

GENERAL AGREEMENT ON TARIFFS AND TRADE

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COUNCIL

COUNCIL OF REPRESENTATIVES

Draft Report on Work since the Thirty-Sixth 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-sixth session in November 1980. The minutes of these meetings are contained in documents C/M/145-C/M/1... 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. Notification and Surveillance (C/M/146, 147, 150, 151)

At their thirty-fifth session in November 1979 the CONTRACTING PARTIES had adopted the Understanding Regarding Notification, Consultation, Dispute Settlement and Surveillance (BISD 26S/210) drawn up in the Multilateral Trade Negotiations.

In March 1980 the Council had adopted the Proposal by the Director-General (C/117) relating to implementation of the paragraphs of the Understanding dealing with Notification (paragraphs 2 and 3) and with Surveillance (paragraph 24).

In November 1980 the Council had a first discussion of the matter.

At the meeting of the Council on 10 March 1981 the Chairman announced that a special meeting on this matter would be held shortly.

On 27 May 1981 the Council met in special session for further discussions on this matter and to conduct the review provided for in sub-paragraphs 6(b) and (c) of the agreed procedures contained in document C/117, on the basis of a comprehensive factual note (C/W/361) by the secretariat covering the period from 1 January 1980 to 31 March 1981.

The Chairman recalled that, in reaching the Understanding Regarding Notification, Consultation, Dispute Settlement and Surveillance governments had reaffirmed their commitment to existing GATT obligations regarding publication and notification. In respect of surveillance, they had agreed that particular attention would be paid to developments affecting rights and obligations under the General Agreement, to matters affecting the interests of developing contracting parties, to trade measures notified in accordance with the Understanding, and to measures subject to consultation, conciliation or dispute settlement procedures. He said that the present arrangements were still experimental and subject to review and modification in the light of experience.

The representative of India said that Notification and Surveillance were closely related and could therefore not be separated from each other. In respect of Notification, the Council should add to the information contained in the note by the secretariat, as appropriate, and suggest areas that were not covered. He added that there might be need for a more detailed review of the implementation of Part IV. He suggested in respect of Surveillance that the note by the secretariat might contain more factual reporting about the work being done in the various MTN committees. He felt that the Generalized System of Preferences should be seen in the context of the relevant decisions taken in November 1979 by the CONTRACTING PARTIES and that these decisions should provide additional certainty and predictability to these schemes. He suggested a broad stock-taking by the Council in the future, while more detailed examinations could be held within the various committees.

The representative of Brazil said that new perspectives and new working methods were needed in the post-MTN period to evaluate whether the delicate GATT mechanism was functioning properly. The rôle of the Council in this matter would have to differ from its routine work or from the sessions of the CONTRACTING PARTIES, and should be addressed to the whole mechanism of the GATT rather than to the particulars of specific cases. This would require initially a broad stock-taking to identify certain trends in both the international trade system and in the GATT system as such. In respect of Notification, he said that it should be determined in which areas the notifications were or were not satisfactory. In respect of Surveillance, the question to be asked was how the rights and obligations of contracting parties were being affected, especially of developing contracting parties, and how well the dispute settlement mechanism was functioning. He said that the overall objective of this exercise was to keep the GATT machinery working as smoothly as possible. He made certain suggestions as to possible improvements and additional information in the secretariat note. He also raised the question whether in future a report could be presented by the Director-General on the whole of the GATT, including suggestions of how the GATT machinery could be improved.

The representative of Yugoslavia said that the Understanding had made possible a systematic and periodic analysis of questions concerning international trade, and that the GATT was now well equipped to carry out its task from a legal and organizational point of view. He felt that the note could be improved by having the secretariat add its own comments and possibly suggestions with respect to the notifications, as well as an analysis of all cases falling under paragraph 24 of the Understanding.

The representative of Canada expressed the view that the Notification part of the exercise presented the opportunity to make observations as to whether the relevant requirements were being met, while the main thrust of the exercise was Surveillance. The Council should not dwell on substance, but might have to examine substantive issues if the need arose. The documentation could be improved by adding more detailed information to it; but further reflection and consultation was needed before attempting to include summaries of panel decisions. He agreed that the final objective of the whole exercise was to ensure that the GATT machinery was working as smoothly as possible.

The representative of the European Communities said that at the present experimental stage of the exercise it was up to the Council to consider broad policy issues rather than to seek answers from the secretariat, and that the CONTRACTING PARTIES should define their own objectives before turning to the secretariat in this respect. He recalled the views of his delegation on this matter, namely that it might be unrealistic and impractical to attempt more, either because the CONTRACTING PARTIES would be flooded with unnecessary information or because individual contracting parties could interpret the

escape clause in the Understanding in such a way so as not to comply. In commenting on the note by the secretariat in document C/W/361, he said that in the view of his delegation the GATT was not a system to gather information for its own sake, but only if it was of value and interest to the CONTRACTING PARTIES, that some of the information currently supplied on a regular basis covered matters which the CONTRACTING PARTIES were not systematically pursuing, that it was clear that the existing requirements were not observed by the majority of the contracting parties, and that in some areas there was a general notification requirement whereas the consequential interest for contracting parties was of a specific and bilateral nature. The preliminary conclusions of his delegation in respect of Notification were that the CONTRACTING PARTIES should avoid requesting more notifications and transparency, that there was a need to avoid duplication of work in other GATT bodies, and that contracting parties should be encouraged to comply with existing notification procedures before jumping to the conclusion that the system was at fault. In respect of Surveillance, he said that while there was an argument for more systematic review of action taken after adoption of a panel report, it was for the affected party to raise the matter if it remained dissatisfied, and not a matter for collective action.

The representative of Switzerland said that any improvement of the system should not be sought in creating new requirements, but rather by a greater respect for the existing obligations on the part of all contracting parties, and also by some streamlining of the procedures. The CONTRACTING PARTIES should reflect on how and whether signatories to an MTN Code could meet their GATT obligations by respecting their notification obligations under the Code, particularly, if such notifications were made to the Council, which would also lead to greater administrative simplicity for the individual contracting parties, the Council and the secretariat.

The representative of the United States said that the current system needed some improvement both in terms of the quantity and quality of information reported, from both developed and developing countries. The work done by the secretariat in compiling reporting requirements was useful and needed updating. GATT committees should be encouraged to take a more active rôle in ensuring that notifications under their purview were in fact submitted and adequately reviewed. In the meantime, all contracting parties should make more use of the provisions of paragraph 3 of the Understanding.

The representative of Spain, in sharing the views expressed, said that further work was needed in respect of this matter, in order to ensure the adequacy of the existing instruments.

The Director-General said that the discussion reflected to a certain extent thoughts which the secretariat had entertained about the problems of Notification, and that the discussion would lead the Council gradually out of

the so-called experimental phase. He said that while it would be highly desirable to avoid notifying for the sake of notifying, it was the duty of the secretariat to insist that where a real obligation to notify existed, this must be respected by all contracting parties. He also considered that in carrying out an examination of the international trading system, it was important to have a clear idea of what was taking place not only under the GATT but also outside it. In his view, notifications were an essential prerequisite for the carrying out of the Surveillance aspect of GATT's work. This Surveillance could be performed both on the basis of reports made by the secretariat and by an examination of the functioning of the GATT machinery, the latter being more closely connected with the specific problems under discussion in the Council. He said that a distinction should be made between an examination of specific notifications made in particular GATT bodies, and reviews carried out in the special meetings of the Council, whose purpose under paragraph 24 of the Understanding was not yet fully determined but which should presumably be global and of a more general nature. He considered it essential that Surveillance not be a theoretical exercise, but rather one which would enable the Council, and thereby the CONTRACTING PARTIES, to act more effectively in concert.

The Council agreed that the review on Notification and Surveillance had been conducted, as provided in the Council's decision (C/111). The Council also agreed that delegations should reflect on the arrangements that would be appropriate for the next review, in the light of experience gained, and authorized the Chairman to set the date and make arrangements for the next review, after consultations with delegations.

At the meeting of the Council on 22-25 September 1981, the Chairman announced his intention to engage in such consultations in the near future.

At the meeting of the Council on 6 October 1981 the Chairman invited interested delegations to take part in the consultations in the second half of October, with a view to conducting the review at a special meeting of the Council in November, prior to the thirty-seventh session of the CONTRACTING PARTIES.

2. Tariff matters

(a) Extension of time-limit for acceptance of the Geneva (1979) Protocol and the Supplementary Protocol (C/M/148)

At its meeting on 11 June 1981 the Council noted that the Geneva (1979) Protocol and the Protocol Supplementary thereto were open for acceptance until 30 June 1981, and that some contracting parties having schedules annexed to the Protocols would be unable to accept them before the expiry of the time-limit.

The Council adopted a decision extending the time-limit for acceptance of the Protocols to 31 December 1981 (L/5159).

(b) Committee on Tariff Concessions (C/M/148)

In January 1980 the Council had established the Committee on Tariff Concessions and had authorized the Chairman of the Council to designate the Chairman and Vice-Chairman of the Committee in consultations with interested delegations.

At its meeting on 11 June 1981 the Council was informed of the designation of the new Chairman and new Vice-Chairman of the Committee.

3. Safeguards (C/M/148)

At the meeting of the Council on 11 June 1981 the Director-General introduced the Minutes of the third meeting of the Committee on Safeguards (L/5151) which had been held in April 1981. He said that most delegations continued to regard the safeguards issue as an important one and wished to arrive at some substantive result in this area. He urged delegations to come forward with concrete proposals as early as possible.

A number of representatives expressed concern with the lack of progress in safeguards, and urged that serious efforts be continued in order to arrive at a solution.

The Council took note of the Minutes of the third meeting of the Committee on Safeguards and of the statements.

4. Structural adjustment and trade policy (C/M/148)

In November 1980 the Council had established the Working Party on Structural Adjustment and Trade Policy, which had been invited to report to the Council by March 1981.

At its meeting on 11 June 1981, the Council considered the Report of the Working Party (L/5120) dated 16 March 1981, which had previously been discussed by the Committee on Trade and Development and by the Consultative Group of Eighteen. The Chairman of the Working Party said that the report noted that GATT work in this field must remain related to GATT objectives and, in particular, to those of trade expansion and trade liberalization. The Working Party had focused its attention on the broad objectives to which work on structural adjustment might be directed, as well as on the modalities and institutional arrangements which might be appropriate in this connexion.

The Council adopted the report and requested the Working Party to undertake the work as set out in the conclusions of the Working Party contained in the Annex to the report, it being understood that reports by the Working Party should be transmitted to the Committee on Trade and Development and the Consultative Group of Eighteen before being submitted to the Council.

5. Balance-of-payments import restrictions

- Consultations on balance-of-payments restrictions

(a) Arrangements for consultations in 1981 (C/M/146)

Arrangements for consultations on balance-of-payments import restrictions in 1981 were presented to the Council on 10 March 1981 (C/W/357).

The Council took note of the arrangements.

(b) Consultation with Portugal (C/M/148)

In May 1981 the Committee on Balance-of-Payments Restrictions held a consultation with Portugal. The Report (BOP/R/118) was presented to the Council on 11 June 1981. The Committee had concluded that Portugal had not relaxed substantially the restrictive import measures in place nor announced a time-table for such relaxation, as had been recommended by the Committee the previous year. The Committee had considered that further efforts towards relaxation of the restrictions should be made and had recommended that Portugal announce a time-table for the removal of the measures in the near future.

The Council adopted the Report.

(c) Examination under simplified procedures

- Consultations with Egypt, the Republic of Korea, Sri Lanka and Yugoslavia (C/M/148)

At its meeting in May 1981 the Balance-of-Payments Committee had examined written statements supplied by Egypt, the Republic of Korea, Sri Lanka and Yugoslavia under the simplified procedures.

The Report (BOP/R/117) was presented to the Council on 11 June 1981.

The Council adopted the Report and agreed that Egypt, the Republic of Korea and Sri Lanka be deemed to have consulted with the CONTRACTING PARTIES and to have fulfilled their obligations under Article XVIII:12(b) for 1981.

The Council took note of the decision by the Committee that a full consultation should be held with Yugoslavia in the autumn of 1981.

- Consultations with Peru and Turkey (C/M/...)

/To be completed.

(d) Italy - Deposit requirement for purchases of foreign currency
(C/M/148, 149)

At its meeting on 11 June 1981 the Council was informed by the representative of Italy that purchases of foreign currency were to be subject to the lodging of a non-interest-bearing prior deposit in Italian lire. A list of exempt transactions was being drawn up in agreement with the authorities of the European Economic Community. The measure would remain in effect until 1 October 1981, and was designed to offset an exceptional aggravation of Italy's balance-of-payments deficit.

The representative of the European Communities said that the EC Commission had been informed by the Italian Government of the measures in question, and that the Community intended to convey to the contracting parties all appropriate comments as soon as its examination of the Italian measures had been achieved.

The representative of Canada suggested that the CONTRACTING PARTIES enter into consultations with Italy regarding this development in the near term.

The Council took note of the statements.

At the meeting of the Council on 15 July 1981 the representative of Italy confirmed that at the end of May 1981 the Italian authorities had decided that all purchases of foreign currency for payments abroad by residents would be subject to a prior deposit in lire. He described the effect of the new measure as well as monetary measures adopted at the beginning of the year, and expressed the view the measures were monetary in both origin and character and could not be said to be trade measures, at least in the technical sense. No sector was exempted from the deposit requirement, nor was there any discrimination, since the measures were applied even to EEC countries.

The representative of the European Communities said that the Commission of the European Communities had examined the measure in detail, had made recommendations to the Italian authorities and was following developments closely.

A number of representatives supported a proposal that the Italian measures be examined by the Committee on Balance-of-Payments Restrictions as soon as practicably possible.

The representative of Italy said that, in the opinion of his Government the rules applying to trade measures for balance-of-payments reasons did not apply to the measure which had been taken by Italy, since this was of a monetary nature. Italy was nonetheless fully prepared to continue the discussion on the matter.

The Council took note of the statements and agreed that this matter should be taken up by the Committee on Balance-of-Payments Restrictions as soon as possible. It further agreed that informal consultations could take place concerning the date of that meeting.

6. Recourse to Articles XXII and XXIII

(a) European Economic Community

(i) Imports of poultry from the United States (C/M/145, 148)

In October 1980 the Council had agreed to establish a panel to examine the complaint by the United States relating to certain practices in the United Kingdom affecting imports of poultry. The Council had authorized the Chairman to decide on the composition of the Panel and on appropriate terms of reference in consultation with the parties concerned.

At its meeting on 18 December 1980 the Council was informed of the composition and terms of reference of the Panel.

At its meeting on 11 June 1981 the Council received the Report of the Panel (L/5155), stating that the United States, in a communication dated 13 April 1981 (L/5149), had withdrawn its complaint, and that the Panel had therefore terminated its work.

The Council adopted the Report.

(ii) Imports of beef from Canada (C/M/146)

In June 1980 the Council had agreed to establish a panel to examine the complaint by Canada relating to the implementation of the EEC tariff-quota for high-quality beef.

At its meeting on 10 March 1981 the Council considered the Report of the Panel (L/5099).

The representative of Canada said that his authorities were looking forward to prompt action to implement the Panel's findings in this matter.

The representative of the European Communities said that his authorities had taken note of the Report and were examining its consequences.

The representative of Hungary said that his delegation expected that access to the EEC market would now be assured for the Hungarian products specified under the relevant GATT concessions.

The Council adopted the Report.

The representatives of Argentina and Uruguay stated that their authorities interpreted paragraph 4.3 of the Panel's Report so as not to prejudge in any way the scope of the concessions contained in Commission Regulation (EEC) No. 2972/79.

The Council took note of the statements.

(iii) Refunds on exports of sugar (C/M/146, 148, 149, 150)

According to the Decision adopted by the Council on 10 November 1980 and the Decision adopted by the CONTRACTING PARTIES on 25 November 1980, the Director-General had been invited to organize, in a working party, discussions between the CONTRACTING PARTIES and the European Communities under Article XVI:1 on the possibility of limiting the EEC subsidization of sugar exports.

At the meeting of the Council on 10 March 1981, the Director-General presented his Report on these discussions (L/5113). He noted that participants in the Working Party held differing views as to the results of the discussion, and said that the main purpose of his Report was to place on record the views of the delegations.

The representative of Australia, who had submitted a communication (L/5121), as well as the text of a draft Decision (C/W/360), expressed regret that the Australian complaint had remained unresolved. In his opinion, the same conclusions had been reached by the Working Party as those reached by Australia after the bilateral consultations it had held with the EEC. He was of the opinion that all means of satisfying Australia's concerns by conciliation had been exhausted and that the CONTRACTING PARTIES must discharge their collective responsibility to the GATT and take a formal decision on the Reports of the two Panels and of the Working Party. He therefore proposed that the Council adopt the draft decision contained in document C/W/360.

The representative of the European Communities expressed the opinion that the bilateral talks and the multilateral discussions had made it possible to go into the matter in detail. The Report by the Director-General presented with precision the main elements of the problem, as expressed by both sides of the dispute. He said that the EEC had taken a number of measures during the past three years covering sugar that could be exported with refunds, and that there had been no refunds during one year because of the world price situation. He also pointed out that in April 1980 the EEC had accepted the principle whereby the cost of exporting sugar produced over and above domestic consumption would have to be paid by the sugar producers themselves. He said that the EEC had complied with the provisions of Article XVI:1 and had thus fulfilled its obligations under the General Agreement.

The representative of Brazil said that the EEC had failed to convince other members of the Working Party that certain measures taken by it in the field of prices and quotas constituted an effective means of limiting the subsidization. Furthermore, the co-responsibility principle presented by the EEC as a new fundamental element had not been considered by other members of the Working Party as a means of effectively limiting the subsidization, since it did not contain any built-in mechanism to limit the quantity of sugar to be exported or the amount of the export subsidy itself. The threat of prejudice resulting from this system of subsidization, as found by the two Panels, therefore continued to exist. He supported the Australian draft decision contained in document C/W/360.

A number of delegations generally shared the views expressed by the delegations of Australia and Brazil, and supported the draft decision contained in document C/W/360.

The representative of New Zealand, in supporting the draft decision contained in document C/W/360, said that failure to solve this dispute would confirm that the GATT rules were, by design, interpretation or lack of application, slanted against agricultural trade.

The representative of the European Communities expressed the view that there could be no obligations other than those arising out of Article XVI:3 to limit the quantities of subsidized exports. On that point, the two Panels had found the EEC policy consistent with obligations deriving from the General Agreement. He pointed out that the EEC had taken a number of decisions to adapt the system, which would be applied in such a way that there would be no net subsidy paid out of the budget of the EEC, and that there was quasi-certainty that the guaranteed quantities and the quantities eligible for export refunds would be kept at a slightly lower level than in 1978. He stressed that it was unwarranted to maintain that prejudice and the threat of prejudice would continue as if nothing had happened. The EEC could not accept the draft decision submitted by Australia which, in his view, went beyond the requirements of Article XVI:1.

The representative of Canada said that this matter should be kept under review, and that his delegation would join any consensus to that end, including the adoption of the draft decision contained in document C/W/360.

The Chairman said that in matters of this kind the Council normally proceeded on the basis of consensus. While such a consensus did not presently exist, he concluded that there was a general desire to arrive at a decision at the present meeting.

After a recess, and following consultations between the parties concerned, the Council adopted the report by the Director-General, noted that the complaints were maintained, took note of the intention of the European Economic Community to notify to GATT as soon as they were adopted the new

sugar regulations as well as the 1981/82 sugar intervention prices, decided that as soon as these notifications were received the Council would promptly review the situation, and decided to maintain this item on its agenda.

At the meeting of the Council on 11 June 1981 the representative of the European Communities confirmed the intention of the EEC to notify to the GATT the new sugar regulations as well as the intervention prices for 1981/82 as soon as they were adopted.

The representative of Australia stated that in March 1981 the Community had reintroduced export subsidies on sugar, and that, accordingly, the Australian/Brazilian complaints remained valid.

The representative of Brazil also made reference to recent developments in the world sugar market, and said that the sharp decline in world market prices was related to the Community decisions and sales policy.

The Council took note of the statements and agreed to revert to this item at its next meeting.

At the meeting of the Council on 15 July 1981 the Chairman said that the new Community regulations and intervention prices on sugar had been adopted on 30 June 1981, and that the Community had submitted this information in document L/5175.

The representative of the European Communities said that the new regulations governing the Community sugar policy were very complex, and that the Council needed time to study them. He suggested that discussion on this item be deferred to the next meeting of the Council.

The representative of Brazil referred to significant developments which had taken place since this item had most recently been considered by the Council, and said that his delegation could not agree to a postponement of the review. He proposed that, for technical reasons, the review should not be carried out by the Council itself, but rather by a body set up by the Council.

The representative of Australia supported the views expressed by the representative of Brazil, and said that the review should be undertaken promptly. He then outlined the development of events which had led to the present situation. He said that during the discussions in the earlier Working Party the representative of the European Communities had himself explained the proposed EEC sugar régime, and that as the new régime had come into effect in the meantime, it would be appropriate to resume the earlier discussions in the Working Party.

A number of representatives supported the statements made by the representatives of Australia and Brazil.

The representative of the European Communities said that the EEC was ready to give explanations of the new regulations, bilaterally or plurilaterally on an informal basis. In his view, the earlier Working Party, having fulfilled its task, was no longer in existence.

The representative of Brazil said that it was no longer the moment for consultations, as the situation had evolved and the matter was now before the Council.

In response to questions raised by the representatives of the United States and Australia, the Chairman said that while the Council might not be able to revive a defunct working party in the strictly legal sense, clearly it could decide to establish a new working party with similar or identical terms of reference.

The representative of Jamaica stated that since the sugar regulations had only entered into force on 1 July 1981, some time would be necessary before it became clear whether there existed a prejudice or a threat of prejudice to the interests of other contracting parties.

The representative of the European Communities regretted that the various interested contracting parties had not understood that the new policy decided by the EEC represented in fact a limitation of the subsidy, and that under the new régime there were no subsidies being paid out of the Community budget.

After a recess, and following consultations among the delegations principally concerned, the Council noted with appreciation the notification by the European Economic Community of its new sugar regulations as well as the 1981/82 sugar intervention price (L/5175), took note of the statements made, recalled its decision of 10 March 1981, and decided to promptly review the situation in accordance with this decision at a meeting of the Council after the summer recess.

At the meeting of the Council on 22, 23 and 25 September 1981, the representative of Australia drew attention to his delegation's analysis of the new Community sugar régime as compared with the earlier one, in document L/5185, and the questions addressed by Australia to the EEC, in document L/5186. He then cited a number of recent developments which, in his view, showed that the Community had not brought its practices into line with its international obligations under the General Agreement.

The representative of Brazil referred to certain data gathered from various sources which complemented and reinforced what had been said by the representative of Australia, and drew the conclusion that through

the use of substantial subsidies, the EEC had turned from a net importer of sugar into a sizeable net exporter and enjoyed an inequitable share of the world market.

The representative of the United States said that his delegation had been concerned with maintaining the integrity of the GATT process, and had hoped for a new Community system that would include measures to remedy the threat of serious prejudice, noting that his delegation had submitted questions regarding the Community system, in document L/5189.

A number of representatives expressed support for the statements made by the earlier speakers and sought information on the new Community sugar régime.

The representative of the European Communities referred to the prior stages through which this matter had passed, and stressed that his delegation intended to participate in the review of the situation on the basis of the Community's notification concerning its new sugar policy, in document L/5175. He said that the Community had fulfilled its obligations under the General Agreement. He also questioned whether the reproaches made to the Community could not as well be made to other contracting parties about their own respective sugar policies.

Turning to the communication from Australia in document L/5185, he commented at length on the points raised therein.

He then responded, in considerable detail, to the questions submitted by Australia (L/5186) and by the United States (L/5189).

The representatives of Australia, Brazil and the United States, together with some other representatives, raised points related to the Community comments and replies, and again expressed concern about the new Community sugar policy.

In reply, the representative of the European Communities explained the financing procedures under the new regulations, and expressed regret that some representatives still held the view that these were a threat or a matter of concern.

At the end of the discussion, the Council recalled its earlier discussions and its decisions on this matter; noted the statements made by representatives; noted that the complaints by Australia and Brazil were maintained, while the EEC maintained that it had fulfilled its obligations under Article XVI:1; and decided, without prejudice to the rights and obligations of contracting parties under the General Agreement, to establish a Working Party to conduct a review of the situation, and to report to the Council not later than 1 March 1982.

The Council took note of the Chairman's understanding that the members of the Working Party, in the review of the situation, might raise any element having a bearing on the consideration of this matter relating to sugar.

The Council agreed that membership of the Working Party should be open to all contracting parties interested and wishing to serve on it, and authorized the Chairman of the Council to designate the Chairman of the Working Party in consultation with delegations principally concerned.

(iv) Production subsidies on canned fruit (C/M/148, 149)

At the meeting of the Council on 11 June 1981 the representative of Australia stated that from June 1979 to May 1981 there had been discussions between his Government and the EEC concerning Community subsidies on canned fruit. Since these discussions had remained without results his delegation raised the matter under Article XXIII:1.

The representative of the European Communities said that his delegation was not in a position to shed any light on this matter at that stage.

The Council agreed to revert to this item at its next meeting.

At the meeting of the Council on 15 July 1981 the representative of Australia drew attention to the request of his Government for consultations with the EEC under Article XXIII:1 (L/5167).

The Council took note of the statement.

(v) Imports of frozen cod fillets from Canada (C/M/150, 151)

At the meeting of the Council on 22-25 September 1981, the representative of Canada informed the Council that the EEC had suspended imports into the United Kingdom and Ireland of frozen cod fillets and blocks at prices below certain reference prices.

The representative of the European Communities stated that in the near future the EEC intended to inform the CONTRACTING PARTIES about the measures in question.

The Council took note of the statements.

At the meeting of the Council on 6 October 1981 the representative of Canada said that a subsequent EEC notification (L/5193) had not made it clear as to the Article of the General Agreement under which the action had been taken, adding that his delegation intended to consult bilaterally on the matter, but might wish to raise it again at a future meeting of the Council.

The Council took note of the statement.

(b) Japan

(i) Restraints on imports of manufactured tobacco (C/M/143)

In November 1979 the Council had considered the complaint by the United States relating to Japanese measures affecting imports of manufactured tobacco. The Council had authorized its Chairman to establish a Panel in consultation with the two parties concerned, if the matter had not been settled satisfactorily by 31 December 1979. In March 1980 the Council had been informed of the establishment of the Panel, its terms of reference and composition.

At its meeting on 11 June 1981 the Council considered the Report of the Panel (L/5140). The Panel had been informed that a solution to the problem had been reached between the parties. Consequently, the Panel had considered the proceedings under Article XXIII:2 to be terminated.

The Council adopted the Report of the Panel.

(ii) Measures on edible fats containing milk fat (C/M/149)

At the meeting of the Council in October 1980 the representative of New Zealand had drawn attention to a reported decision by Japan to impose import quotas on prepared edible fats containing milk fat.

At the meeting of the Council on 15 July 1981 the representative of New Zealand said that consultations between Japan and New Zealand had resulted in agreement on the development of trade over the period 1981 to 1984. New Zealand retained its rights to bring the matter before the GATT again if necessary.

The Council took note of the statement.

(c) Spain

(i) Denial of import licences for fish and fish products from Canada (C/M/146, 148)

At the meeting of the Council on 10 March 1981 the representative of Canada expressed concern about reports that the Government of Spain had taken a decision to deny import licences for imports of fish and fish products from Canada.

The representative of Spain said that he would transmit the Canadian statement to his authorities.

The Council took note of the statements.

At the meeting of the Council on 11 June 1981 the representative of Canada said that his Government had made formal requests to Spain for early consultations under Article XXII:1, but that to date the Spanish authorities had not agreed to hold such consultations. He expressed the hope that Spain would agree to the consultations without further delay in accordance with its GATT obligations.

The representative of Spain said that his Government had delivered a verbal note to the Canadian Government in which it was indicated that Spain was prepared to carry out bilateral consultations on matters pending in the fish sector and trade in fish products.

The representative of Canada stated that the offer of bilateral consultations, contained in that verbal note, had been without regard to the Articles of the General Agreement and to Spain's obligations thereunder.

The Council took note of the statements.

(ii) Tariff treatment of unroasted coffee (C/M/148, 151)

In June 1980 the Council had considered the complaint by Brazil, relating to the question of Spain's tariff treatment of unroasted coffee and agreed to establish a panel to examine the complaint.

At its meeting on 11 June 1981 the Council considered the Report of the Panel (L/5135). It was pointed out that the Panel had been obliged to go into some difficult problems of interpretation of the concept of "like products" in the context of Article 1:1, for which a definition was found neither in the General Agreement nor in previous GATT cases dealing with the same issue, given the specific nature of each case.

The representative of Brazil suggested that the Council adopt the Report, including the request that Spain take the necessary measures in order to bring its tariff régime for unroasted coffee into conformity with Article 1:1.

The representative of Spain said that it had been impossible to arrive at a bilateral solution of the problem. He drew attention to the Report of the Panel, which referred to his country's full liberalization of imports of unroasted coffee as well as of internal marketing. As no coffee exporting country had suffered prejudice, Spain had not felt it necessary to seek a temporary waiver of its GATT obligations. He expressed reservations with respect to the Panel's conclusions concerning the notion of "like products" which might constitute a dangerous precedent for the future. He considered also that since no quantification had been made of the prejudice caused to Brazilian interests, the Report was not fully exhaustive. There was, furthermore a disproportion between the different parts of the Report, as only one

solution was indicated, which was not in conformity with paragraph 4 of the Annex to the Understanding regarding Notification, Consultation, Dispute Settlement and Surveillance (BISD 26S/210). He therefore requested the Council not to finalize the discussion of the Report at its present meeting.

A large number of representatives supported the adoption of the Report. In their interventions, some representatives urged Spain to implement the recommendation suggested by the Panel. Some representatives expressed the hope that the parties would resolve any differences along mutually satisfactory lines. Some representatives also suggested that it might be worthwhile to pursue further the discussion on the concept of "like products". The representative of the European Communities suggested that it might be worthwhile to allow some time for further reflection, in particular, as to the concept of "like products". He also believed that a resolution of a dispute should not be imposed, but should be accepted by both parties.

The representative of Brazil said that the Report involved a question of principle, which could not be negotiated, and that accordingly Brazil had neither asked for the evaluation of the prejudice nor sought compensation. His authorities would be willing to talk with the Spanish authorities after the adoption of the Report, to consider the ways in which Spain could implement the conclusion of the Report.

The representative of Spain said that his delegation would not oppose adoption of the Report at the present meeting, on the understanding that this would in no way preclude further bilateral efforts between the parties to reach a mutually acceptable solution.

The Council took note of the statements and adopted the Report.

At the meeting of the Council on 6 October 1981 the representative of Spain informed the Council of the measures taken by his authorities so that by 31 December 1981 equal tariff treatment would be accorded by Spain to unwashed Arabica and other unroasted coffees.

The Council took note of the statement.

(iii) Measures concerning domestic sale of soyabean oil
(C/M/148, 149, 151)

In January 1980 the Council had established a Panel to examine the complaint by the United States relating to Spanish measures in respect of the domestic sale of soyabean oil.

At the meeting of the Council on 11 June 1981 the representative of Spain said that the parties had been unable to arrive at a mutually satisfactory bilateral solution to the dispute, and that his delegation requested

that the Report of the Panel be circulated to contracting parties as soon as possible.

The Chairman said that the Report was to be circulated shortly.

At its meeting on 15 July 1981 the Council received the Report of the Panel (L/5142 and Corr.1) as well as a communication by the United States in document L/5161.

The Chairman said that he understood that the two parties to this dispute had requested that consideration of the Report be deferred until a future meeting of the Council in the autumn.

The representative of Spain said that his authorities' decision in this respect did not imply agreement with the written comments of the United States, and that Spain reserved all its GATT rights in this matter.

The Council took note of the statements and agreed to defer this item to a future meeting in the autumn.

At the meeting of the Council on 6 October 1981 the Chairman drew attention to a subsequent communication from Spain (L/5188), and said that he had been informed that several delegations, desiring additional time to study it, had requested that consideration of the item be carried over to the next meeting of the Council.

The representative of Spain regretted that the Council was unable to start a substantive discussion, but said that his delegation would respect the consensus for a delay, on the understanding that a substantive discussion would take place at the next meeting.

The representative of the United States agreed that the item should be debated at the next meeting.

The Council agreed to revert to this item at its next meeting.

(d) United States

(i) Import duty on vitamin B12 (C/M/148, 149, 150)

At the meeting of the Council on 11 June 1981 the representative of the European Communities referred to the United States practice of charging a duty on imports of vitamin B12 feedgrade quality, which was considered by his authorities to be inconsistent with the General Agreement. As consultations had remained without result, his delegation wished to refer the matter to the CONTRACTING PARTIES and requested the establishment of a panel under Article XXIII:2 (L/5157).

The representative of the United States, in pointing out that the United States considered its actions in this matter to be fully consistent with its GATT obligations, consented to the establishment of the Panel.

The Council agreed to the establishment of a Panel and authorized the Chairman of the Council, in consultation with the parties concerned, to draw up appropriate terms of reference and to nominate the chairman and members of the Panel.

At its meeting on 15 July 1981 the Council was informed of the terms of reference of the Panel.

At the meeting of the Council on 22-25 September 1981 the Chairman confirmed the information on the composition of the Panel that had been circulated in document C/121.

(ii) Imposition of countervailing duty without injury criterion/
Industrial fasteners imported from India (C/M/148, 149)

In November 1980 the Council had agreed to establish a panel to examine the complaint by India, and had authorized the Chairman of the Council to decide on its composition and on appropriate terms of reference in consultations with the parties concerned.

At its meeting on 11 June 1981 the Council was informed of the composition and terms of reference of the Panel.

(iii) Imports of certain automotive spring assemblies (C/M/151)

At the meeting of the Council on 6 October 1981 the representative of Canada referred to a notification made by his delegation (L/5195) concerning consultations between Canada and the United States under Article XXIII:1 regarding United States imports of certain automotive spring assemblies from Canada. He said that if the exclusion order in question were allowed to stand his delegation would seek the establishment of a panel under Article XXIII:2 at the next meeting of the Council.

The representative of the United States said that there was a difference of opinion as to the legal status of earlier consultations, but that his delegation was prepared to discuss the matter further with the delegation of Canada.

The Council agreed to revert to this item at its next meeting.

(e) Tax legislation (C/M/145, 146, 148, 149, 151)

- (i) United States tax legislation (DISC)
- (ii) Income tax practices maintained by France
- (iii) Income tax practices maintained by Belgium
- (iv) Income tax practices maintained by the Netherlands

In July 1973 the Council had established four Panels following the recourse to Article XXIII:2 by the European Communities with regard to United States tax legislation (DISC) and by the United States with regard to income tax practices maintained by France, Belgium and the Netherlands respectively. In November 1976 the four Panels had presented their reports to the Council, which had taken note of them. Subsequently these matters had been discussed at several meetings of the Council in 1977 and again in March 1978, when it had been agreed to defer them to a future meeting of the Council.

At the request of the delegations of France, Belgium and the Netherlands, the income tax practices maintained by those three countries, respectively, were placed on the agenda of the meeting of the Council on 18 December 1980, in connexion with three communications (C/114-C/116) stating the three Governments' respective views.

The representative of Belgium recalled that the United States had called into question the reduction of Belgian taxes on companies' earnings when these had already been taxed abroad, and the exemption from Belgian taxes on dividends already taxed abroad. Noting the Panel's conclusion that these tax practices could have effects which were incompatible with the provisions of Article XVI:4 of the General Agreement, he drew attention to the subsequent Code on Subsidies and Countervailing Measures, which recognized that measures aimed at avoiding double taxation could not be deemed to be export subsidies. He asked the Council to adopt the Panel Report (L/4424), and in so doing, to make the following declaration:

- (a) that economic activities involving exported products but taking place outside the territory of the country of origin need not necessarily be taxed by that country and could not be regarded as an export activity under the terms of the General Agreement;
- (b) that measures for the avoidance of double taxation were not to be assimilated to export subsidies.

The representative of France presented the position of his authorities, which was identical to that of Belgium, and said that the Panel's conclusions were unacceptable to France because they went against the very

principle of the French fiscal system, namely territoriality, which was a system applied by some eighty countries. He asked these countries to reflect on the consequences if the Panel Report (L/4423) were adopted without any qualification.

The representative of the Netherlands said that it was his delegation's duty to report to the Council on developments which had taken place since the Council dealt with this item in March 1978, developments which, in his view, had settled the case. His delegation therefore proposed that the Panel's report (L/4425) be adopted with some kind of clarification, interpretation or qualification, which was in the overall interest of the GATT.

The representative of the United States recalled that there had been four cases on tax practices for which four separate panels with identical memberships had been established, and said that his authorities would need more time for reflection.

The representative of the European Communities said that the EEC shared the views expressed by the three member States with respect to adoption of the three reports with qualifications concerning the notion of "export activities".

A number of representatives referred to the need for maintaining a well functioning dispute settlement mechanism and welcomed the reintroduction of the items in the Council. Several representatives were prepared to join a consensus in taking the action proposed by France, Belgium and the Netherlands. Some delegations said that additional time was needed for consideration of these matters and the new issues which had been raised.

The Council took note of the statements and agreed to defer these matters to its next meeting, if possible, or if not, to a meeting in the near future.

At the meeting of the Council on 10 March 1981, the representative of France suggested that the questions raised in the three Panel Reports (L/4423, L/4424 and L/4425) be settled in a mutually satisfactory manner, which could consist of the adoption of the reports, together with a qualification making it clear that the economic activities should not be subject to taxation beyond the export point.

The representative of the United States said that in the light of the recent change of administration in his country, his authorities would need additional time for adequate consideration of the issues involved, and for further consultations with the other interested parties.

The representative of Belgium expressed the hope that it would be possible to arrive at a settlement in this matter at the next meeting of the Council, and recalled his statements at the previous Council meeting.

The representative of the Netherlands associated himself with the statements made by the representatives of France and Belgium.

The Council agreed to revert to ~~these matters at its next meeting.~~

At its meeting on 11 June 1981, the Council was informed that discussions were in progress, and agreed to revert to these matters at its next meeting.

At its meeting of 15 July 1981 the Council considered the income tax practices maintained by Belgium, France and the Netherlands, together with the United States tax legislation (DISC), which had been placed on the agenda at the request of the delegation of the United States.

The Chairman said that he understood that consultations were still in progress and that it would not be possible for the Council to arrive at conclusions at that meeting.

The representative of the Netherlands expressed regret that it would again be necessary to postpone ~~these matters to the next meeting of the Council.~~

The Council took note of the statements and agreed to revert to these matters at its next meeting.

At the meeting of the Council on 6 October 1981 the representatives of France, Belgium and the Netherlands reiterated their respective requests that the three Panel Reports concerning their countries' tax legislations be adopted by the Council, with the qualifying statements which they had proposed.

The representative of the United States expressed regret that no solution had yet been reached in respect of the four Panel Reports. He was hopeful that the parties' remaining differences could be quickly resolved.

The representatives of France, Belgium and the Netherlands also regretted that further action could not yet be taken.

The representative of the European Communities also expressed regret that a consensus had not yet been reached on these matters, and said that his delegation fully supported the requests made by the delegations of France, Belgium and the Netherlands.

The Chairman urged the interested parties to reconcile their remaining differences as rapidly as possible and to advise him when a successful conclusion had been reached, so that the Council could meet again to take action on these matters, if necessary at an earlier meeting than foreseen.

The Council agreed to revert to this item at its next meeting.

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

(a) European Communities

(i) Accession of Greece (C/M/146)

In November 1979 the Council had established a working party to examine the accession of Greece to the European Communities.

At the meeting of the Council on 10 March 1981 the representative of Australia presented his Government's request for the establishment of a panel to examine and report on the GATT conformity of certain aspects of the EEC's Common Agricultural Policy (L/5117). He said that this request had been made to break a deadlock which had occurred on these questions in the Working Party on the Accession of Greece to the European Communities. He noted that the EEC had responded to this request (L/5124). The response, in his view, contained a new and encouraging statement of the EEC position as well as some misleading statements, to which he then replied in detail.

He welcomed the EEC acceptance that the EEC variable levies were covered by the phrase "duties and other regulations of commerce" and thus were relevant to any examination under Article XXIV:5(a), and its readiness to supply the basic information on the rates of the variable levies applicable for any product and for any period of time the Working Party would require. He raised some issues in connexion with the method to be used for the assessment of the general incidence of duties and other regulations of commerce, to which he would revert at the appropriate time. He said that in the light of the new position stated by the EEC, his delegation would defer its request for the establishment of a panel for the time being and would attempt to make progress on this matter in the Working Party.

The representative of the European Communities said that the statement by the representative of Australia did not correctly interpret the position of the EEC. He felt that the only relevant issue was the matter of substance which should be examined on a continuing basis by the Working Party. In his view, there could be either a detailed or a simplified examination; however, the latter approach could be carried out more speedily and could also reach global conclusions, while not putting the EEC in a more favourable position than the more detailed procedure. His delegation was, however, fully prepared to take part in a detailed examination.

The representative of Hungary said that his Government reserved its GATT rights concerning the specific effects of the accession of Greece resulting from the introduction by Greece of quantitative restrictions not consistent with Article XIII in respect of Hungarian products.

The Council took note of the statements and agreed to revert to this matter at a future meeting if that proved necessary.

(ii) Second ACP/EEC Convention of Lomé (C/M/145, 146, 151)

On 16 November 1979 the representative of the European Communities had informed the Council of the signature of the second Lomé Convention, and in March 1980 the Council had been informed of a delay in the entry into force of the new agreement.

At its meeting on 18 December 1980 the Council was informed by the representative of the European Communities that the second Lomé Convention would enter into force on 1 January 1981.

The Council took note of the statement.

At its meeting on 10 March 1981 the Council agreed to establish a working party to examine the second ACP/EEC Convention of Lomé, and authorized the Chairman of the Council to designate the Chairman of the Working Party in consultation with delegations.

At its meeting of 6 October 1981 the Council was informed of the designation of the Chairman.

(iii) EEC-Yugoslavia Agreement (C/M/145, 149, 151)

In March 1980 the representative of the European Communities had informed the Council that a Co-operation Agreement had been initialled between the EEC and Yugoslavia on 25 February 1980. Copies of the text of the Agreement had been circulated with document L/5007/Add.1.

At its meeting on 18 December 1980 the Council agreed to establish a working party to examine the Interim Agreement between the EEC and Yugoslavia on Trade and Co-operation, signed on 6 May 1980, and authorized the Chairman of the Council to designate the Chairman of the Working Party in consultation with delegations principally concerned.

At its meeting on 15 July 1981 the Council was informed of the designation of the Chairman.

At its meeting on 6 October 1981 the Council considered the report of the Working Party (L/5191), which had carried out its examination on the basis of the text of the Agreement, as well as replies by the parties to the Agreement to questions which had been submitted by contracting parties.

The Council adopted the Report.

(iv) Agreements between the EEC and Austria, Finland, Iceland, Norway, Portugal, Sweden and Switzerland (C/M/146)

At the meeting of the Council on 10 March 1981 the representative of Switzerland, speaking on behalf of the parties to the Free-Trade Agreements between the EEC and the EFTA countries, said that since Greece had acceded to the European Communities, the Free-Trade Agreements would also apply to relations with Greece. In order to permit a smooth transition, there would be a gradual introduction of some of the provisions of the Agreements over a period of five years. Full information as to the nature and scope of the additional Protocols, containing the transitional arrangements, would be given in the biennial reports on the functioning of the Free-Trade Agreements.

The Council took note of the statement.

(b) South Pacific Regional Trade and Economic Co-operation Agreement (SPARTECA) (C/M/146, 148)

At its meeting on 10 March 1981 the Council considered a communication from Australia and New Zealand (L/5100) concerning the establishment of the South Pacific Regional Trade and Economic Co-operation Agreement (SPARTECA).

The representative of New Zealand said that the basic objective of the Agreement was to give further impetus to the development of exports from the developing countries in the South Pacific. New Zealand and Australia provided major markets for the exports from these small states, and had agreed, through the instrument of SPARTECA, to provide unrestricted entry for virtually the total range of exports from these states on a non-reciprocal basis. He said that this concessional entry did not guarantee preferential shares of the market and did not constitute an impediment to the reduction or elimination of tariffs and other restrictions to trade on an MFN basis. New Zealand and Australia requested that SPARTECA be considered and accepted by the CONTRACTING PARTIES in the light of the special relationships and commitments of the two countries in the South Pacific region. It was, in his view, consistent with the provisions of Part IV of the General Agreement and with the 1979 Decision on Differential and More Favourable Treatment, Reciprocity and Fuller Participation of Developing Countries (BISD 26S/203).

The representative of Australia said that the Agreement was a preferential, non-reciprocal trade and economic co-operation agreement between member countries of the South Pacific Forum, whose basic objective was to achieve progressively duty-free and unrestricted access to the markets of Australia and New Zealand for as wide a range of Forum island products as possible. The Agreement was notified to the CONTRACTING PARTIES for joint action pursuant to footnote 2 of paragraph 2 of the 1979 Decision referred to above. He said that Australia and New Zealand were prepared to consult with contracting parties on SPARTECA in respect of any questions which might be raised.

The Council took note of the statements and agreed to revert to this item at its next meeting.

At the meeting of the Council on 11 June 1981 the Council took note of the communication in document L/5100 and agreed that the contracting parties concerned should submit a report on developments under the Agreement in accordance with the procedure for the examination of biennial reports on regional agreements.

(c) Biennial reports

Customs unions and free-trade areas; regional agreements

(i) Calendar of biennial reports (C/M/148)

At its meeting on 11 June 1981 the Council established a calendar¹ for the period October 1981-April 1983 fixing dates by which contracting parties members of a regional agreement would be invited to submit a biennial report on developments under the agreement concerned.

(ii) Information on developments furnished by parties

- European Communities - Israel Agreement (C/M/148)

In accordance with the calendar of biennial reports on developments under regional agreements, a report (L/5147) was submitted to the Council on 11 June 1981 relating to the Agreement between the European Communities and Israel.

The Council took note of the report.

¹Subsequently circulated in document L/5158.

- Finland-Hungary Agreement (C/M/151)

In accordance with the calendar of biennial reports on developments under regional agreements, a report (L/5187) was submitted to the Council, at its meeting of 6 October 1981, relating to the Agreement between Finland and Hungary.

The Council took note of the report.

8. Waivers under Article XXV:5

- India - Auxiliary duty of customs (C/M/146)

By the Decision of 15 November 1973 as extended (L/4975) the CONTRACTING PARTIES had waived until 31 March 1981 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 certain items included in its Schedule XII.

At its meeting on 10 March 1981, the Council considered a request by India for an extension of the waiver until 31 March 1982 (L/5123).

The representative of India explained that the special circumstances which had compelled his Government to maintain the auxiliary duty of customs 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.

The Council approved the text of a draft decision, extending the waiver until 31 March 1982 and recommended its adoption by the CONTRACTING PARTIES by postal ballot.

The Decision was adopted on 13 April 1981 (L/5134).

9. Reports under waivers

(a) United States - Agricultural Adjustment Act (C/M/146)

At its meeting on 10 March 1981 the Council considered the twenty-third annual report by the United States (L/5084) on action taken under the Decision of 5 March 1955 (BISD 3S/32).

The representative of the United States described certain changes made in the operation of restrictions maintained under Section 22 of the Agricultural Adjustment Act, and stated that the report contained additional information as requested by the Council during the discussion of the previous report.

The representative of New Zealand said that even in GATT agricultural exporters were finding themselves repeatedly disadvantaged, as symbolized by this waiver, which had been in force for more than a quarter of a century. He expressed disappointment with the twenty-third annual report since it did not, in his view, contain a discussion in depth of the questions raised by the Working Party which had received the twenty-second annual report. He concluded that the CONTRACTING PARTIES were not in a position to carry out their annual review without some further information, and he proposed, therefore, that the United States be asked to carry out a thorough revision of the report, which should then serve as a basis for discussion at a future Council meeting.

The representative of Argentina supported the statement made by the representative of New Zealand and the proposal to maintain this item on the Council agenda.

The representative of Australia expressed regret that, in his view, the questions raised by the Working Party's examination of the twenty-second annual report had not been dealt with, and that the present report provided no justification for the maintenance of the United States dairy support measures but dealt only with the conditions necessary to maintain the status quo. His delegation also rejected the proposition that the United States post-MTN cheese import régime would permit an expansion of cheese imports, because Australian exports of cheese to the United States had been limited to their current levels, while previously there had existed scope for expanding United States' imports of a wider variety of cheeses. In the view of his delegation, the twenty-third annual report failed to address itself to the question whether the CONTRACTING PARTIES should continue to grant to the United States an exemption from Articles II and XI twenty-six years after the granting of the waiver. He, therefore, supported the proposal by New Zealand.

The representative of the European Communities expressed the view that this item was a matter of major importance in the impact of GATT's established rules on the evolution of agricultural policies followed by contracting parties. An examination of the annual report could demonstrate the evolution of United States progress towards meeting the norm, and would give increasing weight to the importance and relevance of the GATT rules.

The representative of Canada shared the concerns expressed and supported the statement made by the representative of New Zealand.

The representative of Hungary said that his country had a substantial interest as a supplier of cheese but was excluded from the United States import quota. He said that bilateral consultations within the GATT had not produced a solution to this problem.

The Council took note of the statements and requested the United States to provide additional information accordingly.

The Council agreed to revert to this item at a future meeting.

At the meeting of the Council on 15 July 1981 the representative of New Zealand recalled that the Council had requested the United States to provide additional information.

(b) Turkey - stamp duty (C/M/151)

At the meeting of the Council on 6 October 1981, the Council agreed to refer to the Committee on Balance-of-Payments Restrictions a request by Turkey (L/5109) for an extension of the stamp duty waiver, scheduled to expire on 31 December 1981.

10. Consultations on trade

- Hungary (C/M/148)

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 11 June 1981 the Council agreed to establish a Working Party to conduct the fourth consultation with the Government of Hungary.

11. Sub-Committee on Protective Measures (C/M/145,151)

At the meeting of the Council on 18 December 1980 the Chairman recalled that in March 1980 the Committee on Trade and Development had established a Sub-Committee on Protective Measures (COM.TD/104) in accordance with the Decision of the CONTRACTING PARTIES on 28 November 1979 on the Examination of Protective Measures affecting Imports from Developing Countries (BISD 26S/219). That Decision provided, inter alia, that the Sub-Committee would report on its work to the Committee on Trade and Development and through it to the Council. At its November 1980 meeting the Committee on Trade and Development had adopted the Report of the second session of the Sub-Committee (COM.TD/SCPM/2) and had forwarded it to the Council for adoption (L/5074, paragraph 19).

The Council adopted the Report of the Sub-Committee.

At its meeting of 6 October 1981 the Council considered the Report of the third session of the Sub-Committee (COM.TD/SCPM/3), which had been adopted by the Committee on Trade and Development (COM.TD/108) in July 1981 and forwarded to the Council.

The Council adopted the Report of the Sub-Committee.

12. International Trade Centre

- Joint Advisory Group (C/M/149)

At its meeting on 15 July 1981 the Council considered the report of the Joint Advisory Group on the International Trade Centre UNCTAD/GATT on its fourteenth session (ITC/AG(XIV)/75). Attention was drawn to the total value (excluding support costs) of the Centre's technical co-operation programme in 1980, and to the shares of the various regions and of inter-regional projects in the total programme. The Group had paid particular attention, inter alia, to the difficult task the Centre would have in attempting to expand its technical co-operation programme while facing the zero growth which had been imposed on its regular budget resources, and the very low expansion of its extra-budgetary resources. The second Medium-Term Programme (MTP) 1981-1983 had been found to be a useful framework within which the ITC could develop its activities over the coming year. The Group had noted the request by the United Nations Secretariat that the ITC submit proposals for an MTP covering the period 1984-1989, not later than end of January 1982, and had decided to reconvene during the next session of the Technical Committee in January 1982 to consider this matter. The Group had decided to reconsider at its 1982 session whether the Centre should seek Executing Agency status with the UNDP or continue as the implementing agency, through UNCTAD, of trade promotion components of UNDP-financed programmes. The Group had expressed concern regarding the resource situation of the Centre, noting that the traditional source of funds for the Centre's technical co-operation programme, i.e. trust funds from major donor governments, had levelled off, and that the Centre had not, despite great efforts, been able to acquire new donors. UNDP financing had been slowly expanding in recent years, but was not yet sufficient to enable the Centre to respond to all requests received from developing countries in respect of their trade promotion efforts.

The Council adopted the report.

13. Administrative and financial questions

- Committee on Budget, Finance and Administration

- Reports of the Committee (C/M/148, 150)

At its meeting on 11 June 1981 the Council considered the Report of the Committee on meetings held in May 1981 (L/5150).

Attention was drawn to the Final Position of the 1980 Budget (L/5115) and to recommendations by the Committee related thereto, as well as to the 1980 surplus. The Committee had also considered the report of the Informal Contact Group concerning the United Nations pension scheme, and the inability of the Group to accept a proposal by the GATT Staff Association for the establishment of a complementary pension scheme. The Committee had recommended to the Council, subject to the reservations of two members, that a transfer be made from the Special Temporary Account to the GATT Staff Assistance Fund. The Committee had also made recommendations with regard to the transfer of the remaining balance on the Special Temporary Account through the Surplus Account to the Working Capital Fund, in respect of an increase in the level of the Working Capital Fund, and with regard to the encouragement of governments in arrears of contributions to make instalment payments with a view to the total settlement of their financial obligations.

The Director-General stated that the Committee would meet again shortly to take a decision in respect of the Zimbabwe contribution.

The Council approved the recommendations in the Report.

The representative of Canada reaffirmed the position of his Government concerning the disposition of surplus funds.

The Council adopted the Report.

At its meeting of 22-25 September 1981 the Council considered the Report of the Committee on its meeting held in July 1981 (L/5170).

The Council approved the recommendation in the Report, concerning the amounts due from Southern Rhodesia in respect of arrears of contributions, and adopted the Report.

14. Council membership and observer status (C/M/146, 147, 148, 149)

At its meeting on 10 March 1981 the Council accorded observer status to Ecuador.

At its meeting on 27 May 1981 the Dominican Republic became a member of the Council.

At its meeting on 11 June 1981 Nicaragua became a member of the Council.

At its meeting on 15 July 1981 the Council accorded observer status to the Secretariat of the Africa, Caribbean and Pacific Group of States (ACP Group).

15. Arrangements for the thirty-seventh session (C/M/149)

At its meeting on 15 July 1981 the Council agreed on the dates for the thirty-seventh session.