

GENERAL AGREEMENT ON TARIFFS AND TRADE

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Thirty-Fifth Session

COUNCIL OF REPRESENTATIVES

Report on Work since the Thirty-Fourth Session¹

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 seven meetings² since the thirty-fourth session in November 1978. The minutes of these meetings are contained in documents C/M/131 - C/M/137. 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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²Including the meeting of 22 November 1979.

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1. Anti-dumping practices

 - Committee on Anti-Dumping Practices (C/M/136)

At its meeting on 16 November 1979 the Council considered the eleventh report by the Committee on Anti-Dumping Practices (L/4857), which covered the period from October 1978 to October 1979. The Committee had had two special meetings in January and February 1979 in addition to its regular annual meeting. It had had detailed discussions of the proposed revision of the

Anti-Dumping Code consequent to the state of the negotiations on subsidies/ countervailing measures. The Committee had also an exchange of views on the reporting format of anti-dumping actions. The Committee had discussed the anti-dumping practices in various countries members of the Committee and examined new or revised anti-dumping legislation of some of its members. Comments were also made on anti-dumping draft regulations embodying results achieved in the Multilateral Trade Negotiations.

The Council adopted the report.

2. Adjustment of specific duties (C/M/136)

At its meeting in May 1978, the Council established a working party to examine, in consultation with the International Monetary Fund, the modalities for the application of Article II:6(a) in the current monetary situation.

The report of the Working Party (L/4858) was presented to the Council at its meeting on 16 November 1979. The Working Party had drawn up certain guidelines for decisions under Article II:6(a), which it recommended to the CONTRACTING PARTIES for adoption. The Chairman of the Working Party explained to the Council that in Article II:6(a) the right to adjust specific duties was linked to Fund approved changes in the par value of the currency. The proposed guidelines set out how Article II:6(a) should be applied now that the Fund's par value system had been abandoned and floating had become widespread. They did not establish new standards and procedures but represented an adaptation of the standards and procedures applied in the past to the present monetary situation. The guidelines were meant to help ensure reasonably uniform and predictable decisions by the CONTRACTING PARTIES in a rather complex subject matter, but not to restrict the CONTRACTING PARTIES' discretion. The guidelines would only be applied if the CONTRACTING PARTIES considered that this would be appropriate in the circumstances of the particular case.

The representative of the European Communities noted that the Working Party had agreed that the guidelines were designed to take into account the present monetary situation and that they should not be applied to currency depreciations that took place before that situation. The Community considered that only variations in currency values which were in conformity with the Articles of Agreement of the International Monetary Fund should be taken into account, i.e. those occurring after 1 April 1978 when the Articles of Agreement of the Fund were amended. The Community also stressed the importance of avoiding an impairment of the value of concessions by an upward adjustment of specific duties following a depreciation of short duration.

The representative of the United States recalled that the question of the exact date of the advent of the present monetary situation had been discussed in the Working Party. Several members of the Working Party believed that the present situation had actually begun with floating in 1973, rather than in 1978 when the Fund amended its rules.

In order to give representatives more time for reflexion on the proposed guidelines the Council agreed to defer further consideration of this matter until an early meeting.

3. Balance-of-payments import restrictions

- Consultations on balance-of-payments restrictions

(a) Arrangements for consultations in 1979 (C/M/132)

Arrangements for consultations on balance-of-payments import restrictions in 1979 were presented to the Council on 29 January 1979.

The Council took note of the arrangements.

(b) Consultation with Brazil (C/M/132)

In November 1978 the Committee on Balance-of-Payments Restrictions carried out a consultation with Brazil. The report (BOP/R/103) was presented to the Council at its meeting on 29 January 1979. During the consultation, the Committee had expressed doubts whether the Brazilian import restrictions could be fully justified under the provisions of Article XVIII:B and had urged the Brazilian authorities to adopt alternative policies to restore equilibrium. The Committee had also called for expeditious simplification of the import system.

The representative of Brazil considered that the Committee had underestimated the balance-of-payments difficulties faced by Brazil. He noted that the Committee had expressed doubts whether the Brazilian measures could be fully justified under Article XVIII:B and that the Committee concluded that extensive import restrictions were not the appropriate means of restoring equilibrium on the current account other than on a very temporary basis. He was of the opinion that such a statement was contrary to the letter and the spirit of that Article, according to which a contracting party should pay due regard to the need for restoring equilibrium on a lasting basis. The Committee, when recommending alternative measures in other fields to attain equilibrium in the balance of payments, should have taken into consideration the provisions of Article XVIII:11 to the effect that no contracting party should be required to withdraw or modify restrictions on the grounds that a change in its development policy would render unnecessary the restrictions which it had been applying.

The Council adopted the report.

(c) Consultation with India (C/M/132)

In November 1978, the Committee on Balance-of-Payments Restrictions held a consultation with India under Article XVIII:12(b). The report on this consultation (BOP/R/104) was presented to the Council at its meeting on 29 January 1979. The Committee had been impressed by the very positive developments in the Indian economy, particularly in respect of the liberalization of the import régime.

The Council adopted the report.

(d) Consultation with Portugal (C/M/134)

In April/May 1979 the Committee on Balance-of-Payments Restrictions held a consultation with Portugal. The report on this consultation (BOP/R/106) was presented to the Council at its meeting on 25 July 1979. The consultation had included an examination of the Portuguese import surcharges.

The Council adopted the report.

(e) Consultation with Turkey (C/M/136)

In October 1979 the Committee on Balance-of-Payments Restrictions carried out a consultation with Turkey under Article XVIII:12(b). The Committee also examined Turkey's request for an extension of the Turkish stamp duty waiver (see item 9(d) hereafter). The report (BOP/R/107) was presented to the Council at its meeting on 16 November 1979. The Committee had noted that, despite the extremely difficult balance-of-payments situation, Turkey had not resorted to an intensification of its import restrictions.

The Council adopted the report.

(f) Examinations under simplified procedures (C/M/132)

- Consultations with Bangladesh, Ghana, Korea, Tunisia and Yugoslavia

At its meeting in November 1978, the Balance-of-Payments Committee examined written statements supplied by a number of developing countries under the simplified procedures.

At its meeting on 29 January 1979 the Council considered the report on the examination of statements supplied by Bangladesh, Ghana, Korea, Tunisia and Yugoslavia (BOP/R/105). The Committee recommended that Bangladesh, Ghana and Yugoslavia should be deemed to have consulted with the CONTRACTING PARTIES and to have fulfilled their obligations under the provisions of Article XVIII:12(b). The Committee concluded that in the case of Korea and Tunisia a full consultation would be held in 1979.

The Council adopted the report and agreed that Bangladesh, Ghana and Yugoslavia should be deemed to have consulted with the CONTRACTING PARTIES and to have fulfilled their obligations under Article XVIII:12(b). The Council noted that full consultations would be held with Korea and Tunisia under the applicable procedures.

4. Consultative Group of Eighteen

(see L/4884/Add.1)

5. Emergency action and trade restrictive measures

(a) EEC - imports into the United Kingdom of television sets from Korea (C/M/134)

At the meeting of the Council on 25 July 1979, the representative of Korea referred to the EEC's Article XIX action on imports into the United Kingdom of television sets from Korea. He recalled that the Council at its meeting in March 1978, had urged Korea and the United Kingdom to carry out further bilateral consultations with a view to a satisfactory settlement of the matter. He now reported that these consultations had resulted in a voluntary export restraint arrangement which had come into effect as from 22 June 1979. The Community's Article XIX action had consequently been repealed. He reiterated the view, however, that the Community's discriminatory action under Article XIX had been a violation of the GATT.

The representative of the European Communities, while not sharing some of the views expressed, confirmed that the measures in question had been lifted.

The Council took note of the statements.

6. Recourse to Articles XXII and XXIII

(a) European Communities

(i) Refunds on exports of sugar

- Recourse by Australia (C/M/135)

In October and November 1978 the Council had considered the Australian complaint relating to EEC sugar export practices and had established a Panel to examine the matter.

At its meeting on 6 November 1979 the Council considered the report of the Panel and its conclusions which the Panel had reached unanimously.

The representative of Australia welcomed the report which vindicated Australia's complaint concerning EEC subsidy practices on sugar. The report was a test case in that it would determine whether international action in the field of export subsidies on agricultural products was possible within the GATT. He mentioned a number of important points which emerged from the Panel's findings, viz. (i) that the export refunds of the EEC were a subsidy; (ii) that the EEC had significantly increased its exports of heavily subsidized sugar; (iii) that the EEC system of sugar exports had depressed prices, had a destabilizing influence on world markets and thereby caused serious prejudice to all sugar exporters, including Australia; and (iv) that the EEC sugar export system contained no element to prevent it from obtaining more than an equitable share of world export trade in sugar.

He pointed out however, that although the Panel had examined what had happened to exports of both the Community and Australia, it had passed over the very important indirect effects in its deliberations. Australia would regard as the more relevant issue the question whether or not the Community had gained an inequitable share of world trade.

The representative of Australia pointed out that the Community had been found to be in breach of Article XVI:1 in that its system of sugar subsidies caused or threatened serious prejudice. He believed that therefore, the CONTRACTING PARTIES were entitled to ask the Community what action it intended to take and in what time framework it intended to act to bring its system into compatibility with Article XVI:1. He believed that it was appropriate to commence consultations between the CONTRACTING PARTIES and the European Communities on the causes and effects of the Community system.

Several delegations spoke on this matter. It was noted that the Panel had recognized the damaging effects of the Community subsidy policies on the world sugar market. The Panel had been careful not to rule out the possibility that the Community had indeed gained, through its subsidy policy, more than an equitable share in the world export trade in sugar. There was also support for the request by Australia for corrective action to be taken by the European Communities. One delegation suggested that the contracting parties consider jointly under the provisions of Article XXXVIII:1 how the adverse effects for the trade of developing countries could be rectified.

The representative of the European Communities could accept the conclusions as a whole but was reluctant to interpret specific parts of the conclusions which were delicately balanced. He noted that the Community system as such had not been condemned, and that it was rather its effects that caused some problems. It might also have been desirable to distinguish more clearly between what was structural and what was conjunctural. He noted that the Panel was not in a position to conclude that the Community had obtained more

than an equitable share in the world sugar market. He did not share the view that the European Communities were responsible for the depressed prices in the world sugar market, nor that that the Community system constituted a threat of prejudice. Furthermore, he could not accept that serious prejudice had been caused to Australia. He assured the Council that all possible measures that could be taken by the European Communities would be implemented.

The Council adopted the report and agreed that, in the light of the report and taking into account the comments made, the matter should be discussed again at an early meeting.

- Recourse by Brazil (C/M/132, 135)

At their thirty-fourth session the CONTRACTING PARTIES had agreed to establish a panel to examine the complaint by Brazil regarding EEC refunds on exports of sugar. The CONTRACTING PARTIES had decided on the terms of reference for the Panel and authorized the Chairman of the Council to nominate the Chairman and the members of the Panel.

At its meeting on 29 January 1979, the Council was informed of the composition of the Panel.

The Council took note of the information.

At its meeting on 6 November 1979 the Council was informed of the new composition of the Panel.

The Council took note of the information.

(ii) Restrictions on imports of apples from Chile (C/M/134, 135)

At the meeting of the Council on 25 July 1979 the representative of Chile referred to newly introduced restrictions on imports of apples from his country into the Community. He mentioned that in March 1979 Chile had been asked by the Community to limit voluntarily its exports of apples to the EEC and was offered a quota of 42,000 tons. As Chile had already contracted the sale of 60,000 tons of apples to the Community, a third of which had been shipped, the Government of Chile had proposed that the restrictions requested by the EEC should apply only to later shipments. This proposal was rejected and the EEC proceeded to prohibit the imports of apples from Chile. He considered that in the light of developments on the market for apples in the EEC and from the point of view of bilateral trade, the measures imposed by the Community were not appropriate and that they contravened the provisions of the GATT.

Since the consultations between the Community and Chile had not led to an agreement he requested the Council, in conformity with Article XXIII:2, to establish a panel to examine the compatibility with the appropriate provisions of GATT of the Community Regulations Nos. 687, 797 and 1152 of 1979 and to report to the Council.

The representative of the EEC expressed the belief that both parties were still pursuing bilateral consultations. He did not share some of the views expressed by the representative of Chile. As the request for a panel had only been made that day he asked the Council, while not opposing the setting-up of a panel, to allow more time for reflexion and bilateral consultations.

Some delegations supported the setting-up of a panel. They expressed concern that the imposition of trade restrictive measures might shift the burden of adjustment to efficient producers and considered that an examination of this matter would make it easier to avoid similar situations in the future.

The Council invited the parties to continue their bilateral efforts to find a solution to this matter. The Council agreed to establish a panel, but deferred a decision on its terms of reference and membership to its next meeting.

At its meeting on 6 November 1979 the Council was informed that in spite of intensive bilateral consultations between Chile and the Community it had not been possible to reach a mutually satisfactory solution. The Council agreed on the terms of reference for the Panel and authorized the Chairman of the Council to nominate the chairman and the members of the Panel in consultation with the two parties concerned.

(b) Japan

(i) Restraints on imports of leather

- Recourse by the United States (C/M/132, 133, 134, 135)

At its meeting in July 1978, the Council had considered the United States complaint on restraints of leather imports into Japan. The Council had authorized the Chairman to take the necessary steps for the establishment of a panel, if the consultations between the United States and Japan under Article XXIII:1 had not succeeded after a definite period of time. At its meeting on 29 January 1979 the Council was informed that it had not been possible for the two parties to settle the matter and that consequently, the Chairman, in consultation with the two parties, had established a Panel with

specified terms of reference and membership. At its meeting on 27 March 1979, the Council received the report of the Panel (L/4789). The report stated that the Panel had been informed that following further bilateral consultations between the United States and Japan an agreement had been reached, as a result of which, the United States was withdrawing its complaint. The two parties had reserved their rights under the General Agreement to re-open the proceedings if the conclusions reached were not put into practice to their mutual satisfaction. The two parties were prepared, upon request, to provide information on the substance of the conclusions reached to other interested parties and to consult with them. The Panel was of the view that the agreement between the two parties constituted a solution to the matter before it and considered the proceedings under Article XXIII:2 to be terminated.

The representatives of the United States and Japan considered that as a result of the successful conclusion and the withdrawal of the United States complaint the matter was closed. They expected therefore, the Council to adopt the report.

Some representatives pointed out that they had made presentations to the Panel and had expressed their concern about the Japanese import restrictive measures. They considered that any settlement between Japan and the United States did not relieve Japan of its GATT obligations towards other interested contracting parties. They considered it premature for the Council to adopt the report since more time was needed to study it and to determine the implications of the bilateral settlement for third parties. These delegations reserved their rights under the GATT and expressed their intention to enter into bilateral consultations with Japan.

The representative of Japan said that the purpose of the dispute settlement procedure under Article XXIII was to bring a bilateral dispute to a mutually satisfactory solution. This had been achieved and upon the withdrawal of the United States complaint the Panel had declared the procedure terminated. There was in his view no precedent in the GATT, once a mutually satisfactory solution had been reached for not adopting a panel's final report due to the intervention of third parties. He reiterated his Government's readiness to give third parties, having an interest in this matter, upon request, explanations on a bilateral basis and to have bilateral consultations on the administration of the quotas vis-à-vis such countries. He proposed the adoption of the report.

The Council agreed, in view of the fact that the report had been circulated only recently, to revert to this matter at its next meeting.

At its meeting on 25 July 1979 the Council was informed that technical discussions between Japan and the United States were still going on and the Council agreed that this item be deferred to its next meeting.

At its meeting on 6 November 1979 the Council was informed that these technical discussions had been concluded.

The Council adopted the report of the Panel.

- Recourse by Canada (C/M/135, 136)

At its meeting on 6 November 1979 the Council received a complaint by Canada relating to Japanese restrictions on imports of leather (L/4856). As intensive bilateral discussions were currently being held between the two parties the Council agreed to defer the matter to its next meeting.

At the meeting of the Council on 16 November 1979 the representative of Canada informed the Council that since the last meeting of the Council further bilateral consultations with Japan under Article XXIII:1 had been held, but no concrete progress had been made in these consultations. He therefore requested the Council to proceed to the establishment of a panel to examine the compatibility with the GATT of the Japanese restrictions on imports of leather.

The representative of Japan referred to the sensitive, socio-political issues relating to this matter. He recognized the importance of this matter for Canada, but believed that further efforts should be made to arrive at a mutually acceptable solution on a bilateral basis.

Two other representatives expressed their interest in the matter and supported the Canadian request.

The Council agreed to establish a panel as requested by Canada and authorized the Chairman of the Council to nominate the chairman and members of the panel in consultation with the two parties concerned.

(ii) Restraints on imports of manufactured tobacco (C/M/136)

At the meeting of the Council on 16 November 1979 the representative of the United States referred to Japanese measures affecting imports of manufactured tobacco, more specifically cigars and pipe tobacco (L/4871). He stated that Japan maintained a variety of measures which affected the pricing, distribution, marketing and advertising of imported tobacco products. These measures were administered by the Japan Tobacco and Salt Public Corporation which maintained a monopoly on the importation, domestic production and distribution of tobacco products. Imports of tobacco products were restricted through this monopoly to provide protection to domestic production. Furthermore, the Japanese Government imposed a monopoly payment on imported tobacco products far in excess of the equivalent payment on domestic products, which was inconsistent with Article III. The United States

also contended that the operations of the Japanese State-trading enterprise for tobacco were contrary to Article XVII, in that they were discriminatory and not consistent with commercial considerations. His Government believed that these measures operated to the substantial detriment of United States tobacco exports. As consultations had failed to achieve a satisfactory solution his Government had decided to seek recourse to the provisions of Article XXIII:2. He therefore requested that a panel be established to examine the complaint.

The representative of Japan stated that Japan had been seriously engaged in consultations with the United States since February 1978. He mentioned that his Government had submitted a bill to the National Diet to revise laws on the pricing system of tobacco products. He mentioned further that the Japanese Tobacco and Salt Public Corporation had conducted consultations twice with representatives of the United States industry. Intergovernmental consultations had furthermore been held in August. Japan continued to believe that the problem should be solved through bilateral consultations. He also pointed out that the United States had not completed the procedure under Article XXIII:1, nor had Japan ever been consulted on pipe tobacco. His delegation entirely reserved its position on the United States allegations that some Japanese measures were inconsistent with Article III and Article XVII. He also pointed out that the United States complaint was limited to cigars and pipe tobacco and Japan could not be expected to consult on cigarettes.

The representatives of the European Communities, Canada and Sweden stated that their authorities had also had discussions with Japan on these matters. They expressed an interest to make representations to the panel, if a panel were established.

The Council requested the United States and Japan to pursue their bilateral consultations under Article XXIII:1 on this matter for a further period. The Council agreed that if these consultations did not lead to a mutually satisfactory solution, an appropriate procedure for consideration of the United States complaint under Article XXIII:2 would be the establishment of a panel. The Council authorized its Chairman to take the necessary steps, in consultation with the two parties concerned, for the establishment of a panel with appropriate terms of reference if the matter had not been settled satisfactorily on a bilateral basis by 31 December 1979.

(c) Norway

- Restrictions on imports of textiles from Hong Kong (C/M/134)

At the meeting of the Council on 25 July 1979, the representative of the United Kingdom, speaking for Hong Kong, referred to earlier discussions in the Council since May 1978. He stated that no agreement had been reached

in bilateral consultations between Hong Kong and Norway in respect of Norway's 1978/79 actions. His delegation considered that the procedures under Article XXIII:1 had been exhausted and he therefore requested the establishment of a panel under the provisions of Article XXIII:2 (L/4815).

The representative of Norway did not oppose the establishment of a panel. He expressed the hope, however, that such a panel would not create difficulties for future bilateral consultations. He mentioned that Norway's Article XIX action was in conformity with the GATT. His delegation was prepared to continue its efforts in order to find a satisfactory solution for the current year in the light of the provisions of the extended Textiles Arrangement.

The representative of the United Kingdom, speaking for Hong Kong, felt that the possibilities for bilateral consultations for 1978/79 had been exhausted and that further consultations could only relate to imports in 1980.

The Council agreed to establish a panel with appropriate terms of reference and authorized the Chairman to nominate the chairman and members of the Panel in consultation with the two parties concerned.

At its meeting on 6 November 1979 the Council was informed of the composition of the Panel.

(d) Spain

(i) Tariff treatment of unroasted coffee (C/M/135, 136)

At the meeting of the Council on 6 November 1979 the representative of Brazil said that his delegation had requested consultations under Article XXII:1 with Spain on the question of modifications in the Spanish tariff for unroasted coffee (L/4832). These consultations had not yet taken place. Because in the meantime discussions of a general nature were being held in Madrid between the two parties, he requested that he be given an opportunity at a future meeting of the Council to revert to this matter, if necessary.

The Council so agreed.

At the meeting of the Council on 16 November 1979 the representative of Brazil referred again to the Brazilian request for consultations under Article XXII:1 with Spain on this matter. He stated that Spain had not yet accorded Brazil the opportunity for having such consultations. He pointed out that the commercial discussions of a general nature held at Madrid between Brazil and Spain, at which also the questions relating to coffee had been brought up, were not considered by his delegation as consultations under Article XXII:1 which they had requested. He considered the new Spanish

tariff on coffee to be discriminatory against Brazilian coffee and expressed the hope to arrive at a satisfactory solution in bilateral consultations. His delegation reserved the possibility to revert to this matter at a future meeting of the Council, if necessary.

The representative of Spain said that Spain was in the process of replacing its State-trading system, which also applied to coffee, by a liberal trade régime. He confirmed that discussions on this matter had been held in Madrid. He stated that efforts were being made to reach a mutually satisfactory conclusion.

The Council took note of the statements.

(ii) Measures concerning domestic sale of soyabean oil (C/M/136)

At the meeting of the Council on 16 November 1979 the representative of the United States referred to restrictions maintained by Spain on the sale of soyabean oil, which acted as barriers to imports of soyabeans. (L/4859). Without wanting to go into detail he expressed the view that the Spanish measures on soyabean oil, processed from imported soyabeans, were inconsistent with Article III and Article XVII. He stated that the Spanish General Supply Commission, which had a monopoly over the marketing of soyabean oil, maintained internal quantitative restrictions, and price controls on the sale of soyabean oil, in a manner which discriminated against domestic sales of soyabean oil processed from imported soyabeans, so as to afford protection to domestic production of other edible oils. As a number of bilateral approaches by the United States had been unsuccessful, the United States had had consultations with the Spanish Government under Article XXIII:1. These consultations had not led to a satisfactory solution of the problem.

The representative of Spain stated that he did not intend at this stage to enter into the substance of the matter, nor to respond to the United States statement. The matter was quite complex and was presently being studied by the Spanish authorities. The matter was of direct concern to a long-established Spanish industry which was of great importance to his country. He mentioned that in the context of the important economic relations between the United States and Spain many matters were being discussed, including the present one. The Spanish authorities intended to pursue these consultations with the United States with a view to arriving at a mutually satisfactory solution.

The representative of Brazil expressed his interest in the matter and hoped that a satisfactory solution could be achieved.

The Council urged the two parties to pursue their bilateral consultations under Article XXIII:1 and agreed to revert to the matter at its first meeting early next year.

7. Export inflation insurance schemes (C/M/134)

In June 1978 the Council had established a panel to examine whether and under what conditions export inflation insurance schemes were export subsidies within the meaning of Article XVI:4.

The report of the Panel was presented to the Council at its meeting on 25 July 1979 (L/4813). The Chairman of the Panel expressed the hope that the Panel's conclusions could provide some guidelines for the future interpretation of the provisions of Article XVI as they applied to the types of schemes under consideration.

One representative considered that the report of the Panel confirmed that export inflation insurance schemes, which involved significant cash transfers from the national budget, were export subsidies. The view was also expressed that the report did not provide a workable test on whether Article XVI was contravened or not by individual governments operating export inflation insurance schemes. It was suggested that this matter should be dealt with as a question of priority by the Committee on Subsidies and Countervailing Measures, once it was established. In this connexion reference was also made to the special situation of developing countries.

The Council adopted the report.

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

(a) ASEAN Agreement (C/M/132)

In November 1977, the Council had established a working party for the examination of the provisions of the ASEAN Agreement. The report of the Working Party was presented to the Council at its meeting on 29 January 1979 (L/4735).

The Working Party had examined the implications of ASEAN tariff preferences for the ability of the member States to reduce tariffs on an MFN-basis, and the scope and application of provisions on non-tariff measures, government procurement, ASEAN industrial projects and rules of origin. Members of the Working Party had expressed full support for the objectives of the Agreement. The Working Party prepared a draft Decision which it recommended to the Council for adoption. It was the United States delegation's understanding that the decision was intended to meet the waiver requirements of Article XXV:5.

The Chairman noted that there was a consensus in the Council, which was composed of more than one half of the contracting parties, to adopt the decision proposed by the Working Party. The Decision was therefore adopted (L/4768).

The Council adopted the report.

(b) Australia-Papua New Guinea Agreement (C/M/135)

At its meeting on 6 November 1979 the Council considered the report on the operation of the Papua New Guinea-Australia Free Trade and Commercial Relations Agreement, submitted by the delegation of Australia (L/4848).

The Council took note of the report.

(c) Central American Common Market (C/M/132, 133)

At its meeting on 27 March 1979 the Council considered the reports submitted, in accordance with the calendar of biennial reports on developments under regional agreements, by the Secretariat of SIECA and by the Government of Nicaragua on developments in the Central American Common Market (L/4731 and L/4731/Add.1).

The Council took note of the reports.

(d) European Communities

(i) Accession of Greece (C/M/134, 135)

At its meeting on 25 July 1979, the Council was informed by the representative of the European Communities that in June 1975, Greece had presented a request for accession to the European Communities and that, as a result, instruments of accession had been drawn up, which were signed on 28 May 1979. These had already been ratified by the Greek Parliament. Upon ratification by the nine member States, Greece would become the tenth member of the European Communities as of 1 January 1981. He outlined the principal points of the Accession Treaty in the commercial field and pointed out that the texts of the Accession Agreements were being submitted to the CONTRACTING PARTIES. The representative of Greece confirmed the statement by the representative of the European Communities.

The Council took note of the statements.

At its meeting on 6 November 1979 the Council established a working party for the examination of the provisions of the documents concerning the accession of Greece to the European Communities.

(ii) Lomé Convention (C/M/136)

At the meeting of the Council on 16 November 1979 the representative of the European Communities informed the Council of the signature, on 31 October, of the new Lomé Convention.

The Council agreed to revert to this matter when the text of the new Convention had been distributed.

(iii) Information on developments furnished by member States

- Association between the EEC and Greece (C/M/132)
- Association between the EEC and Turkey (C/M/132)
- Agreements with Austria, Finland, Iceland, Norway, Portugal, Sweden and Switzerland (C/M/136)

In accordance with the calendar of biennial reports on developments under regional agreements, reports were submitted to the Council on 29 January 1979 relating to the Association between the EEC and Greece (L/4765) and the Association between the EEC and Turkey (L/4748). At its meeting on 16 November 1979 the Council received reports by the parties to the agreements concluded by the European Communities and the seven member States of EFTA and FINEFTA (L/4860-L/4867).

The Council took note of the reports.

(e) European Free Trade Association

(i) EFTA/FINEFTA (C/M/136)

At the meeting of the Council on 16 November 1979 the representative of Iceland presented a progress report on the activities of the European Free Trade Association and the Finland/EFTA Association (L/4850). The report was submitted in accordance with the calendar of biennial reports on developments under regional agreements. He stated that the EFTA countries remained very dependent on foreign trade. This was illustrated by the fact that, while accounting for only 1 per cent of the world population, the foreign trade of these countries represented about 7 per cent of total world trade, both imports and exports. Furthermore, the amount of average imports per capita was higher than in any other trading area. He also pointed out that, although faced with the difficult situation prevailing in the world economy, the EFTA countries had taken recourse to protectionist measures only in exceptional cases and in conformity with GATT procedures. He also recalled that on 1 July 1977 the last remaining duties on most industrial trade between the sixteen countries in EFTA and the European Community had been removed.

The Council took note of the report.

(ii) Free-trade agreement between EFTA and Spain (C/M/134)

At its meeting on 25 July 1979 the Council was informed that a free-trade agreement had been concluded between the EFTA countries and Spain on 26 June 1979. A formal notification of the Agreement would be submitted to the CONTRACTING PARTIES in due course.

The Council took note of the information.

The Agreement has since been notified to the CONTRACTING PARTIES (L/4867).

(f) Agreements concluded by Finland

(i) Finland-Bulgaria Agreement (C/M/134)

At its meeting on 25 July 1979 the Council nominated a new chairman of the Working Party on the Agreement between Finland and Bulgaria.

(ii) Finland-Czechoslovakia Agreement (C/M/134; 135)

At its meeting on 25 July 1979 the Council nominated a new chairman of the Working Party on the Agreement between Finland and Czechoslovakia.

At its meeting on 6 November 1979 the Council considered the second report of the Working Party on the examination of the provisions of the Agreement between Finland and Czechoslovakia (L/4837). The Council took note that the Working Party had not been able to reach any unanimous conclusion as to the compatibility of the Agreement with the provisions of the General Agreement and as to the continuation of the work of the Working Party.

The Council adopted the report.

(iii) Finland-German Democratic Republic Agreement (C/M/134; 135)

At its meeting on 25 July 1979 the Council nominated a new chairman of the Working Party on the Agreement between Finland and the German Democratic Republic.

The Working Party met again in September 1979 to continue its examination under the terms of reference agreed by the Council in November 1975. The Working Party agreed that the chairman would make an oral report to the Council.

At its meeting on 6 November 1979 the Council took note of the report and noted that the Working Party had agreed to meet again in approximately eighteen months.

(iv) Finland-Poland Agreement (C/M/134)

In May 1978 the Council established the Working Party on the Agreement between Finland and Poland and authorized its Chairman to nominate the chairman of the Working Party. At its meeting on 25 July 1979, the Council was informed of the nomination.

(g) Latin American Free Trade Association (C/M/133)

At its meeting on 27 March 1979 the Council considered the report, submitted in accordance with the calendar of biennial reports on developments under regional agreements, by the representative of Brazil on the activities in LAFTA in 1976-1977 (L/4785).

The Council took note of the report.

(h) New Zealand-Australia Free Trade Agreement (C/M/136)

At the meeting of the Council on 16 November 1979 the representative of New Zealand presented the seventh report on developments under the New Zealand-Australia Free Trade Agreement (L/4872). The report was submitted in accordance with the calendar of biennial reports on developments under regional agreements. He referred to Schedule A trade for which duties were progressively reduced and bound at free. He pointed out that total two-way Schedule A trade had increased from \$459 million in 1975/76, to \$A 567 million in 1976/77 and to \$A 623 million in 1977/78. He also mentioned that as a result of a continuing process of review two lists of further additions to Schedule A had been made.

The Council took note of the report.

9. Waivers under Article XXV:5

(a) Brazil - Renegotiation of Schedule (C/M/133)

The representative of Brazil informed the Council at its meeting on 27 March 1979 that the renegotiations under the waiver Decision of 26 November 1975, which was to expire at the end of March 1979, had been concluded with all interested contracting parties.

The Council took note of the statement.

(b) India - Auxiliary duty of customs (C/M/133)

By Decision of 15 November 1973, as extended, the CONTRACTING PARTIES had waived until 31 March 1979 the application of the provisions of paragraph 1 of Article II to the extent necessary to enable the Government of India to apply the temporary auxiliary duty of customs on items included in the Indian Schedule.

At its meeting on 27 March 1979, the Council considered a request by India for an extension of the waiver until 31 March 1980 (L/4790).

The representative of India explained that the special circumstances which had compelled his Government to maintain the auxiliary duty as a means to provide resources for essential development needs continued to exist. He expressed his delegation's willingness to consult with any contracting party which considered that serious damage was caused or threatened to be caused to its trade interests.

One representative believed that the number of items affected by the waiver was relatively small and he expressed the hope that India would be able to phase out the auxiliary duties in the course of the year.

The Council approved the text of a draft decision, extending the waiver until 31 March 1980, and recommended its adoption by the CONTRACTING PARTIES by postal ballot.

The Decision was adopted on 2 May 1979 (L/4802).

(c) Pakistan - Renegotiation of Schedule (C/M/136)

Under the Decision of 29 November 1977 the Government of Pakistan had been authorized to maintain in force the rates of duty provided in its revised Customs Tariff pending the completion of negotiations for the modification or withdrawal of concessions in the Pakistan Schedule.

At the meeting of the Council on 16 November 1979 the representative of Pakistan presented a request for an extension of the waiver by one year (L/4609/Add.4).

The Council approved the text of a draft decision extending the waiver until 31 December 1980 (reproduced in Annex I) and recommended that the decision be adopted by the CONTRACTING PARTIES by a vote at their thirty-fifth session.

(d) Turkey - Stamp Duty (C/M/136)

In the context of its consultation with Turkey under Article XVIII:12(b) (see item 3(e) above), the Committee on Balance-of-Payments Restrictions also examined the Turkish request for an extension of the Turkish Stamp Duty waiver (L/4840). The report of the Committee (BOP/R/107) was presented to the Council at its meeting on 16 November 1979.

The Committee had been of the view that the Stamp Duty should be replaced by alternative measures. It had noted that it was the intention of the Turkish authorities to introduce a fiscal reform which, once implemented, would obviate the need for the Stamp Duty. The Committee had recognized that in the present economic situation of Turkey the immediate removal of the Stamp Duty could not be given first priority and recommended that the CONTRACTING PARTIES grant an extension of the waiver.

The Council approved the text of the draft decision proposed by the Committee and recommended that the decision (reproduced in Annex II) be adopted by the CONTRACTING PARTIES by a vote at their thirty-fifth session.

(e) Uruguay - Import surcharge (C/M/134)

Under their Decision of 24 October 1972, as extended until 31 December 1978, the CONTRACTING PARTIES had waived the provisions of Article II of the General Agreement to the extent necessary to allow the Government of Uruguay to maintain certain import surcharges in excess of bound duties.

At its meeting on 25 July 1979, the Council considered Uruguay's request for an extension of the waiver (L/4806).

The representative of Uruguay informed the Council that reductions of the maximum levels of the surcharge had been made and that work was proceeding with a view to achieving a definitive change in the situation.

The Council approved the text of a draft decision extending the waiver until 31 December 1979 and recommended its adoption by the CONTRACTING PARTIES by postal ballot.

The Decision was adopted on 31 August 1979 (L/4825).

10. Reports under waivers

(a) Turkey - Stamp duty (C/M/133)

At its meeting on 27 March 1979 the Council considered a report by the Government of Turkey submitted under the terms of the Decision of 17 April 1978 (L/4779).

Some representatives sought information about the value-added tax which was to replace the stamp duty. The representative of Turkey said that draft legislation which would replace the stamp duty by a value-added tax system, would be presented to Parliament in the course of this year.

The Council took note of the report.

(b) United States

(i) Agricultural Adjustment Act (C/M/132)

At its meeting on 29 January 1979 the Council considered the twenty-first annual report by the United States on action taken under the Decision of 5 March 1955 (L/4727).

The representative of New Zealand noted that with regard to dairy products the situation had remained basically unchanged since 1960. He expressed the hope that the results of the MTN would include commitments on dairy products which would help to restore the balance of GATT rights and obligations.

The representative of Australia urged the United States to adjust its support arrangements so as to restore gradually normal trading conditions through the elimination of import quotas and other barriers. He expressed concern that under the 1977 Food and Agriculture Act the price support level for milk had been increased. He expressed the hope that in establishing a new domestic programme on sugar the United States would not embark on a system of high domestic support and restricted import arrangements. He also hoped that legislative authority would soon be forthcoming for full United States participation in the International Sugar Agreement.

The representative of the European Communities shared the concern expressed by Australia and New Zealand in respect of dairy products and pointed out that the Community wanted to arrive at a situation at the end of the Tokyo Round in which rights and obligations of contracting parties would be better balanced.

The representative of the United States stated that the United States had meticulously adhered to the waiver conditions and that several products involved had been liberalized. With regard to dairy products he expressed the hope that a satisfactory solution would be found in the MTN. In respect of sugar he mentioned that his Government was in the process of obtaining congressional ratification for United States participation in the International Sugar Agreement.

The Council took note of the report.

(ii) Automotive products (C/M/135)

At its meeting on 6 November 1979 the Council took note of the annual report by the Government of the United States under the Decision of 20 December 1965 (L/4847).

11. Renegotiation under Article XXVIII (C/M/131)

At its meeting on 22 December 1978, the Council considered a request from Czechoslovakia for an extension, until 30 June 1979, of the time-limit for the conclusion of its Article XXVIII:1 renegotiations. A communication had also been received from the United States indicating that the United States would not be able to conclude these renegotiations before the end of the year and that it needed an extension of the time-limit until 31 March 1979.

The representative of the European Communities stated that the same extension of time-limit should normally be applicable to all Article XXVIII:1 renegotiations which were still in progress.

The representative of the United States stated that his delegation intended to complete the renegotiations within three months, i.e. within the time frame of the MTN.

The Council agreed that the time-limit for the conclusion of the Article XXVIII:1 negotiations should be extended for Czechoslovakia to 30 June 1979, and for the United States to 31 March 1979.

12. Accessions, Provisional Accessions

(a) Accession of Colombia (C/M/132, 136)

At their thirty-fourth session the CONTRACTING PARTIES established a working party to examine the application by Colombia to accede to the GATT. The CONTRACTING PARTIES authorized the Chairman of the Council to nominate the chairman of the Working Party.

At its meeting of 29 January 1979 the Council was informed of the nomination.

The Working Party met in April 1979 and its report (L/4800 and Add.1) was presented to the Council, after the tariff negotiations between Colombia and contracting parties had been concluded, at the meeting of the Council on 16 November 1979. The Working Party had carried out an examination of the Colombian foreign trade régime and had given particular attention to the question of import and export restrictions applied in certain circumstances, Colombia's import licensing system, domestic taxes on imports, consular matters, internal taxes and customs valuation practices. Having carried out this examination and in the light of explanations given by the Colombian representative, the Working Party had reached the conclusion that, subject to the satisfactory conclusion of the relevant tariff negotiations, Colombia should be invited to accede to the General Agreement. The Working Party had drawn up a draft Protocol of Accession. The concessions resulting from the tariff negotiations between Colombia and contracting parties in connexion with Colombia's accession had been circulated (L/4800/Add.1) and would be annexed to the draft Protocol.

The representative of Colombia drew attention to the time-limit in paragraph 5 of the draft Protocol according to which the Protocol of Accession should be signed by Colombia before 31 December 1979. As the tariff negotiations had taken longer than expected and the Protocol of Accession would be subject to ratification by the Colombian Parliament, the time-limit initially foreseen was no longer realistic. He therefore proposed that the date in paragraph 5 be amended to read: 31 December 1980.

Many delegations welcomed the accession of Colombia and expressed their approval for the amendment proposed. One representative pointed out that, in the case of developing countries, the terms of accession should be interpreted widely so as to cover the special concerns of developing countries.

The representative of Colombia expressed his appreciation for the work of the Working Party and thanked the delegations for their welcome.

The Council approved the terms of the draft Protocol with the amendment proposed by the representative of Colombia.

The Council approved the text of the draft decision on the Accession of Colombia (reproduced in Annex III) and recommended that the decision be adopted by the CONTRACTING PARTIES by a vote at their thirty-fifth session.

The Council adopted the report.

(b) Accession of Mexico (C/M/132, 135, 136)

At its meeting on 29 January 1979 the Council considered an application by the Government of Mexico to initiate negotiations with a view to possible accession under Article XXXIII of the General Agreement (L/4766).

The representative of Mexico stated that his Government, in taking a decision to initiate negotiations for accession, had taken into consideration the situation that would arise at the close of the MTN and the fact that the contribution of Mexico to the MTN would constitute part of the conditions of accession under Article XXXIII. The delegation of Mexico had received from a number of contracting parties a favourable reaction both as regards the application to initiate negotiations for accession and their attitude towards Mexico in such negotiations in the light of its stage of development. Mexico had fully participated in the MTN from the beginning with a view to arriving at better conditions for its foreign trade. He stressed the importance for Mexico that the results of the MTN should be advantageous as a whole, if it were to join the GATT on an acceptable basis.

Numerous representatives welcomed the decision by Mexico to initiate negotiations for accession.

The representative of the European Community said that the Community would enter into negotiations with Mexico on the basis of reciprocity consistent with Mexico's development, financial and trade needs and that it

would be realistic and pragmatic in its approach. The Community expected Mexico to assume commitments similar to those assumed by other developing contracting parties which were in a comparable economic situation. Mexico would fully benefit from the legal guarantees linked to its status as a contracting party and of the rights which would derive from the multilateral trade negotiations.

The Council decided to establish a working party to examine Mexico's application to accede to the GATT under Article XXXVIII.

At its meeting on 6 November 1979 the Council considered the report of the Working Party (L/4849). The Working Party had carried out an examination of the Mexican foreign trade régime and had taken up matters relating to Mexico's industrial development plan, tariffs and additional duties, the customs valuation system, licensing and import restrictions and regulations, consular matters, State trading, export restrictions, etc. Having carried out this examination and in the light of the explanations and statements by the Mexican representative, the Working Party had reached the conclusion that, subject to the satisfactory conclusion of the relevant tariff negotiations, Mexico should be invited to accede to the General Agreement. The Working Party had drawn up a draft Protocol of Accession which referred inter alia to Mexico's programme of gradual substitution of tariff protection for prior permits, its system of valuation and the National Plan for Industrial Development.

Many delegations welcomed the accession of Mexico. They considered the report and the Protocol of Accession to be an important expression of the political will of both Mexico and its trading partners to find co-operative solutions on the basis of which Mexico could become a contracting party to the GATT.

The Council approved the text of the draft Protocol of Accession with the understanding that the Schedule LXXVII - Mexico would be circulated as soon as possible as an addendum to the Working Party's report and would be annexed to the Protocol of Accession. The Council also approved the text of the draft Decision and agreed that the Decision would be submitted to a vote by postal ballot when the Mexican Schedule had been circulated.

The Council adopted the report of the Working Party.

The representative of Mexico expressed his appreciation for the work of the Working Party. He stated that his authorities were in the process of consulting all interested sectors in his country in order to obtain their views on the terms of the Protocol and the tariff concessions which Mexico had been negotiating.

At its meeting on 16 November 1979 the Council noted that it had not yet been possible for Mexico to complete its negotiations fully. The Council agreed that if it would be possible for Mexico to circulate its schedule before this matter was being considered by the CONTRACTING PARTIES, the draft decision on the Accession of Mexico (contained in Annex IV) would be submitted for adoption by the CONTRACTING PARTIES by a vote at their thirty-fifth session.

(c) Accession of the Philippines (C/M/133, 136)

In November 1978 the Council had established a working party to examine the application for accession to the GATT by the Government of the Philippines.

At its meeting on 27 March 1979 the Council considered the report of the Working Party (L/4784). The Working Party had carried out an examination of the Philippines foreign trade régime and had paid particular attention to the anti-dumping law, the application of countervailing duties, flexible tariff rates, differential internal tax rates, foreign exchange regulatory measures, consular formalities, customs valuation, marking requirements and State trading. With regard to the differential internal tax rates the Working Party noted that it was the intention of the Philippines' Government, in reviewing its internal tax system, consistently with its development, financial and trade needs, to bring the system into line with the provisions of the General Agreement, including Article III. The Working Party recommended that the Philippines should be given a five-year period to achieve this. The Working Party reached the conclusion that, subject to the satisfactory conclusion of the relevant tariff negotiations, the Philippines should be invited to accede to the GATT under the provisions of Article XXXIII.

Several delegations supported the adoption of the report.

The Council approved the text of the draft Protocol of Accession, including the date of 1 December 1979 to be inserted in paragraph 6 of the Protocol, on the understanding that, when the tariff negotiations with the Philippines had been terminated, Schedule LXXV would be circulated to the contracting parties as an addendum to the Working Party's report and would be annexed to the Protocol of Accession. The Council also approved the text of the draft Decision and agreed that the Decision would be submitted to a vote by postal ballot when the Philippines Schedule had been circulated.

The Council adopted the report of the Working Party.

The representative of the Philippines, in expressing his appreciation for the work performed by the Working Party, said that his authorities would complete the tariff negotiations as soon as possible.

At the meeting of the Council on 16 November 1979 the representative of the Philippines urged the contracting parties which had not yet already done so to return their completed ballot paper as soon as possible.

(d) Provisional Accession of Tunisia/ (C/M/136)

At the meeting of the Council on 16 November 1979 the representative of Tunisia requested a further extension of the Declaration of 12 November 1959 on the Provisional Accession of Tunisia to GATT, which was due to expire on 31 December 1979. She stated that Tunisia was currently examining the most adequate means and procedures for full accession to the General Agreement on Tariffs and Trade, and the extension would allow the Tunisian authorities to make a better study in regard to definitive accession to GATT.

The Council agreed to refer this matter to the CONTRACTING PARTIES for their consideration at their thirty-fifth session. In order to facilitate consideration of this matter by the CONTRACTING PARTIES, the secretariat was requested to prepare a draft of a Procès-Verbal Extending the Declaration on the Provisional Accession of Tunisia, as well as a draft Decision Extending the invitation to Tunisia to participate in the work of the CONTRACTING PARTIES (L/4879).

13. Safeguards

(see L/4884/Add.1)

14. Implementation of UNCTAD Resolution 131(V)

(see L/4884/Add.1)

15. Relationship between the Agreements evolved in the MTN and the GATT

(see L/4884/Add.1)

16. Multilateral Agricultural Framework (C/M/136)

At the meeting of the Council on 16 November 1979 the representative of Argentina recalled that towards the end of 1978 the Group "Agriculture", within the context of the MTN, had expressed a broad consensus on the need for an improved level of international co-operation in matters affecting agricultural policies and trade. In this connexion, the Group had mentioned the possibility of establishing an appropriate instrument under the aegis of GATT. He further recalled that in April 1979 the Group made a recommendation, which was accepted by the TNC, that the CONTRACTING PARTIES further develop active co-operation in the agricultural sector within an appropriate consultative framework. It was therefore recommended to the CONTRACTING PARTIES that the definition of this framework and its tasks be worked out

as soon as possible. Since then further consultations had been held. On the basis of these consultations he now proposed to the Council that in the light of the recommendation in the Trade Negotiations Committee to the CONTRACTING PARTIES to further develop active co-operation in the agricultural sector, the Director-General be requested to consult with interested delegations on this matter, and to report to the next regular session of the CONTRACTING PARTIES. He added that he of course meant the session of the CONTRACTING PARTIES next year.

A number of delegations expressed serious disappointment at the result of recent developments in this field. They considered the present proposal a substantial retreat from earlier proposals and far less than what they had hoped to achieve in the negotiations. They stressed the importance of agricultural trade and the need of agricultural policies to be developed in a manner which did not adversely affect international trade and which would work towards the expansion of trade in agricultural products and towards improved efficiency in the use of world agricultural resources. They could accept the proposal in the present circumstances as the only possible way to proceed. They looked forward to meaningful consultations at an early stage and at a high level and to the subsequent report by the Director-General.

Many other delegations also supported the proposal and expressed their interest to participate in the consultations.

The Council agreed that in the light of the recommendation in the Trade Negotiations Committee to the CONTRACTING PARTIES to further develop active co-operation in the agricultural sector, the Director-General was requested to consult with interested delegations on this matter, and to report to the next regular session of the CONTRACTING PARTIES.

17. Consultations on trade

(i) Hungary (C/M/134)

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

At its meeting on 25 July 1979 the Council established a working party to conduct the third consultation with the Government of Hungary.

(ii) Romania (C/M/135)

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

At its meeting on 6 November 1979 the Council established a working party to conduct the third consultation with the Government of Romania.

18. Trade in textiles

- Report on the annual review by the Textiles Committee (C/M/134)

At its meeting of 25 July 1979 the Council considered the report by the Textiles Committee on its annual review of the operation of the Arrangement, submitted in accordance with the provisions of Article 10:4 of the Arrangement (COM.TEX/13). The review had been based on a report from the Textiles Surveillance Body on its activities from November 1976 to October 1978 (COM.TEX/SB/365).

The representative of India pointed out that, apart from minor exceptions, the textiles trade of the developing countries was restrained in the most important developed markets. Furthermore, he recalled that at the time of renewal of the Arrangement, provision had been made for the possibility of jointly agreed reasonable departures from the Arrangement with the stipulation that a return be made to the framework of the Arrangement in the shortest possible time. As the period for this provision should naturally be shorter than the life of the Arrangement itself, he urged those who had departed from the Arrangement to revert to the Arrangement as soon as possible. He also stressed the importance of introducing adjustment assistance measures for countries maintaining restrictive import régimes.

The Council adopted the report.

19. De facto application of the GATT to newly-independent countries (C/M/135)

At its meeting on 6 November 1979 the Council considered the fourth report by the Director-General on the application of the Recommendation of 11 November 1967 (BISD 15S/64), inviting contracting parties to continue to apply the General Agreement de facto in respect of newly-independent territories on a reciprocal basis. (L/4846 and Add.1).

The Council took note of the report and invited the Director-General to remain in contact with the governments of the States concerned and to report again on the application of the Recommendation within three years.

20. Training activities (C/M/136)

At the meeting of the Council on 16 November 1979 the Director-General presented a report on training activities (L/4870). He stated that the commercial policy courses, organized by GATT since 1955, constituted one of the activities to which contracting parties attached considerable importance. The fact that members as well as non-members of GATT could participate in these courses gave them a universality which could only be beneficial. He mentioned that the financing of the courses was now wholly ensured by the

GATT, although UNDP continued to act as liaison with the governments and the candidates. He was grateful for this continuing co-operation. He stated that in 1980 in addition to the principal courses, two special courses would be organized with the financial support of Finland, Norway and Sweden. These courses were reserved for some thirty participants from the least-advanced countries. He thanked the Nordic countries for this important initiative. The Director-General was grateful to all governments concerned for their continuing interest in these training activities and for the hospitality extended to the participants during their visits. He also thanked representatives of delegations and international organizations for the lectures they had given.

A great number of representatives of developing countries expressed their appreciation for the courses. They had been able to send participants to these courses and considered them of great benefit. One representative believed that, since the courses were no longer financed by UNDP but were totally paid by GATT, participation in the courses by non-contracting parties should be made subject to these governments sharing part of the costs.

The Council took note of the report.

21. Administrative and financial questions

(a) Committee on Budget, Finance and Administration

(i) Exchange rate problems (C/11/131)

At the meeting of the Committee on Budget, Finance and Administration in October 1978 and at the meeting of the Council on 14 November 1978, there had been discussions on the problems resulting from exchange rate fluctuations and on the adverse effects of these on the pensions and remunerations of the professional staff. The Council had established an Informal Contact Group, composed of members of the Budget Committee, representatives of the secretariat and of the staff.

At its meeting on 22 December 1978 the Council considered the report of the Informal Contact Group (C/W/314). On the basis of the report and having had a thorough discussion of the whole issue at a meeting at the level of Heads of Delegations the Council adopted a decision (C/104) and took note of the report of the Informal Contact Group. The Decision provided that the GATT should make known to the General Assembly in an appropriate manner its concern about these problems and submit a copy of the report of the Informal Contact Group. Furthermore, no action should be taken which would undermine the United Nations common system. Finally, certain conservative measures were agreed which included the transfer to a special and temporary account of certain surpluses.

Some representatives expressed reservations about the freezing of certain surplus funds.

The Council took note of the statements.

(ii) Arrears of contributions (C/M/136)

At the meeting of the Council on 16 November 1979 the Chairman of the Committee on Budget, Finance and Administration presented a report of the Committee on the question of outstanding contributions (L/4853). He said that many efforts had been made by the Director-General and the secretariat, as well as by the Committee itself in its reports, to encourage governments to pay promptly their contributions to the GATT. The Committee now reported that the situation was steadily deteriorating and the present amount of arrears of contributions was Sw F 5.5 million, which corresponded to over 14 per cent of the budget. The Committee's report described some measures used by other international organizations, but as most of these measures gave rise to questions of principle, the Committee sought further guidance. In the light of any comments the Committee would make specific proposals next year.

The Chairman said that in the light of the Committee's report and from the statement of arrears in contributions it was clear that the situation had deteriorated steadily, in spite of the fact that this matter had been drawn to the attention of the CONTRACTING PARTIES and of the Council repeatedly. He made a renewed appeal to governments which were in arrears to ensure early payment of outstanding contributions.

The Council took note of the request by the Budget Committee for guidance as to possible measures to be taken to improve the situation. The Director-General would welcome any suggestions which the Budget Committee could take into account in considering this matter next year.

The Council agreed that this matter should be drawn again to the attention of the CONTRACTING PARTIES at their thirty-fifth session.

(iii) Report of the Committee (C/M/136)

At its meeting on 16 November 1979 the Council considered the report of the Committee on Budget, Finance and Administration (L/4852). The Chairman of the Committee stated that the Committee had been faced with the task of financially accommodating the shift in GATT from negotiating towards implementing the results of the Tokyo Round. This would, as of 1980, lead to additional responsibilities and to new activities. While there was a consensus emerging on the future rôle of GATT, no formally approved work programme existed on which the budget estimates could be based. There was

therefore a need for flexibility until sufficient experience had been gained in the post-MTN period. He said that in consultation with the Director-General some reductions in the original budget estimates had been made. He also mentioned the need of arriving at savings by spreading out the meetings more evenly over the year.

The Director-General drew attention to the constant deterioration of the UN Common System and its inability to protect the interests of the Geneva-based staff. He expressed the hope that governments would take action in the appropriate UN bodies to ensure the improvement in the system. With regard to the use of the Spanish language he mentioned that during the negotiations translation into Spanish of technical documents and interpretation in MTN meetings had been provided. He stated that the budget estimates for 1980 had been established so as to provide the same services for the implementation of the results of the negotiations as well as for the other operational activities of GATT.

Several delegations expressed appreciation for the increased possibilities for the use of the Spanish language. This would contribute to a better participation of Spanish-speaking delegations.

A number of delegations commented on individual points in the report.

The Council approved the recommendations made in the report of the Committee and recommended the adoption by the CONTRACTING PARTIES, at their thirty-fifth session, of the report, including the recommendations contained therein and the Resolution on the expenditure of the CONTRACTING PARTIES in 1980 and the ways and means to meet such expenditure.

(b) Deputy Director-General post (C/M/134)

At its meeting on 25 July 1979 the Council agreed that the reclassification of one D.2 post to the level of Deputy Director-General should remain effective for a further period of seven months until 29 February 1980.

(c) Final position of the 1978 budget (C/M/133)

At its meeting on 27 March 1979, the Council considered the Report on the Final Position of the 1978 Budget of the GATT (L/4787). The Council authorized the necessary increase in the appropriation in respect of certain excess expenditure and approved the proposed financing.

22. Arrangements for the thirty-fifth session (C/M/134)

At its meeting on 25 July 1979, the Council agreed that the thirty-fifth session of the CONTRACTING PARTIES should be opened on Monday, 26 November 1979 and that its duration should be fixed at three to four days.

ANNEX I

PAKISTAN - RENEGOTIATION OF SCHEDULE

Extension of Time-Limit

Draft Decision

Considering that the CONTRACTING PARTIES, by Decision of 29 November 1977, suspended the application of the provisions of Article II of the General Agreement to the extent necessary to enable the Government of Pakistan to maintain in force the rates of duty provided in its revised Customs Tariff, subject to certain specified conditions;

Considering that among the conditions mentioned above was the obligation to conduct negotiations or consultations in conformity with paragraphs 1 to 3 of Article XXVIII and to terminate such negotiations or consultations before 31 December 1979;

Considering that the Government of Pakistan has notified that it will not be possible to conclude these negotiations and consultations by the date specified and has requested an extension of the time-limit for their conclusion by one year;

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

Decide that the time-limit provided for in paragraph 3 of the Decision of 29 November 1977 shall be extended until 31 December 1980.

ANNEX II

TURKEY - STAMP DUTY

Draft Decision

Considering that the CONTRACTING PARTIES, by decision dated 20 July 1963, 11 November 1967, 24 August 1969, 30 January 1973, 3 July 1973, 15 July 1975 and 17 April 1978 waived, subject to specified terms and conditions, the provisions of paragraph 1 of Article II of the General Agreement to the extent necessary to allow the Government of Turkey to maintain as a temporary measure, the Stamp Duty not exceeding a specified ad valorem rate, on imports into Turkey of products included in Schedule XXXVII, until 31 December 1979;

Considering that the Government of Turkey has requested an extension of the waiver to permit the maintenance of the Stamp Duty until the end of the Fourth Five-Year Development Plan on 31 December 1983;

Considering that the Government of Turkey has applied, as from 1 January 1973, the same rates of Stamp Duty to imports from the territories of all contracting parties, and has undertaken to do so in the future;

Taking note of the present extremely difficult balance-of-payments situation;

Taking note that the Government of Turkey has assured the contracting parties that a fiscal reform would be introduced which would enable it to eliminate the Stamp Duty;

Sharing the view of the Fund that the Stamp Duty should be replaced by alternative measures in the context of a comprehensive programme to restore external and internal balance;

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

Decide to waive, subject to the terms and conditions specified hereunder, the provisions of paragraph 1 of Article II of the General Agreement to the extent necessary to allow the Government of Turkey to maintain, as a temporary measure, on imports into Turkey of products included in Schedule XXXVII a Stamp Duty.

Terms and conditions

1. The rate of the Stamp Duty shall not exceed 25 per cent of the value of the imported goods as assessed for the imposition of the customs duty, and shall be lowered progressively, as circumstances permit.

2. The continued application of the Stamp Duty shall be accompanied by commensurate efforts by the Government of Turkey to replace it by alternative measures.

3. The Government of Turkey shall report one year from the date of this waiver on the progress made towards substituting other economic measures for the Stamp Duty.

4. The Decision shall be valid until the removal of the Stamp Duty or until 31 December 1981, whichever date is earlier.

5. If any contracting party considers that the effect of the Stamp Duty maintained under this Decision is unduly restrictive and that damage to its trade is caused or threatened thereby, it may make representations to the Government of Turkey, which shall accord sympathetic consideration to such representations and afford that contracting party adequate opportunity for consultation.

6. If such consultation does not lead to satisfactory results the contracting party concerned may request the CONTRACTING PARTIES to invite Turkey to enter into consultations with them. If, as a result of these consultations with the CONTRACTING PARTIES, no agreement is reached and if they determine that the effect of the Stamp Duty is unduly restrictive and that serious damage to the trade of the contracting party initiating the procedure is threatened or caused thereby, the latter will be released from its obligations to apply to the trade of Turkey concessions initially negotiated with Turkey to the extent that the CONTRACTING PARTIES determine to be appropriate in the circumstances.

ANNEX III

ACCESSION OF COLOMBIA

Draft Decision

The CONTRACTING PARTIES,

Having regard to the results of the negotiations directed towards the accession of the Government of Colombia to the ~~General~~ Agreement on Tariffs and Trade and having prepared a Protocol for the accession of Colombia,

Decide, in accordance with Article XXXIII of the General Agreement, that the Government of Colombia may accede to the General Agreement on the terms set out in the said Protocol.

ANNEX IV

ACCESSION OF MEXICO

Draft Decision

The CONTRACTING PARTIES,

Having regard to the results of the negotiations directed towards the accession of the Government of the United Mexican States to the General Agreement on Tariffs and Trade and having prepared a Protocol for the accession of the United Mexican States,

Decide, in accordance with Article XXXIII of the General Agreement, that the Government of the United Mexican States may accede to the General Agreement on the terms set out in the said Protocol.