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COUNCIL

COUNCIL OF REPRESENTATIVES

Draft Report on Work since the Thirty-Fourth Session[1]

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-fourth session in November 1978. The minutes of these meetings have been issued in documents C/M/131 - 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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COUNCIL OF REPRESENTATIVES

Draft Report on Work Since Thirty-Fourth Session

1. Anti-dumping practices

- Committee on Anti-Dumping Practices

[To be completed]

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

[To be completed]

3. Balance-of-payments import restrictions

- Consultations on balance-of-payments restrictions

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

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

The Council took note of the arrangements.

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

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

The representative of Brazil considered that the Committee had underestimated the balance-of-payments difficulties faced by Brazil. He noted that the Committee had expressed doubts whether the Brazilian measures could be fully justified under Article XVIII:B and that the Committee concluded that extensive import restrictions were not the appropriate means of restoring equilibrium on the current account other than on a very temporary basis. He was of the opinion that such a statement was contrary to the letter and the spirit of that Article, according to which a contracting party should pay due regard to the need for restoring equilibrium on a lasting basis. The

Committee, when recommending alternative measures in other fields to attain equilibrium in the balance of payments, should have taken into consideration the provisions of Article XVIII:11 to the effect that no contracting party should be required to withdraw or modify restrictions on the grounds that a change in its development policy would render unnecessary the restrictions which it had been applying.

The Council adopted the report.

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

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

The Council adopted the report.

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

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

The Council adopted the report.

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

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

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

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

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

4. Consultative Group of Eighteen

[To be completed]

5. Emergency action and trade restrictive measures

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

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

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

The Council took note of the statements.

6. Recourse to Article XXIII

(a) European Communities

(i) Refunds on exports of sugar

- Recourse by Australia

[To be completed]

- Recourse by Brazil (C/M/132)

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

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

The Council took note of the information.

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

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

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

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

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

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

[To be completed]

(b) Japan

- Restraints on imports of leather (C/M/132, 133, 134)

At its meeting in July 1978, the Council had considered the United States complaint on restraints of leather imports into Japan. The Council had authorized the Chairman to take the necessary steps for the establishment of a panel, if the consultations between the United States and Japan under Article XXIII:1 had not succeeded after a definite period of time. At its meeting on 29 January 1979 the Council was informed that it had not been possible for the two parties to settle the matter and that consequently, the Chairman, in consultation with the two parties, had established a Panel with specified terms of reference and membership. At its meeting on 27 March 1979, the Council received the report of the Panel (L/4789). The report stated that the Panel had been informed that following further bilateral consultations between the United States and Japan an agreement had been reached, as a result of which, the United States was withdrawing its complaint. The two parties had reserved their rights under the General Agreement to re-open the proceedings if the conclusions reached were not put into practice to their mutual satisfaction. The two parties were prepared, upon request, to provide information on the substance of the conclusions reached to other interested parties and to consult with them. The Panel was of the view that the agreement between the two parties constituted a solution to the matter before it and considered the proceedings under Article XXIII:2 to be terminated.

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

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

The representative of Japan said that the purpose of the dispute settlement procedure under Article XXIII was to bring a bilateral dispute to a mutually satisfactory solution. This had been achieved and upon the withdrawal of the United States complaint the Panel had declared the procedure terminated. There was in his view no precedent in the GATT, once a mutually satisfactory solution had been reached for not adopting a panel's final report due to the intervention of third parties. He reiterated his

Government's readiness to give third parties, having an interest in this matter, upon request, explanations on a bilateral basis and to have bilateral consultations on the administration of the quotas vis-à-vis such countries. He proposed the adoption of the report.

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

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

[To be completed]

(c) Norway

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

At the meeting of the Council on 25 July 1979, the representative of the United Kingdom, speaking for Hong Kong, referred to earlier discussions in the Council since May 1978. He stated that no agreement had been reached in bilateral consultations between Hong Kong and Norway in respect of Norway's 1978/79 actions. His delegation considered that the procedures under Article XXIII:1 had been exhausted and he therefore requested the establishment of a panel under the provisions of Article XXIII:2 (L/4815).

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

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

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

[To be completed]

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

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

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

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

The Council adopted the report.

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

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

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

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

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

The Council adopted the report.

(b) Australia-Papua New Guinea Agreement

[To be completed]

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

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

The Council took note of the reports.

(d) European Communities

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

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

The Council took note of the statements.

(ii) Information on developments furnished by member States

- Association between the EEC and Greece (C/M/132)
- Association between the EEC and Turkey (C/M/132)

In accordance with the calendar of biennial reports on developments under regional agreements, reports were submitted to the Council on 29 January 1979 relating to the Association between the EEC and Greece (L/4765) and the Association between the EEC and Turkey (L/4748).

The Council took note of the reports.

(e) European Free Trade Association

(i) EFTA/FINEFTA

[To be completed]

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

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

The Council took note of the information.

(f) Agreements concluded by Finland

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

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

[To be completed]

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

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

[To be completed]

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

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

[To be completed]

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

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

[To be completed]

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

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

The Council took note of the report.

9. Waivers under Article XXV:5

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

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

The Council took note of the statement.

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

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

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

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

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

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

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

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

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

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

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

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

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

10. Reports under waivers

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

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

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

The Council took note of the report.

(b) United States

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

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

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

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

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

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

The Council took note of the report.

(ii) Automotive products

[To be completed]

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

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

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

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

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

12. Accessions, Provisional Accessions

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

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

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

[To be completed]

(b) Accession of Mexico (C/M/132)

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

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

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

The representative of the European Community said that the Community would enter into negotiations with Mexico on the basis of reciprocity consistent with Mexico's development, financial and trade needs and that it would be realistic and pragmatic in its approach. The Community expected Mexico to assume commitments similar to those assumed by other developing contracting parties which were in a comparable economic situation. Mexico would fully benefit from the legal guarantees linked to its status as a contracting party and of the rights which would derive from the multilateral trade negotiations.

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

[To be completed.]

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

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

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

Several delegations supported the adoption of the report.

The Council approved the text of the draft Protocol of Accession, including the date of 1 December 1979 to be inserted in paragraph 6 of the Protocol, on the understanding that, when the tariff negotiations with the Philippines had been terminated, Schedule LXXV would be circulated to the

contracting parties as an addendum to the Working Party's report and would be annexed to the Protocol of Accession. The Council also approved the text of the draft Decision and agreed that the Decision would be submitted to a vote by postal ballot when the Philippines Schedule had been circulated.

The Council adopted the report of the Working Party.

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

(d) Provisional accession of Thailand

[To be completed]

(e) Provisional accession of Tunisia

[To be completed]

13. Safeguards (C/M/134)

At the meeting of the Council on 25 July 1979 the Director-General recalled that the Procès-Verbal, adopted by the Trade Negotiations Committee on 12 April 1979 (MTN/28, paragraph 6), stated that the work on safeguards should be continued within the framework and in terms of the Tokyo Declaration as a matter of urgency with the objective of reaching agreement before 15 July 1979. He had to report however that in spite of considerable efforts undertaken by all delegations concerned, it had so far not been possible to reach agreement on a safeguards code. He therefore submitted the following proposal to the Council for consideration and adoption (C/106):

1. Contracting parties would reaffirm their intention to continue to abide by the disciplines and obligations of Article XIX of the General Agreement. It would be expected that the existing rules and practices relating to the modalities of application of Article XIX, summarized in document L/4679 of 5 July 1978, would be adhered to by contracting parties when taking any future action under that provision.

2. Contracting parties would undertake to abide by the obligations contained in the Understanding regarding Notification, Consultation, Dispute Settlement and Surveillance, and in particular by the obligation to notify the CONTRACTING PARTIES of their adoption of trade measures affecting the operation of the General Agreement.

3. A Committee would be established by the CONTRACTING PARTIES with the following terms of reference:

(a) to continue discussions and negotiations, taking into account the work already done, with the aim of elaborating supplementary rules and procedures regarding the application of Article XIX of the General Agreement, in order to provide greater uniformity and certainty in the implementation of its provisions;

(b) pending a satisfactory outcome of the discussions and negotiations mentioned in (a) above, to examine any future case of a safeguard measure, whether taken under Article XIX or otherwise, by contracting parties in the light of the relevant provisions of the General Agreement, including Part IV thereof.

Membership of the Committee would be open to all contracting parties It would also be open to all participants in the MTN to take part in the discussions and negotiations under 3(a) above.

The representative of Yugoslavia speaking on behalf of developing countries, said that the failure to introduce more discipline in the safeguard system of the GATT was due to the insistence of some major contracting parties to introduce an element of selectivity into the system. This was widely considered to be a serious departure from the rules of the GATT. As a matter of compromise developing countries had been ready to accept, as an extreme exception and under particular circumstances, the possibility of selectivity, provided that clearly defined criteria and conditions were met, including a test by an international body. On this basis an ad referendum text had been arrived at after intensive negotiations. As this solution had not been acceptable the developing countries had gone even further by making disposition for critical circumstances, when all other elements of the agreement would be satisfied. This also had not proved acceptable. He expressed concern that the reluctance of some contracting parties to accept discipline could seriously erode the results of the MTN. He stressed the importance developing countries attached to this subject. The developing countries considered that the responsibility for the failure to reach agreement was not due to a lack of effort from their side. He emphasized that in the absence of an agreement on discipline in a safeguard system any matter that had been contemplated during these negotiations could not be considered as being acceptable for the implementation of Article XIX. The developing countries would in the future base themselves entirely on their initial position that safeguard measures could only be applied on a most-favoured-nation basis.

Many representatives commented on the proposals made by the Director-General and on the statement made by the representative of Yugoslavia on behalf of the developing countries.

Representatives of developing countries stressed the flexibility they had demonstrated in the negotiations and the sacrifices they were willing to make in order to arrive at a safeguards code. They emphasized that the failure to arrive at a solution should not lead to a vacuum of the established norms.

The representative of the European Communities said that his delegation remained committed to finding a solution to the outstanding questions. In his view the developing countries had not shown any further flexibility since April. The Community had been prepared to consider disciplines and procedures more elaborate than presently provided for in Article XIX, but it had also sought provisions to make up for certain deficiencies of that Article.

All representatives who spoke expressed the view that in the absence of an agreement the Director-General's proposal deserved serious attention and they were ready to return to it at a future meeting of the Council.

The Council agreed to defer a decision on the Director-General's proposal to its next meeting.

[To be completed]

14. Hungary - Consultations on trade (C/M/134)

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

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

15. Trade in textiles

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

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

The representative of India pointed out that, apart from minor exceptions, the textiles trade of the developing countries was restrained in the most important developed markets. Furthermore, he recalled that at the

time of renewal of the Arrangement, provision had been made for the possibility of jointly agreed reasonable departures from the Arrangement with the stipulation that a return be made to the framework of the Arrangement in the shortest possible time. As the period for this provision should naturally be shorter than the life of the Arrangement itself, he urged those who had departed from the Arrangement to revert to the Arrangement as soon as possible. He also stressed the importance of introducing adjustment assistance measures for countries maintaining restrictive import régimes.

The Council adopted the report.

16. De facto application of the General Agreement to newly-independent countries

[To be completed]

17. Administrative and financial questions

(a) Committee on Budget, Finance and Administration

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

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

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

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

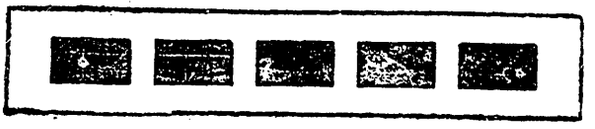
The Council took note of the statements.

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

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

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

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

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

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