

# GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

L/3955

12 November 1973

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CONTRACTING PARTIES  
Twenty-Ninth Session  
13-15 November 1973

## COUNCIL OF REPRESENTATIVES

### Report on Work since the Twenty-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 nine meetings since the twenty-eighth session in November 1972. The minutes of these meetings have been issued in documents C/M/83-91. 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. Multilateral Trade Negotiations (C/M/84)

- Arrangements for Tokyo Ministerial Meeting

At its meeting on 5 February 1973 the Council was informed by the Director-General that he had been advised by the Government of Japan that it would be pleased to host the Ministerial Meeting in Tokyo during the period 12 to 14 September 1973 to consider the report of the Preparatory Committee set up at the twenty-eighth session and to provide the necessary guidelines for the negotiations. Invitations to be represented at the Meeting would be extended to all contracting parties to GATT, to associated governments and to developing countries not contracting parties who had indicated their intention to participate in the preparatory work for the negotiations. Invitations would also be extended to other non-GATT developing countries that notified him by 31 March of their desire to be represented at the Meeting. The Preparatory Committee also decided that a number of intergovernmental organizations should be invited to be represented by observers at the Ministerial Meeting.

A great number of representatives expressed their appreciation for the invitation, which was accepted.

The Ministerial Meeting was held in Tokyo from 12 to 14 September 1973. The Ministers approved the Declaration of Ministers (MIN(73)1) and decided to enter into comprehensive multilateral negotiations in the framework of GATT.

2. Programme for Expansion of International Trade

(a) Committee on Trade in Industrial Products

The Committee on Trade in Industrial Products was established by the CONTRACTING PARTIES at their twenty-fourth session in 1967 under the Programme for Expansion of International Trade to explore the opportunities for making progress toward further liberalization of trade, taking into account the discussion on the subject at that session.

The Committee and sub-groups which it has established have met several times since the last session. At its last meeting the Committee drew up a comprehensive report on the status of its work (L/3886). This report is divided into the following main sections - tariffs, non-tariff measures,

the sector approach, safeguards. In each of these sections reference is made to the work of the Committee relating to trade and development problems of the developing countries. The report assisted the Preparatory Committee for the Trade Negotiations in preparing its report to the Ministerial Meeting.

(b) Agriculture Committee

The Agriculture Committee had a meeting in January 1973. The discussion covered three main topics: objectives for the future negotiations as they related to agriculture; principles and procedures to govern these negotiations; and the examination of the applicability of the various techniques and modalities identified in the Committee's report. A number of suggestions were made regarding the objectives of the negotiations, and the manner in which future work should be carried out.

The reports of the Agriculture Committee on the preparatory work done under the Programme for the Expansion of International Trade assisted the Preparatory Committee for the Trade Negotiations in preparing its report to the Ministerial Meeting.

3. Trade in Textiles

(a) Cotton Textiles Committee

The Cotton Textiles Committee met in July 1973 to resume the discussion on the future of the Arrangement Regarding International Trade in Cotton Textiles. Taking account of the work so far achieved in the Working Party on Trade in Textiles (see next item) and the Council's decision that the Working Party be reconstituted into a negotiating group with the objective of reaching a mutually satisfactory arrangement on trade on textiles by the end of 1973, the Cotton Textiles Committee decided to extend the Arrangement, which was due to expire on 30 September 1973, until 31 December 1973.

(b) Working Party on Trade in Textiles (C/M/84, 86, 89)

The Working Party on Trade in Textiles established by the Council in June 1972, presented its report on the economic, technical, social and commercial elements which influence world trade in textiles (L/3797 and Add.1 and 2) to the Council on 5 February 1973, together with two papers prepared by the secretariat dealing with production, consumption and trade in tops and man-made fibres. The Council took note of the report and because of the complexity of the issues it was agreed to defer consideration of the matter of trade in textiles to a later meeting.

At its meeting on 30 April 1973 the Council considered how best the next phase of the work could proceed. The Council adopted a decision (L/3716/Rev.2) amending the terms of reference of the Working Party, and deciding that the Working Party, on the basis of its factual study (L/3797 and its addenda), together with such other information as might be relevant for its work, and having the fullest regard for the considerations set out in the preamble to the decision, should first identify and examine the problems that exist in international trade in textiles and textile goods and, second, with regard to such examination, seek possible alternative multilateral solutions to these problems. The search for multilateral solutions would be without prior commitment as to the position of any participant.

A number of representatives in indicating their support for the decision, stated that they attached particular importance to the preambular paragraphs which referred to the objectives of the multilateral trade negotiations and to the importance of trade in textiles for developing countries.

At its meeting on 30 July 1973 the Council considered the progress report of the Working Party on Trade in Textiles contained in document L/3885. The Council adopted the report and, as recommended by the Working Party, decided that the Working Party on Textiles be reconstituted into a negotiating group with the objective, taking into account the Working Party's reports and its mandate of 30 April 1973, of reaching a mutually satisfactory arrangement on trade in textiles by the end of 1973. The negotiating group should report the terms of the new arrangement to the Council by 31 December 1973.

#### 4. Anti-dumping practices

##### (a) Committee on Anti-Dumping Practices (C/M/91)

At its meeting on 7 November 1973 the Council received the fifth report by the Committee on Anti-Dumping Practices, relating to the period September 1972-September 1973 (L/3943).

The main point of discussion in the Committee had been the criteria used for determination of injury by some members of the Committee. Although differences of opinion still persisted the discussion had led to better mutual understanding of the positions taken. Progress had also been made by the members concerned in shortening the time needed to complete investigations.

The Council adopted the report.

##### (b) Working Party on the Acceptance of the Anti-Dumping Code (C/M/91)

The Working Party established in 1970 to study the particular problems of developing countries in adhering to the Code had held a third meeting in September 1973.

The Chairman of the Working Party reported to the Council on 7 November 1973 on progress made in the Working Party. The main problem for developing countries had been to accept the provisions of the Code for price comparisons, their opinion being that in a large number of cases the domestic prices for goods exported by developing countries could not be directly related to the prices obtainable in international markets. On the other hand, contracting parties signatories to the Anti-Dumping Code had stressed the need not to infringe the principles embodied in both Article VI of the General Agreement or in the Code itself.

The Working Party had at its third meeting been able to agree on an ad referendum basis on a text of a note to the Anti-Dumping Code which was presently being considered by members of the Working Party with a view to its being accepted.

The Council took note of the Chairman's report and expressed satisfaction at the progress made.

5. Working Party on Dairy Products (C/M/83, 86)

At its meeting on 30 April 1973 the Council was informed that the Working Party on Dairy Products had drawn up the text of a Protocol Relating to Milk Fat. The text of the Protocol and the record of the meeting were contained in documents L/3835 and L/3837 respectively. The Protocol was open for acceptance by governments and the competent authorities of the European Communities.

A number of representatives declared their intention to seek acceptance by their authorities of the Protocol and expressed their appreciation for the drawing up of the Protocol.

The Council took note of this information.

The Protocol entered into force for those participants having accepted it on 14 May 1973. The Protocol was now effective between Australia, the European Communities and their member States, Japan, New Zealand and Switzerland.

6. Balance-of-payments import restrictions

(a) Procedures for consultations with developing countries (C/M/83)

At its meeting on 19 December 1972 the Council considered a note presented by the Chairman of the Committee on Balance-of-Payments Restrictions describing the practical difficulties of scheduling and conducting consultations with developing countries under Article XVIII:12(b) and proposing more effective procedures for the conduct of such consultations (L/3772). The Committee now proposed after

Careful consideration and after ascertaining the views of all developing countries having an interest in the matter, that in fulfilment of the requirements of Article XVIII:12(b), all developing countries would supply basic information on their balance-of-payments position and their restrictions to the CONTRACTING PARTIES at the prescribed interval. The Committee would consider this information and determine in each case whether a full consultation was desirable. If it decided that such a consultation was not desirable, the Committee could recommend to the Council that the contracting party be deemed to have consulted for that year. It was also proposed that developing countries applying restrictions which up to that time had not been classified in relation to GATT provisions be requested to clarify their position.

The Council approved the simplified procedures proposed by the Committee. (L/3772/Rev.1)

(b) Consultations on balance-of-payments restrictions

(i) Iceland (C/M/83)

In October 1972 the Committee on Balance-of-Payments Restrictions carried out a consultation with Iceland. The report, contained in document BOP/R/64, was presented to the Council at its meeting on 19 December 1972.

The Council adopted the report.

(ii) Turkey (C/M/87)

In May 1973 the Committee carried out a consultation with Turkey, during which consultation it also examined the question of an extension of the Turkish Stamp Duty Waiver (see item 13(f)). The report (BOP/R/65) was presented to the Council at its meeting on 29 May 1973.

The Committee had welcomed the continuous improvement over the past three years in the Turkish balance-of-payments situation and the generally good prospects for the future.

The Council adopted the report.

(iii) Finland (C/M/89)

In June 1973 the Committee carried out a consultation with Finland.

The report (BOP/R/66) was presented to the Council at its meeting on 30 July 1973.

The report noted that while Finland's reserves had increased in 1972 this had been the result of substantial foreign borrowing. The Committee's conclusions called for resumed efforts to liberalize remaining restrictions, while recognizing that they affected a narrow range of products.

The Council adopted the report.

(iv) Spain (C/M/89,90)

In June 1973 the Committee carried out a consultation with Spain. In its report (BOP/R/68) the Committee concluded, after having heard the statement by the representative of the International Monetary Fund, that the GATT balance-of-payments provisions, under Articles XII or XVIII, were no longer applicable in the case of Spain.

The report was considered by the Council at its meetings on 30 July 1973 (C/M/89, page 7) and on 19 October 1973 (C/M/90, page 2).

At its meeting on 19 October 1973 the Council adopted the report of the Committee on Balance-of-Payments Restrictions (BOP/R/68) and recommended that the Government of Spain intensify their efforts in pursuing their policy of liberalization resumed in the last quarter of 1972.

The representative of Spain gave an account of the recent developments of Spain's economic policy. He stated that the Spanish authorities had already planned to intensify their efforts in pursuing the policy of selective liberalization they had undertaken unilaterally and which they would continue to apply to the extent that domestic and external economic circumstances permitted.

Some representatives expressed satisfaction at the adoption of the report and the conclusions of the Committee. They looked forward with expectation to the implementation of Spain's liberalization policy.

(v) Examinations under simplified procedures (C/M/89,90)

In June 1973 the Committee examined statements presented under the simplified procedures by Egypt, Greece and Yugoslavia. The report (BOP/R/67) was presented to the Council at its meeting on 30 July 1973.

The Committee recommended that Egypt be deemed to have fulfilled its obligations under Article XVIII:12(b) for 1973. Full consultations would be desirable in the case of Greece and Yugoslavia. These consultations could best be carried out in 1974.

The Council adopted the report of the Committee on Balance-of-Payments Restrictions on the consultations under the simplified procedures with Egypt and Yugoslavia and agreed that full consultations with Greece and Yugoslavia should be carried out in 1974.

At its meeting on 19 October 1973 the Council considered the report of the Committee on its examination of written statements presented under the simplified procedures by India, Indonesia, Korea and Sri Lanka. The Council adopted the report of the Committee (BOP/R/69) and agreed that Indonesia, Korea and Sri Lanka be deemed to have fulfilled their obligations under Article XVIII:12(b) for 1973. The Council noted that a full consultation with India would take place at the end of October 1973.

7. New Zealand import restrictions

- Disinvoation of Article XII (C/M/87)

At the meeting of the Council on 29 May 1973 the representative of the United States referred to the disinvoation of Article XII by New Zealand (L/3857) and pointed out that New Zealand's quantitative restrictions and its licensing system were now without a legal basis under the GATT. In the light of New Zealand's strong balance-of-payments position combined with domestic inflation, it appeared to him an appropriate time for further substantial liberalization of imports.

The representative of New Zealand pointed out that his Government was presently engaged in a fundamental reappraisal of New Zealand's economic strategy, including the import régime, and stated that full account would be taken of New Zealand's international obligations and particularly its obligations under the GATT. He requested that his Government be allowed sufficient time to proceed with the reappraisal of its economic strategy and the development of new policies.

The Council took note of the statement.

8. Article XIX - Action

- European Communities - Magnetophones (C/M/86)

At its meeting on 30 April 1973 the representative of Japan drew the attention of the Council to action taken by the European Communities under Article XIX with regard to imports of magnetophones into Italy (L/3847). He noted that the import restriction did not apply to the associated countries and the other members of the Community, while Article XIX required global application. His authorities wished to enter into consultation with the Community and hoped that satisfactory agreement, including global application of the Article XIX action, could be reached.

The representative of the European Communities stated that the measure had been taken in critical circumstances as provided in Article XIX:2 and was of a provisional nature. His authorities were ready to enter into consultations with interested contracting parties. The measure did not apply to countries which had an agreement with the Community in accordance with Article XXIV.

9. Recourse to Article XXIII

(a) French import restrictions (C/M/83)

At its meeting on 19 December 1972 the Council was informed that bilateral consultations between the United States and France were still in progress so that consideration of the item should be deferred.

The Council so decided.

(b) United Kingdom - Restrictions on imports of cotton textiles (C/M/84)

At its meeting on 25 October 1972 the Council had established a Panel to investigate a complaint made by the Government of Israel concerning restrictions on imports of cotton textiles maintained by the United Kingdom. The report of the Panel (L/3812) was presented to the Council on 5 February 1973. The Panel had examined the facts of the matter in considerable detail, in particular the question whether Israel should be considered a low-cost, disruptive supplier of cotton textiles on the United Kingdom market for the purpose of the United Kingdom global quota scheme. Following consultations with both the Israeli and the United Kingdom delegations and following further bilateral discussions between the parties, the Panel had been advised that a mutually acceptable settlement had been reached, the broad outlines of which were set out in paragraph 5 of the report. The Panel expressed the view that the settlement reached between the parties constituted a solution to the matter and considered that no further investigation was required.

The Council adopted the report.

(c) United Kingdom - Dollar area quotas (C/M/83,86,89)

At its meeting on 25 October 1972 the Council received a complaint from the United States against the maintenance by the United Kingdom of quantitative import restrictions on certain products when imported from the United States and certain other dollar area countries. The Council, in the first instance, requested that bilateral consultations between the parties should be pursued. On 19 December 1972 the representative of the United States informed the Council that consultations with the United Kingdom had been pursued, but that they had terminated without leading to a satisfactory adjustment of the matter. His delegation favoured the establishment of a panel to examine the matter.

The representative of the United Kingdom pointed out that these restrictions were maintained solely in the interest of the Commonwealth countries in the Caribbean area. The United Kingdom delegation was prepared to continue the bilateral discussions and considered that the Commonwealth countries concerned should be included in the consultations. The United Kingdom delegation was willing to accept the setting up of a panel if the Council so decided.

Representatives of Commonwealth Caribbean countries explained that the arrangements ensured a market for certain primary and processed agricultural commodities from the Commonwealth Caribbean countries and that it was an example of the manner in which a developed country could assist small developing countries without adversely affecting other developing countries. The measures maintained by the United Kingdom were important in order to prevent the collapse of certain industries in their countries whose alternative production and employment possibilities were limited.

The Council established a panel to examine the matter.

At its meeting on 30 April 1973 the Council received an Interim Report (L/3843) from the Panel. The Panel had at that stage, refrained from making formal recommendations in the hope that the parties concerned, who were actively consulting amongst themselves, would find a mutually satisfactory settlement which in the view of the Panel, should pay due regard to the importance to the Caribbean countries and territories of the products in question.

The parties agreed to resume consultations.

The Council took note of the Panel's Interim Report.

On 30 July 1973 the Panel presented its final report (L/3891). The United States delegation had informed the CONTRACTING PARTIES of the withdrawal of their complaint following a settlement of the matter by bilateral consultation with the United Kingdom. The Panel, in welcoming the fact that an agreement could be reached between the parties, was aware that the Commonwealth Caribbean countries did not consider this settlement as fully satisfying their interests. The Panel welcomed, however, the assurances given by the Governments of both the United States and the United Kingdom that they would continue to safeguard, to the fullest extent possible, the interests of the Caribbean countries.

The representatives of the Commonwealth Caribbean countries were not satisfied with the terms of the settlement which had been agreed between the United States and the United Kingdom. They noted however, the assurances given by the Governments of the United Kingdom and the United States that they would continue to safeguard, as far as possible, the interests of the Caribbean countries.

The representatives of the United Kingdom and the United States considered the settlement reached a fair and reasonable one. They repeated that they had no desire to harm the interests of the Commonwealth Caribbean countries.

The Council adopted the report of the Panel (L/3891) and its Interim Report (L/3843).

- (d) United States tax legislation (DISC) (C/M/87 and Corr.1, 89)  
Recourse to Article XXIII:2 by the European Communities (L/3851)

At its meeting on 29 May 1973 the Council received a complaint from the European Communities regarding United States Tax Legislation for Domestic International Sales Corporations (DISC).

In the view of the European Communities the legislation consisted of an exemption of direct taxes in favour of export products. The Communities had entered into consultations with the United States Government in February 1972, but as these consultations had not led to results, the Communities asked the Council to set up a panel of experts to examine the matter.

The representative of the United States explained that his Government had consulted with the European Communities regarding the DISC provisions which were enacted into law in December 1971. Consultations took place at the same time with the Governments of Belgium, France and the Netherlands regarding their tax practices as related to exports. All four consultations failed to lead to results. His delegation believed that a panel could not ignore the broader problems involved and should establish principles which would likewise apply to the tax practices of other nations. The DISC therefore had to be related to practices of other countries. The problems of these complaints should therefore rather be discussed in a working party or in the context of Working Group 1 of the Committee on Trade in Industrial Products, so as to formulate recommendations of a general character pertaining to these tax practices.

At the Council meeting on 30 July 1973, it was confirmed that the European Communities and the other parties concerned could not accept the setting up of a general working party. The representative of the United States agreed to have the Community complaint against the United States and the United States complaint against Belgium, France and the Netherlands (see following items) considered by four panels which were in theory separate, provided they had the same membership and provided other pertinent matters were agreed upon. The membership should include one or more tax experts. The United States delegation was willing to have the Community complaint considered first provided the United States would have the right to a consideration of its complaints against the three countries before any findings or recommendations relating to the DISC were reported by the panel. The United States expected that it could discuss the tax practices of other countries, including, but not limited to, those of Belgium, France and the Netherlands, during the consideration of the DISC as an aid in the interpretation of obligations under Article XVI:4 of the GATT.

The representative of the Communities agreed to the proposals made. Any delegation could bring up any arguments it considered appropriate before the panel. The representative of Canada expressed the wish to make a statement before the panel about the Canadian position with respect to the DISC at the appropriate time. The Swiss delegation also reserved the right to make its position known when the panel reported its conclusions to the Council. The Swiss authorities in the meantime reserved their rights under the GATT in this matter.

The Council agreed to set up a panel to examine the matter referred by the European Communities to the CONTRACTING PARTIES relating to United States tax legislation on Domestic International Sales Corporations, and agreed to authorize the Chairman of the Council to nominate in consultation and agreement with the parties concerned, the Chairman, and the members of the Panel.

Income tax practices (C/M/87, 89)

- (e) maintained by France
- (f) maintained by Belgium
- (g) maintained by the Netherlands

- Recourse to Article XXIII:2 by the United States (L/3860)

At its meeting on 29 May 1973 the Council received complaints from the United States regarding certain income tax practices maintained by France, Belgium and the Netherlands.

In connexion with the discussion on the United States tax legislation on the DISC the representative of the United States had stated that, in his view, the French, Belgian and Dutch tax systems granted an exemption from income taxes on a portion of sales income on exports.

The Council agreed to revert to the matter at its next meeting.

At the meeting of the Council in 30 July 1973 the representative of the United States referred to his statement during the discussion of the DISC regarding the setting up of one or more panels with the same terms of reference as those of the Panel on the Community complaint against the United States.

The representative of France regretted that the difficulties could not be solved bilaterally. He pointed out that while the principles of the French tax system were different from those of the United States, they were in conformity with the provisions of the GATT.

The representative of Belgium stated that his authorities had terminated the consultations with the United States with the conviction that the American side was convinced by the arguments presented. The practices concerned had been part of the Belgian tax code for fifty-four years.

The representative of the Netherlands said that he had no objection to an examination of the income tax practices of his country in a panel.

In the light of the agreement reached on procedures in connexion with the examination of the European Communities' complaint regarding the United States Tax Legislation on the DISC the Council agreed to establish three panels to examine the matters referred by the United States to the CONTRACTING PARTIES relating to income tax practices maintained by France, Belgium and the Netherlands respectively.

10. Customs Unions and Free Trade Areas: Regional Agreements

- Information on developments furnished by Member States

(a) Anglo-Irish Free Trade Area (C/M/87)

At its meeting on 29 May 1973 the Council considered the fifth report (L/3489) on developments under the Anglo-Irish Free Trade Area Agreement. The report was presented in accordance with the Calendar of Biennial Reports.

The representative of the United Kingdom informed the Council that trade between the two countries had continued to expand as had trade with other countries. As both countries were now members of the European Economic Community the Free Trade Area Agreement was being subsumed by the terms of the Treaty of Accession. The Agreement would continue to play an important part in Anglo-Irish trade until a full customs union with the EEC was reached in 1977.

The Council took note of the report.

(b) European Free Trade Association and Finland/EFTA Association (C/M/90)

At the Council meeting on 19 October 1973 the member States of the EFTA and Finland EFTA Association presented a report on developments under the Association Agreements. The report was presented in accordance with the Calendar of Biennial Reports.

The report described the EFTA and FINEFTA reorganization which had taken place following the far-reaching changes in trade relationships in Europe which had occurred in the period under review. The representative of the United States expressed concern over the amendment of the EFTA rules of origin which had made these rules substantially more stringent.

The Council took note of the report.

(c) New Zealand-Australia Free Trade Area (C/M/87)

At the Council meeting on 29 May 1973 the parties to the New Zealand-Australia Free Trade Agreement presented their fourth report (L/3854) on developments under the Agreement which covered action taken until the end of 1972. The report was presented in accordance with the Calendar of Biennial Reports.

The representative of New Zealand presented statistics on trade development between the two countries which showed that total trade and Schedule A trade had grown at roughly the same rate. Goods included in the original Schedule A list with rates of duty in excess of 10 per cent would become duty-free on 1 January 1974. Furthermore, additions had been made each year since the Agreement was signed and items included amounted now to 1,600 in tariff terms. Both Governments had been keen to speed up nominations and additions to Schedule A in order to expand more quickly the free-trade coverage of the Agreement.

The representative of the United States, referring to the conclusions by the CONTRACTING PARTIES in 1966, noted that the two countries were invited to give serious consideration to the presentation of a comprehensive plan and schedule for the transition to a free-trade area. His Government found it regrettable that after more than seven years no time-table had been set up to bring the arrangements into conformity with Article XXIV. As the statistics showed that

there was no de facto progress in the growth of the share of bilateral trade included in Schedule A, the Free Trade Area appeared to be a preferential arrangement which undermined the most-favoured-nation clause. He asked the two Governments to present at the next Council meeting or in the not too distant future a definite schedule for the transition of the Agreement to a bona fide free-trade area.

The representatives of New Zealand and Australia pointed out that in absolute terms Schedule A trade had grown by 10 per cent per year and that many products included in Schedule A still had to develop their full potential. Both countries supported fully the objective that free-trade areas should not be ad hoc preferential arrangements operating to the detriment of contracting parties.

The Council took note of the report and decided that the item should be put on the agenda for the next Council meeting if any of the parties concerned so requested.

(d) Association between the European Economic Community and African and Malagasy States (C/M/84)

At the Council meeting on 5 February 1973 the parties to the Agreement of Association between the European Economic Community and the African and Malagasy States submitted a report on developments under the Agreement (L/3792), in accordance with the Calendar of Biennial Reports.

The representative of the Communities stated that the Yaoundé Convention had been concluded for five years and would end on 31 January 1975. The parties signatories to the Convention would examine the provisions that might be made for a further period and negotiations would begin in the course of this year.

Some representatives stated that, in their view, the Agreement did not meet the requirements of Article XXIV:8(b). They noticed that the statistical annexes were of a limited usefulness and requested that the data should be sufficiently detailed, to allow for analysis.

The representative of the Community replied that many of the products traded were of too small a volume to affect the free-trade area provisions of Article XXIV:8(b) and that it was not possible to obtain statistics on certain products in the breakdown requested.

The Council took note of the report.

11. Customs Unions and Free Trade Areas; Regional Agreements

- Agreements concluded with the European Communities

(a) Accession of Denmark, Ireland and the United Kingdom

The Working Party on Accessions to the European Communities, which was established by the Council in March 1972, held its eighth and ninth meetings in December 1972 and February 1973. The discussions focussed on the methodology for the examination of the accession Treaty under Article XXIV:5(a) and on certain issues with regard to preferences maintained by certain of the acceding countries.

The Working Party was unable to reach a consensus on a methodology for this examination. Some members were of the opinion that a statistical compilation involving an aggregation of information on tariffs and non-tariff measures in the Community was necessary in order to determine whether the duties and other regulations of commerce were or were not on the whole higher or more restrictive than the general incidence of the duties and regulations of commerce applicable in the constituent territories prior to Accession. The European Community for its part considered that, under the terms of the relevant legal provisions, the consistency of the Treaty of Accession with the conditions set forth in Article XXIV:5(a) should be appreciated in a global manner for all products taken together as well as vis-à-vis the contracting parties taken together. With respect to the industrial sector, the Community proposed that the incidence of customs duties be compared because in that sector customs duties were, on the whole, representative of the protection afforded at the frontier. In the agricultural sector, on the other hand, it considered that comparison of only those instruments that were applied at the frontier was not adequate and would not be representative of the real situation, taking into account the great diversity of the support measures applicable to agriculture, not only in the EEC but also in the other contracting parties. In particular, the Community emphasized that the ad valorem incidence of variable levies was not comparable to that of customs duties, having regard to the nature and particular function of that instrument. The Community proposed that in the agricultural sector the required comparison be effected by examining the evolution of agricultural imports and their rate of growth during reference periods in the original six-member Community and in the acceding countries, because such an examination would furnish elements of appreciation that would be useful within the framework of Article XXIV:5(a). This proposal was not acceptable to a number of the members of the Working Party because in their view it would not show what, if any, change might occur in the general incidence of duties and other regulations of commerce.

A number of members suggested that an assessment be undertaken on the basis of both methodologies but the Enlarged Community was not prepared to accept this.

The Working Party also discussed certain questions arising under the re-negotiation under Article XXIV:6. In this connexion it had an inconclusive debate on whether a number of the preferential rates listed in Part II of the United Kingdom Schedule were to be considered bound or not.

These re-negotiations which were effectively engaged in March 1973 with the aim of finishing them in July were not concluded at the end of October.

(b) Free Trade Area Agreements with

- Switzerland and Liechtenstein (C/M/90)
- Sweden (C/M/90)
- Austria (C/M/90)
- Portugal (C/M/90)
- Iceland (C/M/90)

At their twenty-eighth session the CONTRACTING PARTIES had established five working parties to examine, in the light of the relevant provisions of the General Agreement, the agreements concluded between, on the one hand, the European Communities and, on the other hand, Switzerland and Liechtenstein, Sweden, Austria, Portugal and Iceland.

The reports of the five working parties were presented to the Council on 19 October 1973.

Several representatives, addressing themselves to general issues common to all the Agreements, were of the opinion that the Agreements were not consistent with the General Agreement but constituted preferential trading arrangements rather than free-trade areas. Some representatives expressed concern at the erosion of the multilateral framework for international trade and at the effects the Agreements would have on their trade with the countries concerned. The representative of the European Communities considered that the examination of the Agreements in the working parties fully supported the view that they were in conformity with the General Agreement. The representatives of Switzerland, Sweden, Austria, Portugal and Iceland, addressing their remarks to the Agreement concluded by their respective countries, shared the view of the Communities that this Agreement fully complied with Article XXIV.

The Council adopted the reports of the Working Parties on the Agreements between the European Communities and Switzerland and Liechtenstein (L/3898), Sweden (L/3899), Austria (L/3900), Portugal (L/3901) and Iceland (L/3902).

The representative of the United States expressed concern at the stringency of the rules of origin provided under the Agreements and of their protectionist effect. He asked that a detailed study of the problems of rules of origin be undertaken. He proposed that a working party be set up to carry out a detailed

examination and analysis of the problems of trade deflection and rules of origin in free-trade areas and of the GATT rules relating thereto, with special reference to the Agreements concluded between the European Communities and the EFTA countries. Several representatives supported the United States proposal.

The representative of the Communities and of Switzerland, Sweden, Austria, Portugal and Iceland pointed out that the working parties had had an extensive examination of the rules of origin established under the Agreements, as was reflected in the five reports. Moreover, the rules of origin were subject to review in the light of the evolution of the free-trade arrangements. They therefore saw no reason for repeating this work and could not support the establishment of a working party as proposed by the United States representative. They all stated their readiness to provide additional information or clarification with regard to these rules through the normal bilateral channels.

The Council agreed to defer until its next meeting the question of establishing a working party for the examination of the problems of trade deflection and rules of origin.

At its meeting on 7 November 1973 the Council agreed, since there had not been sufficient time to narrow the divergences of view, that the matter be left on the agenda to be taken up at some future meeting of the Council.

- Norway (C/M/86, 87)

At its meetings on 30 April and 29 May 1973 the Council was informed that negotiations for a free-trade area agreement between the European Communities and Norway had been concluded on 16 April 1973, and that the Agreements had been signed on 14 May 1973. The Agreements were drawn up on the same basis as the other five Agreements with EFTA members.

The Council agreed that the examination of the Agreements with Norway should follow the same procedure as had been applied to the other association agreements and established a working party open to all contracting parties to examine the agreements.

- Finland (C/M/90)

The representative of Finland informed the Council at its meeting on 19 October 1973 of the signature of a Free Trade agreement between the European Communities and Finland. The text of the Agreement had been submitted to the Finnish Parliament for approval.

The Council took note of this information.

(c) Agreements with some Mediterranean countries and Mauritius (C/M/84)

The representative of the European Communities informed the Council at its meeting on 5 February 1973 that the Communities had signed on 19 December 1972 an Agreement of Association and a complementary Protocol with Cyprus, on 18 and 19 December 1972 an Agreement and additional Protocol with the Arab Republic of Egypt, and on 18 December an Agreement with Lebanon. Finally, an Agreement had been signed with Mauritius, which had acceded to the Yaoundé Convention. The texts would be presented to the CONTRACTING PARTIES as soon as they were available.

- Accession of Mauritius to the Yaoundé Convention (C/M/85)

At its meeting on 22 March 1973 the Council was informed of the text of the Association Agreement concerning the accession of Mauritius to the Yaoundé Convention (L/3820). The Agreement had not yet entered into force as the ratification procedure was not yet completed.

The Council took note of the Association Agreement.

Some representatives reserved the possibility to revert to the subject, if necessary.

- Associations with Tunisia and Morocco (C/M/83, 85, 90, 91)

On 19 December 1972 the Council received a report (L/3769) prepared by the parties to the Association Agreements between the European Economic Community and Tunisia and Morocco, presented in accordance with the Calendar of Biennial Reports. The Council was informed that measures for adapting the agreements to take account of the enlargement of the Community were to be negotiated in the near future. Negotiations for a new agreement on a broader basis would be initiated in early 1973.

Some representatives stated that they continued to consider these agreements as inconsistent with Article I and not justified under Article XXIV and reserved their rights under the GATT.

The Council took note of the Report.

The representative of the Community informed the Council at its meeting on 22 March 1973 that the Community had concluded a protocol with Tunisia on 28 February 1973 and with Morocco on 3 March 1973. The texts of the protocols would be presented to the CONTRACTING PARTIES as soon as they were available. The Council took note of this information.

The text of the Protocol concluded with Morocco was presented to the Council at its meeting on 19 October 1973. The representative of the European Communities said that the Protocol was of a transitional nature and would be replaced by a new agreement on a broader basis. Negotiations for a new agreement were in progress.

The text of the Protocol concluded with Tunisia was presented to the Council at its meeting on 7 November 1973. The representative of the European Communities said that the Protocol contained transitional measures consequent on the accession of three countries to the EEC and that the aim was to negotiate a new agreement on a broader basis. These negotiations were well in progress and the new agreement would be notified to the CONTRACTING PARTIES in the usual manner.

The representative of the United States considered that the Protocols with both Morocco and Tunisia did not meet the requirements of Article XXIV; in particular the discriminatory quotas under the arrangements would, if they were maintained under the new agreements, need to be carefully considered.

The Council took note of the Protocols.

- Association with Cyprus (C/M/89)

At its meeting on 30 July 1973 the Council was informed of the text of the Agreement of Association between the European Economic Community and Cyprus (L/3870).

The Council agreed to initiate the customary procedure for the examination of the Agreement and set up a working party, open to all contracting parties.

- Agreement with Egypt (C/M/90)

At its meeting on 19 October 1973 the Council was informed that the text of the Agreement and Additional Protocol concluded between the European Economic Community and Egypt had been submitted to the CONTRACTING PARTIES and would be circulated before the end of the month.

The Council agreed to initiate the customary procedures for the examination of the Agreement and set up a working party, open to all contracting parties.

12. Trade arrangements between India, Egypt and Yugoslavia (C/M/85, 91)

The Decision of 20 February 1970 requests the States participating in the Trade Expansion and Economic Co-operation Agreement between India, Egypt and Yugoslavia to report on the operation of the Agreement in order to enable the

CONTRACTING PARTIES to carry out an annual review of the Decision. The report on the operation of the Agreement during the year 1971/72 (L/3822) was presented to the Council at its meeting on 22 March 1973. Furthermore, the three Governments informed the Council of their recent decision to extend the Trade Expansion and Economic Co-operation Agreement by five years until 31 March 1978 (L/3827). The three Governments accordingly requested an extension of the Decision of 20 February 1970, which was to expire on 31 March 1973.

As it was difficult for a number of delegations to consider the report in the short time provided and to determine the real effects of the Decision and its relationship to broader agreements, the Council agreed to set up a working party to consult with India, Egypt and Yugoslavia, as provided under paragraph 1(b) of the Decision with respect to the proposed extension of the Agreement and to carry out the review of the Decision of 20 February 1970 as provided in paragraph 1(c) thereof.

As the Working Party was unlikely to meet in order to conclude its work before the expiry of the Decision, the Council took steps for a temporary extension of the Decision of 20 February 1970 and approved the text of a draft decision prepared by the secretariat extending the Decision of 20 February 1970 until the end of the twenty-ninth session of the CONTRACTING PARTIES. As the decisions relating to the Tripartite Agreement had in the past been adopted by the CONTRACTING PARTIES by consensus and since there were more than half of the contracting parties represented at the Council meeting, the Council extended by consensus the Decision of 20 February 1970 on the basis of the draft decision approved. The decision had therefore been adopted by the CONTRACTING PARTIES.

At its meeting on 19 October 1973 the Council amended the terms of reference of the Working Party so as to enable the consultation also to cover the expansion in product coverage under the Agreement notified by the three countries (L/3933).

The Working Party carried out the consultation and review in October 1973. The report of the Working Party (L/3950) was submitted to the Council on 7 November 1973.

The Council was informed that the Working Party had noted that there were no indications that the operation of the Agreement had adversely affected the interests of third countries. At the same time some members of the Working Party had expressed concern about the departure from the provisions of Article I of the General Agreement and one member had questioned the usefulness of the arrangement on account of the geographical remoteness of the participating States from each other, and the lack of evidence that the tariff concessions had had any positive effects on their mutual trade. Other members had taken the view that the Agreement was in full conformity with the General Agreement. The Working Party, with one

exception, had agreed to recommend to the CONTRACTING PARTIES the adoption of a Decision enabling the extension of the Agreement for five years. One member was prepared to accept an extension for only one year to allow additional time to assess the benefits of the Agreement.

The Council adopted the report of the Working Party and approved the text of the draft decision (reproduced in Annex I) and recommended its adoption by the CONTRACTING PARTIES.

13. Waivers under Article XXV:5

(a) Brazil - Renegotiations of Schedule (C/M/83)

By decision of 27 February 1967 the CONTRACTING PARTIES suspended the application of the provisions of Article II of the General Agreement to the extent necessary to enable the Government of Brazil to apply those rates of duty provided in its new Customs Tariffs which exceeded those bound in Schedule III, subject, inter alia, to the condition of conducting negotiations pursuant to Article XXVIII. The time-limit for terminating such negotiations had been extended by Decision of 19 November 1971 until 31 December 1972.

At its meeting of 19 December 1972, the Council was informed by the representative of Brazil of progress made in the renegotiations carried out under the Decision. Negotiations had been concluded with all but one of the interested contracting parties and his Government asked for a new one-year extension of the waiver (L/3794).

The Council approved the text of a draft decision and recommended its adoption by the CONTRACTING PARTIES. The Decision was adopted by postal ballot on 30 January 1973 (L/3815).

At its meeting on 7 November 1973 the Council was informed by the representative of Brazil that it had not yet been possible to fully complete the negotiations with one interested contracting party, i.e. the United Kingdom. If necessary, his delegation would ask the Council to consider the question of an extension of the waiver before the end of the year.

The representative of the United Kingdom saw no reason why the negotiations should not be brought to an end before the expiry of the waiver.

The Council agreed to revert to the matter before the end of the year if either delegation concerned should feel it necessary to seek a further extension of the waiver.

(b) India - Renegotiation of Schedule (C/M/84)

At its meeting on 5 February 1973 the Council considered a request from the Government of India for a waiver from its obligations under Article II in order to enable it to introduce the necessary modifications in its tariff pending the conduct and completion of the renegotiations required under Article XXVIII (L/3809).

The representative of India informed the Council that his Government had decided to change over to the Brussels Tariff Nomenclature. At the same time, attempts had been made to rationalize his country's tariff structure. As these steps could involve adjustments of rates of duties on a certain number of bound items and since it was not possible to enter into and complete renegotiations before adjustments were made in the rates and duties on bound items, the Government of India requested a waiver under Article XXV:5.

The Council approved the text of the draft decision and recommended its adoption by the CONTRACTING PARTIES.

The Decision was adopted by postal ballot on 16 March 1973 (L/3831).

(c) India auxiliary duty of customs (C/M/90)

At its meeting on 19 October 1973 the Council considered a report from the Government of India for a waiver from its obligations under Article II in order to enable it to apply, on a temporary basis, an auxiliary duty of customs on certain goods (L/3934).

The representative of India informed the Council that the levying of auxiliary duties was one of a number of measures imposed in the context of the 1973-74 budget to raise additional resources required for development needs and to meet higher outlays on social welfare schemes.

The Council approved the text of a draft decision and recommended its adoption by the CONTRACTING PARTIES.

(d) Indonesia - Renegotiation of schedule (C/M/90, 91)

At its meeting on 19 October 1973 the Council received a request from the Government of Indonesia for a waiver from its obligations under Article II in order to enable it to apply a newly introduced customs tariff pending the conclusion of negotiations in accordance with the provisions of Article XXVIII (L/3939).

The representative of Indonesia stated that a new customs tariff based on the Brussels Tariff Nomenclature had been introduced by his Government with effect from 31 January 1973. The revision was aimed at simplifying and rationalizing the Indonesian tariff structure. His Government stood ready to enter into consultations and negotiations with interested contracting parties, with a view to completing such negotiations on items on which GATT bindings might be effected, not later than 31 December 1975.

The Council agreed to consider the matter at its next meeting.

At its meeting on 7 November 1973 the Council approved the text of a draft decision (reproduced in Annex II) and recommended its adoption by the CONTRACTING PARTIES by means of a ballot taken at the twenty-ninth session.

(e) New Zealand - Tariff Free Quotas for Handicraft Products (C/M/91)

At its meeting on 7 November 1973 the Council considered a request from the Government of New Zealand (L/3947) for a waiver from its obligations under Article I in order to permit it to establish tariff-free quotas for a limited range of handicraft products originating in certain countries in the South Pacific.

The representative of New Zealand said that the countries concerned were: Fiji, Tonga, Nauru, Papua/New Guinea and Western Samoa. Some of these countries were amongst the least developed countries and the Governments concerned believed that the scheme would materially contribute to their economic development. The scheme could not be opened to other more advanced developing countries because that would frustrate its objectives.

Some representatives while they were sympathetic to the objectives and although they recognized the limited importance of the scheme in trade terms, felt that there were not sufficient grounds justifying its discriminatory aspects. Many representatives supported the request and could accept that in this case a departure from the principle of non-discrimination was justified. A number of representatives asked that the matter be referred to the CONTRACTING PARTIES.

The Council agreed to refer the matter to the CONTRACTING PARTIES for their consideration at their twenty-ninth session. The draft decision which was presented to the Council is reproduced in Annex III.

(f) Turkey - Stamp Duty (C/M/83, 87)

Under the Decision of 24 August 1969 the CONTRACTING PARTIES waived the provisions of Article II to the extent necessary to enable the Turkish Government to maintain in effect a stamp duty on imports of products in respect of which the

duties were bound in the Turkish Schedule. In October 1972 the Council had received a request from the Turkish Government for an extension of the waiver until the end of the Third Five-Year Plan, i.e. 31 December 1977, and had referred the request to the Committee on Balance-of-Payments Restrictions for examination. The report of the Committee was presented to the Council on 19 December 1972 (L/3787).

The Committee considered, having regard to the fact that the measure was maintained for the purpose of safeguarding the balance of payments, that it was not possible to examine it in isolation from the other measures which were being used for the same purpose. In the expectation that a consultation with Turkey under the provisions of Article XVIII:12(b) would take place early in 1973, the Committee recommended that an interim extension be granted to Turkey so as to allow time for the Committee to accomplish the assigned task at that time.

The Council approved the text of the draft decision proposed by the Committee, and recommended its adoption by the CONTRACTING PARTIES. The decision was adopted by postal ballot on 30 January 1973 (L/3814). The Council adopted the Report.

At its meeting on 29 May 1973 the Council was informed that the Committee on Balance-of-Payments Restrictions had examined the question of the Turkish Stamp Duty. The Committee had noted that, among others, the purpose of the Stamp Duty was primarily to raise revenue destined to finance the Development Plan and recommended that the CONTRACTING PARTIES grant a waiver until 30 June 1975 (BOP/R/65).

The Council approved the text of the draft decision proposed by the Committee and recommended its adoption by the CONTRACTING PARTIES. The decision was adopted by postal ballot on 3 July 1973 (L/3802). The Council adopted the Report.

#### 14. Reports under Waivers

##### (a) Australia - Tariff preferences for developing countries (C/M/84)

On 5 February 1973 the Council received the sixth annual report on the Australian preference scheme for developing countries (L/3798). The representative of Australia described the developments in the scheme during the year 1971/1972. He also referred to the apparent inability of developing countries to capitalize fully on existing import opportunities in the Australian market. A number of representatives commented on the scheme and on ways of overcoming the difficulties faced by developing countries in entering a new market.

The Council took note of the report.

(b) Australia - Papua/New Guinea (C/M/90)

At its meeting on 19 October 1973 the Council took note of the nineteenth annual report (L/3903) submitted by the Government of Australia.

(c) United States - Imports of automotive products (C/M/83)

At its meeting on 19 December 1972 the Council took note of the sixth annual report (L/3764) submitted by the Government of the United States.

15. Article XXVIII:1 - Renegotiations 1972 (C/M/83)

At its meeting on 19 December 1972 the Council extended until 30 June 1973 the time-limit for the conclusion of the negotiations which were being carried out under paragraph 1 of Article XXVIII.

16. Article XXVIII:4 - Renegotiations - Request by Sweden (C/M/85,86)

At its meeting on 22 March 1973 the Council considered a request by the Government of Sweden (L/3825) for authority under Article XXVIII:4 to enter into renegotiations on some items in its Schedule. Sweden intended, as from 1 April 1974, to reduce the tariff rate on one item, but to introduce, at the same time, a variable levy system to compensate for the difference between the world market price and the Swedish domestic price for agricultural raw materials included in certain processed foodstuffs.

After a brief discussion, the Council agreed to defer the item to its next meeting.

The Council resumed consideration at its meeting on 30 April 1973. Some representatives expressed concern about the intention of the Swedish Government to introduce a variable levy system for processed agricultural products at a time when its trading partners were preparing for the multilateral trade negotiations. The representative of the United States said that his authorities had not sufficient information to take a definite stand on the request.

The representative of Sweden reaffirmed that the variable levy was intended only to compensate for the difference in world market prices and the Swedish domestic prices for raw materials. It was impossible to say whether the variable levy would result in the present GATT bound rate being exceeded.

The Council, while noting the reservation made by the United States, considered that there were special circumstances in the sense of Article XXVIII:4 and agreed to grant the authority requested.

Accessions

(a) Hungary (C/M/89)

In July 1969 the Council had considered the application of the Government of Hungary to accede to the General Agreement in accordance with the provisions of Article XXXIII and had established a Working Party to examine the application. After having had several meetings the Working Party presented its report to the Council on 30 July 1973 (L/3889 and Corr.1).

The report of the Working Party referred to certain issues, which had attracted special attention. As regards the abolition of discriminatory quantitative restrictions on imports from Hungary, it had been agreed that if any such restrictions for exceptional reasons should remain in force after 1 January 1975, the Working Party to be established to carry out consultations on trade with Hungary would examine these restrictions with a view to their elimination. Negotiations had been carried out with twelve contracting parties and the European Communities and their nine member States. The resulting Schedule, which contained around 1,000 concessions, had been circulated to all contracting parties.

The Working Party recommended that Hungary should be invited to accede to the General Agreement on the terms set out in the draft protocol of accession.

Many representatives welcomed the accession.

The Council approved the terms of the Draft Protocol (Annex I to the Report of the Working Party) and the text of the Draft Decision (Annex II) and adopted the Report of the Working Party. The Decision was adopted by postal ballot on 8 August 1973 (L/3723).

(b) Provisional Accession of the Philippines (C/M/85, 89)

At its meeting on 22 March 1973 the Council considered the request of the Government of the Philippines for accession to the General Agreement on Tariffs and Trade pursuant to Article XXXIII, initially on a provisional basis pending the working out of arrangements for tariff negotiations.

The Council set up a working party to examine the request.

The report of the Working Party on the Provisional Accession of the Philippines (L/3888) was presented to the Council at its meeting on 30 July 1973. The Working Party had noted that while the request by the Philippines was for provisional accession, it was the intention of the Government to seek full accession in the context of the forthcoming multilateral trade negotiations.

It recommended that the request for provisional accession be granted and that the Philippines be invited without delay to participate in the work of the CONTRACTING PARTIES. It also recommended that the Draft Declaration on the Provisional Accession of the Philippines be approved and opened for acceptance and that the Draft Decision on the Participation of the Philippines in the work of the CONTRACTING PARTIES be adopted.

The Council recommended that the text of the draft declaration be approved by the CONTRACTING PARTIES and the Decision on the Participation of the Philippines be adopted. The Council adopted the Report of the Working Party.

The Declaration was approved and the Decision was adopted by postal ballot on 9 August 1973 (L/3909, L/3906).

(c) Provisional accession of Tunisia (C/M/91)

At its meeting on 7 November 1973, the Council considered a request by the Government of Tunisia for a further extension of the period of validity of the Declaration on its Provisional Accession (8S/15) and of the Decision of 12 November 1959 (8S/14) inviting Tunisia to participate in the work of the CONTRACTING PARTIES.

The Council agreed to the extension of the provisional accession until 31 December 1975, approved the text of the Ninth Procès-Verbal Extending the Declaration and agreed that the Procès-Verbal be opened for acceptance by the parties to the Declaration. The Council approved the text of the decision extending the invitation to Tunisia to participate in the work of the CONTRACTING PARTIES (Annex IV) and recommended its adoption by the CONTRACTING PARTIES.

18. Consultation on Trade with Poland (C/M/87, 91)

The Protocol for the Accession of Poland provides for annual consultations. At its meeting on 29 May 1972 the Council established a Working Party to conduct the sixth annual consultation and to re-examine the question of the establishment of a date for the termination of the transitional period.

The representative of Poland pointed out that Poland had fully implemented and even exceeded the commitment to increase imports from GATT countries. However some contracting parties still continued to apply discriminatory restrictions against imports from Poland. He expressed regret that three consecutive attempts had failed to determine the date for the termination of the transitional period and he strongly appealed to all contracting parties that such a date be fixed this year.

The report of the Working Party (L/3946) was presented to the Council at its meeting on 7 November 1973. Several representatives expressed regret that it had again not been possible to reach agreement on the establishment of a terminal date for the transitional period and strongly supported the Polish proposal to set the terminal date at 31 December 1974. Other delegations recalled that they could accept a compromise formula advanced during an earlier consultation which would provide them with some flexibility.

The Council endorsed the recommendation of the Working Party that notifications on remaining discriminatory restrictions be submitted in time and that certain contracting parties concerned improve the form and content of their notifications and that contracting parties which had not submitted notifications be urged to submit them in future. The Council noted that the Working Party was not in a position to agree on a recommendation with regard to the question of the establishment of a terminal date for the transitional period. In accordance with the provisions of the Protocol of Accession, this question would be re-examined at the Seventh Annual Review.

The Council adopted the report.

19. Consultation on Trade with Romania (C/M/83, 89)

Paragraph 5 of the Protocol for the Accession of Romania provides for the setting up of a working party for consultations with the CONTRACTING PARTIES in the second year after the entry into force of the Protocol. At its meeting on 19 December 1972 the Council, established a working party to conduct, on behalf of the CONTRACTING PARTIES, the first consultation with the Government of Romania provided for in the Protocol.

At its meeting on 30 July 1973 the Council considered the report of the Working Party (L/3875). Concern had been expressed in the Working Party at the slow rate of relaxation of discriminatory restrictions on imports from Romania by some contracting parties. The question of whether Romania had fulfilled its import commitment could only be determined at the end of the current Five-Year Plan, but several members of the Working Party had expressed considerable satisfaction with the way in which trade was developing between Romania and their countries.

The representative of Romania pointed out that since the progressive relaxation of discriminatory restrictions proceeded very slowly, Romanian imports from contracting parties increased more than its exports and the balance of trade with contracting parties was negative for Romania. He asked for the elimination of all discriminatory quantitative restrictions, the disinvoication of Article XXXIV by those contracting parties which had resort to it, and the inclusion of Romania in the list of beneficiary countries by all donor countries of the Generalized System of Preferences.

The Council adopted the report.

20. Application of Article XXXV to Japan (C/M/91)

At the meeting of the Council on 7 November 1973 the representative of Japan expressed his Government's appreciation to the three contracting parties which since the twenty-eighth session had disinvoked Article XXXV with respect to Japan. He expressed concern, however, that there were fourteen contracting parties still invoking Article XXXV against his country.

The Council took note of the statement and appealed to the contracting parties concerned to give serious consideration to this question.

21. Application of the General Agreement to newly-independent countries (C/M/91)

At its meeting on 7 November 1973 the Council took note of the Director-General's second report on the application of the Recommendation of November 1967 inviting contracting parties to apply the General Agreement de facto in respect of newly-independent territories on a reciprocal basis. The Council agreed that the Director-General remain in contact with the governments of the States concerned and report again on the application of the Recommendation within three years.

22. Canada - temporary duty reductions (C/M/85)

The representative of Canada informed the Council at its meeting on 22 March 1973 that Canada had announced on 19 February a reduction in tariffs by an average 5 percentage points on a substantial part of its imports, including a number of products where developing countries are important suppliers (L/3824). These tariff reductions were part of a package of economic and fiscal measures designed to stimulate the Canadian economy and to deal with the upward thrust in the cost of living and it was anticipated that they would prove helpful in the broad international context. The tariff cuts were initially for a period of one year and were subject to review before the end of this period. Any decision to make these reductions permanent would probably have to be taken in the context of the multilateral trade negotiations.

The Council took note of this information.

23. New Australian trade measures (C/M/89)

The representative of Australia informed the Council at its meeting on 30 July 1973 of new Australian trade measures introduced on 18 July 1973 (L/3896). They included a reduction of 25 per cent in all tariffs excluding a small number of revenue items and anti-dumping duties. The action was designed to restrain domestic price increases by increasing competition through additional imports. The

action was consistent with the Australian Government's long-term objectives with respect to the Australian tariff. The Australian system of tariff preferences for developing countries would be maintained and operated from the new reduced general tariff rates. The tariff reductions formed an integral part of Australia's contribution to the GATT negotiations.

The Council was also informed that the bounties in respect of the Australian dairy industry on the production of butter and cheese and on the export of processed milk products would be phased out, beginning in the current 1973/74 season, and would be terminated on 30 June 1975.

The Council took note of this information.

24. Training activities (C/M/91)

At the meeting of the Council on 7 November 1973 the Director-General presented a report on the current activities of the GATT secretariat in the field of training. He stressed that he continued to attach the greatest importance to the commercial policy courses which were conducted in Geneva for officials from developing countries. He expressed the hope that the GATT secretariat would be able to continue these activities on the basis of the present satisfactory financial arrangements and procedures. However, he wished to inform the Council of the possibility of some changes of an administrative and financial character which might have to be introduced by UNDP and which could lead to complications for the GATT courses as from the beginning of 1975.

Members of the Council emphasized the importance they attached to these courses and hoped that any future difficulties regarding their financing would be overcome.

The Council took note of the report.

25. Status of Protocols (C/M/91)

At its meeting on 7 November 1973 the Council considered the report of the Director-General (C/W/228) on the status of the protocols upon which some action was still required by one or more contracting parties. The Council noted that the Protocol Introducing Part IV was in force amongst all but three contracting parties. The Council agreed to recommend to the CONTRACTING PARTIES that the closing date for the acceptance of this Protocol be extended until the close of the thirtieth session for those contracting parties which would not have been able to accept it before the end of the twenty-ninth session. The Council approved the text of a draft decision (reproduced in Annex V) for consideration by the CONTRACTING PARTIES at their twenty-ninth session.

26. International Trade Centre

(a) Review of the administrative and financial arrangements  
(C/M/83, 84, 85)

On 19 December 1972 the Director-General presented a report prepared by the Secretary-General of UNCTAD and himself on their review of the administrative and financial arrangements of the International Trade Centre. In the report (C/W/212) certain modifications to existing arrangements were proposed. He explained that it had become necessary to delegate to the Centre wider responsibilities for administrative and financial matters in view of the Centre's rate of growth and in order to overcome difficulties experienced in the administrative and financial control of the Centre. Overall policy guidance in respect of size of budget, including the personnel requirements of the Centre, and in respect of the overall orientation of the Centre work programme would continue to be provided by the two parent organizations.

The Council took note of the report and approved the proposed change in the procedures for the certification and the signature of the Centre's accounts and the transfer of the audit to the United Nations' auditors.

At its meeting on 5 February 1973 and 22 March 1973 the Director-General informed the Council that the modifications to the administrative and financial arrangements for the International Trade Centre, which were to be put into effect on 1 January 1973, had been deferred, due to technical problems, to 1 March 1973. As of that date the Centre had taken over management functions, such as preparation and control of the budgets and internal administration. However, in the light of certain views expressed by the United Nations, it had been decided that servicing and processing functions in the field of payments, procurement, accounting and employment administration could be more properly performed through the existing infrastructure of the United Nations Office at Geneva, and this had been done since 1 March 1973. The question as to the type of contracts the Centre staff would receive was still open. As the staff needed to be consulted, this matter would take longer to be finalized.

The Council took note of this information.

(b) Joint UNCTAD/GATT Advisory Group (C/M/85)

At its meeting on 22 March 1973 the Council considered the report of the Joint UNCTAD/GATT Advisory Group on its sixth session (ITC/AG/30). The meeting had been preceded by a meeting of the Technical Committee. The Group was unanimously of the view that the Technical Committee had proved of great value and agreed that in future the Technical Committee should meet for a longer period. The Chairman of the Group had been requested to enter into consultations with a

view to determining appropriate proposals in regard to the organization of the Technical Committee on a permanent basis. The Group paid attention to certain general problems such as the participation of the Centre in UNDP country programming, delays in the implementation of projects and the effects on the Centre's planned work programme of budgetary constraints. It stressed the necessity for an increasingly close integration in the future of the Centre's technical assistance projects with national development plans. The Group also reviewed the operational services of the Centre.

The Joint Advisory Group endorsed the work programme proposed by the Centre for 1974 and agreed to recommend it to the Governing Bodies of UNCTAD and GATT.

The Council approved the recommendation of the Advisory Group relating to the work programme for 1974 and adopted the Report.

27. Administrative and financial questions

(a) Final position of the 1972 budgets of the GATT and of the International Trade Centre (C/M/86)

At its meeting on 30 April 1973 the Council considered the annual reports on the final position of the 1972 budget of the GATT (L/3844) and of the International Trade Centre (L/3845). The Council authorized the necessary increases and changes in the appropriations and approved the financing of the excess expenditure and the earmarking of the surplus balance.

(b) Assessments of additional contributions (C/M/83, 90)

At its meeting on 19 December 1972 the Council, following the accession of Bangladesh to GATT, adopted the assessment of Bangladesh's contribution to the 1972 and the 1973 budgets and its advance to the Working Capital Fund (L/3790).

At its meeting on 19 October 1973 the Council, following the accession to the GATT of Singapore and Hungary and the provisional accession of the Philippines, adopted the assessments of the contribution to the 1973 budget and the advance to the Working Capital Fund on these governments (L/3922, L/3923, L/3924).

(c) Adjustment of contribution (C/M/83)

The Council adopted at its meeting on 19 December 1972 the adjustments to the 1972 and 1973 contributions of Pakistan (L/3793).

(d) Committee on Budget, Finance and Administration (C/M/86)

At its meeting on 30 April 1973 the Council decided upon the terms of reference and membership of the Committee on Budget, Finance and Administration for 1973.

The Committee met in October 1973. The Committee's report (L/3944) on its examination of the 1972 accounts, the financing of the 1973 budgets and the budget estimates for 1974 of the GATT and the International Trade Centre was presented to the Council on 7 November 1973.

The Council approved the recommendations made in the report and recommended the adoption by the CONTRACTING PARTIES, at their twenty-ninth session, of the report, including the recommendations contained therein, and the Resolution on the Expenditure of the CONTRACTING PARTIES in 1974 and the Ways and Means to meet such Expenditure.

The Council heard a statement of a representative of the GATT Staff Council concerning the erosion of staff salaries, allowances and pensions due to the effects of currency fluctuations since 1971.

The Council endorsed the invitation by the Committee addressed to the Director-General to use his influence within the competent bodies to ensure that all necessary steps were taken with the utmost dispatch to resolve the problems which had arisen in respect of the erosion of staff salaries, allowances and pensions. The Council noted that the Director-General in pursuance of this mandate would transmit to the Secretary-General of the United Nations, in the latter's capacity as Chairman of the Administrative Committee on Co-ordination the text of the Council's conclusions on this matter.

(e) Appointment of the two Deputy Directors-General (C/M/88)

The Council agreed at its meetings on 29 May and 28 June 1973 to the appointment of two Deputy Directors-General for a period of three years.

(f) Representation allowance of the Director-General (C/M/90)

At its meeting on 19 October 1973 the Council approved a proposal by the Chairman of the CONTRACTING PARTIES to establish the representation allowance of the Director-General in Swiss francs at an amount of Sw F 45,000, effective 1 January 1973. This was done to restore the value in money terms of the allowance to approximately the amount agreed to in 1968.

28. Arrangements for the twenty-ninth session (C/M/90)

At its meeting on 19 October 1973 the Council agreed that the twenty-ninth session of the CONTRACTING PARTIES be held from 13 to 15 November 1973.

29. Membership of the Council (C/M/90,91)

At its meeting on 19 October 1973 the Council welcomed Hungary and on 7 November 1973 the Council welcomed Singapore as members of the Council.

Annex I

TRADE ARRANGEMENTS BETWEEN  
INDIA, EGYPT AND YUGOSLAVIA

Draft Decision

CONSIDERING that the CONTRACTING PARTIES, by the Decision of 14 November 1968<sup>1</sup>, agreed that the Governments of India, the Arab Republic of Egypt and Yugoslavia (hereinafter referred to as the "participating States") may implement, subject to specified conditions and procedures, the Trade Expansion and Economic Co-operation Agreement (hereinafter referred to as the "Agreement"), dated 23 December 1967, and effective 1 April 1968;

CONSIDERING FURTHER that the CONTRACTING PARTIES, by the Decision of 20 February 1970<sup>2</sup>, agreed that the participating States may continue, subject to the conditions and procedures set forth in paragraph 1 of that Decision, to implement the Agreement as amended by a Protocol amending the Agreement and constituting an integral part thereof (hereinafter referred to as the "Protocol"), dated 16 July 1969;

CONSIDERING FURTHER that the Decision of 20 February 1970 was intended to expire no later than 31 March 1973;

CONSIDERING FURTHER that the CONTRACTING PARTIES, by the Decision of 22 March 1973<sup>3</sup>, agreed to extend the validity of the Decision of 20 February 1970 subject to the relevant terms and conditions specified therein, until the end of the twenty-ninth session of the CONTRACTING PARTIES;

NOTING that the participating States have notified the CONTRACTING PARTIES of their agreement to expand the product coverage<sup>4</sup> and to extend the duration of the Agreement, as amended by the Protocol, until 31 March 1978 and have requested<sup>5</sup> that the aforesaid Decision of 20 February 1970 be modified accordingly and extended to 31 March 1978;

BEARING IN MIND that the participating States have reiterated their intention to seek the extension of the concessions embodied in the Agreement, as amended by the Protocol, including those relating to products referred to in

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<sup>1</sup>BISD Sixteenth Supplement, page 17

<sup>2</sup>BISD Seventeenth Supplement, page 21

<sup>3</sup>L/3832

<sup>4</sup>L/3933

<sup>5</sup>L/3827

document L/3933, to all other developing countries by appropriate negotiations and to make their best endeavours to integrate these concessions within the framework of the Protocol relating to Trade Negotiations among Developing Countries of 8 December 1971; and

NOTING also that the participating States have extended concessions on a number of items covered by the Agreement, as amended, to other developing countries who have acceded to the aforesaid Protocol relating to Trade Negotiations among Developing Countries;

THE CONTRACTING PARTIES decide that, notwithstanding the provisions of Article I:1, the participating States may continue to implement the Agreement, as amended by the Protocol and with the inclusion of the additional products mentioned in document L/3933, subject to the relevant terms and conditions of the Decision of 20 February 1970, until 31 March 1978.

Annex II

INDONESIA - RENEGOTIATION OF SCHEDULE XXI

Draft Decision

Considering that the Government of Indonesia has notified the CONTRACTING PARTIES that it has adopted a new Tariff of Customs Duty on 31 January 1973, based on the Brussels Tariff Nomenclature;

Considering that this tariff reform has been undertaken with a view to simplifying and rationalizing the Indonesian tariff structure;

Noting that in order to do so it was regarded necessary by the Indonesian authorities to revise the composition and the rates of custom tariff duties;

The CONTRACTING PARTIES acting pursuant to the provisions of Article XXV:5 of the General Agreement and in accordance with the procedures adopted by them on 1 November 1956,

Decide in view of the exceptional circumstances, to suspend the application of the provisions of Article II of the General Agreement to the extent necessary to enable the Government of Indonesia to apply the rates of duty contained in its Tariff of Customs Duty of 1 February 1973 which may exceed those bound in Schedule XXI, pending completion of negotiations for modification or withdrawal of concessions in that Schedule, subject to the following conditions:

1. The Government of Indonesia will promptly enter into negotiations or consultations with interested contracting parties pursuant to paragraphs 1 to 3 of Article XXVIII. These negotiations or consultations shall be related to the concessions to be offered by the Government of Indonesia as compensation for the modifications and withdrawals of concessions at present specified in Schedule XXI, and to any requests made by interested contracting parties for other or additional compensation with a view to reaching a satisfactory adjustment consistent with the requirements of paragraph 2 of Article XXVIII.

2. Part IV of the General Agreement, including Article XXXVI:8, is applicable to the negotiations between Indonesia and the contracting parties which have accepted the Protocol amending the General Agreement on Tariffs and Trade to introduce a Part IV on Trade and Development; and other contracting parties, negotiating with Indonesia, likewise accept the principle enunciated in Article XXXVI:8 as applicable to the negotiations.

3. The negotiations or consultations mentioned above shall be completed not later than 31 December 1975.
4. Pending the entry into force of the results of the negotiations or consultations mentioned above, the other contracting parties will be free to suspend concessions initially negotiated with Indonesia to the extent that they consider that adequate compensation, bearing in mind the provisions of paragraph 2 of this Decision, is not offered within a reasonable time by the Government of Indonesia (subject to the right of any third contracting party having a principal supplying interest or a substantial interest therein to withdraw substantially equivalent concessions initially negotiated with such other contracting parties).
5. Except as may be otherwise provided in this Decision, the negotiations or consultations mentioned above shall be conducted in conformity with the relevant provisions of Article XXVIII.

Annex III

NEW ZEALAND - TARIFF-FREE QUOTAS FOR  
HANDICRAFT PRODUCTS FROM SOUTH PACIFIC ISLANDS

Draft Decision

Noting the request of the Government of New Zealand to be authorized to establish tariff-free quotas for a limited range of handicraft products originating in certain countries in the South Pacific;

Considering New Zealand's long and close association with its South Pacific island neighbours, all of whom are developing countries and some of whom are amongst the least developed of the developing countries;

Noting further that these islands believe the scheme will materially contribute to their further economic development; and

Considering that New Zealand is the logical market with which these countries might develop their exports and that, despite the small level of trade involved, the improved access to the New Zealand market would be of considerable significance to them;

The CONTRACTING PARTIES, acting pursuant to the provisions of paragraph 5 of Article XXV of the General Agreement,

Decide to waive, until 31 December 1976, subject to the terms and conditions set out in paragraphs (1) and (2) below, the application of the provisions of Article I of the General Agreement to the extent necessary to permit the Government of New Zealand to establish duty-free quotas for hand-made handicraft products of the type listed in the Annex to this Decision, and which originate in Fiji, Tonga, Nauru, Papua/New Guinea or Western Samoa.

(1) Any contracting party which considers that its trade with New Zealand in any product is suffering substantial injury as a result of the action taken by the Government of New Zealand under this Decision may request consultation with the Government of New Zealand. The Government of New Zealand shall consult with such contracting party within thirty days of receiving a written request for consultation, with a view to arriving at a mutually satisfactory settlement.

(2) The Government of New Zealand shall report annually to the CONTRACTING PARTIES on the action taken by it under this Decision, and shall provide information regarding imports into New Zealand from all sources of the products of the type listed in the Annex to this Decision.

ANNEX

Handicrafts Certified by the Appropriate Authorities  
as being Hand Made

1. Items made principally from pandanus, tapa, coconut sheath, leaf-bud, husk or shell, or hibiscus bark (e.g. baskets, mats, traditional items of headgear and apparel).
2. Hand-printed fabrics (by block or screen process).
3. Items made principally of wood, carved or inlaid (e.g. traditional weapons, table articles).
4. Items made principally from seeds, sea shells, tortoise shell, cocconut shell or pig tusk (e.g. jewellery, ornamental articles).

Annex IV

PARTICIPATION OF TUNISIA IN THE WORK  
OF THE CONTRACTING PARTIES

Further Extension of the Decision of 12 November 1959

Draft Decision

Considering that the parties to the Declaration of 12 November 1959 on the Provisional Accession of Tunisia to the General Agreement on Tariffs and Trade are taking steps, pursuant to paragraph 6 of that Declaration, to extend further the period of validity of the Declaration:

The CONTRACTING PARTIES

Decide to extend further the period of validity of the Decision of 12 November 1959, which provided for the participation of Tunisia in the work of the CONTRACTING PARTIES, until the Government of Tunisia accedes to the General Agreement under the provisions of Article XXXIII or until 31 December 1975, whichever date is earlier.

Annex V

EXTENSION OF CLOSING DATE FOR ACCEPTANCE OF THE PROTOCOL  
AMENDING THE GENERAL AGREEMENT TO INTRODUCE A  
PART IV ON TRADE AND DEVELOPMENT

Draft Decision

CONSIDERING that the Protocol Amending the General Agreement to Introduce a Part IV on Trade and Development has not yet been accepted by all contracting parties.

The CONTRACTING PARTIES

Decide to extend the closing date for acceptance of the said Protocol until the close of their thirtieth session, and

Urge the contracting parties which have not yet accepted the said Protocol to make every effort to do so in the near future.