

GENERAL AGREEMENT ON TARIFFS AND TRADE

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COUNCIL OF REPRESENTATIVES

Draft Report on Work since the Twenty-Ninth 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 ten meetings since the twenty-ninth session in November 1973. The minutes of these meetings have been issued in documents C/M/82-101. 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. Trade in textiles (C/M/93)

In July 1973 the Council had decided that the Working Party on Textiles be reconstituted into a negotiating group with the objective of reaching a mutually satisfactory arrangement on trade in textiles by the end of 1973. The Negotiating Group had held meetings from July to December 1973, which resulted in the Group reaching agreement on the text of an Arrangement Regarding International Trade in Textiles. The text of the Arrangement was contained in the Group's report (L/3981), dated 20 December 1973.

The Group's report was presented to the Council at its meeting on 28 January 1974.

The Director-General, Chairman of the Negotiating Group, in submitting the report to the Council for adoption, drew attention to a certain number of points and to certain understandings and interpretations.

The Council adopted the report.

The Arrangement entered into force on 1 January 1974. The Textiles Committee, established within the framework of GATT in accordance with Article 10 of the Arrangement, had its first meeting in March 1974. The Committee considered a number of questions and established the Textiles Surveillance Body. Since then the Textiles Surveillance Body has met regularly and has dealt with a number of questions.

2. Anti-dumping practices

(a) Committee on Anti-Dumping Practices (C/M/100)

At its meeting on 21 October 1974 the Council received the sixth report by the Committee on Anti-Dumping Practices, relating to the period September 1973-September 1974 (L/4092).

The Committee had discussed various anti-dumping practices of some countries, notably criteria for the determination of injury, price comparison practices and policies on voluntary price undertakings.

The Council adopted the report.

(b) Working Party on the Acceptance of the Anti-Dumping Code (C/M/100)

The Working Party established in 1970 to study the particular problems of developing countries in adhering to the Code had held a further meeting in October 1974.

The Chairman of the Working Party reported to the Council on 21 October 1974 that, while agreement had been reached last year on an ad referendum basis on the text of a note to the Anti-Dumping Code, the text was not acceptable to all members of the Working Party. Existing differences had been narrowed down and it was hoped that at a meeting scheduled for early next year a solution could be found that would facilitate the acceptance of the Code by developing countries.

The Council took note of the Chairman's report.

(c) United States - Countervailing duties on imports of footwear (C/M/100)

At the meeting of the Council on 21 October 1974 the representative of Brazil drew attention to a decision of the United States authorities to levy a countervailing duty on imports of non-rubber footwear from Brazil. His Government considered the countervailing measure unjustified on legal and economic grounds. Apart from the question whether his Government's incentive measures could be considered a subsidy, he pointed out that Brazil had not accepted the Declaration giving effect to the provisions of Article XVI:4 and as such in its view had no legal obligation to refrain from the use of subsidy measures. Moreover, developed countries, in accordance with Article XXXVII:3, were to have special regard to the trade interests of less-developed contracting parties when considering the application of measures permitted under the General Agreement. Furthermore, the imports from Brazil could not be alleged to cause injury to domestic United States industry.

The representative of the United States pointed out that his authorities had been compelled by mandatory legislation to take the countervailing measures concerned. Consultations had been held with Brazil and all possibilities of constructive remedies had been explored. He expressed the hope that it would be possible to take up the general problem of the use of subsidies and countervailing action within the framework of the multilateral trade negotiations.

The Council took note of the statements made.

3. Balance-of-payments import restrictions

- Consultations on balance-of-payments restrictions

(a) Arrangements for consultations in 1974 (C/M/93)

Arrangements for consultations on balance-of-payments restrictions in 1974 were presented to the Council in January 1974 (C/W/235/Rev.1). The Council took note of the arrangements.

(b) Consultation with India (C/M/92)

In October 1973 the Committee on Balance-of-Payments Restrictions carried out a consultation with India under the provisions of Article XVIII:12(b). The report (BOP/R/70) was presented to the Council at its meeting on 19 December 1973.

The Committee had examined in particular the Indian import control system and recommended that the Indian authorities consider, when changing the customs tariff nomenclature, the adoption of the same nomenclature for import control.

The Council adopted the report.

(c) Consultation with Iceland (C/M/92)

In November 1973 the Committee carried out a consultation with Iceland under the provisions of Article XII. The report (BOP/R/71) was presented to the Council on 19 December 1973.

The Committee had deferred reaching conclusions pending a forthcoming determination of the International Monetary Fund. The consultation was expected to be completed in March 1974.

The Council adopted the report.

In February 1974 the Government of Iceland advised that it no longer wished to invoke Article XII (L/3998).

(d) Consultation with Greece (C/M/98)

In March 1974 the Committee on Balance-of-Payments Restrictions carried out a consultation with Greece under the provisions of Article XVIII:12(b). The report (BOP/R/75) was presented to the Council at its meeting on 21 June 1974.

The Committee had been informed of the various measures taken by the Greek Government to control inflation, including new measures affecting the import deposit scheme and import procedures (L/4032). These measures would expire on 31 December 1974.

The Council adopted the report.

(e) Consultation with Yugoslavia (C/M/98)

In March 1974 the Committee carried out a consultation with Yugoslavia under Article XVIII:12(b) and examined the Yugoslav temporary import surcharge. The report (BOP/R/74), which covered both the Committee's consultation and its examination of the import surcharge, was presented to the Council at its meeting on 21 June 1974. The Committee had been informed that the surcharge had been extended until the end of 1974 in order to give the Yugoslav authorities more scope to deal with the uncertainties attached to the economic and monetary situation in 1974.

The Council adopted the report.

(f) Consultations with Israel (C/M/98, [101])

In March 1974 the Committee on Balance-of-Payments Restrictions carried out a consultation with Israel. The consultation included an examination of the Israeli temporary import surcharge. The report (BOP/R/73) was presented to the Council at its meeting on 21 June 1974.

The Committee's conclusions reflected the uncertainty in Israel concerning balance-of-payments developments in 1974. The surcharge had been found to conform to the criteria laid down in the relevant articles of GATT on import restrictions for balance-of-payments purposes. Since the measure had proved to be less temporary than originally expected, the Committee had invited Israel to consider a progressive elimination of the measure as soon as possible.

The Council adopted the report.

[To be concluded]

(g) Examinations under simplified procedures (C/M/92, 98, [101])

At its meetings in November 1973, March 1974 [and October 1974] the Committee on Balance-of-Payments Restrictions examined statements presented under the simplified procedures by Pakistan, Tunisia, Peru, [Bangladesh, Chile and Ghana]. The reports on these examinations (BOP/R/72, BOP/R/76 and BOP/R/... respectively) were presented to the Council at its meetings on 19 December 1973, 21 June 1974 and [].

The Council adopted the reports and agreed, as recommended by the Committee that Pakistan and Tunisia should be deemed to have consulted in fulfilment of their obligations under Article XVIII:12(b). The Council noted that a consultation with Peru would be held in 1975.

[To be concluded]

4. Temporary trade measures

(a) Italian Import Deposit Scheme (C/M/96, 98, 100)

At the meeting on 3 May 1974 the representative of Italy informed the Council of the decision of the Italian Government to introduce a compulsory import deposit scheme. The deposits, equivalent to 50 per cent of the value of the goods imported, would be for a period of six months and would not be interest-bearing. The deposit requirement was of a temporary character. It was additional to measures already introduced in the tax and monetary fields, with a view to reducing the balance-of-payments deficit.

The representative of the European Communities said that the Treaty of Rome contained provisions for this kind of situation and provided for procedures and responsibilities of the various Community institutions.

The Council agreed to set up a working party, open to all interested contracting parties, for the examination of the Italian Import Deposit Scheme.

Many representatives, while expressing understanding for the seriousness of the situation, also stated their concern about the effects of the Scheme on their countries' exports and on the international trade situation in general. They appealed to the Italian Government to abolish the measure as early as possible.

At the meeting of the Council on 21 June 1974 the representative of the United States referred to a decision by the Commission of the European Communities on the method of calculating the amount of the import deposit which in his view contained an element of discrimination.

At its meeting on 21 October 1974 the Council considered the report of the Working Party (L/4082). The Working Party had consulted with the International Monetary Fund and had taken into account the Fund's findings. Some members stressed the importance they attached to the non-discriminatory application of the import deposit and welcomed the statement that non-discrimination would continue to be observed. Representatives of some developing countries had stressed the need for priority elimination of restrictions on products of interest to these countries.

The Council approved the Working Party's conclusions, in particular that, without prejudice to the rights of contracting parties under the General Agreement, the Italian Import Deposit Scheme was not more restrictive than measures that an application of the provisions of Article XII permits. The Council noted that the measure would be abolished as soon as circumstances allowed and also noted that the Working Party would keep the matter under review.

(b) Icelandic Import Deposit Scheme (C/M/97, 100)

At the meeting on 27 May 1974 the representative of Iceland made a statement to the Council explaining economic and political events in his country which had led to a progressively deteriorating balance-of-payments situation, and resulted in the introduction of the Icelandic Import Deposit Scheme notified in document L/4035. This Scheme was part of a package of temporary measures and would be valid until 30 September 1974. It covered about 60 per cent of Iceland's commodity imports. Importers were required to make a deposit of 25 per cent of the value of the imports. This sum would be blocked for a period of ninety days and then refunded with an interest rate of 3 per cent per annum.

A number of representatives, while expressing understanding for Iceland's situation, stressed their delegations' concern at the measure and hoped that the Scheme would be rescinded at the earliest possible time.

The Council agreed to establish a Working Party open to all interested contracting parties for the examination of the Icelandic Temporary Import Deposit Scheme.

At the meeting of the Council on 21 October 1974 the representative of Iceland explained the phasing out of the import deposit and its complete elimination by the end of the year (L/4035/Add.1).

The Council noted that the Working Party had not yet met and agreed that in these circumstances and without creating a precedent, there was no need for the Working Party to be convened. It was understood that the Working Party would remain available for consultation as necessary.

(c) Israel - Import surcharge (C/M/92)

At its meeting on 19 December 1973 the Council was informed by the representative of Israel of his Government's decision to increase the rate of import surcharge from 20 per cent of the c.i.f. value of the imported goods to 25 per cent (L/3976). The Council referred this matter to the Committee on Balance-of-Payments

Restrictions for examination during its consultation with Israel in early 1974. The consultation was carried out in March 1974 (see under 3(f) above).

(d) Israel - Import Deposit Scheme (C/M/98)

The representative of Israel informed the Council at its meeting on 21 June 1974 of the serious deterioration in Israel's balance-of-payments situation which had obliged his Government to reintroduce the temporary import deposit scheme, as of 24 May 1974 (L/4042). This scheme covered, with few exceptions, all imported goods bearing duties and charges of 35 per cent and over. Importers were required to make a deposit, for a period of twelve months, of 20 per cent of the c.i.f. value of the imported goods. He expressed the hope that the import deposit scheme would be phased out as soon as the balance-of-payments situation improved.

The Council agreed to refer the examination of the Israeli Import Deposit Scheme to the Committee on Balance-of-Payments Restrictions. The consultation was carried out in October 1974 (see under 3(f) above).

(c) Portuguese trade measures (C/M/97, 99)

The representative of Portugal informed the Council at its meeting on 27 May 1974 that, as a result of the political and social changes in his country, the Portuguese administration had had to take some transitional measures designed to ensure control of capital movements, current payments and imports of non-essential products as well as exports of goods essential to the normal supply of the internal market. A Committee for the Control of External Trade had therefore been established.

On 19 July 1974 the representative of Portugal informed the Council that the powers of the Committee to impose restrictions on imports and exports had been abolished.

The Council took note of this information.

(f) Yugoslavia - Intensification of import restrictions (C/M/100)

At its meeting on 21 October 1974 the Council was informed by the representative of Yugoslavia of a number of recently introduced measures in the Yugoslav import régime (L/4081). The measures included the introduction of an import deposit scheme.

The Council took note of the measures, which were of a temporary nature until 31 December 1974, and agreed to revert to the matter as necessary, if the measures had to be prolonged.

(g) Japan - Restrictions on imports of beef and veal (C/M/100)

At the meeting of the Council on 21 October 1974 the representative of Australia drew attention to the restrictions on imports of beef and veal maintained by Japan. The Japanese authorities had deferred the issuing of import licences before the global quota 1973/1974 had been filled and applications for licences under the 1974/1975 quota were being refused. He felt that such a change in import restrictions should have been notified in accordance with agreed procedures.

The representative of Japan explained that because of severe economic conditions in his country consumption of meat had declined rapidly. When considering applications for import licences his authorities had to take into account domestic supplies and the internal market situation. He did not consider that the withholding of licences at the beginning of a quota year constituted a modification in the import system.

The Council took note of the statements made.

5. Emergency action on imports of particular products

(a) United States - Action on ball bearings (C/M/95)

The representative of Japan, speaking at the Council meeting on 26 April 1974, expressed his Government's regret at the decision of the United States to increase tariff rates on certain ball bearings from 1 May 1974 (L/4016). He stated that the facts as described in the Tariff Commission Report did not lead to the conclusion that imports caused serious injury to United States domestic industry. He felt that all countries should refrain from raising trade barriers in the present international economic situation and he requested immediate consultations with the United States under Article XIX.

The representative of the European Communities also expressed concern at the measures envisaged by the United States.

The Council took note of the statements.

(b) European Communities - Emergency action on imports of bovine meat (C/M/99)

At the meeting of the Council on 19 July 1974 the representative of Yugoslavia expressed concern at the decision of the European Communities to suspend beef imports into the Community from third countries (L/4004/Add.6). This measure not only caused Yugoslavia and other countries serious balance-of-payments problems but would also lead to a serious disruption of trade and production. The Community action might have an effect on the rules of conduct and the spirit of GATT and could lead others to take similar action against imports from the Community. The Community measures would also affect importing countries which followed a more liberal import policy, because of possible diversion of pressures to their markets.

The representative of Yugoslavia suggested, as a short-term measure, that the Community should re-examine the situation, taking into consideration the damage caused to exporting countries and the effects on production policies for the future. He, furthermore, asked for consultations under Article XXII while reserving the right to communicate to the Council in due course the results of such consultations. For the long term he appealed to interested governments to find a solution through international co-operation in the field of meat trade.

A great number of representatives supported the statement and also expressed their deep concern at the decision taken by the European Communities because it had led to hardship for countries involved in the meat trade. They felt that the measure placed a disproportionate burden on foreign suppliers, which was regrettable as the problems stemmed at least as much from domestic policies of the EEC as from imports. It was also suggested that, if the situation deteriorated further, the Council should meet at short notice and delegations reserved the right to call for such a meeting.

The representative of the European Communities expressed the Community's readiness to enter into consultations. He explained that the measure had been adopted within a broad framework which included domestic measures within the Community to improve the situation. He stated that the Community was willing to move in the direction of creating orderly marketing conditions in the meat sector.

The Council took note of the statements.

(c) Australia - Action on imports of certain footwear (C/M/100)

At the meeting of the Council on 21 October 1974 the representative of Australia advised the Council of his Government's decision, in accordance with the provisions of Article XIX, to introduce temporary quantitative import restrictions on certain types of footwear (L/4099).

Representatives reserved their countries' positions until they had had time to study the matter.

The Council took note of the statements.

6. Customs unions and free-trade areas, regional agreements - information on developments furnished by member States

(a) Arab Common Market (C/M/99)

At its meeting on 19 July 1974 the Council considered the report on developments in the Arab Common Market (L/4046). It was requested that future reports should provide more detailed information on progress achieved with respect to the dismantling of trade barriers.

The Council took note of the report.

(b) Central American Common Market (C/M/98)

At its meeting on 21 June 1974 the Council considered the report by the secretariat of the General Treaty of Central American Economic Integration on the present situation of the Central American Common Market (L/4023).

The Council took note of the report.

(c) Agreement between the EEC and Israel (C/M/98)

At the Council meeting on 21 June 1974 the parties to the Agreement between the EEC and Israel submitted a report on developments under the Agreement (L/4033).

The representative of the United States recalled his delegation's views as to the incompatibility of this Agreement with the GATT. The same remark was applicable to the Agreements of the EEC with Spain and Malta. The representative of Canada referred to the brevity of the report which was inadequate because it lacked breakdowns of statistics by product or by general categories of products. This applied also to the reports on the Agreements between the EEC and Spain and Malta.

The representative of the European Communities, referring to the Agreements with Israel and Spain, said that negotiations had begun with the objective of furthering the achievement of free-trade areas. He felt that the information provided was as detailed as was possible while awaiting further clarification of the situation and the conclusion of these negotiations.

The Council took note of the report.

(d) Agreement between the EEC and Spain (C/M/98)

At the Council meeting on 21 June 1974 the parties to the Agreement between the EEC and Spain presented a report on developments under the Agreement (L/4034) (see under 6(c) above).

The Council took note of the report.

(e) Association between the EEC and Greece (C/M/100)

At the Council meeting on 21 October 1974 the parties to the Association Agreement between the EEC and Greece submitted a report on developments under the Association (L/4062).

The Council took note of the report.

(f) Association between the EEC and Malta (C/M/98)

At the Council meeting on 21 June 1974 the parties to the Association Agreement between the EEC and Malta presented a report on developments under the Agreement (L/4038) (see under 6(c) above).

The Council took note of the report.

(g) Association between the EEC and certain non-European countries and territories (C/M/99, 100)

At its meeting on 19 July 1974 the Council considered a report on developments under the Association between the EEC and certain non-European countries and territories (L/4047).

Some representatives stated that, in their view, the Agreement did not meet the requirements under Article XXIV. They furthermore questioned a statement in the report that the formation of the free-trade area had been definitely achieved and that, therefore, future biennial reports within GATT should no longer be necessary. They suggested that the biennial reports should be continued.

The representative of the Communities replied that the transitory period had been completed and the free-trade area established and that biennial reporting was, therefore, no longer necessary. This would not preclude any contracting party from raising questions relating to the trade arrangements with the Community authorities and the matter could always be placed on the agenda of the Council.

The Council took note of the report and referred the matter of biennial reporting to its next meeting.

At the Council meeting on 21 October the representative of the Communities further explained that the relationships between the Community and the non-European countries and territories were likely to be modified in 1975. Such modifications would be duly notified to the CONTRACTING PARTIES. He, therefore, proposed to leave the matter aside for the moment and suggested that it could be considered again in the light of subsequent notification.

The Council, taking into account that the relationships between the Community and the non-European countries and territories were likely to be modified, agreed to revert to the matter when the notification of any such modifications was considered.

(h) Latin American Free Trade Area (C/M/98)

At its meeting on 21 June 1974 the Council considered a report on activities carried out within the framework of LAFTA during 1972 and 1973 (L/4031). After eleven years of association tariff reductions granted by member States amounted to over 11,150 concessions. The member States had also harmonized the tariff instruments, improved the payments system and carried out studies with regard to the harmonization of taxation.

The Council took note of the report.

(i) Calendar of biennial reports (C/M/100)

At its meeting on 21 October 1974 the Council established a calendar fixing dates for the examination every two years of reports on developments under regional agreements (L/4100).

7. Customs unions and free-trade areas: Regional agreements

(a) Agreements concluded with the European Communities

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

- Article XXVIII:3 time-limits (C/M/95 and Corr.1)

At its meeting on 26 April 1974 the Council considered a request submitted by the United States and the European Communities to deal with the question of the time period mentioned in paragraph 3 of Article XXVIII as it applied to the negotiations which were in progress under the provisions of Article XXIV:6 following the enlargement of the European Communities (L/4019).

The representative of the United States stated that the negotiations under Article XXIV:6 were not yet concluded but that the United Kingdom, Denmark and Ireland had been applying import treatment in accordance with their accession agreements with the European Communities, rather than in accordance with their Schedules since 1 January 1974. This raised the question of whether the concessions should be considered withdrawn or modified as of 1 January 1974. If this were the case, Article XXVIII:3 could be interpreted as requiring notification to the CONTRACTING PARTIES of any compensatory withdrawals on or before 31 May 1974. He, therefore, proposed that action should be taken to ensure that the six-month period referred to in Article XXVIII:3 should not be considered to expire prior to 31 August 1974. This formulation would not adversely affect any contracting party.

The representative of the European Communities had a different interpretation of the question and did not consider that the time-limit laid down in Article XXVIII:3 posed a problem at that time as the renegotiations were still in progress and the six-month period mentioned in this Article would run only as from the end of the renegotiations. But, being desirous of co-operating in the search for a satisfactory solution to this question, the Communities had also requested the Council to deal with this matter.

The Council decided that without prejudice to the interpretation of Article XXVIII:3 the six-month period referred to in Article XXVIII:3 would not be considered to expire prior to 31 August 1974.

- Status of Article XXIV:6 negotiations (C/M/99)

At the Council meeting on 19 July 1974 the representative of the European Communities stated that the Communities considered the renegotiations under Article XXIV:6 of the GATT to be terminated. The Council of the European Communities would formally conclude the results of the renegotiations the

following week. On 31 July at midnight the schedules of concessions of the Six and of Ireland, the United Kingdom and Denmark would be withdrawn and replaced by the two new schedules of concessions for the Community of Nine, one relating to the European Economic Community and one to the European Coal and Steel Community. The Communities had initialled agreements with the great majority of the contracting parties who had engaged in negotiations with them.

The representative of the United States stated that the United States considered that the negotiations had not achieved satisfactory results with respect to compensation for concessions with respect to certain specified cereal items. The United States, therefore, reserved its rights to resume the negotiations with respect to these products.

The representative of Australia stated that Australia considered that the negotiations had not achieved satisfactory results with respect to rights on certain specified cereal items. Australia, therefore, reserved the right to resume discussions with respect to such products.

Taking the above elements into account, the United States and Australia reserved their rights under Article XXVIII to withdraw substantially equivalent concessions with respect to the cereal items they had listed and in certain other specified circumstances.

The representative of the Communities stated that the European Communities considered that the concessions offered by the new Common Schedules provided full compensation. Noting, however, that some contracting parties took a different view and had reserved their rights under Article XXVIII, the European Communities had inserted in their schedules a reservation of rights which enabled it to take equivalent action if other contracting parties invoking the provisions of Article XXVIII were to withdraw concessions following these negotiations.

Australia, the European Communities and the United States jointly proposed that the time-limits laid down in Article XXVIII:3 should not apply to the reservations they had spelled out but that action taken under these reservations could take place upon the expiration of thirty days from the day on which written notice was given to the CONTRACTING PARTIES. They sought the approval of the Council for the modification of the time-limits laid down in Article XXVIII.

The United States, Australia and the European Communities jointly declared that, notwithstanding this divergence of opinion and taking account of the complexities of the problems involved regarding cereals, they agreed to continue

discussions with a view to seeking, through international negotiations, agreed solutions to the problems arising in the field of international trade in cereals.

Several representatives stated the position of their delegations in these negotiations. For some delegations it had not yet been possible to conclude their negotiations with the Communities. Their delegations, therefore, reserved their rights under the General Agreement.

The Council, with reference to the statements of the representatives of Australia, the European Communities and the United States and their respective reservations of rights in connexion with the Article XXIV:6 negotiations agreed that the six-month period referred to in Article XXVIII:3 would not apply to actions pursuant to these reservations and that such actions could be taken at any time upon expiration of thirty days from the day that written notice was given to the CONTRACTING PARTIES.

The Council also took note of the statements by several contracting parties of their intention to continue the negotiations and of the statements and reservations made by a number of contracting parties, and the Council recognized that the decision was without prejudice to the rights under the General Agreement of any contracting party.

(ii) Free-Trade Area Agreements with
- Finland (C/1/92, 100)

On 19 October 1973 the representative of Finland had informed the Council of the conclusion of a Free-Trade Agreement between the European Communities and Finland. The text of the Agreements had been distributed to contracting parties (L/3973).

At its meeting on 19 December 1973 the Council agreed to initiate the customary procedure for the examination of the provisions of the Agreements and set up a Working Party open to all contracting parties.

The report of the Working Party (L/4064) was presented to the Council at its meeting on 21 October 1974.

The Working Party had been unable to reach unanimous conclusions as to the compatibility of the Agreements with the provisions of the GATT. Some members were of the opinion that the Agreements constituted a preferential arrangement for trade in industrial products. The exclusion of the whole sector of agriculture meant that the trade coverage was inadequate. Furthermore, the rules of origin

appeared unduly complex and restrictive to third country suppliers. The parties to the Agreements, supported by some other members of the Working Party, held the view that the Agreements were fully compatible with the General Agreement. One of the main reasons for permitting the formation of free-trade areas under the GATT was that they encouraged growth and liberalization of world trade.

The Working Party had limited itself to reporting the opinions expressed on these issues.

The Council adopted the report.

- Norway (C/M/94)

In May 1973 the Council had established a working party to examine the provisions of the Agreements concluded between the European Communities and Norway.

At its meeting on 28 March 1974 the Council considered the report of the Working Party (L/3996).

Some of the members of the Working Party considered that the Agreements constituted a preferential arrangement rather than a free-trade area, while the parties to the Agreements, together with some other members of the Working Party, were of the opinion that the Agreements effectively created a free-trade area in conformity with Article XXIV of the GATT. The Working Party, therefore, had not reached unanimous conclusions and had limited itself to reporting to the Council the opinions expressed by its members.

The representative of the United States, while noting the inconsistency of some of the aspects of the Agreements with the provisions of the GATT, expressed special concern about the rules of origin. His delegation had, therefore, requested special consultations under Article XXII concerning these rules and concerning their application under certain other agreements.

The Council adopted the report.

(iii) Agreements with some Mediterranean countries

- Association with Cyprus (C/M/98)

In July 1973 the Council had established a Working Party for the examination of the provisions of the Agreement of Association between the European Economic Community and Cyprus.

At its meeting on 21 June 1974 the Council considered the report of the Working Party (L/4009). The Working Party had not been able to reach unanimous conclusions as to the compatibility of the Association Agreement with the provisions of the GATT. Some members were of the opinion that the Agreement constituted a preferential trading arrangement which did not conform to Article XXIV. In their view there was no firm commitment to establish a customs union, the trade coverage was inadequate, there was no assurance that the degree of liberalization of agricultural imports from Cyprus would be maintained, and the rules of origin appeared unduly complex and restrictive to third country suppliers. The parties to the Agreement and several other members of the Working Party held the view that the Agreement conformed fully with Article XXIV; the trade coverage was high and was likely to increase in both the agricultural and industrial sectors. They also considered that the rules of origin were neither restrictive nor unduly complex. The Working Party, therefore, had limited itself to reporting the opinions expressed on these issues.

The Council noted the differences of views expressed and adopted the report.

- Agreement with Egypt (C/M/99)

In October 1973 the Council had established a Working Party for the examination of the provisions of the Agreement between the EEC and Egypt.

At its meeting on 19 July 1974 the Council considered the report of the Working Party (L/4054). The Working Party had been unable to reach unanimity as to the compatibility of the Agreement with the provisions of the GATT. Some members were of the opinion that no plan and schedule existed which indicated that the arrangement would become a free-trade area within a reasonable period and that the trade coverage was inadequate. Some members felt that it would have been preferable for the EEC to have taken account of Egypt's interests through the Generalized System of Preferences. The parties to the Agreement considered that the requirements of Article XXIV had been fulfilled, and cited as proof developments towards economic integration in the region concerned, the political will of the parties to establish free trade, and the provisions of the Agreement itself. The Working Party, therefore, had limited itself to reporting the opinions expressed.

The Council noted the differences of view expressed and adopted the report.

- Agreement with Lebanon (C/M/94)

At its meeting on 28 March 1974 the Council was informed of the text of the Agreement and Additional Protocol concluded between the European Economic Community and Lebanon (L/4002).

The Council agreed to initiate the customary procedure for the examination of the provisions of the Agreement and set up a Working Party, open to all contracting parties. It was also agreed that the Government of Lebanon would be invited to be represented by observers at the meetings of the Working Party.

- Association with Turkey (C/M/93, 94, 100)

At its meeting on 28 January 1974 the Council was informed of the texts of the Agreements supplementary to the Association Agreement between the EEC and Turkey consequent on the accession of new member States to the Communities.

On 28 March 1974 the Council set up a Working Party for the examination of the provisions of the Agreements.

The report of the Working Party (L/4086) was presented to the Council at its meeting on 21 October 1974. The parties to the Agreement supported by some other members of the Working Party, were of the view that the Supplementary Protocol, which consisted of adaptation measures, conformed fully with the provisions of Article XXIV. Other members were of the view that the Supplementary Protocol did not conform fully to the requirements of the GATT.

In view of this situation the Working Party had limited itself to reporting the opinions expressed on these issues.

The Council adopted the report.

(b) Agreements concluded between

- Finland and Bulgaria (C/M/98)
- Finland and Hungary (C/M/98)
- Finland and Czechoslovakia (C/M/100)

At its meeting on 21 June 1974 the Council was informed by the representative of Finland that his Government had signed an agreement with Bulgaria on 26 April 1974 and with Hungary on 2 May 1974 on the reciprocal removal of obstacles to trade taking into consideration the provisions of Article XXIV of the GATT.

At its meeting on 21 October 1974 the Council was also informed of the signature on 19 September 1974 of an agreement between Finland and Czechoslovakia.

The Council agreed to revert to these matters when the texts of the agreements had been notified.

(c) Caribbean Community and Common Market (C/M/92, 100)

At its meeting on 19 December 1973 the Council was informed by the representative of Jamaica that four members of the Caribbean Free Trade Association (CARIFTA), namely Barbados, Guyana, Jamaica and Trinidad and Tobago, had ratified the Caribbean Community Treaty which had led to the establishment of the Caribbean Community and Common Market with effect from 1 August 1973. Other members of CARIFTA had agreed to sign the Treaty with a view to becoming contracting parties on 1 May 1974.

The text of the Treaty was presented to the Council at its meeting on 21 October 1974 (L/4083). The Council agreed to initiate the customary procedure for the examination of the provisions of the Treaty and established a Working Party for that purpose.

8. Waivers under Article XXV:5

(a) Brazil - Renegotiation of Schedule (C/M/92, 94)

At its meeting on 19 December 1973 the Council was informed by the representative of Brazil that it could not be expected to complete the negotiations under Article XXVIII with the United Kingdom before the end of the year, i.e. the expiry of the Decision of 27 February 1967. He therefore requested an extension of the time-limit.

The representative of the United Kingdom stated that he knew of no obstacle to the conclusion of Brazil's negotiations with the United Kingdom before the end of 1973. But as it was difficult to make the necessary arrangements before the end of 1973 he agreed to an extension of the waiver for a short period.

The Council agreed to recommend an extension of the waiver for three months, i.e. until 31 March 1974. The Council approved a draft decision and recommended its adoption by the CONTRACTING PARTIES. The Decision was adopted by postal ballot on 1 February 1974 (L/3993).

At the meeting of the Council on 28 March 1974 the representative of Brazil requested a further extension of the waiver for one month, until 30 April 1974. The substantive part of the negotiations had been finished and the extension was required only for the purpose of formalizing the results.

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 April 1974 (L/4025).

Contracting parties have been informed that the negotiations with Brazil under the Decision of 27 February 1967 have been terminated.

(b) India - Auxiliary duty of customs (C/M/94)

Under the Decision of 15 November 1973 the Government of India was authorized to maintain, on a temporary basis, an auxiliary duty of customs on certain items in respect of which the duty had been bound. The waiver was due to expire at the end of March 1974.

At its meeting on 28 March 1974 the Council was informed by the representative of India that the special circumstances which had necessitated the introduction of the auxiliary duty of customs had continued to exist and had been aggravated. The representative of India assured the Council that the levies would not have any adverse effect on imports into India within the framework of India's obligations under the GATT and requested a further extension of the waiver.

The Council approved the text of a draft decision extending the waiver until 31 March 1975 and recommended its adoption by the CONTRACTING PARTIES.

The Decision was adopted by postal ballot on 30 April 1974 (L/4026).

(c) India - Renegotiation of Schedule (C/M/99)

Under the Decision of 16 March 1973 the Government of India was authorized to modify certain bound rates of duty pending the completion of the necessary renegotiations by 30 June 1974.

At its meeting of 19 July 1974 the Council was informed by the representative of India that a few outstanding problems remained to be solved before the renegotiations would be fully completed, and he asked for an extension of the time-limit.

The Council approved the text of a draft decision extending the time-limit until the end of the thirtieth session of the CONTRACTING PARTIES, and recommended its adoption by the CONTRACTING PARTIES.

The Decision was adopted by postal ballot on 31 August 1974 (L/4076).

(d) Indonesia - Renegotiation of Schedule (C/M/94)

Under the Decision of 13 November 1973 the Indonesian Government was authorized to apply rates of duty contained in Indonesia's new customs tariff of 1 February 1973 which might exceed Indonesia's bound rates, pending the

conclusion of the necessary negotiations pursuant to Article XXVIII with interested contracting parties before 31 December 1975.

At the meeting of the Council on 10 April 1974, the representative of Indonesia invited contracting parties, particularly principal suppliers, to notify their interest in the renegotiations, and to help the Indonesian authorities in the preparation of the relevant statistics.

The Council took note of the statement.

(e) Pakistan - Flood Relief Surcharge (C/M/93, 100)

At its meeting on 28 January 1974 the Council considered a request from the Government of Pakistan for a waiver from its obligations under Article II, in order to enable it to apply a temporary surcharge on certain items bound in the Pakistan Schedule until 30 June 1975 (L/3984).

The representative of Pakistan pointed out that his country had suffered in August 1973 devastating floods and that the Flood Relief Surcharge, coupled with other measures, would help Pakistan to meet the large expenditure and to surmount the difficulties which had resulted from them. The surcharge would be removed as soon as it was no longer necessary.

The Council agreed to recommend that a waiver be granted until 31 December 1974. The Council approved the text of a draft decision and recommended its adoption to the CONTRACTING PARTIES.

The Decision was adopted by postal ballot on 28 January 1974 (L/4003).

At its meeting on 21 October 1974 the Council was informed by the representative of Pakistan that his Government had terminated the surcharge with effect from 8 June 1974 (L/4071).

(f) Uruguay - Import surcharges (C/M/98, [101])

By their Decision of 24 October 1972, the CONTRACTING PARTIES had waived, subject to specific terms and conditions, the provisions of paragraph 1 of Article II, to the extent necessary to enable the Government of Uruguay to apply as a temporary measure a system of import surcharges. The Decision was to expire at the end of June 1974. At its meeting on 21 June 1974 the Council considered a request from the delegation of Uruguay for a further extension of the waiver (L/4045 and Add.1).

The Council agreed that the matter should be referred to the Committee on Balance-of-Payments Restrictions with the request that a report should be made to the Council in October. The Council also agreed to recommend to the CONTRACTING PARTIES that an extension of the waiver be granted until the end of the thirtieth session of the CONTRACTING PARTIES. The Council approved the text of a draft decision with this time limit and recommended its adoption by the CONTRACTING PARTIES. The Decision was adopted by postal ballot on 22 July 1974 (L/4063).

[To be concluded]

9. Reports under waivers

(a) Australia - Papua/New Guinea (C/M/100)

At its meeting on 21 October 1974 the Council took note of the twentieth annual report (L/4090) submitted by the Government of Australia.

(b) Turkish stamp duty (C/M/98,99)

Under the Decision of 3 July 1973 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 into Turkey of products included in Schedule XXXVII.

At the Council meeting of 17 July 1974 the representative of Turkey presented a report required under the Decision. He pointed out that the Turkish Government had continued its efforts to improve the tax system and to liberalize further its imports.

The Council took note of the report.

(c) United States - Agricultural import restrictions (C/M/92)

At its meeting of 19 December 1973 the Council carried out the annual review on action taken by the United States under the Decision of 5 March 1955 on the basis of the 17th annual report furnished by the United States (L/3958). The report covered the period June 1972 to August 1973.

The representative of the United States referred in his presentation of the report particularly to the action taken towards liberalization of trade in products covered by the Decision. Some representatives welcomed the increase in import quotas under Section 22 of the United States Agricultural Adjustment Act.

The Council took note of the report.

(d) United States - Imports of automotive products (C/M/94)

At its meeting on 23 March 1974 the Council took note of the seventh annual report submitted by the Government of the United States under the Decision of 20 December 1965, covering the year 1972 (L/4008).

10. Trade negotiations among developing countries (C/M/101)

- Report by the participating countries

To be concluded

11. Provisional accession of Colombia (C/M/94)

The CONTRACTING PARTIES had received an application for provisional accession from the Government of Colombia in November 1968. Although the regular procedures for the examination of the request had been initiated and a working party had been established in January 1969, the matter had not proceeded as anticipated.

At the meeting on 28 March 1974 the representative of Colombia informed the Council of his Government's decision to re-activate its application for accession to GATT (L/3997). He pointed out that the delay in proceeding had been caused by changes in the domestic situation of his country and the need to formalize Colombia's participating in LAFTA and the Andean Common Market. His delegation expected to submit shortly an updated Memorandum on the foreign trade régime of Colombia to the CONTRACTING PARTIES.

The Council established a new working party to examine the request.

An updated Memorandum on the foreign trade régime of Colombia was circulated in June 1974 (L/4039). The questions submitted by contracting parties concerning the matters dealt with in the Memorandum, and the replies received from the Government of Colombia, were issued in October 1974 (L/4085).

12. Consultation on trade with Poland (C/M/98, 101)

The Protocol for the Accession of Poland provides for annual consultations. At its meeting on 21 June 1974 the Council established a working party to conduct the seventh annual consultation and to re-examine the question of the establishment of a date for the transitional period.

The representative of Poland drew attention to the problem remaining to be solved in Poland's relationship with the CONTRACTING PARTIES, namely the elimination of quantitative restrictions applied by some west European countries against imports from Poland, which should be phased out in accordance with the terms of Poland's Protocol of Accession. He also appealed that the parties concerned should agree to fix 31 December 1974 as the final date for the termination of the transitional period.

[To be concluded]

13. Romanian customs tariff (C/M/94)

The representative of Romania stated at the meeting of the Council on 28 March 1974 that under the provisions of the Protocol of Accession of Romania his country had reserved the right to introduce a customs tariff and to renegotiate its commitment in its Schedule. The Romanian Government had introduced a customs tariff on an experimental basis as from 1 January 1974 (L/3989). The new customs tariff had been published in accordance with Article X of the GATT, in the Official Bulletin of the Socialist Republic of Romania. In view of the experimental nature of this tariff, Romania did not have the intention to renegotiate its commitment in 1974.

The Council agreed to set up a working party for the examination of Romania's new customs tariff, open to all contracting parties.

14. Application of Article XXXV to Japan (C/M/100)

At the meeting of the Council on 21 October 1974 the representative of Japan expressed his Government's appreciation to the governments of four contracting parties which since the twenty-ninth session had disinvoked Article XXXV in respect of Japan. He expressed regret, however, that the governments of nine contracting parties: Austria, Cyprus, Haiti, Ireland, Kenya, Mauritania, Nigeria, Senegal and South Africa, had still not found it possible to enter into normal legal GATT relationship with his country.

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

15. Consultations on rules of origin (C/M/92)

At the Council meeting on 19 October 1973 the United States delegation, with reference to the Agreements between the European Communities and certain EFTA countries, proposed the establishment of a special working party to undertake a detailed examination and analysis of the problems of trade deflection and rules of origin in free-trade areas.

At the meeting of the Council on 19 December 1973 the representative of the United States stated that the discussion on the rules of origin in the working parties examining the agreements between the European Communities and EFTA countries had not been exhaustive enough. He, therefore, maintained his proposal that a working party should be set up to consider such points as the negotiating history of the relevant GATT provisions, the analysis of the rules of origin in free-trade areas that had been examined in GATT, an analysis of the rules of origin provided for in these agreements in relation to specific tariff differentials.

This proposal was supported by a number of delegations.

The representative of the European Communities maintained that the rules of origin had already been examined in relation to each agreement. However, the Community was open to bilateral talks and ready to consider any question put to it on problems arising from the rules.

The representative of the United States informed the Council that he would not press his proposal further but would pursue this question through consultations between the United States and the Communities and their partners. His delegation, therefore, requested consultations under paragraph 1 of Article XXII and called the attention of the Council to the procedures under Article XXII as adopted in November 1958 (BISD, 7S/24). The United States delegation intended to proceed in accordance with these procedures.

The Council took note of this declaration.

16. Training Activities (C/M/1017)

To be concluded

17. Status of Protocols (C/M/1017)

To be concluded

18. International Trade Centre (C/M/1017)

To be concluded

19. Administrative and Financial Questions (C/M/1017)

To be concluded

20. Arrangements for the Thirtieth Session (C/M/98)

At its meeting on 21 June 1974 the Council agreed that the thirtieth session of the CONTRACTING PARTIES should be held within the period of 18 to 22 November 1974.

21. Membership of the Council (C/M/92, 99)

At its meeting on 19 December 1973 the Council welcomed the Philippines and on 28 January 1974 Bangladesh as members of the Council.

22. Co-ordination between international trade and monetary matters (C/M/98,100)

At the meeting of the Council on 21 June 1974 the Director-General made a statement relating to the trade policy aspects of the work of the Committee of Twenty of the International Monetary Fund. The Director-General also made certain suggestions as to how the CONTRACTING PARTIES might organize themselves in order to facilitate the carrying out of their responsibilities, particularly with respect to the pursuit and maintenance of trade policies consistent with the objectives of the General Agreement, the prevention of sudden disturbances that could threaten the multilateral trading system and the carrying out of their part in the co-ordination between GATT and the IMF on the international adjustment process (L/4048).

The Council took note of the statement.

At the meeting of the Council on 21 October 1974 the Chairman said that informal consultations had been held between delegations. A consensus seemed to have emerged on many aspects of the proposal. Consultations were continuing, however, with respect to membership.

The Council felt that the informal consultations on membership needed to be continued further and agreed to revert to this matter later.