

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

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MINUTES OF MEETING

Held in the Building of the International
Telecommunication Union on 26 July 1977

Chairman: Mr. C. DE GEER (Sweden)

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1. India - Auxiliary duty of customs (L/4517, C/W/290)

The Chairman recalled that at the meeting of the Council in June, the representative of India had asked for an extension of the waiver which enabled the Government of India to maintain the temporary auxiliary duty of customs on bound items.

The representative of India said that the special circumstances which had compelled his Government to introduce the auxiliary duty, as a temporary measure, to provide resources for essential development needs, continued to exist. The rates of the auxiliary duty and the conditions governing the levy, however, had remained unchanged. He recalled that the rates of duty were 5 per cent on articles on which the basic customs duty was less than 60 per cent; 15 per cent on articles carrying basic customs duty of 60 per cent or more but less than 100 per cent; and 20 per cent on other articles. He explained that the incidence of these duties on bound items would be either nil or 5 per cent, so that they would not have any adverse effects on imports into India.

In explaining India's vast development needs, he pointed out that the average rate of growth of GNP had been 3.5 per cent during the last three years, which was grossly inadequate considering an annual increase in population of more than 2 per cent. As the growth rate had declined during 1976-77, his Government had set out to increase its development effort in a number of key sectors. Total outlay proposed during the current fiscal year on development plans would increase by 27 per cent over last year. These programmes could not be implemented unless additional resources were found. At the same time his Government's policy aimed at avoiding an aggravation of inflationary pressures. He explained that some strengthening of India's balance-of-payments position had enabled it to carry out a selective liberalization in order to provide a stimulus to certain industries. However, it would not be possible to undertake any across-the-board reductions in import duties. Therefore, in order to keep the budgetary gap within manageable limits, his Government had to continue the application of the auxiliary duty for a further nine months until the end of the present fiscal year, i.e. 31 March 1978. He expressed his delegation's readiness to consult with any contracting party which considered that serious damage to its interests had been caused or threatened by the auxiliary duty of customs.

The representative of the European Communities considered that the problems raised by India could best be examined by the Committee on Balance-of-Payments Restrictions. His delegation, while supporting the extension of the waiver, was also of the opinion that India should make efforts to reduce progressively the auxiliary duty of customs.

The Council approved the text of the draft decision contained in document C/W/290 and recommended its adoption by the CONTRACTING PARTIES. The draft decision would be submitted to contracting parties for adoption by postal ballot. The Chairman invited representatives having authority to vote on behalf of their governments to do so at the close of the meeting. Ballot papers would be sent by mail to contracting parties not present at the meeting.

2. Balance-of-payments restrictions

(a) Consultation with Finland (BOP/R/95)

Mr. Jagmetti (Switzerland), Chairman of the Balance-of-Payments Committee, introduced the report on the consultation with Finland under Article XII and said that the Committee had welcomed the termination of the Finnish import deposit scheme on 31 December 1976. After reviewing the overall situation and noting the low level of external reserves, the Committee had recognized that there was a need for a degree of trade restriction. The Committee had also noted that global quotas and licensing were imposed for both balance-of-payments and other reasons. The Committee had expressed some concern as to the possible trade effects of a Cash Payments Scheme which was primarily a monetary measure.

The Council adopted the report.

(b) Consultations under simplified procedures with Egypt, Indonesia, Pakistan, Peru and Sri Lanka (BOP/R/94)

Mr. Jagmetti said that the Committee had also carried out a number of consultations with developing countries under the simplified procedures. The Committee recommended that Egypt, Indonesia, Peru and Sri Lanka should be deemed to have consulted with the CONTRACTING PARTIES and to have fulfilled their obligations under Article XVIII:12(b) for 1977. As regards Pakistan, he stated that some delegations had considered that the information which had been provided by Pakistan was sufficient, while one delegation had requested that a full consultation be held. Under the applicable procedures this consultation would therefore take place in November 1977.

He further stated, as Chairman of the Committee, that divergent views had emerged in the Committee in connexion with the simplified procedures adopted by the Council on 19 December 1972. He pointed out that these procedures provided that the consulting country should submit a written statement so that the Committee could determine whether a full consultation was desirable. If the Committee decided that such a consultation was not desirable, it would recommend to the Council that the contracting party be deemed to have consulted with the CONTRACTING PARTIES and to have fulfilled its obligations under Article XVIII:12(b)

for that year. Otherwise, the CONTRACTING PARTIES would consult the IMF and the Committee would follow the procedures applicable for a full consultation. Thus, in his view, the simplified procedure was clearly an exception to the general rule, and could only apply if there was a consensus in the Committee. If there was no consensus, i.e. if one or several members requested that a full consultation be held, such consultation would take place automatically. The rule was clear and the practice had so far been in conformity with this rule.

The representative of Pakistan said that in accordance with the simplified procedures, his Government had submitted a comprehensive statement in regard to Pakistan's latest balance-of-payments position and import régime. The statement brought out the continued trend towards further liberalization of Pakistan's import régime despite continuing balance-of-payments difficulties. This had been confirmed by a comprehensive report made available by the IMF. He pointed out that all but one of the members of the Committee were satisfied with the documentation made available. However, one member had asked for a full consultation with Pakistan and did not accept, as an alternative, Pakistan's offer to provide any further information required in the context of the simplified procedures. He recalled that the Council's decision to introduce the simplified procedures had been based upon the consideration that the balance-of-payments problems of developing countries were structural in nature and not likely to be resolved in the near future. There was therefore full justification under Article XVIII, section B, for the maintenance of import restrictions by these countries, so that the amount of energy involved in adequate preparation for a full consultation would be disproportionate to its value.

Having provided all necessary information and reiterating their readiness to provide additional information, if required, his authorities were not convinced that there was justification for Pakistan to go through the elaborate procedure of a full consultation.

A number of representatives of developing countries pronounced themselves in favour of the position taken by Pakistan and questioned the adequacy of present procedures. They believed that the simplified procedures should be the general rule for consultations with developing countries. Consequently, an absolute consensus to decide that a full consultation was not desirable, should not be required. It did not appear reasonable if, on the basis of the opinion of a single member, the Committee would determine that a full consultation was to be held. Some of these members pointed out that the deficiencies of the current procedures with regard to developing countries had been the subject of proposals put before other fora. They stressed that this question should be given careful attention in the framework of the multilateral negotiations.

A number of other representatives stressed that the simplified procedures were established as an exception to the provisions of Article XVIII:12(b). The simplified procedures were basically intended for countries which were in the early stages of development and lacked the machinery to prepare adequately for a regular consultation. They also pointed out that the basic objective of the consultations was to foster understanding of the balance-of-payments problems of the developing countries concerned and to provide opportunities for exploring constructive solutions to these problems. One representative pointed out that Pakistan's last full consultation had taken place in 1969 and since its Government had made major changes in its foreign trade régime a full consultation would be appropriate. These representatives agreed that this matter could best be discussed in other GATT bodies, but until new procedures had been established the current procedures should be maintained.

The Chairman pointed out that the opinions expressed showed that there was a problem of procedure of a general nature. Leaving aside the particular case dealt with by the Committee, he believed that the general problem could more fruitfully be examined elsewhere.

The Council took note of the exchange of views and adopted the report (BOP/R/94). The Council agreed, as recommended by the Committee, that Egypt, Indonesia, Peru and Sri Lanka should be deemed to have consulted with the CONTRACTING PARTIES and to have fulfilled their obligations under Article XVIII:12(b) for 1977. The Council noted that a full consultation would be held with Pakistan under the applicable procedures.

3. Agreement between the European Communities and Portugal (L/4518)

The Chairman recalled that in November 1976 the Council had established a Working Party to examine the provisions of the Interim Agreement between the European Communities and Portugal. The report of the Working Party had been circulated in document L/4518.

Mr. Tomic (Yugoslavia), Chairman of the Working Party, said that the Working Party in carrying out the examination had covered such issues as trade coverage, import duties, rules of origin and safeguard provisions. He pointed out that the Working Party had not reached any unanimous conclusions as to the compatibility of the Interim Agreement with the provisions of the General Agreement. It therefore limited itself to reporting the opinions expressed by the members of the Working Party.

The Council adopted the report.

4. Agreements between the European Communities and Egypt, Syria, Jordan and Lebanon (L/4521, L/4522, L/4523, L/4524)

The Chairman recalled that on 23 May 1977 the representative of the European Communities had informed the Council of the signature on 18 January 1977 of Agreements between the European Communities and Egypt, Syria and Jordan and on 3 May 1977 of an Agreement between the European Communities and Lebanon. Interim Agreements had also been signed on the same dates with the four countries, providing for the advance implementation of the arrangements relating to trade on 1 July 1977.

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

Terms of Reference:

(a) Working Party on the Agreement between the European Economic Community and Egypt

To examine, in the light of the relevant provisions of the General Agreement, the provisions of the Interim Agreement between the European Economic Community and the Arab Republic of Egypt, signed on 18 January 1977 (L/4521), and to report to the Council.

(b) Working Party on the Agreement between the European Economic Community and Syria

To examine, in the light of the relevant provisions of the General Agreement, the provisions of the Interim Agreement between the European Economic Community and the Syrian Arab Republic, signed on 18 January 1977 (L/4522), and to report to the Council.

(c) Working Party on the Agreement between the European Economic Community and Jordan

To examine, in the light of the relevant provisions of the General Agreement, the provisions of the Interim Agreement between the European Economic Community and the Hashemite Kingdom of Jordan, signed on 18 January 1977 (L/4523), and to report to the Council.

(d) Working Party on the Agreement between the European Economic Community and Lebanon

To examine, in the light of the relevant provisions of the General Agreement, the provisions of the Interim Agreement between the European Economic Community and the Lebanese Republic, signed on 3 May 1977 (L/4524), 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:

The Chairman of the Council was authorized to nominate the chairman of each working party in consultation with the principally interested contracting parties.

The Council agreed that contracting parties wishing to submit questions in writing relating to the Agreements should be invited to send in such questions to the secretariat by 15 October at the latest and that the answers to the questions should be supplied within six weeks after receipt of the questions.

The Council also agreed that the delegations of Syria, Jordan and Lebanon should be invited to be represented by observers at the discussions relating to these Agreements.

5. Japan - Import restrictions on thrown silk yarn (L/4530)

The representative of the United States stated that prior to February 1976, the United States was a supplier of thrown silk yarn to Japan. Although the trade amounted to only \$6 million in the peak year, it was vital to certain depressed areas in the United States. In February 1976 United States exporters learned from Japanese customers that Japanese foreign exchange banks had been instructed not to open any new letters of credit for thrown silk yarns from the United States. He pointed out that Japan had not notified this measure. He also pointed out that the duty on thrown silk was bound at a rate of 7.5 per cent.

He stated that the United States had conducted discussions with the Japanese Government on this matter since mid-1976 and he noted that during this period imports from a number of countries other than the United States had continued to enter Japan. He also referred to the notification by Japan of a "prior permission system" on imports of silk yarn (L/4509), which had been introduced to ensure the functioning of the State-trading mechanism on imports of raw silk.

His Government was of the opinion that the Japanese measures were inconsistent, in particular with Articles I, XI, XIII and XV of the General Agreement, and constituted a nullification and impairment of United States rights under the GATT. Since discussions with the Government of Japan had not brought a solution to this problem his Government sought recourse to the provisions of Article XXIII:2 and asked that a panel be established.

The representative of the European Communities said that silk yarn was a traditional export product from the Community to Japan. However, since the introduction by Japan of restrictive import measures exporters of this product experienced serious difficulties. He said that the difficulties had increased with the reinforcement of the restrictive system which had led to a total embargo of such products since April 1976. He mentioned that Article XXII consultations had taken place in June on this matter and the Community had contested the Japanese view that the restrictive régime was necessary to protect State trading in raw silk. He supported the setting up of a panel and he mentioned that the Community wished to be heard by the panel on the different aspects of the matter.

The representatives of Brazil, Turkey and Switzerland shared the concern expressed by the United States and the EEC.

The representative of Japan explained that in August 1974, because of market conditions of raw silk, his Government had decided to authorize the Japan Raw Silk Corporation to be the sole importer of raw silk. This had been notified to the GATT under Article XVII:4(a). These internal measures and the price differences between the domestic and foreign markets resulted in an explosive increase in imports of silk yarns, sometimes from non-traditional and non-silk producing sources. Imports of silk yarns, mainly of thrown silk yarns, rose from 1,000-2,000 bales before 1974 to 55,000 bales in 1975 and more than 57,000 bales in 1976. In order to monitor these imports the Japanese Government, in February 1977, introduced a "prior confirmation system". When the situation continued to deteriorate, this system was replaced by a "prior permission system", as notified in document L/4509. He pointed out that the United States had not yet submitted written representations under the provisions of Article XXIII:1 and asked that a decision by the Council be deferred so that consultations with the United States under Article XXIII:1 could be held. He also noted certain incorrect descriptions in the United States document (L/4530), on which his delegation would comment in due course.

The representative of the United States said that consultations on this question had been carried out for a long time at various levels between the two Governments. He hoped that the Council could initiate the appropriate procedures at this meeting.

The representative of Japan said that his delegation did not wish to obstruct the deliberation of this matter on purely procedural grounds.

The Council requested the United States and Japan to pursue their bilateral consultations under Article XXIII:1 on this matter for a further period. The Council agreed that if these consultations did not lead to a mutually satisfactory solution, an appropriate procedure for consideration of the United States complaint under Article XXIII:2 would be the establishment of a panel. The Council authorized its Chairman to take the necessary steps for the establishment of a panel if the matter had not been settled satisfactorily on a bilateral basis by 20 August 1977. The terms of reference of such a panel would be as follows:

"To examine, in the light of the relevant GATT provisions, the matter referred to the CONTRACTING PARTIES by the United States, relating to Japan's measures on imports of thrown silk, and to make such findings as will assist the CONTRACTING PARTIES in making recommendations or rulings, as provided for in Article XXIII:2."

6. Tax legislation

- (a) United States tax legislation (DISC) (L/4422)
- (b) Income tax practices maintained by France (L/4423)
- (c) Income tax practices maintained by Belgium (L/4424)
- (d) Income tax practices maintained by the Netherlands (L/4425)

The representative of the European Communities enquired whether in the light of the statements made by several delegates at the meeting of the Council in May 1977 on the question of the United States DISC legislation, the United States delegation was now in a position to agree to the adoption of the report on DISC (L/4422). He recalled that this dispute under Article XXIII had been initiated as early as 1972.

The representative of the United States said that, as had been stated earlier, his authorities continued to believe that the reports of the four panels should be adopted. This was in keeping with established GATT practice. He pointed out that panel reports had always been adopted, although it had occurred that a country had entered a reservation if it did not agree with the report. The cases of tax practices in the three EEC countries were the first cases in which delegations had questioned the competence of a panel. He insisted that the only appropriate step

would be to adopt the four reports. He stated that the findings of the panels had wide implications and some of the world's principal trading nations had been found to violate GATT obligations. The adoption of the reports would be a step towards the task of reviewing the international rules on subsidies, of which these tax practices were one aspect. He stressed that the United States took its GATT obligations and the findings of the panels very seriously. In this connexion his Administration was considering recommending to Congress that the DISC legislation be repealed. This, however, did not weaken the United States determination to see other countries bring their practices into line with appropriate international rules.

He recalled that the panels had been asked to determine whether a tax system which taxed export profits at a lower rate than the system applied to profits on domestic sales was a subsidy in violation of the GATT. This the panels had found to be true for the tax practices of France, Belgium and the Netherlands as well as for the DISC. Given the identical membership of the panels and the parallel analyses applied by them, his authorities were unable to see how other governments could take issue with some of the reports without undermining the basis of all the reports. Consequently, if other countries were to block the adoption of the reports on their tax practices, the United States could not accept the adoption of the DISC report.

As to the argument advanced by the other countries on the definition of exports, he said there was no GATT definition of exports and the question of definition of exports was not pertinent in this case. The real issue concerned the definition of subsidies and not of exports. This question had been considered in detail by the panels which had come to the conclusion that the French, Belgian and Dutch tax practices did constitute subsidies. He therefore believed that the next step should be the adoption of the reports and the examination of their implications in the larger context of the MTN discussions on subsidies.

The representative of Nigeria supported the adoption of the reports.

The representative of the European Communities said that the panel report on the DISC had never given rise to any objections on the substance by any contracting party. Several delegations had spoken in favour of adoption of the report and the Council should therefore adopt the report without further delay. At a later meeting the Council might draw up appropriate recommendations as provided in paragraph 2 of Article XXIII. He could not agree with the United States position of linking the adoption of one report with the adoption of the three other reports. This was based on the United States argument that the panels had adopted the alternative contention of the United States that if the DISC legislation was in violation of the GATT the tax legislation of the other three countries was also in violation of the GATT. He stressed that in none of the reports any of the panels had made such a link. In spite of this, United States representatives repeatedly made this link, also in other fora.

The Community was aware of the fact that the United States Administration was considering repealing the DISC, but there were other views in the Administration which felt that the DISC system should be maintained, or should be traded away. Furthermore, pointing to the differences between the DISC and the other tax practices, he said that the DISC system concerned the taxing of profits realized by companies in their export activities from United States territory to the border of the importing country. The DISC, therefore, came clearly within the notion of exports in the normal GATT sense. However, in the case of the other three tax systems, the definition of export activities was quite relevant, since, in the sense of the panel's conclusions, the question whether a subsidy existed did not depend on the exporting country but rather on the nature of the tax system of the importing country. If this were correct, it would imply that an exporting country would, in order to avoid being accused of subsidizing its exports, have to adjust its tax system to those of different importing countries. The Community as such shared the views of the three member States on the consequences and distortions of a legal, fiscal and economic nature, which resulted from an abnormally extensive interpretation of the notion of "export activities", which appeared to be the basis of the reasoning of the three panels. He said that there was now sufficient documentation available to judge the merits of the objections raised against such an extensive interpretation. On the basis of the fiscal and economic analysis of the three panels one should now reach an opinion on the notion of export activities on the basis of the provisions of the General Agreement.

The representative of Japan said that he welcomed the United States statement that steps towards the abolition of the DISC would be undertaken by the Administration and hoped that this would lead to early termination of the system. He recommended that the Council adopt the report on the DISC, but felt that the other reports might be handled separately.

The representative of the United States said that with the information available it was not possible for individual members of the Council to reach their own conclusions on this matter. He therefore recalled his earlier suggestion that the underlying documentation presented to the panels, which had resulted in the panels' conclusions, should be derestricted and circulated.

The representative of Canada said that in the light of the panels' conclusions on the DISC the Council should recommend the termination of the DISC. His delegation had noted that the United States Administration was considering legislation for the termination of the DISC. He stressed the importance his Government attached to an early termination of this programme. He was of the view that the issues raised in the case of the DISC were different from those raised in connexion with the other tax practices and that further reflection was required for the other panel reports.

The representative of Austria said that his delegation had come to the conclusion that each panel report should be considered on its own merits and that there was no factual and legal necessity for the Council to proceed in a parallel way. While he had no further questions to raise in connexion with the DISC he felt that further clarifications were needed in the case of the other three reports, particularly in connexion with the definition of the term "export activities" and whether this term covered measures which aimed at avoiding double taxation, as they were normally to be found in bilateral agreements. Only after clarifications had been made on these points could the Council proceed further.

The representative of the Netherlands referred to statements by United States representatives that tax practices in a large number of countries that were not parties to the present proceedings were by implication also in violation of the GATT. He also pointed out that so far he had not received substantive reactions to the arguments put forward by his delegation. He further stated that it had never occurred to his delegation that the Panel might base its conclusions on a concept of export activities which went well beyond the scope of the GATT provisions. His delegation remained ready to co-operate in any procedure which would provide a reply to this fundamental question concerning the scope of the GATT provisions.

The representative of Belgium said there was no link between the report on the DISC and the reports on the tax practices of Belgium, France and the Netherlands. No new element had been brought forward in the present discussion. His Government therefore maintained the position it had adopted earlier.

The representative of France said that his Government's position in this matter was reflected in the memorandum circulated by his delegation in document C/97/Add.1.

The representative of Norway recalled the over-riding concern expressed by the Nordic countries in the earlier Council meeting on the proper functioning of the dispute settlement machinery in GATT. This machinery so far had functioned to the benefit of all contracting parties. He said that the Council should therefore treat the four panel reports as panel reports had always been dealt with before.

The Chairman pointed out in connexion with the circulation of the documentation used by the panels that there existed technical difficulties in the translation and circulation of this very extensive material. Furthermore, many of the documents had been presented to the panels by the parties on a confidential basis.

The Council agreed to revert to these matters at a later meeting.

The Council agreed to revert to these matters at a later meeting.

7. Legal requirements at the new headquarters (C/100)

The Director-General drew the attention of the Council to the fact that GATT's move to new headquarters made it necessary to review and regularize certain aspects of the legal status of GATT in Switzerland. He explained that so far GATT had formally no status in Switzerland and that there was only a recognition by the Swiss federal authorities on a provisional basis of ICITO, based on a decision taken in 1948. Consequently, discussions had been held with the Swiss authorities with the intention of preserving for the GATT on a more permanent basis, the privileges and immunities which the Swiss federal authorities so far had granted on a provisional basis only to ICITO. The arrangement would enable him as Director-General of GATT, rather than as Executive Secretary of ICITO, to enter into such private contracts as were necessary in the present circumstances. He said that these discussions had led to the proposal that the GATT should enter into an agreement with the Swiss federal authorities in the form of an exchange of letters, as set out in the document. He added that the proposed arrangement would in no way affect the status of ICITO, nor the presently existing relationship between GATT and ICITO, nor that between GATT and the United Nations nor the status of the staff in the common system.

Director-General, acting in the name of and on behalf of the CONTRACTING PARTIES, to confirm to the Swiss federal authorities his agreement with the letter.

8. Final position of the 1976 budget of GATT (L/4520)

The Chairman drew attention to the report on the budget of GATT (L/4520). Referring to Annex A of the report, he said that since the end of the year, he had received contributions from a number of contracting parties, thus reducing the total outstanding to Sw. 1,917,629. Paragraph 5 of the report referred to certain excess expenditures in particular sections of the budget. Authority was sought to increase the appropriations accordingly by the transfers set out on page 3 of the report.

The Council authorized the increases in the proposed financing.

9. Pension problems in Geneva

The Director-General recalled previous statements in the Council on the problems that had arisen for retired GATT staff whose pensions in terms of Swiss francs had been seriously eroded with the decline in the value of the dollar in relation to the Swiss franc. He said that an adjustment scheme, strongly supported by the great majority of the United Nations Joint Staff Pension Board, had been drawn up last year, but that reservations were maintained by the representatives of the United Nations members of the Board, all of whom were based in New York. The proposed adjustment scheme had been considered by the Advisory Committee on Administrative and Budgetary Questions (ACABQ) very late in the General Assembly Session of last year. Unfortunately, the ACABQ recommended that a decision on this matter should be postponed for two years, a recommendation that was accepted by the General Assembly. The General Assembly did, however, agree to a guideline on which a modified adjustment scheme should be based, namely that "the principle of compensation for country-to-country differences in the cost of living should be given limited recognition, short of equality of purchasing power, so as to ensure that the new scheme does not require an increase in the present or future liabilities of member States". The Director-General noted that the efforts made by the Geneva and other non-dollar area based organizations to redress the situation had not achieved a significant result. Consequently, the situation of pensioners in Geneva remained serious and no effort should be spared to find ways of alleviating it. He stated that a meeting of the Pension Board was currently being held and would again review this question.

He pointed out that ICITO/GATT so far had only observer status on the Pension Board and that it was formally represented for voting purposes by the United Nations Staff Pension Committee. Since last year's events had shown that the interests of the United Nations Committee and those of the GATT staff and pensioners did not coincide, he considered that a separate seat on the Board should be sought as was being done by WIPO. This objective was currently being pursued. He explained that GATT either could obtain a seat from one of the smaller organizations which presently had two seats or, if this was resisted, the Pension Board could seek General Assembly approval that the membership on the Board be increased. When GATT had obtained a separate seat it would be necessary under the Fund's regulations to set up a Staff Pension Committee on which there would be representatives of the CONTRACTING PARTIES, the Administration and the staff. Each element would in turn occupy the ICITO/GATT seat on the Pension Board.

The Council took note of the statement.

10. Dates of the thirty-third session (C/101)

The Chairman recalled that the CONTRACTING PARTIES had agreed at their last session that their thirty-third session should be held in the week beginning on 28 November 1977 and that the Council should be asked to fix the duration of the session and the actual dates in the course of 1977.

The Council agreed that the session be opened on Tuesday 29 November, subject to confirmation by the Chairman of the CONTRACTING PARTIES and subject to the possibility of reconsidering these dates if circumstances so required. The Council furthermore agreed that the duration of the session would be two to three days.

11. Finland - Renegotiation under Article XXVIII:4 (SECRET/237)

The representative of Finland said that Finland's Law on Import Levies for agricultural products, which had been in force for three years would expire on 31 December 1977. New legislation was in preparation which would bring the Finnish import levy/customs duty system more in line with that of its trading partners. The proposed changes were primarily of a technical nature and implied only minor changes in the level of protection.

He said that the main feature of the revision was the transformation of a number of specific import levies into ad valorem duties. In accordance with GATT practice, the level of the duties had been calculated as an average of the incidences of the years 1974-1976. Since some of the levies were bound Finland requested authority under Article XXVIII:4 to enter into negotiations for the modification of these concessions. He said that the tariff items concerned were listed in the Annex of document SECRET/237; the relevant trade statistics would be distributed shortly.

The representative of Israel, in supporting Finland's request, said that as the incidences were computed from averages they could not be equal in all cases for the various suppliers. His delegation might therefore have an interest in conducting negotiations with Finland if this problem should arise.

The Council agreed to grant Finland the authorization for the renegotiation.

The Chairman requested that any contracting party which considered that it had a principal supplying interest or substantial interest, as provided for in Article XXVIII:1, should communicate its claim in writing and without delay to the Finnish Government and at the same time inform the Director-General. Any such claim recognized by the Government of Finland would be deemed to be a determination by the CONTRACTING PARTIES within the terms of Article XXVIII:1.