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GENERAL AGREEMENT ON TARIFFS AND TRADE

COUNCIL
29 September 1970

MINUTES OF MEETING

Held in the Palais des Nations, Geneva,
on 29 September 1970

Chairman: Mr. Erik THRANE (Denmark)

The Council observed a minute of silence in memory of the late President of the United Arab Republic, Gamal Abdel Nasser.

With regard to item 14 of the proposed agenda (C/W/168), Danish import restrictions on grains, the Chairman stated that consultations were being held on the subject between Denmark and the United States; the latter, therefore, did not intend to pursue the matter for the time being.

1. Membership of the Council

The Chairman announced that the Government of Iceland had requested full membership in the Council. On behalf of the Council, the Chairman welcomed Iceland as a member and Mr. Benediktsson as its representative.

The Chairman said that the Governments of the East African States, Kenya, Tanzania and Uganda, were represented in the Council and should be co-opted as members for the discussion of item 3 of the agenda. This was agreed.

The Chairman said that in connexion with the discussion on item 2 of the agenda, the Government of Morocco had been invited to be represented by observers. The Council approved the invitation.

2. EEC associations with Tunisia and Morocco

The Chairman recalled that, at the meeting on 28 April 1970, the Council had discussed in some detail the issues raised by the EEC associations with Tunisia and Morocco. Certain divergences of view, already reflected in the Working Party's report, had arisen in the Council. On the one hand, the parties to the agreements supported by a number of delegations,had maintained that the agreements were in accordance with Article XXIV. On the other hand, many delegations had felt that the agreements did not meet the provisions of Article XXIV:5 to 9. The Council had decided to revert to the matter at a later meeting.

The representative of the European Communities said that a long period had now elapsed since notification of the agreements on 27 June 1969. Taking account of the extensive discussions which had been held, the information supplied as well as the time made available for reflection on the problem, the Council should now reach a decision. In his view the agreements, which had entered into force on 1 September 1969, would lead progressivly to the establishment of free-trade areas. In view of their provisions, as well as the declared intentions of the parties, the agreements could not be deemed to be incompatible with Article XXIV:5 to 9. All agreements based on Article XXIV had met with divergence of view in GATT. The interpretation of "plan and schedule" had given rise to difficulty before. Yet, in previous cases, satisfactory solutions had been reached. In one case, for example, a decision had been adopted noting the existence of factors which prevented the drawing up of a complete plan and schedule. In the interests of conciliation and co-operation, the Community was ready to agree to a similar solution in this case.

The representative of the United States said that his Government had carefully re-examined its position and had held informal contacts with the Community. Its views, however, remained unchanged. The United States was opposed to all preferential agreements not fully consistent with the General Agreement and based this position on the desire to preserve the non-discriminatory world trading system. While individual association arrangements might bring short-term advantages to the parties involved, over the long term they damaged the interests of all contracting parties, particularly the smaller countries. In the view of the United States, the EEC association agreements with Tunisia and Morocco fell far short of the requirements of Article XXIV. They neither created nor provided for the future

creation of free-trade areas. The agreements had received no support in the working party except from countries which had themselves concluded similar arrangements with the Community. He considered that the differences of view among contracting parties were still too great to enable the Council to reach any decision or conclusion at this time. He urged the Council to allow further time before coming to a decision. Finally, the United States reserved all its rights under GATT including the right of initiating action under Article XXIII.

In a general statement covering items 2-5 of the agenda, the representative of Chile stated that it was important to realize that the matter before the Council was not a particular agreement, but a policy by a major trading unit. He expressed his country's basic belief that international undertakings should not be changed in a unilateral or arbitrary way. While certain rules had to be adapted from time to time, their adaptation should be pursued in an orderly manner and in agreement with all interested parties. A major reason for the present difficulty was the fact that the issue of preferential agreements had never been dealt with as a basic problem. The significance of such agreements in international trade, their justification or limitations had never been established nor had criteria been devised to ensure that they did not injure third countries. The time had come to initiate a discussion of the basic problem, at the appropriate level. In such a discussion, contracting parties should bear in mind the principles accepted by them also in other international organizations especially that of non-discrimination among developing countries. The creation of privileged zones for developing countries resulted in the promotion of some developing countries at the expense of others. On an issue of such importance, a decision could not be made at the present meeting of the Council.

The representative of Brazil, supporting the views of the Chilean representative, said that the present agreements must be seen as part of a wider process - a process of fundamental importance for the General Agreement. It was important to have an overall appraisal of the whole problem at a high level. It would be wrong to take an early decision which might impair a general appraisal. He emphasized that in his country's view it was a major policy that was under discussion not just a particular agreement.

The representative of Peru, also sharing these views, considered that the proliferation of preferential agreements raised important legal issues, and practical problems for developing countries who had a common interest in defending the General Agreement.

The representative of Japan said that his Government maintained the view that the agreements were not in conformity with GATT. Preferential agreements ran counter to the multilateral trading system and would endanger GATT. The problem should be dealt with in its wider context with consideration given to the effects of preferential agreements on the scheme of generalized preferences. A hasty decision in this matter should be avoided.

The representative of Korea, expressing his country's opposition to discriminatory agreements, agreed that the wider issue required consideration and that a hasty decision should not be taken. The representative of Cuba also considered that a question of principle was involved and was in favour of postponing a decision which could be of great importance for the future.

The representative of Canada said that his country maintained its firm opposition to limited preferential arrangements not in conformity with GATT. The proliferation of such arrangements appeared to be the result of a deliberate policy the whole of which at some point should be examined by the CONTRACTING PARTIES. His delegation was seriously concerned that unless a solution was found to this problem the fundamental principles of the GATT would be undermined, to the great disadvantage of all contracting parties. Canada was not unsympathetic to the particular agreements under discussion having regard to the historic links between the parties and he recalled that his delegation had previously submitted a possible compromise solution. He agreed that the matter should be kept open to permit further consideration of the problem. He added that Canada reserved all its GATT rights in respect of all of the agreements on the Council's agenda. As to the other agreements, he was prepared to have them examined in detail by working parties, but expressed the preliminary view that these agreements did not warrant GATT cover under Article XXIV.

The representative of Australia, who shared these views, said that the situation was a new one in so far as a series of preferential agreements was now being developed with dangerous implications for the most-favoured-nation clause. The agreements should not be dealt with in isolation nor was a pragmatic approach appropriate for this new situation.

The representative of Switzerland considered it important to abide by and respect the General Agreement though he believed it appropriate to deal with special cases in a flexible way. It was difficult to accept that the agreements, in their existing form, were compatible with Article XXIV. A solution was still, however, possible. Moreover, the problem might be tackled and solved in a more general context. He also considered it premature, at this stage, to take a definite decision.

The representative of Argentina said that it had not been demonstrated that the agreements fell within the scope of Article XXIV. He was concerned that approval of the agreements would constitute an unfortunate precedent. Developing countries were now faced by the double threat of protectionism and the division of the world into spheres of influence. Preferences given to developing countries should be in the context of the scheme of generalized preferences. He favoured postponement of the issue in order to seek satisfactory solutions.

The representative of India recalled that, some years previously, his country had suggested that practical solutions consistent with the General Agreement should be found for association agreements. The agreements should be viewed in the overall context of trade relations between developed and developing countries and especially in the light of the scheme on generalized preferences, in which the EEC was a major participant.

The representative of Yugoslavia expressed concern at the damaging impact of special preferential arrangements for developing countries. The generalized scheme of preferences offered the basis for a solution to the present problem. He appreciated the efforts of the EEC in the generalized scheme and suggested that a pragmatic solution be sought, taking into account the necessity for respect for the General Agreement.

The representative of Tunisia stressed his country's view that its association agreement with the EEC was in conformity with Article XXIV and supported fully the statement of the EEC representative. The time had come to close the debate particularly in view of the tendency to discuss the present issue in conjunction with the issues raised by items 3, 4 and 5 on the agenda, thus confusing certain historical factors. As there had been ample time for reflection, he could not support the proposal that additional time be allowed.

The representative of the United Kingdom said that, in view of the difficulty in reaching agreement, the question might be suspended and re-examined at some future appropriate time. It was inevitable that the CONTRACTING PARTIES would have to come back to the issues involved in the light of developments in the GATT and elsewhere.

The representative of Portugal said that it was important to bear in mind not only the historical links between the parties but also their different levels of economic development as well as their expressed intention to initiate negotiations within three years, aimed at concluding agreements on a wider basis. Having regard to these circumstances, his delegation did not see why a solution as in previous similar cases should not be adopted. In any such solution, the parties could be asked to complete their plan and schedule as soon as possible. The representative of Sweden recalled the proposal put forward by the Canadian delegation which was intended to serve as a basis for a negotiated compromise between the parties concerned. He regretted that no such agreement had been reached. He now favoured a pragmatic approach, based on the special circumstances surrounding the agreements and considered it advisable to attempt to reach a solution on the lines of solutions in the past. Such a solution, however, had to be compatible with Article XXIV.

The representative of Denmark expressed the view that the parties to the agreements were entitled to ask the Council to take a decision now. It was clear that the Council could not agree on whether or not the agreements satisfied Article XXIV:5 to 9. The Council should, however, try to agree on a text which would meet with consensus. The text might include such elements as: an undertaking to submit annual reports to the CONTRACTING PARTIES; an understanding that the rights of contracting parties were in no way prejudiced; references to the historical links, to the divergence of views and perhaps to the inability to make recommendations at the present time. The representative of Norway said that his country shared some of the concern on the proliferation of preferential arrangements and attached particular importance to the early implementation of the generalized preferences scheme. He, however, saw no advantage in postponing the question and supported the proposal of the Danish representative. He added

that it might be necessary to review at a later stage the more general problem of preferential agreements. The representative of Finland, supporting the Danish suggestion, said that a compromise solution should be attempted by some smaller group. Should this not be feasible, he would support the United Kingdom proposal that the matter be reverted to when a solution was within reach. The representatives of Greece, New Zealand, Turkey and the United Arab Republic also indicated their support for the Danish suggestion.

The representative of the United States said that he could not agree to the proposals of either Denmark or the United Kingdom. He recalled that more than half of the speakers in the Council considered it essential to allow additional time to seek a satisfactory solution in conformity with GATT.

In reply to comments made by some delegations that a solution lay in the ambit of the proposed scheme on generalized preferences, the representatives of Chile and Brazil expressed the view that, because of the discrimination inherent in special preferential agreements, the problem under discussion would not be solved by the generalized scheme.

The Chairman said that the general debate on the item was now concluded. There remained widely divergent views on the matter both as to the substance of the particular matter and considering it in a much wider context. In these circumstances it was impossible to agree on what to recommend to the CONTRACTING PARTIES. He saw, therefore, no alternative but to leave the matter open for further consideration, which meant that it would not be transferred to the next meeting of the Council, but any delegation wishing to revert to the matter at a later Council meeting could request that the item be placed on the Council's agenda.

The representative of the European Communities thanked those countries which had expressed appreciation for the serious efforts of the Communities in the sphere of generalized preferences. This showed that the Communities were indeed concerned with the problems of all developing countries. He said that he had hoped that a solution could be found, for instance along the lines proposed by Denmark, which his delegation probably could have supported. He noted, however, that at least two delegations were firmly opposed against this approach. Noting that no recommendations had been made to the parties to the agreements pursuant to Article XXIV:7(b), and the fact that Article XXIV:7(a) does not demand a decision by the CONTRACTING PARTIES, he concluded that the discussion was, in effect, closed. The parties had discharged their obligations under Article XXIV. He agreed, however, that any country had the right to place the item on the agenda.

The representatives of Chile and Brazil disagreed with the European Communities' conclusion on the matter and expressed the view that the question remained open.

The Chairman reiterated that it was not possible at this time to achieve agreed conclusions. There was even disagreement as to whether the matter was to be kept for further consideration. There was consensus, however, that on the request of any delegation the matter could be placed again on the agenda of a future Council meeting. In the meantime individual contracting parties fully preserved their rights under the relevant provisions of the General Agreement.

3. EEC Association with Tanzania, Uganda and Kenya (L/3369)

The Chairman recalled that the Member States of the European Communities and the Governments of Tanzania, Uganda and Kenya had informed the CONTRACTING PARTIES of an Agreement establishing an Association between the EEC and the three countries. The text of the Agreement was contained in document L/3369.

The representative of the European Communities in introducing the Agreement said that the reasons which had led the EEC to welcome favourably the request for association by the three East African partner States, originated in the determination of the EEC to develop economic relations with countries whose economic and production structure were comparable to those of the African States associated with the Community under the Yaoundé Convention, and to contribute thereby to the promotion of inter-African co-operation and trade. The Arusha Agreement was essentially an instrument of development specifically adapted to the particular situation of the three African States involved and was designed to increase trade between the parties. To this end the Agreement defined reciprocal rights and obligations which aimed at promoting free trade between the EEC and the East African States. The trade régime which would be established on the entry into force of the Agreement satisfied, from the point of view of the Community, the criteria and conditions specified in paragraphs 5 to 9 of Article XXIV of the General Agreement, taking into account the particular situation of the three associated States and the requirements of their development. The Community was prepared to provide all information and explications to contracting parties during the examination of the Agreement in accordance with the usual procedures of Article XXIV.

The representative of the East African Community said that the object of the Association was to promote trade between the parties to the Agreement. During the negotiations of the Agreement the parties were guided by the considerations provided in Article XXIV:5-9. They believed that the establishment of such an arrangement could contribute to economic development and to the better allocation of limited national resources and to the increase of world production for the benefit of all.

It was agreed that a working party should be established with the following terms of reference and membership:

> "To examine the provisions of the Agreement establishing an Association between the European Economic Community and the United Republic of Tanzania, the Republic of Uganda and the Republic of Kenya, signed at Arusha on 24 September 1969, in the light of the relevant provisions of the General Agreement, and to report to the Council."

Membership

Australia	Gabon	Tanzania
Brazil	Ghana	Trinidad and Tobago
Canada	India	Uganda
Ceylon	Japan	United Arab Republic
Chile	Kenya	United Kingdom
European Communities and their member States	Nigeria	United States
	Sweden	

Chairman: Mr. S. Kadota (Japan)

The Chairman suggested that contracting parties wishing to submit questions concerning the provisions of the Agreement should do so in writing by the middle of November. This would enable the Community and the three countries concerned to prepare their replies by the end of the year, so that the Working Party could start its examination early in 1971.

4. Agreement between the EEC and Israel (L/3428)

5. Agreement between the EEC and Spain (L/3427)

For the purpose of an efficient discussion in the Council, the Chairman suggested that items 4 and 5 be taken together. He called upon the representative of the European Communities to introduce both agreements.

As regards the Agreement between the European Economic Community and Israel, the representative of the European Communities said that the Agreement was a part of the whole Community policy towards the Mediterranean area - a policy of promoting balanced development of trade in a region for which the Community felt a particular responsibility. The Agreement was also motivated by strong political and economic considerations. He said that the CONTRACTING PARTIES had indicated on previous occasions that consideration of agreements should not be limited to the strict letter of the provisions of GATT but should also take account of their spirit as well as the spirit of the General Agreement as a whole. In this way, the General Agreement would remain a dynamic and efficient instrument for development of world trade.

In the view of the parties, the Agreement conformed to the spirit and letter of Article XXIV:5 to 9, its declared objective being to engage in a process leading to elimination of obstacles to substantially all the trade between the parties. The Agreement was of a preparatory nature to be replaced later by one defining the methods of realizing the goal of a free-trade area. Nevertheless, the present Agreement already achieved substantial liberalization. As regards imports by the Community from Israel, duties were reduced on 85 per cent of dutiable industrial products and 80 per cent of dutiable agricultural products. Israel, for its part, was reducing duty on more than two thirds of dutiable imports from the Community, both industrial and agricultural. Given the respective economic situations and levels of development of the parties, these figures indicated that the parties aimed at setting up a free-trade area.

The representative of Israel said that the Agreement was vital for the economic development of her country. Success in development was dependent on access to larger markets such as the European Economic Community, at present Israel's most important export market. She said also that the Agreement would help alleviate Israel's balance-of-payments difficulties. Referring to the preamble to the Agreement, she said that the parties regarded the Agreement as coming within Article XXIV:5 to 9. She stated that the CONTRACTING PARTIES had always recognized that agreements under this Article would have to be treated each on its own merits and they had always examined agreements carefully and realistically.

Turning to the Agreement between the European Economic Community and Spain, the representative of the European Communities said that the Agreement was inspired by geographic and historical as well as economic considerations and was justified by the fact that Spain was both a European and a Mediterranean country. Under the Agreement the parties were committed to proceed towards gradual elimination of barriers in two stages, the first of which was defined by the present Agreement. In this first stage, substantial reciprocal tariff reductions were provided for, the European Economic Community reducing duties on 87 per cent of industrial imports from Spain and 68 per cent of agricultural imports, Spain reducing duties on 79 per cent of industrial imports from the Communities and 53 per cent of agricultural imports. Bearing in mind the considerations which had inspired the Agreement, as well as its objective of setting up a free-trade area and the degree of liberalization already achieved in its initial stage, the parties believed that the Agreement fell within Article XXIV:5 to 9.

The representative of Spain said that his country could not remain isolated from the general movement towards European economic integration and that as long ago as 1962 it had firmly expressed its desire to participate in this movement. The Agreement was an important instrument towards attaining his country's goal of integration in Europe. Expressing the view that the Agreement fell within Article XXIV:5 to 9, he drew attention to its Article 1 according to which the objective was the progressive elimination of obstacles to substantially all the trade between Spain and the Community. He hoped that the CONTRACTING PARTIES would give careful attention to the Agreement and would reach the conclusion that it conformed to the spirit and letter of the General Agreement.

The representative of Chile recalled that he and several other delegates as well had already spoken on the general policy involved and he did not want to repeat this. He expressed the view that the immediate task on the matter now being discussed was to establish a working party to examine each agreement in depth. He said moreover that it was necessary to examine the whole policy of the Community vis-à-vis the Mediterranean area, and assess its impact on the established order of world trade. He could not accept that preferential arrangements be justified by reference to historical links. His country also had strong historical links with the Community.

The representative of Brazil said that his country's position had been made clear in the discussion of the EEC associations with Tunisia and Morocco. The Agreements under discussion should not be treated in isolation but the problem should be considered in its broader context.

It was decided to set up two working parties, one dealing with the Agreement between the EEC and Israel and the other with the Agreement between the EEC and Spain, with the following terms of reference respectively:

"To examine, in the light of the relevant provisions of the General Agreement, the provisions of the Agreement between the European Economic Community and the State of Israel of 29 June 1970, and to report to the council."

"To examine, in the light of the relevant provisions of the General Agreement, the provisions of the Agreement between the European Economic Community and Spain of 29 June 1970, and to report to the Council."

Contracting parties which wished to participate in either or both of the working parties were asked to inform the secretariat accordingly. The question of appointing one chairman for the two working parties was left open until a later date.

It was decided to follow the normal practice of giving contracting parties the opportunity to submit questions in writing to the parties. Such questions should be sent to the secretariat, for each agreement separately, by 15 November 1970 at the latest, thus enabling the parties to the agreements to prepare their replies for the end of the year.

6. Anti-dumping practices (C/W/166, C/M/63, C/W/170)

Mr. Buxton (United Kingdom), Chairman of the Committee on Anti-Dumping Practices, said that at the meeting on 21-23 September of the Committee on Anti-Dumping Practices, members of the Committee had once again expressed their desire to see early wider acceptance of the Agreement. The Committee had noted the discussion in the Council in July regarding the adherence of developing countries to the Agreement and, in the hope of helping discussion at the present meeting, had drawn up the suggestions before the Council in C/W/170. The members of the Committee would welcome the opportunity of examining proposals to deal with the specific problems which application of the Anti-Dumping Code presented to developing countries and they believed it would be helpful if the developing countries could afford explanations of their problems and proposals for dealing with them. The members of the Committee would hope that the explanations and proposals would be made available in good time to allow members of the Committee to study them before the suggested meeting.

Mr. Buxton also said that the Committee noted the suggestion that had been put in Working Group 2 of the Industrial Products Committee for informal discussions between the members of the Anti-Dumping Committee and certain contracting parties who apparently faced practical difficulties of a procedural nature in adhering to the Code even though they felt that their legislation was already broadly in line with its requirements. The Committee had agreed that this was a useful suggestion and that its members would be ready at the time of their next meeting to hold such informal discussions with countries which had already expressed their interest in adhering to the Agreement and also with any others, who might express interest in the future.

The representatives of Argentina, Israel, Chile and India said with regard to the procedure to be followed in the examination of the special problems of the developing countries, that they would prefer the examination to take place in an ad hoc working party, as suggested at the previous Council meeting by India, rather than at a special session of the Committee on Anti-Dumping Practices which had a limited membership and the terms of reference of which did not cover discussions of the kind now envisaged.

The representative of the United States and the European Communities said that they saw no need for creating an additional GATT body. If the developing countries strongly preferred the discussions to take place in a working party rather than in the Anti-Dumping Committee, they were prepared to accept the establishment of such a working party, on the understanding that it would meet in connexion with the next meeting of the Anti-Dumping Committee.

The Council established a Working Party with the following terms of reference and membership:

Terms of Reference

"To examine special problems of developing countries in connexion with the Agreement on the Implementation of Article VI and any proposals and suggestions for a solution to those problems, which may lead to a wide and early acceptance of the Agreement; and to report to the Council."

Membership

Argentina
Canada
European Communities and their member States
Greece
India
Israel
Japan
Nigeria
Nordic countries
Pakistan
Switzerland
United Arab Republic
United Kingdom
United States
Yugoslavia

Chairman: Mr. A. Buxton (United Kingdom).

The Council invited developing countries to submit in writing to the secretariat explanations of their specific problems in adhering to the Anti-Dumping Code and detailed proposals for their adherence and for the application of the Code to their exports.

It was agreed that the Working Party should meet at a time to be fixed in consultations between the secretariat and the governments concerned after the documentation referred to in the previous paragraph had been available a reasonable time for consideration in capitals.

7. Article XXVIII:4 - Request by Japan (SECRET/201)

The Chairman recalled that at its last meeting the Council had discussed a request by the Government of Japan for authority under Article XXVIII:4 to negotiate an item on its schedule and had, because of some divergences of opinion, postponed its decision until today's meeting.

The representative of the United States reiterated his Government's objection, on principle, to the argument that liberalization measures were a justification for tariff increases. While he would not accept that the case at hand might serve as a precedent, his delegation did not intend to oppose the Japanese request.

The representative of Denmark said that he shared the views expressed by the United States delegate. Nevertheless, he was willing to agree to Japan's request. Since his Government had an interest in the item, it wanted to participate in the renegotiations.

The representative of the United Kingdom recalled that, at the last meeting, his Government had been in favour of the request; he stated that his delegation maintained that position. He reiterated his view that the abolition of quantitative restrictions should not be used as a pretext for a duty increase. However, Japan had made very little use of Article XXVIII:4 in the past. If more requests did come up, then his Government might feel obliged to adopt a more critical attitude.

The Council agreed to grant the authority sought by Japan.

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

8. Accession of Iceland to EFTA/FINEFTA (L/3441)

Mr. Papic (Yugoslavia), Chairman of the Working Party on the Accession of Iceland to EFTA and FINEFTA, said that the Working Party had carried out its task through an examination of the Decision of Accession, and of the bilateral agreements between Iceland and other EFTA member States concerning the supply of lamb and mutton and concerning the export of frozen fish fillets to the United Kingdom. According to the Decision of Accession, all provisions of the Stockholm Convention and the FINEFTA Agreement applied to trade between Iceland and the original member States, subject to different dates and to certain transitional arrangements. The Working Party had devoted considerable time to the examination of the bilateral

agreements, in particular those providing for quotas granted by Denmark, Norway, Sweden and Finland for the import of lamb and mutton from Iceland. Divergent views had been expressed on the compatibility of these bilateral agreements with the provisions of the General Agreement. It had been recognized that the trade involved was not large; however, a question of principle was involved and in this context, members of the Working Party recalled positions taken in 1960 on intra-EFTA bilateral agreements in the Working Party which examined the Stockholm Convention. The Working Party had discussed at some length the question of the consistency of the Decision of Accession with Article XXIV. The Working Party had also referred to the full discussion of the fundamental issues in 1960, in the Working Party established to examine the Stockholm Convention and had seen no need to repeat that discussion. Finally, the Working Party recommended that the CONTRACTING PARTIES consider adopting conclusions on the lines of those adopted on 18 November 1960 with respect to EFTA.

The representative of New Zealand said that his delegation had held some reservations about the compatibility of the arrangements for the accession of Iceland to EFTA with the provisions of the General Agreement and had been concerned in particular with the prospective damage to New Zealand's trade resulting from the bilateral, discriminatory sheep meat quotas accorded to Iceland by certain Nordic countries. His authorities appreciated the special problems confronting Iceland in view of its heavy dependence on a single commodity and its need consequently, to diversify its export trade. On the understanding that these arrangements constituted special treatment to aid Iceland's economic diversification, New Zealand did not press its objections. He maintained, however, that there was no real need for these discriminatory sheep meat quotas and appealed to the countries concerned, which had not already done so, to make the adjustments necessary to bring the administration of these quotas into conformity with the provisions of Article XIII. In the meantime, his delegation had noted the promise given to the Working Party that the Nordic countries concerned would consult with any contracting party which felt its interests affected as a result of the bilateral agreements.

The representative of Sweden, speaking in his capacity of Chairman of the EFTA and FINEFTA Council, said that the report reflected accurately the views expressed in the Working Party. He agreed with the conclusions set out in document L/3441. He remarked that regional co-operation on a large basis being one of the important features of economic/commercial policy in Europe at present, Iceland's adherence to EFTA should be welcomed as a positive step. It was to the advantage of all to allow a small country, with a one-sided economic structure, to participate actively in the process of economic integration. Iceland's close historical links with the Nordic members of EFTA was an additional reason for this accession.

The representative of Iceland expressed his delegation's thanks to members of the Working Party and added that his Government was convinced that Iceland's accession to EFTA would contribute to the fulfilment of GATT objectives.

The Council adopted the report and approved the conclusions recommended by the Working Party.

9. Balance-of-Payments Import Restrictions

Report on the consultation with Spain (BOP/R/47)

The Chairman recalled that the Committee on Balance-of-Payments Import Restrictions had not only had to conduct the consultation with Spain on the import restrictions maintained by Spain for balance-of-payments reasons, but had also been requested to examine the scheme of prior import deposits introduced by Spain in December 1969.

Mr. Abbott (United Kingdom), Vice-Chairman of the Committee on Balance-of-Payments Import Restrictions, introduced the report on the consultation held with Spain in July 1970.

He pointed out that the Committee had paid particular attention to the anti-inflationary measures applied by the Spanish authorities with a view to containing domestic demand and easing pressures on the foreign exchange reserves. It seemed that these measures were having the desired effect of creating a better equilibrium in the balance of payments. The Committee had noted that while there had been some increase in the global quota allocations in the past year, no new items had been freed from restriction, and it expressed hope that Spain would accelerate the process of liberalization. With regard to the import deposit scheme the Committee had noted that it was intended to be temporary, was being applied in a non-discriminatory manner and was mainly designed to combat domestic inflation rather than curb imports. It did not seem to have a significant effect on the trend of imports. The Committee welcomed the envisaged termination of the scheme at the end of 1970 and was convinced that it was not going to bring about a sudden upsurge of domestic demand, with adverse consequences for the balance of payments.

The Council adopted the report.

10. Ceylon waiver - Increase in bound duties (L/3145)

The Chairman recalled that under a Decision of 25 November 1968 Ceylon was authorized, pending completion of its tariff reform, to maintain in effect certain increased duties and margins of preference, and that the Council, at its meeting in December 1969, had agreed that the period for Ceylon to report on the final results of its tariff reform and to initiate any necessary renegotiations should be extended until 1 October 1970.

The representative of Ceylon regretted to have to inform the Council that due to unforeseeable circumstances his Government had not been able to finalize the tariff reform. It would, furthermore, be very difficult to make any statement with regard to the time period still necessary for completing the reform.

The Chairman pointed out that operative paragraph 2 of the Decision of 25 November 1968, as amended on the recommendation of the Council in December 1969, provided for renegotiations under Article XXVIII if by 1 October 1970 Ceylon still maintained in effect duties which were higher than those specified in its Schedule.

Since the Government of Ceylon was not in a position to initiate such negotiations the Council did not insist on the time-limit of 1 October 1970 and agreed, as decided at its December 1969 meeting, to consider the matter of a possible extension of the waiver at its next meeting in the light of the circumstances.

11. Australia/Papua-New Guinea waiver (L/3439)

The Chairman recalled that, under the Decision of 24 October 1953, the Government of Australia was required to report annually on the measures taken and on the effect of the measures on the trade of Papua-New Guinea and on imports into Australia of the products affected. The sixteenth annual report by Australia had been circulated in document L/3439. The report recorded that no measures had been taken in the period under review.

The Council took note of the report.

12. United Kingdom - Import Deposit Scheme (L/3422)

The representative of the United Kingdom drew attention to a communication circulated in document L/3422 regarding the United Kingdom Import Deposit Scheme. His Government had reduced the rate of import deposit from 30 to 20 per cent with effect from 1 September and the Scheme would be terminated on 4 December 1970.

Mr. Besa (Chile), Chairman of the Working Party on the United Kingdom Deposit Scheme, recalled that the introduction of the Scheme and its subsequent extension had been a matter of considerable concern to contracting parties. Its final termination was therefore most welcome and seemed to make another meeting of the Working Party unnecessary.

The Council agreed that if no further developments were registered before 4 December 1970, the secretariat should assist the Working Party by drafting a short final report, to be circulated and approved by members of the Working Party after the Import Deposit Scheme had in fact been terminated.

13. Yugoslavia - Special import charge (L/3419)

The Chairman recalled that in a communication circulated in July 1970 (document L/3419) the Government of Yugoslavia had informed the CONTRACTING PARTIES of the imposition of a special import charge.

The representative of Yugoslavia stated that the measure had been introduced in order to alleviate balance-of-payments difficulties. The measure, a 5 per cent tax on imports, was temporary and was to be terminated on 30 June 1971. He suggested that the measure be examined in the framework of the balance-of-payments consultations which were to be held with his Government in October.

The Council agreed to refer the examination of the special import charge applied by Yugoslavia to the Committee on Balance-of-Payments Import Restrictions during its regular consultation with Yugoslavia in October.

14. Israel - Temporary import surcharge (L/3433)

The Chairman recalled that in a communication circulated in August 1970 (document L/3433) the Government of Israel had informed the CONTRACTING PARTIES of the imposition of a temporary import surcharge to be effective from 17 August 1970.

The representative of Israel, in a statement issued as document L/3433/Add.1, pointed out that her Government's action formed part of a group of emergency measures designed to cut consumption and stem the rapid deterioration in the balance of payments. She recalled that her Government had taken a number of corrective internal measures at the beginning of the year, among them an agreement between trade unions, employers and Government, limiting wage and price increases. Although these measures had had a stabilizing effect, they had proved to be insufficient to reverse the negative trends in the balance of trade and the balance of payments. In view of this, the Government had had to take immediate measures, one of them being the import surcharge notified. This 20 per cent surcharge affected all imports of goods with the exception of certain essential foodstuffs and some goods falling into special categories, these exceptions amounting to less than 15 per cent of all imports. The charge was being levied on imports from all countries in a non-discriminatory manner.

In view of the continuing seriousness of the situation, the Government envisaged extending the measures from the original termination date of 31 December 1970 to March 1972. The representative of Israel suggested that the measure be examined by the Committee on Balance-of-Payments Import Restrictions.

The Council agreed to refer the examination of the temporary import surcharge applied by Israel to the Committee on Balance-of-Payments Import Restrictions, the Committee to meet at the earliest practicable date and to take into account the discussions in the last consultation with Israel held in March 1970.

The Chairman asked the Director-General to invite the International Monetary Fund to consult pursuant to the provisions of Article XV:2.

15. Jamaica - Increase in margins of preference (L/3440)

The Chairman recalled that the United States delegation had, in document L/3440, submitted a question concerning increases in margins of preference by Jamaica to the CONTRACTING PARTIES for their examination.

The representative of Jamaica said that his Government was at present taking steps to restore margins of preference on several products to the level existing on 6 August 1962, the date of his country's independence. It had been a deliberate decision of his authorities not to join the GATT until 1962. It was, therefore, his Government's understanding that it had assumed rights and obligations under the GATT as from the date of independence and that rights were to accrue at the same time as obligations were assumed. Jamaica had never agreed that its obligations under the General Agreement should commence on 10 April 1947. The

United States' assertions to the contrary were the result of a genuine misunderstanding. Jamaica was willing to co-operate fully in the examination and clarification of this matter.

The representative of Sweden stated that he was relieved by Jamaica's assurances which made it clear that the margins of preference were not going to be as large as his country had feared. His Government had an interest in the matter and he expressed the hope that a satisfactory solution of the matter could be found through bilateral contacts.

The representative of the United States pointed out that the action which Jamaica was prepared to take did not solve the problem as it had been presented by his delegation. It was his Government's view that Jamaica had derived its rights and obligations from the United Kingdom, which had accepted the GATT on behalf of Jamaica with effect from 1 August 1962. Consequently, the base date of 10 April 1947 set out in paragraph 4 of Article I was the base date applicable to Jamaica. In view of the statement made by the representative of Jamaica, it was suggested that either a working party or a panel be set up to evaluate in detail the trade affected and to deal with the question of the applicable base date.

The Council agreed to the establishment of a Panel with the following terms of reference:

> "To investigate, in accordance with the provisions of paragraph 2 of Article XXIII, the matter referred to the CONTRACTING PARTIES by the Government of the United States concerning the margins of preference maintained by Jamaica, and to report thereon to the Council."

The composition of the Panel would be determined by the Chairman in consultation with the Director-General and the parties concerned.[1]

16. Working Party on Trade with Poland

The Chairman recalled that the Polish Schedule annexed to the Protocol of Accession provided for an undertaking by the Government of Poland to increase the total value of its imports from the territories of contracting parties by not less than 7 per cent per annum and that paragraph 2 of the Schedule provided for the possibility for Poland to modify these commitments by negotiation and agreement with the CONTRACTING PARTIES. In document L/3416 the Polish Government had informed the CONTRACTING PARTIES of its intention to enter into such negotiations. It was

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[1] Subsequent consultations resulted in the following composition of the Panel:

Chairman: Mr. S.R. Pasin (Turkey)

Members: Mr. M.H.E. Moerel (Netherlands)
Mr. J.R. Samaranayake (Ceylon)
Mr. A. Schnebli (Switzerland)

now suggested that these negotiations could most appropriately by carried out by the Working Party established in April 1970 to conduct the annual consultation with Poland.

The Council agreed that the negotiations should be carried out by the Working Party and that the terms of reference of the Working Party should be amended accordingly, the amended terms of reference to read as follows:

> "To conduct, on behalf of the CONTRACTING PARTIES, the third annual consultation with the Government of Poland provided for in the Protocol of Accession; to make recommendations concerning the establishment of a date for the termination of the transitional period referred to in paragraph 3(a) of the Protocol; to carry out the negotiations as provided for in paragraph 2 of Schedule LXV - Poland; and to report to the Council."

17. Japan - Import liberalization programme

The representative of Japan referred to a basic policy decision taken by his Government in December 1968 which envisaged the elimination of residual restrictions on a large number of products, so that by the end of 1971, the number of items remaining as residual restrictions would be half of those existing at the time the decision was taken. In the meantime, the Government had decided to accelerate its liberalization efforts by carrying out its programme by April 1971 instead of December 1971. Furthermore, several additional items which were going to be specified early next year would be liberated. By the end of September next year, less than forty items would remain restricted. Worth noting, finally, was the fact that the Japanese Government was taking positive action towards relaxation of the control of capital movement.

18. Article XXXV - Invocation against Japan

The representative of Japan expressed his Government's appreciation that the State of Kuwait, the Republic of the Ivory Coast and the Republic of the Niger had decided to disinvoke Article XXXV with respect to Japan. He voiced his sincere hope that other countries would soon follow suit.

19. Accession of Hungary - Working Party

The Chairman recalled that when the Council established a Working Party on the Accession of Hungary in July 1969, the nomination of a chairman had been left for a later date. He now proposed that Ambassador Sahlgren (Finland) be nominated Chairman of the Working Party.

The Council agreed on the nomination of Ambassador Sahlgren.

The observer of Hungary welcomed the nomination of Ambassador Sahlgren.

20. Programme of meetings

The Council took note of a tentative programme of meetings (C/W/169). The Chairman pointed out that the programme was necessarily incomplete and subject to modification.