

# GENERAL AGREEMENT ON TARIFFS AND TRADE

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## COUNCIL OF REPRESENTATIVES

### Draft Report on Work Since the Thirty-First Session

In accordance with the Decision of 4 June 1960 establishing the Council of Representatives, the Council is required to report to the CONTRACTING PARTIES on the matters considered between sessions of the CONTRACTING PARTIES.

In carrying out its task the Council has held [ ] meetings since the thirty-first session in November 1975. The minutes of these meetings have been issued in documents C/M/111 - C/M/... . Adoption of this report, which summarizes the action taken by the Council, will constitute approval by the CONTRACTING PARTIES of that action.

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1. Committee on Anti-Dumping Practices (C/M/113)

At its meeting on 27 April 1976 the Council appointed Mr. Eggert (Finland) as the new Chairman of the Committee on Anti-Dumping Practices.

/To be concluded/

2. Balance-of-payments import restrictions

- Consultations on balance-of-payments restrictions

(a) Arrangements for consultations in 1976 (C/M/112)

Arrangements for consultations on balance-of-payments restrictions in 1976 were presented to the Council on 5 March 1976.

The Council took note of the arrangements.

The Council appointed Mr. Jagmetti (Switzerland) as new Chairman of the Committee on Balance-of-Payments Restrictions.

(b) Consultation with Brazil (C/M/114)

In May 1976 the Committee on Balance-of-Payments Restrictions carried out a consultation with Brazil under the provisions of paragraph 12(a) of Article XVIII. The Committee also examined the Brazilian import deposit scheme introduced in July 1975 (see item 4(b) hereafter). The report (BOP/R/88) was presented to the Council at its meeting on 14 June 1976.

The Council adopted the report.

(c) Consultation with Finland (C/M/114)

In April 1976 the Committee on Balance-of-Payments Restrictions carried out a consultation with Finland under the provisions of paragraph 4(b) of Article XII. The Committee also examined the Finnish import deposit scheme introduced in March 1975 (see item 4(e) hereafter). The report (BOP/R/87) was presented to the Council at its meeting on 14 June 1976.

The Council adopted the report.

(d) Consultation with Korea (C/M/114)

In May 1976 the Committee on Balance-of-Payments Restrictions conducted a full consultation under Article XVIII:12(b) with Korea. The Committee agreed that Korea's situation justified import restrictions under Article XVIII: Section B, but expressed concern at the complexity, lack of transparency and instability of Korea's system of trade controls. The Committee urged Korea to continue its efforts to simplify its trade control system. The report (BOP/R/86) was presented to the Council at its meeting on 14 June 1976.

The Council adopted the report.

(e) Consultation with Peru (C/M/112)

In November 1975 the Committee on Balance-of-Payments Restrictions carried out a full consultation under Article XVIII:12(b) with Peru.

The Committee was of the opinion that the level of import restrictions in Peru was high, but did not exceed the level necessary to prevent a further decline in Peru's monetary reserves. The Committee noted that developments in Peru's major industries might contribute to an improvement of the balance-of-payments situation in the near future. The report of the Committee (BOP/R/84) was presented to the Council at its meeting on 17 February 1976.

The Council adopted the report.

(f) Examinations under simplified procedures (C/M/112)

At its meetings in November and December 1975 the Committee on Balance-of-Payments Restrictions examined written statements supplied by a number of developing countries under the simplified procedures. The reports on these examinations (BOP/R/83 and 85) were presented to the Council at its meeting on 17 February 1976.

The Council agreed that Argentina, Egypt, India, Indonesia, Pakistan and Sri Lanka should be deemed to have consulted with the CONTRACTING PARTIES and to have fulfilled their obligations under Article XVIII:12(b) for 1975. The Council noted that a full consultation with Korea would be held (see item 2(d) above) and adopted the reports.

3. Consultative Group of Eighteen [C/M/ ]

[To be concluded]

4. Emergency actions and temporary trade restrictive measures

(a) Australia

(i) Restrictive measures on imports (C/M/113)

At the meeting of the Council on 27 April 1976 the representative of the European Communities expressed his concern that Community exports to Australia continued to be subject to restrictive measures introduced at the end of 1974 and in early 1975. The Community had entered into consultations on certain products for which quota restrictions had been introduced while they were bound in the GATT. On a number of unbound items Australia had increased tariffs. Although an increase in duty on an unbound item did not create a problem under the GATT the Community was affected by these measures and wished to discuss them also. Other representatives shared the concern expressed by the representative of the European Communities.

The representative of Australia stated that in spite of restraints Australian imports had been at a record level with imports from the European Community growing faster than total Australian imports. Even imports of products under restraint had risen appreciably. This indicated that the object of the measures was not to accord additional long-term protection to Australian industry, but to moderate the rate of growth of import penetration to permit domestic industry to adjust to changing circumstances. He described developments relating to particular imports and questioned the need to have these matters included in the agenda.

The Council took note of the statements made.

(ii) Restrictions on imports of textiles (C/M/112, 114)

At its meeting on 17 February 1976 the Council was informed of the recommendations made by the Textiles Surveillance Body, under Article 3, paragraph 5(iii) of the Textiles Arrangement, relating to the Australian restrictions on imports from the Philippines (L/4257) and from Singapore (L/4285).

The representative of Australia informed the Council that his Government had withdrawn the restrictions applied on imports of knitted tops, knitted and woven dresses and woven blouses and shirts from the Philippines. His Government had also withdrawn the quantitative restrictions on knitted tops from Singapore and did not propose at this time to seek further consultations on a voluntary restraint agreement with Singapore on these goods.

The Council took note of the findings and recommendations made by the TSB and of the statements made.

At the meeting of the Council on 14 June 1976 the representative of Japan referred to a recent decision of the Australian Government which maintained and expanded the application of tariff quotas to certain textile products. He stated that the tariff rates on these textile products outside the quota were prohibitively high and the tariff quotas introduced had a trade restrictive effect similar to quantitative restrictions, thus nullifying the objectives of the Textiles Arrangement. He expressed the hope that Australia would eliminate these measures as soon as possible.

The representative of Australia referred to the detailed statements made before regarding Australia's position in respect of tariff quotas under the GATT and the Textiles Arrangement.

The Council took note of the statements made.

(iii) Article XIX action on imports of sheets of iron and steel  
(C/M/114)

At the meeting of the Council on 14 June 1976 the representative of Japan expressed regret at the introduction by the Australian Government of tariff quotas on cold rolled sheets and plates of iron and steel and on galvanized steel sheets. He expressed the hope that these measures would be eliminated at the earliest opportunity.

The Council took note of the statement.

(b) Brazil

- Import deposit scheme (C/M/114)

In May 1976 the Committee on Balance-of-Payments Restrictions carried out a consultation with Brazil (see item 2(b) above), during which it also examined the Brazilian import deposit scheme introduced in July 1975. The report (BOP/R/88) was presented to the Council at its meeting on 14 June 1976. The Committee had noted a rapid and serious deterioration of Brazil's balance of payments caused by external and internal factors and recognized that corrective measures were called for. It had expressed concern, however, at the severity and multiplicity of the measures adopted and at their trade disruptive effect should they be enforced for a lengthy period. The Committee had urged the Brazilian authorities to terminate as soon as possible the import prohibitions but did not oppose the temporary application of moderate import restrictions.

The Council adopted the report.

(c) Canada

- Import quotas on eggs (C/M/112)

In September 1975 the Council had established a working party to examine certain matters referred to the CONTRACTING PARTIES by the United States concerning the imposition of import quotas for eggs and egg products by Canada. The report of the Working Party (L/4279) was presented to the Council at its meeting on 17 February 1976. The members of the Working Party, with the exception of the United States had agreed with the Canadian view that the operation of the Canadian supply management programme for eggs was in conformity with the provisions of Article XI:2(c)(i). The Working Party had been unable to decide whether the representative period chosen by Canada was in conformity with the last paragraph of Article XI. Some members proposed as a basis for agreement between the parties the period 1 June 1967 to 31 May 1973. The Working Party had been unable to conclude whether the imposition of the quota on eggs under Article XI constituted nullification or impairment of a prior binding.

The Council adopted the report.

In March 1976 the Canadian authorities informed the CONTRACTING PARTIES of certain increases in the quota on eggs and egg products for 1976, having taken account of suggestions made by the Working Party (L/4319).

(d) European Economic Community

(i) Emergency action on imports of bovine meat and Article XXII consultations (C/M/112, 113, 116)

At the meeting of the Council on 17 February 1976 the representative of Australia referred to a new system of linked sales for frozen beef and veal, notified by the EEC in January 1976 (L/4004/add.12). The system appeared to his authorities as more restrictive than the previous scheme. He believed the new system would lead to a distortion of traditional trading patterns in EEC member States where there was a requirement for beef imports. He also referred to the requirement for importers of beef for processing to place a security deposit which, in his view, created an added burden on traders.

The representative of the European Communities expressed the belief that the new system of linked sales was a step towards a more normalized situation, which was confirmed by recent import trends.

At the meeting of the Council on 27 April 1976 the representative of Australia gave a progress report on the consultations under Article XXII:1 with the EEC on these import restrictions and stated that the four rounds of consultations which had been conducted had not been successful. He questioned the meaningfulness of enlarged commitments under the GATT for trade liberalization if embargoes could be applied against imports without recourse to proper GATT processes. He had not received sufficient evidence that the levy-free bound quotas had been allocated in conformity with GATT. Although the Community had made attempts at piecemeal liberalization the market had remained closed to normal trading conditions. A large number of representatives also expressed their concern at this situation and hoped that normal access to the Community meat market could be restored at an early stage.

The representative of the European Communities stated that all procedures in GATT were open to contracting parties and their rights were not in question. The administration of the levy-free bound quotas had taken place in conformity with GATT rules and practices and the quotas had been fully utilized each year. He described various measures taken by the Community and stated that the market was not closed as imports had continued. He pointed out that the meat surplus in the Community was not simply a result of Community policies, as there were crises in all import markets.

At the meeting of the Council on 17 September 1976 the representative of Argentina expressed concern about the entire future of the meat market in the Community. The Community had continued to adopt measures to stimulate meat production by increasing the guide prices. There was now a tendency to solve problems in the dairy sector by modifying the structure of production from dairy to meat.

The representative of the European Communities stated that the increases in guide prices were the result of the depreciation of currencies rather than a stimulation to production. The present increase in slaughtering was due to the drought situation and would result in a decrease in production in 1977. The expectation also was that meat imports into the Community would increase at higher prices resulting from a probable disequilibrium between supply and demand on the world market.

The Council took note of the statements made.

(ii) Import deposits for animal feed proteins (C/M/113, 115, 116)

The representative of the United States informed the Council at its meeting of 27 April 1976 that the United States had entered into consultations with the EEC under Article XXIII:1 concerning a mixing scheme for non-fat dry milk

introduced on 1 April 1976. The scheme would induce the incorporation of 400,000 tons of non-fat dry milk in livestock feed and implied the imposition of deposits on imports of vegetable proteins for animal feeds. In his Government's view the scheme was inconsistent with the GATT, it impaired GATT bindings on soyabeans, soyabean meal and cake and other feedstuffs and would have a significant adverse effect on United States exports of these products.

The representative of the European Communities explained that the scheme was part of a number of measures to dispose of surplus skimmed milk powder. It was a temporary measure with the limited objective of absorbing 400,000 tons of skimmed milk powder through compulsory purchases. He recalled that the Community annually imported 15 million tons of oilcake equivalent.

At the meeting of the Council on 15 July the representative of the United States informed the Council that the consultations held with the Community had not resulted in a satisfactory solution of the trade issues involved. The United States therefore referred the matter to the CONTRACTING PARTIES in accordance with the provisions of Article XXIII:2 and requested the establishment of a panel to examine the complaint by the United States that the EEC import deposit and purchasing requirements affecting non-fat dry milk and certain animal feed proteins were not consistent with the EEC's obligations under the GATT, including those obligations under Articles I, II and III, and to make such findings as would assist the CONTRACTING PARTIES in making the recommendations or rulings provided for in Article XXIII:2.

The representative of the European Communities gave an account of the context in which the measure was taken and reserved his position as to the legal points raised. The Council agreed to revert to the matter at a later meeting.

At its meeting on 17 September 1976 the Council agreed to establish a panel as requested by the United States at its earlier meeting. The Council authorized the Chairman of the Council to nominate, in consultation and agreement with the parties concerned, the Chairman and members of the panel.

(iii) Minimum import prices, licences and surety deposits for certain processed fruits and vegetables (C/M/113, 114, 115)

At the meeting of the Council on 27 April 1976 the representative of the United States said that consultations with the EEC had taken place under Article XXIII:1 following the EEC decision to introduce, as of 1 October 1975, a system of import licences and surety deposits for certain processed fruits and vegetables. Furthermore, the EEC had introduced a minimum import price régime for tomato concentrates with effect from 1 September 1975. In his Government's

view these measures were inconsistent with the EEC obligations under the GATT and nullified and impaired important United States GATT bindings. The United States intended to refer the matter to the CONTRACTING PARTIES under Article XXIII:2 if the consultations did not lead to results. The representative of Australia stated that the measures also affected products which had been bound to Australia. His authorities had therefore entered into Article XXIII:1 consultations with the EEC on this matter. A number of other representatives also expressed their concern about these measures. The representative of the European Communities said consultations with some countries were proceeding and the EEC was prepared to enter into consultations with other interested countries. He considered that the GATT did not forbid a system of minimum import prices.

At the meeting of the Council on 14 June the representative of the United States stated that the consultations initiated under Article XXIII:1 had not led to a satisfactory resolution of the issue. His delegation therefore referred the matter to the CONTRACTING PARTIES under the provisions of Article XXIII:2 for prompt investigation and appropriate recommendations. He requested that a panel of experts be set up at the earliest convenient date to consider the complaint of the United States as spelled out in documents L/4321 and Add.1. The representatives of Australia and Canada supported the United States request.

The representative of the European Communities took note of the proposal. As the EEC had not had sufficient time to prepare a position on this matter the Council agreed to refer the matter to its next meeting.

At its meeting on 15 July 1976 the Council agreed to establish a panel to examine the United States complaint concerning the minimum import price for tomato concentrates and the systems of licensing and surety deposits applied by the Community in respect of imports of certain processed fruits and vegetables.

The Council authorized the Chairman of the Council to nominate, in consultation with the parties concerned, the Chairman and the members of the panel.

The representative of Israel, supported by other representatives, expressed his deep concern about the way in which the Council in this case and also in an earlier case had dealt with the question of setting up a panel. Any contracting party had the right to obtain action under Article XXIII without negotiating.

(iv) Measures applied by the United Kingdom (C/M/112)

At its meeting on 17 February 1976 the Council was informed by the representative of the European Communities of the introduction, as of 1 January 1976, of a statistical surveillance system by the United Kingdom in

the form of licences relating to television sets and tubes. Furthermore, quota measures were introduced for imports of cotton yarn originating in Spain and Portugal, and of certain synthetic fibres originating in Portugal. Consultations with Spain and Portugal were proceeding. Finally, Czechoslovakia, the German Democratic Republic, Hungary, Poland and Romania had been invited to restrain their exports of men's suits to the British market and Poland, Czechoslovakia and Romania had been invited to apply restrictions on their exports of leather shoes to the United Kingdom.

Several representatives expressed their concern at these measures, particularly because of their discriminatory nature. The representatives of some contracting parties reserved their rights under the GATT and the Textiles Arrangement.

The representative of the European Communities, referring to remarks on the discriminatory nature of the measures pointed out that the Community was in the process of forming a common market which implied the abolition of formalities at the frontier between member States.

The Council took note of the statements made.

(v) Refunds on exports of malted barley (C/M/116)

At the meeting of the Council on 17 September 1976 the representative of Chile stated that exports of malted barley from Chile were being displaced from their usual markets in Latin America by Community exports (L/4392). He considered that the displacement was the result of export refunds. In his opinion the Community action was inconsistent with GATT provisions, in particular Article XVI. Moreover, this problem affected various developing countries and was therefore governed by the provisions of Part IV. He believed that the time had come to have recourse to the mechanisms provided for under the General Agreement. The representative of Argentina expressed concern about the permanent nature of the export refund system, which at present covered 60 per cent of world exports of malted barley.

The representative of the European Communities stated that the system of export refunds for malted barley had been revised so as to correspond better with the realities of trade and the evolution of world prices. As a result the refunds had been substantially reduced. He suggested that a number of points in the Chilean submission required clarification and rectification which could best be done in bilateral discussions.

The Council took note of the statements made.

The Chairman suggested that consultations between the delegations concerned should be pursued with a view to a satisfactory settlement of the question.

(vi) Tax on imports of vegetable and marine fats and oils (C/M/116)

At the meeting of the Council on 17 September 1976 the representative of Peru referred to a proposal which, in the context of establishing a balanced dairy market in the EEC, foresaw the possibility of establishing a tax on vegetable and marine fats and oils (L/4389). He expressed serious concern about the adverse effects such a tax might have on Peruvian exports to the Community. He considered that the tax was not compatible with the provisions of the General Agreement.

The representative of Argentina also stated that if the measure was adopted Argentina's exports would be prejudiced (L/4394). He considered it appropriate to discuss the proposal, because it should be considered within the global context.

Several other delegations also expressed concern and urged that the proposal be reconsidered. Some delegations stated that they had made representations to the Community in this respect.

The representative of the European Communities considered that it was not customary in the GATT to examine measures which were at the stage of proposals. He thought that the appropriate channel for the communication of the position of delegations was through the diplomatic channels in Brussels.

The Council took note of the statements made.

(e) Finland

- Import deposit scheme (C/M/114)

In April 1976 the Committee on Balance-of-Payments Restrictions carried out a consultation with Finland (see item 2(c) above), during which it also examined the Finnish import deposit scheme. The report (BOP/R/87) was presented to the Council at its meeting of 14 June 1976. The Committee had regretted the prolongation of the scheme, which was to be terminated in March 1976, until 31 December 1976, but it had welcomed the gradual phasing out of the scheme by rate reductions. It was noted that the scheme was non-discriminatory and that the deposits did not go beyond the level necessary to prevent a further fall in the level of Finland's reserves.

The Council adopted the report.

(f) Greece

- Import restrictions on meat (C/M/112, 116)

At the meeting of the Council on 17 February 1976 the representative of Australia referred to the question of import restrictions maintained by Greece on frozen meat. It was his understanding that the restrictions had been lifted for the period until July 1976 and he sought further clarification on this matter.

The representative of Greece said that the measures were of a temporary nature and designed to restore order in the Greek meat market. The measures had been notified to the GATT.

At the meeting of the Council on 17 September 1976 the representative of Australia mentioned that as from 1 August 1976 meat imports into Greece had been prohibited. He considered that a new notification had been necessary and sought assurances that the restrictions would be administered in accordance with GATT provisions.

The representative of Greece stated that the restrictions were the same as had been notified earlier and subsequently lifted. The measures were temporary, not discriminatory, and in conformity with Article XI.

The Council took note of the statements made.

(g) Italy

- Monetary measures (C/M/114, 115, 116)

At the meeting of the Council on 14 June 1976 the representative of Italy informed the Council of the introduction by his Government of certain monetary measures. This included a deposit requirement, for a period of ninety days, of 50 per cent of the amount used for the purchase of foreign currencies. He described the exceptional situation of the Italian exchange market and pointed out that the measures already had some favourable effects on the stabilization of the lira. He emphasized that the measures were not selective import controls, but concerned only the exchange market; they were temporary and non-discriminatory. The representative of the European Communities added that the monetary situation in Italy necessitated fast action. The Commission had therefore authorized the Italian Government to take certain measures in the monetary field. The measures could not be assimilated to a mechanism protecting national production. They were due to expire in August 1976.

A number of representatives pointed out that the Italian monetary measures had trade effects which were of legitimate concern to GATT. They should therefore be examined in GATT, in particular by the Committee on Balance-of-Payments Restrictions.

The Council agreed to keep the matter on its agenda.

At the meeting of the Council on 15 July 1975 the representative of Italy gave further information on the effects of the measures. The rate of depreciation of the lira had been reduced and it appeared that the measures had had no substantial impact on imports. The representative of the European Communities also confirmed the beneficial effects of the measures on international economic relations as a whole.

A number of representatives expressed the hope that the measures would be abolished on the date foreseen.

The Council referred further consideration of this matter to its next meeting.

At its meeting on 17 September 1976 the Council gave further consideration to these measures, the period of which had been extended until November 1976.

The representative of Italy explained that the extension of the measures had been necessary for the establishment of a longer-term stabilization policy.

Several representatives recognized the difficult economic situation in Italy. They considered that an examination of the trade effects of the measures was a matter of direct concern to the GATT and should be carried out promptly in an appropriate forum. A number of delegations suggested that the examination should be carried out by the Committee on Balance-of-Payments Restrictions. Representatives of developing countries stated that in the examination the particular interests of developing countries should be taken into account in the light of the provisions of Part IV of the General Agreement.

The representative of the European Communities stressed that the measures were monetary measures of a global nature and doubted whether they fell within the competence of GATT. The Community was, however, prepared to participate in an ad hoc working party specially set up to examine the measures in the light of the provisions of Article XV of the General Agreement.

The representative of Italy also stressed that the measures could not be compared with import restrictions and the only relevant provisions in this connexion therefore were those of Article XV.

The Council agreed to set up a working party to examine the measures in the light of the relevant provisions of the General Agreement and of the statements made in the Council. The Working Party would consult with the International Monetary Fund in this regard.

(h) New Zealand

- Import deposit scheme (C/M/112, 115)

At the meeting of the Council on 17 February 1976 the representative of New Zealand stated that his Government had introduced on 2 February 1976 a limited import deposit scheme. The scheme, which was set up for one year, provided for an import deposit of 33 1/3 per cent. The deposit would be refunded after six months without interest and the products covered represented about 7 per cent of New Zealand's imports which had shown rapid growth in recent years and thus contributed to a precarious balance-of-payments situation.

Several representatives proposed that the matter be referred to the Committee on Balance-of-Payments Restrictions for examination. The representative of the European Communities expressed concern, in particular as the EEC appeared to be more affected by the scheme than other trading partners of New Zealand. While the matter should be examined in a multilateral framework, the Community also sought bilateral consultations with New Zealand. Other representatives proposed that the matter be examined in a working party.

The Council established a working party to examine the scheme.

The Working Party met in June 1976 and presented its report (L/4363) to the Council at its meeting on 15 July 1976. The Working Party had noted that the scheme was temporary and non-discriminatory in its application. However, some members had expressed doubts as to the validity of the criteria used for the selection of products subject to the deposit and had noted that certain imports were subject to both deposits and import licensing. The Working Party asked New Zealand to review the scheme in the light of its balance-of-payments developments and to consider its relaxation and removal at an early date. The Working Party had agreed that the scheme applied on a temporary basis, was not more restrictive than an application of the provisions of Article XII.

The Council adopted the report and took note that the Working Party would continue to be available for consultation, if necessary.

(i) South Africa

- Import deposit scheme (C/M/116)

At its meeting on 17 September 1976 the Council was informed by the representative of South Africa of the introduction of a temporary import deposit scheme as of 2 August 1976 (L/4386). The scheme was supplementary to various measures of a monetary or fiscal nature. It required the deposit of 20 per cent of the f.o.b. value of all imported goods, with certain exceptions, repayable after six months without interest. The scheme would cover about 60 per cent of imports, it was non-discriminatory and its duration was not expected to exceed one year.

A member of the Council suggested that the measure be examined by the Committee on Balance-of-Payments Restrictions.

The representative of South Africa did not oppose the examination of the scheme by the Committee on Balance-of-Payments Restrictions. He pointed out, however, that the Council departed from past practice in that it referred the matter to the Committee in a case where the contracting party concerned was not required to consult with the Committee. It was his understanding that in future all schemes of this nature would be referred to the Committee on Balance-of-Payments Restrictions.

The Council agreed that the Committee on Balance-of-Payments Restrictions should be requested to examine the scheme.

(j) United States

- Import restrictions on specialty steel (C/M/112, 113, 114)

At the meeting of the Council on 17 February 1976 the representative of Japan expressed his Government's concern about a recommendation by the United States International Trade Commission that quotas should be imposed on imports of certain specialty steel into the United States (L/4313). The representatives of the European Communities, Sweden and Austria shared the views expressed by the representative of Japan.

The representative of the United States said that his authorities would take account of the international situation in responding to the recommendation of the Commission.

At the meeting of the Council on 27 April 1976 the representative of Japan again referred to this matter in the light of a determination by the President of the United States to provide import relief to the United States specialty steel industry (L/4318). His delegation was not convinced that specialty steel products were being imported into the United States in such increased quantities as to cause injury to domestic producers. He said that the alleged difficulties of the United States specialty steel industry had been brought about by the recession in the United States.

A number of other representatives from specialty steel exporting countries shared the Japanese views in this matter.

The representative of the United States said that the United States remained committed to trade liberalization. He pointed out that imports of specialty steel had doubled during 1970-1975 and domestic deliveries had declined by 45 per cent with the rate of employment rising to 25 per cent.

At the meeting of the Council on 14 June 1976 the representatives of the European Communities, Sweden, Canada and Austria expressed their concern and dissatisfaction at the final decision made by the United States Government to introduce, with effect from 14 June 1976, quotas on imports of specialty steel (L/4368). They repeated their view that the difficulties experienced were mainly due to the falling off of internal demand as a result of the recession. They would carefully analyze the effects of the restrictions on their trade with the United States and reserved all their rights under the GATT.

The representative of the United States said that in arriving at the decision the concerns of exporting countries had been taken into account. Thus, the import control programme had been set up for three years rather than the five years recommended by the ITC. Furthermore, there would be a review of the programme at the time when domestic industry would regain a healthy level of production and employment. Therefore, the possibility existed that the programme might be terminated before the end of the three-year period.

The Council took note of the statements made.

5. DISC and related panels (C/M/112)

In July 1973 the Council had agreed to set up panels to examine questions referred to the CONTRACTING PARTIES relating to United States tax legislation (DISC) and to income tax practices maintained by Belgium, France and the Netherlands. The question of the composition of the four panels was left to the Chairman of the Council to be settled in agreement with the parties concerned.

At its meeting on 17 February 1976 the Council was informed that agreement had been reached on the composition of the panel.

[The four panels have concluded their work. Their reports are to be finalized shortly.]

6. Export inflation insurance schemes (C/M/112, 113, 114, 115)

At the meeting of the Council on 17 February 1976 the representative of the United States expressed concern about export inflation insurance schemes and their distorting effects on trade. He said that such schemes had been operated by France and Finland for some time and that the United Kingdom had introduced one in 1975 and Portugal in 1976. These insurance schemes constituted in his view subsidies under Article XVI:4 of the General Agreement. He urged contracting parties to notify such schemes under Article XVI:1.

The Council took note of the statements made.

At the meeting of the Council on 27 April 1976 the representative of the United States again referred to the question of export inflation insurance schemes. He pointed out that none of the schemes in operation were self financing and all contained subsidy elements. As the effect of these schemes was substantial, he asked for an examination to be made of the trade impact of such schemes and for a determination by the CONTRACTING PARTIES concerning their consistency with the GATT. He proposed the establishment of a working party for this purpose composed of contracting parties operating such schemes and of other interested contracting parties. A number of representatives supported the United States proposal. The representative of Japan, in supporting the proposal, stated that such an examination should not prejudice the work of the MTN in the field of subsidies. The representatives of the European Communities and Switzerland said that they needed more time to consider the proposal.

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

At the meeting of the Council on 14 June 1976 the proposal to establish a working party was further discussed. The representative of the European Communities considered that the terms of reference should be wide enough for the working party to examine all measures which, directly or indirectly, attenuated or compensated for the effects of cost inflation. The representative of the United States considered that the export inflation insurance schemes should be examined as a priority subject. As no agreement could yet be reached on the terms of reference, the Council referred the matter to its next meeting.

At its meeting on 15 July 1976 the Council established a working party to examine, from the point of view of their effects on international commerce and in the light of the GATT provisions, export inflation insurance schemes and other measures, direct or indirect, brought to the Working Party's attention, used to attenuate or compensate for the effects of cost inflation, and to report to the Council.

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

(a) Caribbean Common Market (C/M/115)

At its meeting on 15 July the Council appointed Mr. Tomić (Yugoslavia) as the new Chairman of the Working Party on the Caribbean Common Market.

[The Working Party has not yet been convened.]

(b) Central American Common Market (C/M/116)

At its meeting on 17 September 1976 the Council received a report, presented by the Permanent Secretariat of the General Treaty of Central American Economic Integration (SIECA) on developments in the Central American Common Market (L/4377).

The Council took note of the report.

(c) European Communities

(i) ACP-EEC Convention of Lomé (C/M/115)

In July 1975 the Council had established a working party for the examination of the provisions of the ACP-EEC Convention of Lomé.

At its meeting on 15 July 1976 the Council considered the report of the Working Party (L/4369). The parties to the Convention had stated that they had created in the Convention an instrument for effective economic co-operation between developed and developing countries. Some members of the Working Party had expressed the hope that the Convention would not adversely affect the trade interests of non-ACP developing countries. In this context, the representative of the European Communities had noted that the EEC was engaged in co-operative efforts in favour of all developing countries. There had been wide sympathy in the Working Party for the view that the purpose and objectives of the Convention were in line with those embodied in the General Agreement, including Part IV. The parties to the Convention, supported by some members of the Working Party, stated that the trade commitments in the Convention were compatible with the relevant provisions of the General Agreement taken as a whole, and its objectives. Some other members had considered it doubtful that it had been established that the Convention was fully justified in terms of the legal requirements of the General Agreement. It was understood that the Convention would in no way be considered as affecting the legal rights of contracting parties under the General Agreement.

The Council adopted the report.

(ii) Agreements with Tunisia, Algeria and Morocco (C/M/114, 116)

At the meeting of the Council on 14 June 1976 the representative of the European Communities informed the Council that the European Communities had signed co-operation agreements on 25 April 1976 with Tunisia, on 26 April 1976 with Algeria and on 27 April 1976 with Morocco. The agreements provided for co-operation in the field of economic, financial, technical and social development as well as in the areas of manpower and trade. They were of undetermined duration, but would be reviewed periodically, for the first time in 1978. He also pointed out that three interim agreements had been signed permitting the anticipated entry into force, on 1 July 1976, of the provisions relating to trade between the European Communities and the three countries.

The texts of the agreements were circulated to the contracting parties in July 1976 (L/4379, 4380, 4381).

At its meeting on 17 September 1976 the Council agreed to initiate the customary procedure for the examination of the provisions of the agreements and established three separate working parties for this purpose.

(iii) Agreement with Israel (C/M/115)

In July 1975 the Council had established a working party for the examination of the provisions of the new Agreement concluded between the EEC and Israel.

At its meeting on 15 July 1976 the Council considered the report of the Working Party (L/4365). The Working Party had been unable to reach unanimous conclusions as to the compatibility of the Agreement with the provisions of the General Agreement, and had therefore limited itself to reporting the opinions expressed.

The Council adopted the report.

(iv) Association with Greece (C/M/114)

In September 1975 the Council had established a working party for the examination of the provisions of an Additional Protocol to the Agreement between the EEC and Greece, consequent upon the accession of three new member States to the European Community.

At its meeting on 14 June 1976 the Council considered the report of the Working Party (L/4340). The Working Party had been unable to reach unanimous conclusions as to the compatibility of the Agreement with the provisions of the General Agreement and had therefore limited itself to reporting the opinions expressed.

The Council adopted the report.

(v) Association with Malta (C/M/112, 114)

The representative of the European Economic Communities informed the Council at its meeting on 17 February 1976 that on 23 December 1975 the European Economic Community and Malta had concluded a Protocol Relating to the Association Agreement, consequent on the accession of three new member States to the Community, as well as a Protocol relating to financial aid.

The texts of the Protocols were circulated to the contracting parties in June 1976 (L/4346) and were considered by the Council at its meeting on 14 June 1976. The representative of the European Communities stated that the Protocol provided for a progressive reduction of customs tariffs and quotas in the industrial sector and the extension of the Association to certain agricultural products. The Protocol also provided for a review of the results of the provisions beginning in 1978.

The Council took note of the statement and of the terms of the Protocol.

(vi) Information on developments furnished by member States

- Agreements with Austria, Finland, Iceland, Norway, Portugal, Sweden and Switzerland (C/M/112)

In accordance with the calendar of biennial reports on developments under regional agreements the European Community and the seven member States of EFTA and FIN/EFTA had submitted reports on the operation of the Agreements. The Council considered the reports at its meeting on 17 February 1976. The reports covered the period from the entry into force of the Agreements until 30 October 1975.

The representatives of Canada and the United States expressed their concern about the question of the rules of origin which, in their view, were unduly restrictive and detrimental to the trade of third countries. Consultations under Article XXII on this question were continuing but progress had been disappointing. The representative of the European Communities stated that free-trade areas required rules of origin in order to reserve the benefits of free trade to products originating in the area. The Community was willing to continue consultations but did not recognize that there was a case under Article XXIV. The rules of origin had been adjusted to the circumstances in the past and the Community would make further adjustments if this was considered appropriate or necessary. The EFTA countries supported the statement by the representative of the Communities.

The Council took note of the reports.

- Association between the EEC and Cyprus
- Agreement between the EEC and Egypt
- Association between the EEC and Malta
- Agreement between the EEC and Spain (C/M/114)

In accordance with the Calendar of Biennial Reports on developments under regional agreements, reports were submitted to the Council on 14 June 1976 relating to the Association between the EEC and Cyprus (L/4347), the Agreement between the EEC and Egypt (L/4355), the Association between the EEC and Malta (L/4349), and the Agreement between the EEC and Spain (L/4348).

The representatives of Australia and the United States asked for more detailed information to permit an evaluation of progress achieved under the Agreements.

The Council took note of the reports.

(d) Agreements concluded with Finland

(i) Finland - Bulgaria /C/M/ 7

In February 1975 the Council had established a working party for the examination of the provisions of the Agreement between Finland and Bulgaria.

The Working Party met in October 1975.

To be concluded

(ii) Finland - Czechoslovakia (C/M/114)

In February 1975 the Council had established a working party for the examination of the provisions of the Agreement between Finland and Czechoslovakia.

The Working Party met in October 1975 and April 1976 and submitted its report to the Council on 14 June 1976 (L/4342). The Working Party had been unable to reach unanimous conclusions as to the compatibility of the Agreement with the provisions of the General Agreement. The parties to the Agreement, supported by two other members of the Working Party were of the opinion that the Agreement was in full conformity with the provisions of Article XXIV. The other members could not, on the basis of the available information, express a view on this question and requested that the Working Party should continue the examination at an appropriate time on the basis of additional information. In the light of this situation, Finland and Czechoslovakia were prepared to pursue the examination within the Working Party at the request of members of the Working Party.

The Council adopted the report.

(iii) Finland - German Democratic Republic /C/M/ 7

In November 1975 the Council had established a working party for the examination of the provisions of the Agreement between Finland and the German Democratic Republic.

The Working Party has not yet been convened

(e) Latin American Free Trade Association (C/M/116)

At its meeting on 17 September 1976 the Council considered a report on activities under the Latin American Free Trade Agreement in 1974 and 1975 (L/4373), submitted by the member States in accordance with the Calendar of Biennial Reports.

The Council took note of the report.

8. Trade arrangements between Egypt, India and Yugoslavia (C/M/113)

At the meeting of the Council on 27 April the representative of Yugoslavia presented the annual report by the Participating States on the seventh year of operation of the Trade Expansion and Economic Co-operation Agreement (L/4253). He said that trade under the Agreement among the Participating States had increased by 32 per cent during the period under consideration and amounted to \$34 million. The share of this trade as among the three States was very modest as compared with trade in these items with other contracting parties. The Agreement, therefore, had not caused injury to the trade of other contracting parties. It was the intention of the Participating States to endeavour to multilateralize, as far as possible, the trade concessions exchanged among them through their inclusion in the Protocol Relating to Trade Negotiations Among Developing Countries.

The Council took note of the report.

9. Waivers under Article XXV:5

(a) India

(i) Auxiliary duty of customs (C/M/114)

By their Decision of 5 May 1975 the CONTRACTING PARTIES had waived the application of the provisions of Article II:1 of the General Agreement to the extent necessary to enable the Government of India to apply 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 June 1976.

At its meeting on 14 June 1976 the Council was informed by the representative of India that the special circumstances which had necessitated the introduction of the auxiliary duty of customs continued to exist. The resources derived from the duty were needed to meet essential development needs and his Government therefore proposed to continue the auxiliary duty for one more year. He assured the Council that the levies would not have an adverse effect on imports into India, particularly since it was expected that imports would rise in 1977 in view of increased planned investments. He therefore asked for an extension of the time-limit in the Decision for one more year, until 30 June 1977.

The Council approved the text of a draft decision extending the waiver until 30 June 1977 and recommended its adoption by the CONTRACTING PARTIES.

The Decision was adopted by postal ballot on 30 July 1976 (L/4385).

(ii) Introduction of new customs tariff (C/M/112)

At the meeting of the Council on 17 February 1976 the representative of India said that his Government had decided to change India's customs tariff to the Brussels Tariff Nomenclature and to rationalize and simplify its tariff structure, as of 1 April 1976. As these measures would involve an adjustment of rates on several items, including items bound under the GATT, his Government requested a waiver to enable it to introduce the tariff.

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 March 1976.

(b) Indonesia

- Renegotiation of schedule (C/M/115)

Under the Decision of 13 November 1973 the Government of Indonesia had been authorized to apply the rates of duty contained in its new customs tariff, to the extent that they exceeded bound rates, pending the completion of negotiations under Article XXVIII for the modification of concessions in the Indonesian schedule. The waiver had been extended until 31 December 1976.

The representative of Indonesia informed the Council at its meeting on 15 July 1976 that in carrying out the renegotiations his delegation had met with unexpected administrative and technical difficulties. His Government therefore intended to seek a modified waiver which would permit Indonesia to replace its present schedule by a new schedule without being bound by the formal requirements of Article XXVIII.

/To be concluded/

(c) Uruguay

- Import surcharges (C/M/113, 115)

Under their Decision of 24 October 1972, as extended until 30 June 1976, 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 27 April 1976 the Council had decided that the request for an extension of the waiver should be referred directly to the Committee on Balance-of-Payments Restrictions for examination.

The Committee carried out the examination in July 1976 and presented its report (L/4371) to the Council on 15 July 1976. The Committee had noted with sympathy the economic problems of Uruguay and commended Uruguay for its efforts to liberalize its trade régime. The Committee had welcomed the prospects of improvement in the balance of payments for 1976 and also the Uruguayan authorities' intention to undertake fiscal and trade reforms. The Committee had noted that the waiver had been extended and amended since 1961. It also noted that in 1972 the Committee had urged Uruguay to remove the surcharges as soon as possible. Against this background the Committee now urged Uruguay to give careful consideration, in the context of these reforms, to reducing its reliance on surcharges as a source of revenue and to further liberalize its foreign trade system. The Committee recommended to the CONTRACTING PARTIES an extension of the waiver until 30 June 1978.

The representative of the European Communities drew attention to a matter raised by his delegation in the Working Party, i.e. that importers had found that their applications to the National Bank for authority to obtain exchange were refused or delayed. His delegation attached great importance to a speedy solution of this matter.

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

The Decision was adopted by postal ballot on 9 September 1976 (L/4396).

10. Reports under waivers

(a) Australia

- Papua New Guinea waiver (C/M/113)

At its meeting on 27 April 1976 the Council took note of the twenty-first annual report (L/4304) submitted by the Government of Australia.

(b) United States

(i) Imports of automotive products (C/M/113, 114)

At its meetings on 27 April 1976 and 14 June 1976 the Council considered the ninth annual report by the Government of the United States under the Decision of 20 December 1965 (L/4333).

The Council took note of the report.

(ii) Agricultural import restrictions [C/M/ ]

[To be concluded]

11. Australia

- Brussels definition of value for customs purposes (C/M/112)

At the meeting of the Council on 17 February 1976 the representative of Australia informed the Council that his Government had decided to adopt the Brussels definition of value for customs purposes. The system would be introduced as soon as the Australian Government had passed the necessary amending legislation.

The Council took note of the information.

12. Poland

(a) Consultations on trade (C/M/115)

The Protocol for the Accession of Poland provides for annual consultations. At its meeting on 15 July 1976 the Council established a working party to conduct the ninth annual consultation and to re-examine the question of the establishment of a date for the termination of the transitional period.

[The Working Party has not yet been convened.]

(b) New customs tariff (C/M/112)

At the meeting of the Council on 17 February 1976 the representative of Poland informed the Council that his Government had introduced, as from 1 January 1976, a customs tariff based on the Brussels Tariff Nomenclature. As the new tariff was a new instrument in Poland's foreign trade régime some time was necessary to provide the CONTRACTING PARTIES with detailed information.

The Council took note of the information and agreed to revert to the matter at a later meeting when details of the new tariff had become available.

13. Romania

- Consultations on trade (C/M/114)

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.

In February 1975 the Government set up a Working Party to conduct the second consultation with the Government of Romania.

The Working Party has not yet been convened.

At its meeting on 14 June 1976 the Council agreed that the consultation, which had been postponed to the first half of 1976, be held before the end of 1976.

14. International Meat Consultative Group (C/M/114)

At its meeting on 14 June 1976 the Council appointed Mr. Gifford (Canada) as the new Chairman of the International Meat Consultative Group.

15. International Trade Centre

- Joint Advisory Group (C/M/113)

At its meeting on 27 April 1976 the Council considered the report of the Joint UNCTAD/GATT Advisory Group on its ninth session (ITC/AG(IX)49). The Group had expressed satisfaction with the Centre's trade promotion assistance to developing countries in 1975 and had agreed that the Centre should take increasing cognizance of actions taken by developing countries in pursuance of international development objectives adopted by various United Nations bodies. As this would increase demands for trade promotion assistance it was expected that the Centre's programme would grow at an accelerated pace. The Group had supported the Centre's integrated assistance project approach but stressed that it should not be pursued to the neglect of other forms of assistance. The Group had also recommended that the Centre should continue to pay special attention to the least developed countries and strengthen its efforts to solve their immediate export problems. Furthermore, the implementation of an Import-Export Co-operative Programme was recommended on an experimental basis. Other recommendations by the Group included the development of inter-regional activity to identify market opportunities for developing countries within the framework of the GSP. The Group had also recommended that the ITC budget proposals for 1978/79 be considered by the GATT Budget Committee before being submitted to the ACABQ.

The Council approved the recommendations of the Group and adopted the report.

16. Training activities [C/M/ ]

[To be concluded]

17. Status of Protocols [C/M/ ]

[To be concluded]

18. Administrative and financial questions

(a) Deputy Director-General posts (C/M/111)

The Council agreed at its meeting on 15 December 1975 that the reclassification of one D.2 post to the level of Deputy Director-General should remain effective for a further two-year period, i.e. until 30 June 1978.

(b) Assessment of contributions for Colombia (C/M/112)

At its meeting on 17 February 1976 the Council adopted the assessment of contributions proposed for Colombia following its provisional accession to GATT (L/4291).

(c) Adjustment of contribution of the Netherlands (C/M/112)

At its meeting on 17 February the Council adjusted the contribution to the 1976 budget of the Netherlands following the independence of Surinam in November 1975 (L/4290).

(d) Appointment of External Auditor (C/M/112)

At its meeting on 17 February 1976 the Council appointed Sir Douglas Henley as new External Auditor of GATT (L/4300).

(e) Revision of salaries of the General Service category (C/M/113, 114)

At its meeting on 27 April 1976 the Director-General informed the Council of a decision of the Secretary-General of the United Nations, after negotiations with staff representatives, that new salary scales would be applied to the General Service category. The new salary scales would enter into force with retroactive effect from 1 August 1975 for salaries and from 1 April 1975 for family allowances. The Committee on Budget, Finance and Administration would consider the financial implications of the salary adjustments, both for the 1975 accounts and for the 1976 budget.

At its meeting on 14 June 1976 the Council considered the report of the Committee on Budget, Finance and Administration on the final position of the 1975 GATT Budget and the financial implications arising from the revision of the scales for salaries and family allowances of the staff of the General Service category (L/4350). As regards the final position of the 1975 budget the Committee recommended certain transfers between budgetary sections (L/4336). As regards the new salary scales the Committee felt strongly that the system was defective and it expressed the hope that the International Civil Service Commission would consider

this question as a matter of priority. Two members of the Committee had had serious reservations but had not wished to block consensus on the Committee's recommendations concerning the financing of the additional cost. The Committee recommended that the financing of the additional cost for 1975 be done by transfer from the 1975 surplus account and that the additional cost for 1976 be financed from savings within the appropriate sections of the budget or by transfer from other sections. If this was insufficient the Director-General was to be authorized to transfer the necessary funds from the item "Unforeseen Expenditure".

The Council approved the recommendations by the Committee and adopted the report.

(f) Financing of commercial policy courses (C/M/112, 114)

At the meeting of the Council on 17 February 1976 the Director-General drew attention to a financial problem in relation to the commercial policy courses, which were financed by fellowships given by UNDP. He recalled that the budget, as approved originally by UNDP for the financing of the 1976 courses, had been reduced by UNDP in 1975 by \$20,000 and that the CONTRACTING PARTIES had made provision in the 1976 budget of Sw F 60,000 to cover this gap. He had now been informed by UNDP that present expenditure forecasts for the 1976 courses exceeded available funds and UNDP was not in a position to increase its 1976 budget. In order to avoid the cancellation of one of the courses GATT would have to provide for the shortfall of some Sw F 150,000 in addition to the Sw F 60,000 already made available in the 1976 budget.

A great number of representatives expressed their serious concern regarding this matter and their willingness to support any efforts, including the reprogramming of funds, so that the courses could be continued.

At the meeting of the Council on 14 June 1976 the Director-General informed the Council that the Sw F 150,000 necessary for the second 1976 commercial policy course had been provided by voluntary contributions.

The Council expressed its gratification and took note of the information.

(g) Committee on Budget, Finance and Administration [C/M/ ]

[To be concluded]

19. Arrangements for the thirty-second session (C/M/115)

At its meeting on 15 July 1976 the Council agreed that the thirty-second session of the CONTRACTING PARTIES should be opened on Monday 22 November 1976, and that its duration should be limited to two to three days, if possible.