

GENERAL AGREEMENT ON  
TARIFFS AND TRADE

RESTRICTED

C/M/116

30 September 1976

Limited Distribution

COUNCIL  
17 September 1976

MINUTES OF MEETING

Held in the Palais des Nations, Geneva,  
on 17 September 1976

Chairman: Mr. G. ALVARES MACIEL (Brazil)

<u>Subjects discussed:</u>		<u>Page</u>
1. EEC's programme of import deposits for animal feed proteins		1
2. Monetary measures applied by Italy		3
3. (a) Agreement between the EEC and Tunisia		5
(b) Agreement between the EEC and Algeria		5
(c) Agreement between the EEC and Morocco		5
4. Latin American Free Trade Association		6
5. Central American Common Market		7
6. European Economic Community - proposed tax on imports of vegetable and marine fats and oils		8
7. Greek import restrictions on meat		10
8. EEC - export refunds on malted barley		11
9. EEC - meat policy		12
10. South Africa - Temporary import deposit scheme		14

1. EEC's programme of import deposits for animal feed proteins (C/M/113 and 115)

The representative of the United States recalled that he had raised this matter at two previous Council meetings and had formally requested on 15 July 1976, the establishment of a panel to examine the complaint. He therefore now asked the Council to agree to establish a panel under paragraph 2 of Article XXIII to examine the

complaint of the United States with respect to certain elements of the current programme of the EEC to dispose of surplus non-fat dry milk, the complaint being the following:

- the requirement that a specific amount of denatured non-fat dry milk be purchased from EEC stocks, under penalty of forfeiture of a deposit, for every unit of vegetable protein purchased, is a mixing regulation inconsistent with the obligations of the EEC under the General Agreement.
- the effect of the programme is to impair bindings on tariff concessions made by the EEC to the United States on soya beans, soya bean meal, soya bean cake and other feedstuffs.

The representative of Argentina stated that his country was also concerned about this matter. It was his understanding that the mechanism established by the Community would be in effect until 31 October 1976, and he enquired whether the system might be extended beyond that date. He pointed out that Argentina had so far noted no negative effects of the system, but he thought that this was due to increased imports of animal feed to the Community as a result of the drought. His country was in particular concerned about the possible effects of these practices in case they were continued. He pointed out that the system not only limited the possibility of selling certain types of proteins for animal feed but also contained a number of discriminatory elements, both as regards products and countries. He concluded that a thorough examination of the system was necessary.

The representative of Canada expressed concern that there might be an erosion of bindings as a result of the import deposit requirement. Canada therefore supported the request to establish a panel.

The representatives of Brazil and Australia also supported the establishment of a panel.

The representative of the European Communities stated that the objective of the Community programme was the disposal of 400,000 tons of skim milk powder. As of 9 September 1976 approximately 300,000 tons had been placed under contract. Community authorities believed therefore that the 400,000 ton target would be attained by 31 October 1976. He stressed that the measure under discussion was part of an overall programme and could not be examined out of context; the context being to redress a difficult situation. While reserving the Community position on the legal aspects raised in the United States complaint he stated that the Community could now accept the establishment of a panel on the basis of the terms of reference proposed by the United States on 15 July 1976.

The representative of the United States stated that at the meeting of 15 July 1976 he had not proposed precise terms of reference for a panel. He did not believe there was any substantive difference between the text he had proposed at this meeting and the complaint he had made on 15 July 1976. He would not however insist on the precise words.

The Council agreed to establish a panel with the following terms of reference:

"To examine the complaint by the United States that the EEC import deposits and purchasing requirements affecting non-fat dry milk and certain animal feed proteins are not consistent with the EEC's obligations under the GATT, including the provisions of Articles I, II and III, and to make such findings as will assist the CONTRACTING PARTIES in making the recommendations or rulings provided for in paragraph 2 of Article XXIII."

As to the composition of the panel, the Council agreed to give authority to the Chairman of the Council to nominate, in consultation and agreement with the parties concerned, the Chairman and members of the Panel.

2. Monetary measures applied by Italy (C/M/114 and 115, L/4353 and Add.1, L/4354 and Add.1)

The Chairman recalled that the question of the monetary measures introduced by Italy in May 1976 had been discussed in the Council at its meetings of 14 June and 15 July 1976. The delegation of Italy had since then notified the extension of the period of the deposit requirement for payments abroad until 3 November 1976 (L/4353/Add.1). This decision had been made by the Italian authorities in pursuance of a decision of the Commission of the European Communities (L/4354/Add.1).

The representative of Italy stated that the extension of the exchange measures had been necessary for the establishment of a longer-term economic stabilization policy. He stated that the deposits paid into the Bank of Italy amounted on 10 September 1976 to Lit 4,000 billion, corresponding to about \$4,750 million. The monetary measures had thus contributed to the stabilization of the exchange rate of the lira. He confirmed the statement made at the last meeting of the Council, that the import deposit had had no substantial impact on imports. He pointed out that imports had continued to grow, even after the introduction of the monetary measures. While the average monthly value of imports had amounted to Lit 2,649 billion during the first four months of 1976, this monthly average had increased to Lit 3,044 billion for the period May to July 1976. He indicated that the trade balance deficit from January to July 1976 amounted to Lit 3,000 billion (\$3,500 million) and the balance-of-payments deficit over the same period had

reached the very high level of Lit 1,484 billion (\$1,800 million). He concluded, therefore, that the measures had had no restrictive effect on the development of trade.

Several representatives welcomed the information provided by the representative of Italy. They recalled their earlier statements in which they had expressed regret on the introduction of the measures and regretted in particular that the Italian authorities had found it necessary to extend the measures until 3 November 1976. They recognized the difficult economic situation in Italy and noted that the measures appeared to have had positive effects. Although they recognized that the measures had been approved by the International Monetary Fund and by the European Communities, they pointed out that an examination of the trade effects of the measures was a matter of direct concern to the GATT. They considered, therefore, that the measures should be examined promptly in an appropriate forum. A number of delegations suggested that the examination should be carried out by the Committee on Balance-of-Payments Restrictions. Representatives of developing countries stated that the Committee in its examination should take into account the particular interests of developing countries and possible differential treatment in their favour in the light of the provisions of Part IV of the General Agreement.

The representative of the European Communities expressed his full agreement with the rationale behind the Italian measures. The measures had proved to have beneficial effects on the stability of the exchange market and thereby on the international economic relations as a whole. He stressed that the measures were monetary measures of a global nature and were applicable to virtually all foreign exchange transactions. His delegation, therefore, doubted whether the measures fell within the competence of GATT. His delegation would have preferred to limit a discussion to the Council only. The Community was, however, prepared to participate in an examination of the measures in the framework of GATT, but only in an ad hoc working party specially set up to examine these measures in the light of the provisions of Article XV of the General Agreement.

The representative of Italy stressed that the measures were strictly of a monetary nature and could not be compared with import restrictions which normally were considered by the Committee on Balance-of-Payments Restrictions. His delegation could, therefore, only accept an examination in the light of the provisions of Article XV in a special working party.



The Council agreed to set up a working party with the following terms of reference and membership:

Terms of Reference:

To examine in the light of the relevant provisions of the General Agreement and of the statements made in the Council on this subject, the monetary measures introduced by Italy in May 1976 (L/4353), in particular the deposit requirement for payments abroad, and their implications; to report to the Council and to continue to be available as necessary.

Membership:

Membership would be open to all contracting parties having an interest in the matter and wishing to serve on the working party.

Chairman:

The Chairman of the Council was authorized to nominate the Chairman in consultation with principally interested delegations.

The representative of Italy pointed out that as far as his delegation was concerned the relevant provisions of the General Agreement in this connexion were those of Article XV.

The Chairman said that the working party would consult with the International Monetary Fund in this regard and would meet at a time to be determined in consultation with the Government of Italy and principally interested delegations and with the representatives of the Fund.

3. (a) Agreement between the EEC and Tunisia (L/4379)
- (b) Agreement between the EEC and Algeria (L/4380)
- (c) Agreement between the EEC and Morocco (L/4381)

The Chairman recalled that on 14 June 1976 the representative of the European Communities had informed the Council of the conclusion of co-operation agreements between the European Economic Communities and Tunisia, Algeria and Morocco. At the same time three interim agreements had been signed permitting the advance implementation of the provisions relating to trade. The texts of these agreements had been distributed to contracting parties (L/4379, 4380 and 4381).

The Council agreed to establish three separate working parties with the following terms of reference and membership:

Terms of Reference:

(a) Working Party on Agreement between the European Communities and Tunisia

To examine, in the light of the relevant provisions of the General Agreement, the provisions of the agreements between, on the one hand, the European Economic Community and the member States of the European Coal and Steel Community and, on the other hand, the Government of Tunisia, signed on 25 April 1976 (L/4379), and to report to the Council.

(b) Working Party on Agreement between the European Communities and Algeria

To examine, in the light of the relevant provisions of the General Agreement, the provisions of the agreements between, on the one hand, the European Economic Community and the member States of the European Coal and Steel Community and, on the other hand, the Government of Algeria, signed on 26 April 1976 (L/4380), and to report to the Council.

(c) Working Party on Agreement between the European Communities and Morocco

To examine, in the light of the relevant provisions of the General Agreement, the provisions of the agreements between, on the one hand, the European Economic Community and the member States of the European Coal and Steel Community and, on the other hand, the Government of Morocco, signed on 27 April 1976 (L/4381), and to report to the Council.

Membership:

The membership of each working party would be open to all contracting parties indicating their wish to serve on the working party.

Chairman: Mr. Sandilya (India)

The Council also agreed that contracting parties wishing to submit questions in writing to the parties to the Agreements would be invited to send such questions to the secretariat by 31 October 1976 at the latest and that the answers to the questions would be supplied within six weeks after receipt of the questions.

4. Latin American Free Trade Association (L/4373)

The representative of Brazil introduced the report on activities under the Latin American Free Trade Agreement in 1974 and 1975, submitted by the member States in accordance with the calendar of biennial reports on developments under regional

agreements. He said that intra-area imports in 1974 had been at \$3,300 million and had exceeded the 1973 figure by \$900 million. At the same time, estimated imports from outside the LAFTA area had increased by more than \$9,000 million to almost \$27,000 million in 1974. The tariff reductions granted by Contracting Parties in their respective national schedules covered collectively more than 11,000 items. As a result of the negotiations conducted by the Contracting Parties in 1975, twenty additional items had been included in the liberalization programme. In the field of complementarity agreements, negotiating activities had mainly concerned agreements providing for temporary concessions. The Contracting Parties had exchanged more than 850 concessions in respect of products covered by a number of industrial sectors.

Work towards the harmonization of tariff instruments by members had continued and all Contracting Parties had incorporated the CCCN in their national tariffs. Nine member countries had adopted the Brussels definition of value. Seven member countries had adopted tariffs with fundamentally ad valorem duties. Work was continuing on the harmonization of national customs legislation, the preparation of a common tariff nomenclature, systems of payments, banker's acceptances, tax harmonization, a system of market surveys, export finance, etc.

He added that the countries participating in the Cartagena Agreement had continued the carrying out of the programme provided for in that instrument. Decisions with regard, inter alia, to industrial programming, the agricultural sector and the financing of Andean trade had been adopted. Studies had also been carried out concerning the liberalization programme and the common external tariff.

The Council took note of the report.

5. Central American Common Market (L/4377)

The Chairman drew attention to document L/4377, which contained a report prepared by the Permanent Secretariat of the General Treaty of Central American Economic Integration (SIECA) on developments in the Central American Common Market. The report had been supplied in accordance with the calendar of biennial reports on developments under regional agreements.

The representative of SIECA, Mr. Barahona, introducing the report, referred in particular to the work of the High Level Committee, its composition, its objectives and the reasons which had led to its establishment in 1972. The Committee functioned as a study group and had examined, inter alia, the proposals for restructuring the Common Market. The High Level Committee had presented a draft Treaty of the Central American Economic and Social Community to the presidents

of the Central American countries on 23 March 1976. The Draft Treaty contained provisions on the establishment of the Community and its objectives, the institutional organization, the restructuring and improvement of the Common Market as well as the Community's socio-economic policies, interim measures and the Community's relations with other organizations.

The Council took note of the report.

6. European Economic Community - Proposed tax on imports of vegetable and marine fats and oils (L/4389 and L/4394)

The representative of Peru referred to a proposal by the European Commission for the progressive establishment of a balanced dairy market which foresaw the possibility of establishing a tax on vegetable and marine fats and oils. His Government was seriously concerned about the adverse effects this tax might have on Peruvian exports to the Community. He stated that about 86 per cent of total Peruvian exports of marine fats and oils went to the Community and exports for 1977 to the EEC were expected to reach a volume of 100,000 tons. He considered that the implementation of such a tax would have a direct repercussion on the price of the product and adversely affect the export income of traditional suppliers. He pointed out that the products were at present exempted from duty. The introduction of this tax would reinforce the competitive position of certain dairy products which already received important support. He considered that the tax was not compatible with the provisions of the General Agreement. He stated that the Latin American countries had already consulted with the Community authorities and expressed their deep concern. Other developing countries had made similar representations. He recognized that these measures were at present only at the level of a proposal, but he wished to present his country's position at this stage in the hope that a serious consideration of the matter could avoid the implementation of the proposal. He reserved the possibility to revert to this matter at a later meeting.

The representative of Argentina noted that the EEC dairy policy affected several other sectors. He agreed with the representative of Peru that it was appropriate to discuss the proposed text, because it should be considered not only in the context of the overall dairy programme but also within the global context. He pointed out that Argentina's exports of oils and fats to the Community each year totalled about \$120 million. His Government was convinced that if the proposed measure was adopted, these exports would be prejudiced. He noted that the tax would apply not only to Community imports but also to internal production, but as internal production was of limited importance the major impact would be on imports. He appealed to the Community to take account in their considerations of the effects on third countries.

The representative of Canada stated that his Government was concerned by the possible erosion of bindings and in particular of the apparent permanent nature of the tax, should it be imposed.

The representative of Brazil shared the concerns expressed that the proposed measure would adversely affect substantial trade flows between Latin America and the Community. He urged that the Commission's proposal be reconsidered in such a way that the internal costs of bringing a better balance into the Community dairy market would not be transferred to third countries, especially when they were developing countries.

The representative of the Philippines also expressed concern about the Community proposal. The application of a new tax on coconut oil by the Community, in addition to the existing tariff, would greatly affect the Philippines' trade in this product and aggravate its balance-of-payments difficulties. The imposition by a developed country of a new tax on products of major export interest to developing countries, at this stage of the MTN, constituted a step backwards in the present efforts to liberalize trade, taking into account the interests and problems of developing countries.

The representatives of Chile, Uruguay and Colombia fully shared the views expressed by the other Latin American representatives.

The representative of the United States stated that his country would view any such tax as an attempt to circumvent GATT bindings on oilseeds and vegetable oils in order to afford additional protection to, and help dispose of surpluses in, the Community's dairy sector. He suggested that the Community's dairy surplus problem had developed as a result of high support price policies and not because of imports of oilseeds, vegetable oils and other oils. The United States considered that such measures, which contravened GATT rules and shifted the burden of surplus disposal to the Community's trading partners, were unacceptable. The United States had made representations to the Community to consider the broad implications of this tax proposal and to reject it. He recalled the statement made by the United States at an earlier Council meeting that the United States would protect its trade interests if such tax measures were introduced.

The representative of Norway stated that such a tax, if implemented, would also adversely affect Norwegian exports, in particular of marine oils, and he wished to register his country's concern over the existing proposal.

The representative of the European Communities noted that several speakers had communicated their positions through the diplomatic channels in Brussels and he thought that that was the appropriate channel. The record of this meeting

would be submitted to the attention of his authorities, but he considered that it was not customary in the GATT to examine measures which were only at the stage of proposals.

The Council took note of the statements made.

7. Greek import restrictions on meat

The representative of Australia stated that as from 1 August 1976 imports into Greece of frozen or chilled meat had been prohibited. He noted that, in notifying earlier restrictions to the GATT last year, the Greek delegation had stated that those measures were consistent with Article XI:2(c)(ii). As he was aware of no notification of the new restrictions he enquired whether it was the intention of the Greek authorities to notify these restrictions in accordance with relevant GATT provisions. He also enquired whether the restrictions were considered to be an Article XIX action and, if not, were they consistent with any other specific provision of the GATT. He sought an assurance that the restrictions in question would be administered in accordance with the provisions of the GATT and, in particular, that they would be applied on an MFN basis and would not discriminate against distant suppliers. If Article XI was invoked he asked what were the measures taken by Greece to remove the temporary domestic surplus and when was it envisaged that the provisions of the last paragraph of Article XI, relating to notification of future import levels, could be complied with.

The representative of Greece stated that the measures referred to by the Australian representative were the same as had been notified last year and had subsequently been lifted. This year there had again been problems in that imports had been much larger than normal requirements, so that the restrictions were reintroduced on 1 August 1976. The Greek market had been unable to absorb the stocks which had accumulated and which for sanitary reasons had to be consumed within certain time-limits. He stated that this measure was temporary, was not discriminatory in any way, and was in conformity with Article XI:2(c). The measure would be maintained only until the market situation returned to normal.

The representative of Australia took the view that if restrictive measures were again introduced, a new notification was required. It did not seem possible to imagine a single notification covering a kind of floating restriction which was raised and lowered from time to time. He thought it questionable, on the evidence so far, whether Article XI could be applied to this particular case.

The Council took note of the statements made.



8. EEC - Export refunds on malted barley (L/4392)

The representative of Chile said that since approximately one year Chilean exporters of malted barley had been displaced from their usual markets in Latin America by Community exporters. He pointed out that the current export availability in Chile was approximately 50,000 tons, with a value of about \$15 million. Although this was not a big percentage of his country's foreign trade, malted barley was a highly processed primary product and therefore important for a developing country. He considered that the displacement of Chilean exports was the result of the Community's export refunds. This question had been discussed by his delegation and delegations of the countries concerned with the Community authorities, and they had been informed of possible modifications in the refund system. Unfortunately, the export refunds had been reduced by only a minute proportion. He pointed out that the approximate cost of malted barley was similar in Chile and in the Community, at around \$290 per ton, of which \$160 was the value of the raw material and \$130 the cost of processing. These figures compared with offers by Community traders at \$165 per ton, c. & f. Valparaiso, which was the furthest port from Europe. He also stated that, according to his information, export certificates had been granted at a level much higher than the real capacity of malted barley production in the nine EEC member States. In his opinion the Community action was inconsistent with GATT provisions, in particular Article XVI. Furthermore, bilateral consultations had been held and no results had been obtained. Finally, he pointed out that this problem affected various developing countries and consequently was governed by the provisions of Part IV of the General Agreement.

The representative of Argentina also expressed concern. He noted that the Community had introduced a refund mechanism in 1975. While this might have been caused by an emergency situation existing at that time, it now appeared that the system was maintained on a permanent basis. It was no longer a matter of using subsidies to solve a problem but at present 60 per cent of world exports of malted barley, i.e. 800,000 tons per year, were carried out under this refund system. He considered, therefore, that this matter should be examined both as regards its direct consequences on certain trade flows, as well as from the point of view of long-term policy.

The representatives of Peru and Uruguay shared the concern expressed and stressed that when adopting any type of trade measure a developed country should always take into account the trade interests of developing countries.

The representative of the European Communities stated that the matter raised by the representative of Chile was very complex. The document submitted by Chile recently was at present being examined by his authorities. Nevertheless, certain precisions and corrections to some of the factual data presented by Chile should already be made now. He confirmed that at the beginning of this year, bilateral

discussions had been held with interested countries." Subsequently, on 16 June 1976, a new regulation was introduced which concerned the fixing in advance of the amounts of the refund. This new regulation revised the system so as to correspond better with the realities of this trade and the evolution of world prices. He did not agree that as a result of the modification in the regulation the reduction in export refunds had been minimal. On the contrary, taking into account the evolution of world prices, these reductions had been very substantial. He also pointed out that the delivery of export certificates did not necessarily correspond to the actual Community exports. In fact, while due to speculation export certificates had been issued for 1,800,000 tons, total exports of the Community for 1974 had amounted to 900,000 tons and for 1975 to about 1,000,000 tons. He also expressed doubt as regards the Chilean export capacity of 50,000 tons because, according to FAO statistics, Chile had never exported more than 10,000 tons. He suggested that, as a number of points clearly required clarification and rectification, discussions could best be continued bilaterally with the delegations concerned.

The representative of Chile replied that the average refund per ton of malted barley in 1975 had been within the range of 64 to 71 units of account and, for the period until June 1977 this would be up to 62 units of account. He restated his opinion that this was only a minute decrease. He took note of the fact that there had been a speculation in the issuing of export certificates and suggested that this was proof of the trade promotion effects of the system. He admitted that traditional exports from Chile had been lower than 50,000 tons in the past, but great investments had been made to increase production and the current export capacity of malted barley amounted to 50,000 tons. He stated that his country was always willing to discuss matters bilaterally and consultations had in fact been held. In view of the fact that for one year or more there would be a regulation in force which his country believed was inadequate, his Government believed that the time had come to have recourse to the mechanisms provided for under the General Agreement.

The representative of the United States indicated that his country had formally requested to enter into Article XXII:1 consultations with the Community on the question of refunds on exports of malted barley as well as wheat flour.

The Council took note of the statements made and the Chairman suggested that consultations between the delegations concerned be pursued with a view to a satisfactory settlement of the question.

#### 9. EEC - Meat policy (L/4393)

The representative of Argentina stated that the beef and veal sector in the Community was regulated by a series of measures, including the safeguard measures adopted two years earlier. Each time there was some improvement from the point of view of external suppliers in the EEC beef market, the Community adopted measures to stimulate production which created new obstacles. He noted that this

was done sometimes by increasing the guide price for meat in circumstances in which the Community supply was abundant, and sometimes within a wider policy with the objective of solving problems in a parallel sector, such as the dairy sector. He noted a tendency to modify the structure of production from dairy to meat, which was an additional stimulant to supply at a time at which the Community had 300,000 tons of meat in stock. He believed that there was no longer an emergency situation in the meat sector but a structural problem was developing. When there were no surpluses these were created and, consequently, there was no guarantee that in the future there would not be one distortion after another. He expressed serious concern for the entire future of the meat market in the Community and in the world.

The representatives of Uruguay, Brazil and Australia shared the concern of the representative of Argentina.

The representative of the European Communities stated that guide prices had been increased during the past three years, but as these prices were expressed in local currencies the increase was a result of the depreciation of currencies rather than a stimulation of production. Furthermore, the fact that certain producers might switch to another type of production was a normal characteristic of agriculture. Referring to the increase in export refunds he stated that this was only one of the measures adopted by the Community in July to meet the new situation created by the drought. Since October 1974 the Community had for the first time adapted these refunds, on 1 August 1976, increasing the refunds by some 14 per cent. These export refunds could not lead to exports by the Community at rates below world market prices. Information available until June 1976 showed that exports of beef from the Community had not increased as compared with the year before. He insisted that as late as May-June last the Community was slowly but surely returning to a better balance. He noted that this expectation had been upset by the drought situation, which had led to an increased rate of slaughtering, but he pointed out that the animals slaughtered had a lower weight than normal. The accelerated slaughtering would accentuate a change in the situation from the beginning of next year. Indeed, the accelerated slaughtering, while increasing supply in the short term, would reduce supply as a whole in the long run. In the meantime the Community intervention mechanism had had to absorb some 10,000 tons of meat per week which had resulted in an intervention stock of 300,000 tons at the end of August, not counting an additional 100,000 tons being held in private stocks and supported by Community financing. While the supply of beef in the Community was therefore more than covered for 1976, it was expected that the Community's production would decrease in 1977. The expectation also was that meat imports into the Community would increase at higher prices resulting from a probable disequilibrium between supply and demand on the world market. The Community authorities continued to follow the situation very closely.

The representative of Argentina noted the statement that the Community had not increased its beef exports since last year. He pointed out that as far as Argentina was concerned meat exports had never reached such low figures as last year. He also noted that the representative of the European Communities had on earlier occasions spoken of a possible normal evolution in 1976, which because of the drought had not materialized. The situation in the next year, however, might well be affected by the transformation of dairy production into beef production. While, within the general philosophy of the Common Agricultural Policy, there was a potential deficit of beef which should give possibilities to exporters such as Argentina, this deficit in his view had become a policy instrument for the Community to resolve problems, for example, in the dairy sector. He charged that the Community was adopting a policy of maximum self-sufficiency without trying to re-establish traditional trade flows with traditional suppliers.

The Council took note of the statements made.

10. South Africa - Temporary import deposit scheme (L/4386)

The representative of South Africa drew attention to the temporary import deposit scheme introduced by his Government on 2 August 1976 (L/4386). He stated that South Africa's adverse balance on current account had shown a marked upward trend since 1974. While, up to the first quarter of this year, the deficit had been covered by the inflow of capital, the position in the second quarter had deteriorated to such an extent that it had become impossible to postpone further a measure of this nature. The gold and foreign exchange reserves had declined substantially, placing considerable pressure on the rand, which had been enhanced by speculative activity and increased imports. Various measures of a monetary or fiscal nature, including an increase in the bank rate to 9 per cent, had been taken to counteract the pressure on the balance of payments. The temporary import deposit scheme should be seen as being supplementary to these measures. He explained that the scheme was in the form of a deposit of 20 per cent of the f.o.b. value of all imported goods except those specifically exempted. The deposits were interest-free and repayable after six months. The exempted goods were mainly petroleum products, government imports and essential capital goods. Preliminary calculations indicated that the scheme would cover about 60 per cent of South Africa's imports. The scheme was non-discriminatory, it had been taken in preference to other measures which would have had a more severe effect on South Africa's imports, and the duration of the scheme was not expected to exceed one year. He indicated that South Africa was prepared to consult with the CONTRACTING PARTIES about the scheme.

The representative of the United States regretted the introduction of new import restrictive measures and suggested that, in accordance with customary procedures, the measure should be examined by the Committee on Balance-of-Payments Restrictions.

The representative of South Africa stated that he would not oppose the examination of the scheme by the Committee on Balance-of-Payments Restrictions. He pointed out, however, that in the past the Council had referred the examination of an import deposit scheme to the Committee in those cases where the contracting party concerned was, in any case, required to consult with that Committee under Article XII or Article XVIII. In those cases where the contracting party concerned was not required to consult on quantitative restrictions maintained for balance-of-payments reasons, the import deposit scheme was referred to a working party. He noted that in this instance the Council had departed from past practice in that it had referred the matter to the Committee on Balance-of-Payments Restrictions in a case where the contracting party concerned was not required to consult with the Committee under Article XII or Article XVIII. As far as his delegation was concerned, it was invidious that one contracting party should be treated differently from another where the circumstances were the same. Decisions of the Council should surely be consistent in this as in other fields. It was accordingly the understanding of his Government that in future all schemes of this nature would be referred to the Committee on Balance-of-Payments Restrictions.

The Council agreed that the Committee on Balance-of-Payments Restrictions should be requested to examine the temporary import deposit scheme introduced by South Africa and to consult with the International Monetary Fund in this regard.