattle exports. His delegation regretted that the EEC had not found it possible to eliminate this restriction in the meantime. He noted that the Community was considering the possibility of lifting the emergency measure in question, but expressed his concern that the EEC might at the same time tighten its import regulations with regard to cattle and bovine meat. He expressed the hope that the EEC would adopt a more liberal import régime for the products concerned.

Mr. PHAN VAN PHI (European Communities) stated that the problems of meat imports were not limited to the Community but were apparent in many countries.

With regard to the market situation of meat in the Community he pointed out that the drought of last summer had led to increased slaughterings and reduction in livestock, which in turn had been followed by a decrease in production. As a result furthermore of the economic circumstances, such as unemployment and inflation, consumption had been relatively stagnant at least in certain parts of the Community, which had led to a fall in average market prices. These factual elements had effects on imports, which for 1976 would be in the order of 340,000 tons. He pointed out that the totality of this problem was at present being re-examined by the Community at the highest level. The results of this re-examination would be made known rapidly to all interested.

Mr. MARTINEZ (Argentina) said that the provisions of Article XXII of the General Agreement had been of no avail as the consultations had not succeeded in resolving the problem. The Community had applied different measures, but the market remained under restriction. He now hoped that the new policy of the Community for 1977 would really be a policy of liberalization of the market and not a continuation of the emergency measures in one way or another.

Items 4(d)(ii), (iii), (v) - European Economic Community

- Import deposits for animal feed proteins
- Minimum import prices, licences and surety deposits for certain processed fruits and vegetables
- Refunds on exports of malted barley

Mr. YEUTTER (United States) recalled that a panel had been established to deal with the question of import deposits for animal feed proteins. He hoped that it would be possible soon to have agreement on the composition of the panel so that it could begin its examination of the case. As to the question of minimum import prices, he appreciated the fact that the panel had now been established and trusted that it could begin its work soon. With regard to the United States request for consultations with the Community on export subsidies on malted barley, he also hoped that consultations would begin relatively soon.

He added in this connexion that the response to issues brought before the GATT had often been relatively slow. As a result the question of dispute settlement had become one of the major issues that might be discussed in the context of the Framework Group of the Multilateral Trade Negotiations. Apart from whatever improvements to the procedures under Articles XXII and XXIII might be made he considered that it should be possible to have the existing procedures work more effectively by speeding up the process.

Mr. PHAN VAN PHI (European Communities) pointed out, in reply to the statement of the representative of the United States, that the question of dispute settlement was part of the work programme of the new group established by the Trade Negotiations Committee - although there was no unanimity about this work programme - and that this question should therefore rather be discussed in that context.

Item 4(f)(i) - Greece - Import restrictions on meat

Mr. GREIG (New Zealand) regretted that Greece had again imposed import restrictions on meat. He asked for an indication of the duration of the temporary measures imposed by Greece. As New Zealand was a long-distance supplier, it needed early information on the reopening of the market.

Mr. METAXAS (Greece) said that the restrictive measures imposed on 1 August 1976 had been notified to the GATT and that these measures, which were temporary and non-discriminatory, had been reintroduced under the provisions of Article XI in order to remove the abnormal accumulation of stocks. He was not in a position to indicate when these stocks would have been absorbed.

Item 4(g)(i) - Italy - Monetary measures

Mr. YEUTTER (United States) expressed his understanding for the very difficult balance-of-payments situation faced by the Italian Government. He added that it was clear that the monetary measures had significant trade effects. They were therefore of legitimate concern to GATT and he expressed satisfaction that they had now been examined by a working party. He considered that it was incongruous that these monetary restrictions had been examined by a working party rather than the Committee on Balance-of-Payments Restrictions, which in his view would have been the appropriate Committee.

Mr. STONE (Canada) supported the view that measures taken for balance-of-payments reasons and having trade effects should be reviewed by the GATT. He also considered that the Committee on Balance-of-Payments Restrictions was the appropriate forum for the examination of such measures and that advantage should be taken of the existence of a permanent Committee with an agreed structure and rules of procedure. The discussions in the Consultative Group of Eighteen would, he hoped, lead to further strengthening of the work of the Balance-of-Payments Committee.

Mr. PHAN VAN PHI (European Communities) pointed out in reply that those measures should be seen in a global and monetary context. By their very nature they fell rather within the exchange market than in the field of trade. They were different from the more conventional measures envisaged by the General Agreement and in any case by Article XII which concerned trade measures taken for balance-of-payments reasons. The measures under reference fell rather under Article XV. It was more important to know that the measures were being examined at international level in a working party than to know within what framework that examination was taking place.

Mr. PETRIGNANI (Italy) expressed his appreciation for the understanding expressed by contracting parties for the internal economic situation of his country, which had obliged his Government to take certain measures. These measures were strictly temporary and of a global nature, they were strictly monetary measures and were applied in a non-discriminatory manner. The examination of these measures undertaken in the working party had been very useful. In his view, Article XV of the General Agreement was the relevant provision in this regard.

Item 4(1)(i) - United States - Import restrictions on specialty steel

Mr. WILLENPART (Austria) referred to a particular problem for Austria resulting from the emergency action of the United States on specialty steel. He pointed out that the action covered five steel products of which alloy tool steel was of main interest to his country, which was one of the main suppliers to the United States. Austrian exports of alloy tool steel, however, could only be carried out within the basket quota provided in the United States relief programme. He pointed out that, since the basket quota for the first half of the first annual period of the relief programme had already been fully utilized, no imports of alloy tool steel had been admitted into the United States within the basket quota since 4 October. This meant that the first part of the first annual period of the United States relief programme did not end - as was expected - on 14 December, but nearly two and a half months earlier. Since Austrian exporters had been unaware of the full utilization of the basket quota, considerable quantities of alloy tool steel were already being shipped to the United States by that date or had been prepared for shipment. Austrian exporters now faced additional costs for bonded warehousing and return shipments, as well as questions of non-delivery of contracts and possible contract cancellations. The Austrian Government therefore appealed to the United States that the situation should be improved as soon as possible and in any case before the reopening of the basket quota for the second half of the first period of the relief programme.

Mr. PHAN VAN PHU (European Communities) recalled that the Community had reserved its rights under Article XIX of the General Agreement and had stated its intention to follow closely the development of trade in this sector and to keep the implementation of the restrictions under constant review. He stated that the development of trade in this sector had confirmed the apprehensions expressed by the Community and other contracting parties. Exports of certain products from the EEC had been interrupted as a result of the filling of the first half year quota. As to the future, the rate of shipment achieved during the first half year, indicated that the remainder of the annual quota on all products, except stainless steel bars which was of minor importance, would be exhausted in the early months of next year. This meant that the Community would be barred from the United States market for the remaining three months of the quota year. This prospect was of great concern to the Community, particularly against the background of a critical situation in its own steel industries with a low level of capacity utilization

and high unemployment, while the United States industry was able to advance in a more satisfactory manner towards full recovery. He urged the United States to reconsider seriously this whole problem, including the possibility of alternative remedial measures before further and more serious harm was done to the EEC specialty steel industry.

Mr. DE GEER (Sweden) said that the United States restrictions on specialty steel had made it necessary for the Swedish Government to introduce an export licence system in order to prevent a distortion in the normal flow of exports of these products to the United States. He referred to recent changes in the application of the import quotas, under which a special quota for ball-bearing steel had been introduced, relieving the quota for alloy tool steel from ball-bearing steel and thereby correcting a mistake in the application of the quota system. In his view, however, this was only a temporary solution, and he expressed the hope that the United States authorities would soon exempt ball-bearing steel from import restrictions altogether. He expressed his concern about the general situation for the Swedish specialty steel industry. As a consequence of decreasing exports and domestic demand, and at the same time increased imports, Swedish steel companies were planning to merge certain plants and to close certain others. These plans could entail serious labour problems in some regions. He stressed the fact that the Swedish Government had never consented to the imposition of restrictions against Swedish exports. In the present situation the maintenance of these restrictions was even more regrettable than when they were first introduced, and steps ought to be taken for their abolishment as soon as possible.

Mr. YEUTTER (United States) said that this was a classical example of how troublesome safeguard restrictions could be within the international trading community, particularly when the restrictions were quotas. He added that the quotas were administered in a fair and equitable manner. He stressed that the United States industry was still operating far below capacity. He hoped that recovery would come along so that it would be possible to remove the restrictions in this area as soon as possible.

- Item 5 - (a) United States tax legislation (DISC)  
(b) Income tax practices maintained by France  
(c) Income tax practices maintained by Belgium  
(d) Income tax practices maintained by the Netherlands

Mr. STONE (Canada) said that the findings of the four panels should provide a solid and authoritative basis for the rulings or recommendations that the CONTRACTING PARTIES had to make in the near future. He noted the panels' conclusions that the measures in question should be regarded as export subsidies and in some respects had effects not in accordance with obligations under

Article XVI:4. Furthermore, there were prima facie cases of nullification or impairment of benefits that other contracting parties were entitled to expect under the General Agreement. In the light of these findings his authorities expected that the United States and the other countries in question would give serious consideration to the early termination of these tax practices. He hoped and expected that one of the recommendations to be made by the CONTRACTING PARTIES would be to call for the earliest possible termination of these practices. Canada also expected that the countries applying these practices would now submit full and detailed notifications of the subsidization involved. This, he said, would assist the CONTRACTING PARTIES as well as each contracting party individually in assessing the matters before them.

Mr. KITAHARA (Japan) stated that his authorities attached considerable importance to the four panels' reports which merited full consideration in subsequent Council meetings.

Mr. PHAN VAN PHI (European Communities), referring only to the United States tax legislation, stated that the Community authorities were at present examining the report of the Panel. He therefore reserved a final judgement on further action to be taken by the Council or by the CONTRACTING PARTIES.

His preliminary comment was that the report of the Panel confirmed the Community's view on the DISC system. He pointed out that the very fact that such a complex and highly technical subject in the fiscal field had been dealt with under present GATT dispute settlement procedures showed that these procedures could work, even if it had taken some time to start the procedures.

Mr. YEUTTER (United States) stated that his authorities were disappointed with the findings of the Panel on DISC. He pointed out that his authorities had not yet had full internal discussions of the issues involved. As these were matters not only for the United States but for other countries as well, he could not make any substantive comments at this stage. He furthermore noted that the question of DISC involved both the executive and legislative branches in his country. He indicated that the United States authorities would give these matters their fullest consideration.

Mr. COLMANT (France), referring to the question of income tax practices maintained by France, recalled the statement made by the United States representative in the Council, that tax practices similar to those applied by the three European countries existed also in a number of other contracting parties. He reiterated that his delegation reserved entirely its position on the report of the Panel on income tax practices maintained by France.

Mr. DEHENNIN (Belgium) recalled his delegation's disappointment at the conclusion of the Panel on income tax practices maintained by Belgium. Although his authorities had not finished their consideration of the report, their preliminary position was that the Belgian tax practices in question did not constitute export subsidies. They were part of a fiscal system, dating back to 1919, and were not designed to favour exports but to neutralize double taxation. He confirmed his delegation's reservations expressed in the Council.

Mr. VAN WIJK (Netherlands) recalled the statement made by the representative of the Netherlands in the Council that his authorities were not yet in a position to make comments on the report relating to income tax practices maintained by the Netherlands.

Item 6 - Export inflation insurance schemes

Mr. YEUTTER (United States) expressed satisfaction that work on the examination of the schemes had started in a working party. He expressed the hope that the necessary information on the schemes applied by some countries would be forthcoming at an early date.

Mr. STONE (Canada) welcomed the attention which had been given to these matters by the working party.

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

Mr. LALL (India), referring to the ACP-EEC Convention of Lomé, stated that his country had welcomed the conclusion of the Convention and that there was a wide measure of sympathy for its objectives. He recalled that many contracting parties had expressed doubts whether all the provisions of the Convention were fully justified under the General Agreement, but the CONTRACTING PARTIES had come, in his view, to the right view that the provisions of the Convention did not in any way affect their legal rights under the General Agreement. He added that nevertheless some developing countries not parties to the Convention continued to be apprehensive about possible distortion of their trade or adverse effects on their trading opportunities. His delegation, however, was aware of the active consideration which was being given to ensure that these fears were unfounded. In this connexion he referred to the hope expressed by the Heads of Commonwealth governments at Kingston, that the principles underlying the Lomé Convention should usefully contribute to the advancement of relations between the EEC and other industrialized countries on the one hand, and developing countries including the Asian and other Commonwealth countries on the other. He therefore urged contracting parties to devote their attention not to the legal provisions of the Convention, but to the consideration of ways and means of applying these principles and objectives on a broader basis, so that while the benefit for the signatories was assured, the trading prospects for non-signatories would not be impaired.

Mr. YEUTTER (United States) expressed the hope that there would be no further proliferation of the great number of discriminatory arrangements of this nature. As these arrangements contravened the most-favoured-nation principle, contracting parties should use the greatest circumspection in concluding such agreements. In commenting on some special trading arrangements between market economy countries

and countries with centrally planned economies, he considered, in particular, that caution should be exercised in developing further such arrangements. In his view Article XXIV had been drawn up with market economies in mind and he felt that more effort should be made to integrate the centrally planned economy countries fully in the General Agreement.

Mr. ADEWAKUN (Nigeria), referring to the ACP-EEC Convention of Lomé, stated that the fears entertained about the Convention should be dispelled. He mentioned that, for example, the ACP countries did not provide reverse preferences to the Community countries. He also pointed out that most of the developing countries parties to the Convention, were among the least developed of the developing countries and their economies could only be sustained with active co-operation from the developed countries. He considered that, in this sense, the conclusion of the Convention by the EEC was in conformity with the spirit of the Tokyo Declaration.

Mr. KITAHARA (Japan) stated that the extensive network of regional arrangements had become one of the most important features of the present international economic system. He stressed that all members of a customs union or free-trade area should continuously bear in mind not only at the time of its formation, but also in its day-to-day implementation, that its purpose was to facilitate trade and not to raise barriers to the trade of other contracting parties, as laid down in Article XXIV. He also stressed that all contracting parties, whether or not members of regional arrangements, should maintain a free-trade policy, because only in such an environment could regional trade groups, as well as individual economies, be kept outward looking and not become protectionist blocs.

Mr. NYERGES (Hungary), in response to some of the remarks made by the representative of the United States, referred to the Conclusions of the CONTRACTING PARTIES of 24 November 1967, in which the CONTRACTING PARTIES took note of the interest in the work of the GATT of countries with centrally planned economies and welcomed the accession of Poland to the General Agreement and the participation of observers from Bulgaria, Hungary and Romania in the work of the CONTRACTING PARTIES. The CONTRACTING PARTIES further agreed that the CONTRACTING PARTIES' approach to the question of trade relations with countries with centrally-planned economies should continue to be on a pragmatic country-by-country basis. He further pointed out that at the time of Hungary's accession to the GATT its trading system had been subject to an extensive examination. This was clearly brought out in the report of the Working Party on the accession of Hungary, which states that the Hungarian trading system had to be examined in the light of the existing system of economic management in Hungary. The working party had had full documentation at its disposal. He stressed that since its accession, Hungary considered itself a full contracting party without any qualification and it intended to use its rights as a contracting party, including the right to conclude free-trade agreements under Article XXIV.

Mr. PHAN VAN PHI (European Communities) addressing himself to the remarks made in respect of the Convention of Lomé, stressed that the Community was aware of the necessity of continuing and developing its policy of co-operation with the non-ACP countries, either through progressive improvements in the GSP, or through food aid, or through financial and technical co-operation. Speaking with regard to the agreements concluded by Finland with Bulgaria and the German Democratic Republic he noted that in the latter case the working party had not yet met and expressed the interest of the Community in the work of the Working Party. As regards the Agreement with Bulgaria he noted that the Working Party would resume its work when some further documentation was available. He expressed an interest in the examination of the documentation concerned which would help in having a better appreciation of the mechanisms of the commercial policies of countries with centrally-planned economies.

Mr. DIOUF (Senegal) stated that he considered the Lomé Convention as an implementation of Part IV of the General Agreement. It should therefore be considered a model for further arrangements of this nature. He pointed out that the beneficiary countries were mostly very poor countries and had historical links with the Community countries. He stressed that the legitimate desire of non-signatories to the Convention to participate in the benefits accruing therefrom should not be made at the expense of these poor member countries.

Mr. STONE (Canada) emphasized that one of the key criteria laid down by the General Agreement for the creation and operation of customs unions or free-trade areas was that they should not raise new barriers to trade. Such arrangements therefore should not result in protectionist blocs, but should be essentially liberal and outward looking in their external trade policies. He also expressed concern that the rules of origin incorporated in some of these arrangements were unduly restrictive, and did not conform to the requirements of the GATT. Such restrictive rules of origin were harmful to the trade interests of third countries and it was questionable whether the rules of origin in some cases did not go beyond the need to prevent trade deflection.

Mr. NYERGES (Hungary), with reference to the statement by the representative of the European Communities in relation to the Agreements concluded with Finland, said that he did not consider that contracting parties, when discussing these agreements, had the duty and competence to study centrally-planned economies. The contracting parties had the right and duty to study the terms of the agreements concluded by member countries, whether centrally planned or not, in the light of available information and of their legal and contractual provisions. His delegation was ready to participate, if necessary, in such studies but would not participate in studies which went beyond the legal and contractual rights and obligations which bound them to the General Agreement.

Mr. KAARLEHTO (Finland), referring to the agreements concluded by Finland, stated that his country considered the agreements as a natural part of the process of trade liberalization that took place in Europe. He expressed the hope that efficient and pragmatic means might be found for developing economic co-operation within the whole of Europe. He gave the assurance that his delegation was prepared to clarify any further questions during the next meetings of the Working Party.

Mr. WALKER (Jamaica), referring to the Lomé Convention, stated that the Convention had developed almost inevitably out of a long historical association. He emphasized that instead of being considered as discriminatory, it was a model which other industrialized countries might well copy. Rather than sticking to legalities, this model might be used as a basis in order to achieve more for developing countries as a whole, while preserving the advantages enjoyed by the developing member countries of the Lomé Convention which were mostly poor countries.

Mr. PHAN VAN PHI (European Communities), referring to the rules of origin incorporated in the free-trade agreements between the EEC and the member countries of the European Free Trade Area, said that the rules of origin in his view were not unduly restrictive. As free-trade area treatment was restricted to products originating in the area, the rules simply served to define what constituted such products. He added that the Community would continue participating in the Article XXII consultations taking place on this issue in a spirit of co-operation and objectivity. He considered, however, that there was no inconsistency between the rules of origin under consideration and the provisions of Article XXIV. He further pointed out that the rules of origin had already been modified in the light of the evolution of the trading relationship with the countries concerned and would be further modified should it be considered necessary.

In response to an earlier remark made by the representative of Hungary he pointed out that he had simply expressed interest in having a better understanding of centrally planned economies.

Mr. YEUTTER (United States), in response to the remarks made by the representative of Jamaica, recalled that a major effort was being made in the MTN to provide special and differential treatment for all participating developing countries on the basis of the Tokyo Declaration. He stressed that an arrangement which benefited all developing countries was preferable to one which only benefited some developing countries with the exclusion of others.

Item 9(b) - Indonesia - Renegotiation of schedule

The CHAIRMAN drew attention to the Council's recommendation that the draft decision reproduced in Annex I of the Report of the Council be adopted by the CONTRACTING PARTIES.

Mr. KITAHARA (Japan) stated that his country was in a position to support the Indonesian request for a waiver and the draft decision. He reiterated, however, the position of his country that negotiations of this type should continue to be ruled by the provisions of Article XXVIII and that the present case should not be considered to constitute a precedent.

The decision was adopted by 52 votes in favour and none against.

Item 10(b)(ii): United States - Agricultural import restrictions

Mr. TEESE (Australia) reiterated the request made at the thirty-first session that the United States institute a review to determine whether there had been a change in circumstances, which would require the import restrictions in question to be modified or withdrawn. He pointed out that the obligation of the United States to institute such a review was in conformity with the conditions it had accepted under the waiver. He also pointed out that the waiver had, inter alia, resulted in an impairment of a concession on butter, bound by the United States to Australia, and that this should not become an issue for negotiations within the MTN. In his opinion the waiver did not confer on the United States a permanent privilege in respect of agriculture, irrespective of whether the United States observed the terms and conditions of the waiver. Nor did he consider that Australia should pay in the MTN to have restored to them rights of access, which were nullified by restrictions under the waiver.

Mr. GRIEG (New Zealand) supported the request for a review under the United States waiver. He recalled that the US Agricultural Adjustment Act provided for import quotas to be applied only when imports were practically certain to impair substantially the price support programme. He regretted that this provision had not been applied in practice. It was now evident that the original reasons for which the quotas were applied no longer existed. He considered that a review of the restrictions would indicate the strength of the United States intentions in the MTN and would constitute a useful parallel exercise to negotiations on liberalization of agricultural trade.

Mr. PHAN VAN PHI (European Communities) stated that the waiver maintained a disequilibrium in the relations of contracting parties on the one hand and the United States on the other, both from commercial and legal points of view. He pointed out that at present, the United States could at any time take import restrictive action against any agricultural product without being subject to the legal constraints and disciplines of the General Agreement. In this context he referred to a recent action taken by the United States on an important agricultural product. He expressed the serious concern of the Community with regard to this matter.

Mr. RAIMONDI (Argentina) expressed his support for the initiative taken by the representative of Australia on this matter and reiterated the necessity for a review.

Mr. STONE (Canada) associated himself with those who had questioned the appropriateness and the need for a broad waiver of this kind after so many years. He also considered that it should be reviewed.

Mr. YEUTTER (United States) pointed out that the problems of international marketing in dairy products did go beyond the question of the United States waiver. The international dairy market was characterized by the existence of huge surpluses of manufactured dairy products around the world which were looking for markets. He stressed that this was an issue which deserved thorough discussion within the MTN irrespective of what might be done on the question of the waiver itself. With regard to the border action alluded to by the representative of the European Communities, he assumed that it referred to countervailing action taken against imports of subsidized agricultural products. He stated that this was quite a different issue.

Item 12 - Poland - Consultations on trade

Mr. SANDILYA (India), Chairman of the Working Party on Trade with Poland, said that the Working Party, established by the Council on 15 July 1976 to conduct the Ninth Annual Consultation on Trade with Poland, had not yet been convened. He noted that, according to the Protocol of Accession of Poland, the consultations should have been held before the end of 1976. As it had been agreed between the countries mainly concerned that, for technical reasons, a postponement of the consultations until the early part of 1977 was advisable, he asked for the agreement of the CONTRACTING PARTIES for this postponement.

This was agreed.

Item 13 - Romania - Consultations on trade

Mr. BARTHEL ROSA (Brazil), speaking on behalf of Mr. Bier (Brazil), Chairman of the Working Party on Trade with Romania, said that the Working Party appointed in February 1975 to conduct the second consultation with the Government of Romania had not yet met. He noted that the original time-limit for the Working Party had been the end of 1975, and that this had subsequently been postponed until the end of 1976. He reported that in informal discussions among the countries mainly concerned, it had been found preferable, for technical reasons, to hold the consultations in January 1977. Accordingly, he requested that the CONTRACTING PARTIES agree that the date for the opening of the consultation should be 18 January 1977.

This was agreed.

Item 14 - Provisional Accession of Colombia

The CHAIRMAN drew attention to the recommendation of the Council that the draft decision reproduced in Annex II, extending the participation of Colombia in the work of the CONTRACTING PARTIES, should be adopted.

The CONTRACTING PARTIES adopted the decision.

Item 15 - Application of Article XXXV to Japan

Mr. KITAHARA (Japan) noted that since the thirty-first session Senegal and Austria had disinvoked Article XXXV in respect of Japan. He considered that this action would contribute to better trade relations between these countries and Japan. He noted that there were now only four contracting parties namely, Cyprus, Haiti, Kenya and South Africa, which continued to apply Article XXXV in respect of his country. He hoped that these contracting parties would find it possible to disinvoke this Article in the near future.

Mr. TOTHILL (South Africa) stated that his country was prepared to discuss the disinvocation of Article XXXV with the Government of Japan at any time. He pointed out that there recently had been informal contacts in Geneva on this subject.

Mr. KITAHARA (Japan) welcomed the statement by the representative of South Africa, but noted that the informal contacts referred to were not for the purpose of negotiating conditions for the disinvocation of Article XXXV. He expressed the hope that consultations on this matter could be held with South Africa in the near future.

Item 18 - International Trade Centre

Mr. LALL (India) saw the work of the International Trade Centre as one of the activities of the GATT which had given relief and practical gains to many developing countries. He expressed appreciation of the way the Centre had conducted its work, and considered that this activity should be further expanded. Considerable success had been achieved in helping developing countries to adapt their marketing structures so as to enable them to participate more fully in international trade. He saw a need for expanding the activities into the fields of product development and improvement of production structures.

Item 20 - Status of Protocols

The CHAIRMAN drew attention to the text of the draft decision reproduced in Annex III of the Council's Report extending the closing date for the acceptance of the Protocol Introducing Part IV of the General Agreement until the end of the thirty-third session.

The decision was adopted.

Item 21 - Administrative and financial questions

The CHAIRMAN drew attention in particular to the Council's recommendation that the report of the Committee on Budget, Finance and Administration (L/4413) should be adopted.

The CONTRACTING PARTIES adopted the report of the Committee on Budget, Finance and Administration (L/4413), including the recommendations contained therein and the Resolution on the Expenditure of the CONTRACTING PARTIES in 1977 and the Ways and Means to meet such Expenditure.

The CONTRACTING PARTIES adopted the Report of the Council (L/4440).

The meeting adjourned at 6.27 p.m.