

# GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

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COUNCIL  
30 July 1973

## MINUTES OF MEETING

Held in the Palais des Nations, Geneva,  
on 30 July 1973

Chairman: Mr. H. Kitahara (Japan)

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### 1. Accession of Hungary (L/3889)

The Chairman recalled that in July 1969 the Council had considered the application of the Government of Hungary to accede to the General Agreement in accordance with the provisions of Article XXXIII and had established a Working Party to examine the application. The report of the Working Party had been distributed in document L/3889 and L/3889/Corr.1.

The representative of Finland, speaking on behalf of Mr. Sahlgren, Chairman of the Working Party, referred to certain issues which had attracted special attention. As regards the abolition of discriminatory quantitative restrictions on imports from Hungary, it had been agreed that if any such restrictions for exceptional reasons should remain in force after 1 January 1975, the Working Party to be established to carry out consultations on trade with Hungary would examine these restrictions with a view to their elimination.

He pointed out that in connexion with its accession to GATT, Hungary had offered to negotiate the reduction or binding of duties in its customs tariff. Negotiations had been carried out with twelve contracting parties and the European Communities and their nine member States. The resulting Schedule, which contained around 1,000 concessions, had been circulated to all contracting parties.

The Working Party recommended that Hungary should be invited to accede to the General Agreement on the terms set out in the draft Protocol of Accession, which was annexed to the Report. It was the understanding of the Working Party that a reciprocal and mutually advantageous basis would thereby be afforded for the continuing evolution of trade relations between Hungary and the contracting parties.

The representatives of Canada, Pakistan, Australia, Turkey, Denmark on behalf of the EEC, Poland, Japan, Czechoslovakia, Zaire, Austria, Uruguay, Romania, Portugal, Spain, Brazil, India, Cuba, Bangladesh, Egypt, Yugoslavia, Switzerland, Sweden, Israel, Norway, Indonesia, and Malaysia welcomed the accession of Hungary and expressed their intention of voting favourably for its accession.

The representative of the United States said that under the legislation at present in force in his country his Government would have to invoke Article XXXV with respect to Hungary. This had limited his delegation's participation in the accession negotiations. He pointed out that while his delegation would vote in favour of Hungary's accession, this support did not preclude, in due course, his country's wish to enter into negotiations with Hungary.

The Council approved the terms of the draft Protocol (Annex I to the Report of the Working Party) and the text of the Draft Decision (Annex II), and adopted the Report of the Working Party (L/3889 and Corr.1).

The representative of Hungary, in expressing his delegation's gratitude to all those participating in the work for his country's accession, said that he hoped that Hungary could join the negotiations in Tokyo as the eighty-second Member of GATT. The discussions which had now been completed showed that Hungary was in full knowledge of what was expected of her by the contracting parties and that the contracting parties were in full knowledge of what was expected from them with respect to Hungary. Hungary would continue to co-operate in all subjects of interest to it and to the CONTRACTING PARTIES.

The text of the Decision for the Accession of Hungary was submitted to contracting parties for a vote by postal ballot. The Chairman invited members of the Council having authority to vote to do so and stated that ballot papers would be sent by post to contracting parties not represented at the meeting. In accordance with Article XXXIII, the terms of accession required the approval of two thirds of the contracting parties. The result of the vote would be announced as soon as the required number of 54 affirmative votes had been received. Thereafter the Protocol would be open for signature and Hungary would become a contracting party thirty days after its acceptance of the Protocol.

The Chairman pointed out that in order to enable Hungary to be a full contracting party at the opening of the meeting of Ministers in September, it was essential that the required number of positive votes be obtained not later than 9 August. For this reason he urged representatives to return their ballots as speedily as possible. He furthermore invited the Director-General to draw this question of timing to the attention of contracting parties, not represented at this meeting.

2. Provisional accession of the Philippines (L/3888)

The Chairman recalled that at its meeting in March 1973 the Council had considered the request of the Government of the Philippines for provisional accession to the General Agreement and decided to establish a Working Party to examine this request. The report of the Working Party was distributed in document L/3888.

Mr. Tomić (Yugoslavia), Chairman of the Working Party, said that the Working Party had carried out its examination on the basis of a memorandum on the foreign trade régime and further material and statistical data made available by the Government of the Philippines. Detailed replies to the questions submitted by contracting parties in advance or in the course of the discussion in the Working Party were listed in Annex II to the Report.

The Working Party noted that while the request by the Philippines was for provisional accession, it was the intention of the Government to seek full accession in the context of the forthcoming multilateral trade negotiations.

Following its examination, the Working Party recommended that the request for provisional accession be granted and that the Philippines be invited without delay to participate in the work of the CONTRACTING PARTIES. The Working Party therefore recommended that the Draft Declaration in Annex III be approved and opened for acceptance and that the Draft Decision be adopted.

The representative of the Philippines, in expressing the appreciation of his Government for the work achieved, said he commended also the prompt approval of the Report by the Council.

The Council recommended that the text of the draft declaration on the Provisional Accession of the Philippines be approved by the CONTRACTING PARTIES and that the Decision on the Participation of the Philippines in the work of the CONTRACTING PARTIES (Annex III) be adopted.

The Council adopted the Report of the Working Party.

The approval of the Declaration and the adoption of the Decision was submitted to contracting parties for a vote by postal ballot. The Chairman invited members of the Council having authority to vote to do so. Ballot papers would be sent by post to contracting parties not represented at the meeting. The result of the vote would be announced as soon as the two-thirds majority of the contracting parties had been obtained. Thereafter the Declaration would be open for signature. The Chairman asked contracting parties to cast their votes as a matter of urgency so as to permit the provisional accession of the Philippines to be completed before the Ministerial Meeting. He therefore urged representatives to return their ballots as speedily as possible.

The representative of the Philippines stated that the expeditious action by GATT on the application for provisional accession showed him that the Philippines were welcome in GATT, that his country's conduct of trade practices had been fair, and that its foreign trade régime was consistent with the rules of GATT.

With respect to the multilateral trade negotiations and in the light of his country's provisional accession to GATT the Philippines believed that it was the hope and aspirations of developing countries that the negotiations would be governed by the principles embodied in Resolution 82(III) of the Santiago Conference. His delegation hoped that the Declaration and Decision on the Philippines' provisional accession to GATT would be effective as soon as possible, to enable the Philippines to participate fully in the Tokyo meeting and in GATT activities thereafter. The Philippines sought provisional membership in GATT with the expectation that it would lead to better access of Philippines products to markets and to growing and more diversified trade with contracting parties. He concluded by stating that his country sought a rôle in GATT to help strengthen multilateral co-operation in order to make it a truly dynamic instrument for progress, prosperity and peace.

### 3. Working Party on Trade with Romania (L/3875)

The Chairman recalled that the Council had established a Working Party to carry out the consultations to be held between Romania and the CONTRACTING PARTIES pursuant to paragraph 5 of the Protocol for the Accession of Romania. The report of the Working Party had been distributed in document L/3875.

Mr. Archibald (Trinidad and Tobago), Chairman of the Working Party, pointed out that concern had been expressed in the Working Party at the slow rate of relaxation of discriminatory restrictions on imports from Romania by some contracting parties and that there were some differences of opinion as to whether certain practices constituted an increase in the element of discrimination in the restrictions. The question of whether Romania had fulfilled its import commitment could only be determined at the end of the current Five-Year Plan. He noted, however, that several members of the Working Party had expressed considerable satisfaction with the way in which trade was developing between Romania and their countries. He also referred to the decision of the Romanian Government to introduce, on a provisional basis, a customs tariff as from 1 January 1974.

The representative of Romania pointed out that members of the Working Party had noted that Romania's imports from contracting parties were increasing satisfactorily in a manner corresponding to the intentions of the Protocol of Accession. This was to be compared with the statement that Romanian exports to contracting parties had increased less rapidly than its total exports, and that the structure of these exports was less favourable than the structure of total exports. He also stated that the progressive relaxation of restrictions provided for in paragraph 3 of the Protocol seemed to be proceeding very slowly. He repeated his concern that with Romanian imports from contracting parties increasing more than its exports, the balance of trade for the period was negative for Romania and recalled that the representative of Romania had expressed the desire to redress the negative balance of trade with contracting parties by increasing Romanian exports and not reducing imports. He believed that Romania had fully respected the provisions relating to its accession to GATT and had taken full part in the activities of the GATT, something it would also do in the future, while continuing its policy of expanding and diversifying its foreign trade relations. He concluded by asking for the elimination of all discriminatory quantitative restrictions in conformity with the Protocol of Accession, the disinvocation of Article XXXV by those contracting parties which had had resort to it, and the inclusion of Romania in the list of beneficiary countries by all donor countries of the Generalized System of Preferences. He hoped that the next consultations would lead to this goal.

The representative of Czechoslovakia pointed out that since imports into Romania from contracting parties had developed satisfactorily Romania had fulfilled its requirements under the Protocol of Accession. Romania should, therefore, be in a position to enjoy all the rights of a full contracting party. This meant that discriminatory quantitative restrictions, incompatible with Article XIII, applied to Romanian exports by contracting parties should be abolished. His delegation hoped that most of these restrictions would be eliminated by the end of 1973.

The representative of Pakistan said that trade relations between Pakistan and Romania had developed satisfactorily and that his country did not maintain any discriminatory restrictions against Romanian exports. He hoped that other contracting parties would also remove their restrictions against Romanian exports.

The representative of Israel expressed the hope that imports into Romania from contracting parties would continue to increase and that this would also be reflected in imports from Israel.

The representatives of Australia and Canada stated that their authorities agreed with the Romanian assessment that the situation with respect to the liberalization of quantitative restrictions against Romania was unsatisfactory. They welcomed the opportunity to examine in due course the proposed new customs tariff of Romania.

The Council adopted the Report.

#### 4. Committee on Balance-of-Payments Restrictions

Mr. Dunkel (Switzerland), Chairman of the Committee on Balance-of-Payments Restrictions, stated that the Committee had held two consultations, one with Finland under Article XII, and one with Spain. It had also examined, for the first time, three statements submitted under the simplified procedures for consultation with developing countries.

The Committee's report on the consultation with Finland (BOP/R/66) noted that while Finland's reserves had increased in 1972 this had been the result of substantial foreign borrowing. The Committee's conclusions called for resumed efforts to liberalize remaining restrictions, while recognizing that they affect only a narrow range of products.

As regards the consultation with Spain (BOP/R/68) the Committee, having heard the statement by the representative of the International Monetary Fund, concluded that the GATT balance-of-payments provisions, under Articles XII or XVIII, were no longer applicable in the case of Spain.

In document BOP/R/67 the Committee submitted its first report under the new procedures adopted by the Council in December 1972. The Committee had examined three written statements, those of Egypt, Greece and Yugoslavia. In respect of Egypt the Committee recommended that Egypt be deemed to have fulfilled its obligations under Article XVIII:12(b) for 1973. In the case of Greece and Yugoslavia the Committee determined that full consultations would be desirable. He suggested that, for practical reasons, these consultations could best be carried out early next year.

##### (a) Consultation with Finland (BOP/R/66)

The Council adopted the report on the consultation with Finland.

(b) Consultation with Spain (BOP/R/68)

The representative of Spain stated that, in his view, the Committee, in concluding that in the case of Spain the GATT balance-of-payments provisions, under Article XII or XVIII:B, were no longer applicable, had followed too strictly the determination of the IMF. Such a conclusion, against a developing country which invoked the provisions of Article XVIII:B, precisely in order to proceed with its economic development, was of serious concern to his authorities.

He considered that certain important aspects had not been taken into account. The last two years of balance-of-payments surplus had been preceded by two years which showed only a small surplus and by another three years which showed a deficit. The balance of trade showed a deficit which was probably the second highest in the world, amounting in 1972 to \$2,250 million, a tendency which was accentuated in the first months of 1973. The balance of payments contained a number of surplus items which were not stable, such as tourism, and others which were the result of a low level of development, such as workers' remittances and foreign investment. The workers' remittances were a sign of weakness since a large number of workers were forced to find work elsewhere, as the level of development did not enable them to find work in Spain. Foreign investment included to a large extent the sale of houses and land which was a matter of concern to the Spanish Government. Without these two items, the balance of payments would not have been in surplus.

He pointed out that the Spanish authorities had progressively liberalized imports on their own initiative even before the determination of the IMF. At the end of 1972 a decree was passed which provided the legal framework for the conversion of the State-trading régime of agricultural trade to private trade. This meant that nearly all agricultural products under quantitative restrictions would be liberalized. In the field of industrial products quantitative restrictions applied to only sixty-eight out of a total of 3,388 headings. He felt that such progress deserved to be commended. Spain was following a course of selective liberalization in order to reinforce its economic potential. He emphasized that these measures of liberalization were adopted during the period of preparation of the multilateral trade negotiations, while no similar action was taken by other countries. At the same time the peseta had been revalued by 7 per cent with respect to certain other currencies and by 20 per cent with respect to the dollar. The result had been a rapidly increasing trade deficit. It therefore became more and more doubtful that the future balance-of-payments situation would be strong enough to allow a continuation of the liberalization of trade. He asked for a postponement of the decision of the Council in order to give its members the opportunity to study in detail the conclusions of the report, the factors mentioned, and the particular characteristics of the Spanish economy. His delegation was ready to give all the information necessary.

The representative of Greece said that the increase of the Spanish reserves as a result of tourism, workers' remittances and foreign investments should not lead to the conclusion that Article XVIII:12 was no longer applicable. He thought that Spain's development efforts would be endangered if these measures were to be abolished during this period of uncertainty in international financial and commercial matters. The provisions of the General Agreement should in these circumstances be interpreted in a wide sense and he agreed with the representative of Spain that a suspension of the decision on the report was called for in order to study the additional information to be supplied by Spain.

The representative of Uruguay said that the Spanish representative had stated in the Committee that the exports of Spain had not kept pace with the high level of imports. The equilibrium in the balance of payments of Spain was therefore not a stable one; his delegation therefore supported the postponement of the matter in order to have time to study additional information to be provided by Spain. He felt that the report of the IMF should be considered as one element, but not the only element to be taken into account. While the IMF report could not be contradicted as to the state of the balance of payments, only the CONTRACTING PARTIES were competent to judge the relationship between the balance-of-payments situation and the necessity for greater liberalization of trade. It was up to GATT to decide whether measures taken were efficient and whether they should be maintained or not. His delegation supported the request of Spain that this matter should be deferred.

The representatives of Portugal, Argentina, Romania, Zaire and Malaysia supported the request of Spain for a postponement of the Decision.

The representative of the United States said that the report of the Committee was based on careful consideration. He called attention to the provisions of Article XV:2, which covered the relationship between the CONTRACTING PARTIES and the IMF, and obliged the CONTRACTING PARTIES to accept the determination of the IMF. While his delegation would be ready to adopt the report on the consultation with Spain, he recognized that Spain might need more time to reconsider its policies in the light of the IMF findings.

The representative of Canada remarked that the conclusions of the report spoke for themselves and that it was difficult to see a different conclusion in the light of the provisions of Article XV of the GATT. The Spanish Government should undertake a programme of liberalization which would be justified in the context of the Spanish balance-of-payments situation and of Spain's GATT obligations. If Spain had new facts to present, the Committee should reconvene to consider them.

The representative of Japan agreed to the deferral of the matter and hoped that the time would permit the Spanish authorities to reconsider their position.

The Council agreed to postpone the matter to its next meeting.

(c) Consultations under the simplified procedures with Egypt, Greece and Yugoslavia (BOP/R/67)

The Council adopted the report of the Committee on Balance-of-Payments Restrictions on the consultations under the simplified procedures with Egypt, Greece and Yugoslavia (BOP/R/67), and agreed that full consultations with Greece and Yugoslavia should be carried out in 1974.

5. Association between the European Economic Community and Cyprus (L/3870)

The Chairman said that at its meeting in February 1972 the Council was informed by the representative of the European Communities of the conclusion of agreements with some Mediterranean countries. The text of the Agreement between the EEC and Cyprus had now been circulated in document L/3870.

The representative of Cyprus stated that the objective of the Agreement was the elimination of obstacles to trade between the two parties and the establishment of a customs union. These aims were to be achieved in stages over a period of approximately ten years. It was his Government's view that the Agreement was in full conformity with the provisions of GATT, and in particular with those of Article XXIV:5-9. His delegation would furnish any further information or clarification which would be required by the CONTRACTING PARTIES.

The representative of the European Communities considered that the Agreement was in keeping with the provisions of the General Agreement. His delegation was willing to follow the usual procedure for the examination of the agreement.

The Chairman proposed that the customary procedure for the examination of the Agreement should be initiated. Contracting parties wishing to submit questions in writing to the parties to the Agreement should be given the opportunity to do so. Such questions should be sent to the secretariat by 15 September at the latest, which would enable the answers to be supplied by 31 October.

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, the provisions of the Agreement Establishing an Association between the European Economic Community and the Republic of Cyprus, signed on 19 December 1972, and to report to the Council.

Membership:

Membership would be open to all contracting parties indicating their wish to serve on the working party.

Chairman: Mr. Mariadason (Sri Lanka).

6. United States tax legislation (DISC) (L/3851, C/M/87 and Corr.1)

The Chairman recalled that in May 1973, the Council received the complaint referred by the European Communities to the CONTRACTING PARTIES under Article XXIII:2, relating to United States tax legislation on Domestic International Sales Corporations. It was then agreed to defer this matter to the next Council meeting.

The representative of the United States said that his statement would relate to the complaints under items 6 and 7, even though agreement had been reached that all cases were to be considered separately. His delegation had suggested previously that the Community complaint against the United States, as well as the United States complaint against the tax practices of Belgium, France and the Netherlands, should be considered in the context of a general working party on the impact of tax practices on exports. Practices other than the DISC, employed by other countries, would, under the principles of international law, have to be taken into account in the interpretation of treaty obligations. He asked for confirmation that the Community and the other parties concerned could not agree to a general working party.

This was confirmed.

The representative of the United States continued that in these circumstances his delegation was willing to have the Community complaint against the United States and the United States complaint against Belgium, France and the Netherlands considered by four panels which were theoretically separate, provided they had the same membership and provided other pertinent matters were agreed upon. The Panel membership should include one or more tax experts. His delegation was willing to have the Community complaint considered first provided the United States would have the right to a consideration of its complaints against the three countries before any findings or recommendations relating to the DISC were reported by the Panel. He suggested furthermore that the Council should authorize the Chairman of the Council to appoint a chairman and members of the panel in agreement with the parties directly concerned. The United States expected that it could discuss the tax practices of other countries, including but not limited to, those of Belgium, France and the Netherlands, during the consideration of the DISC as an aid in the interpretation of obligations under Article XVI:4 of the GATT.

The representative of the Communities expressed his appreciation that an understanding as to the procedure was reached. His delegation agreed to the setting up of a panel in the traditional sense to examine the complaint of the Community against the United States. The member states of the Community, were also agreeable to the setting up of a total of four separate panels to examine the four complaints under consideration. The representative of the Communities furthermore agreed that for practical reasons the members of the panels could be the same and that at least one, but not more than two, should be tax experts. The Council should decide at the present meeting on the setting up of the panels and he left it to the Chairman of the Council to find the right people for the panels. In the discussion before the Panel any delegation could bring up any arguments it considered appropriate.

The representative of Canada stated that his Government had been particularly concerned about the DISC. His delegation wished to appear before the Panel to make a statement about the Canadian position with respect to the DISC at the appropriate time.

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

To examine the matter referred by the European Communities to the CONTRACTING PARTIES pursuant to paragraph 2 of Article XXIII, relating to United States tax legislation on Domestic International Sales Corporations, 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 regards the composition of the Panel the Council agreed to give the Chairman of the Council authority to nominate in consultation and agreement with the parties concerned, the Chairman, and not more than three members to the Panel, of which at least one, but not more than two, would be a tax expert.

The representative of Switzerland said that while his delegation did not request to be heard by the Panel, it wanted to reserve the right to make its position known, if necessary, when the Panel reported its conclusions to the Council. In the meantime the Swiss authorities reserved their rights under the General Agreement in this matter.

7(a) Income tax practices maintained by France (L/3860, C/M/87 and Corr.1)

The Chairman recalled that in May 1973, the Council received the complaint referred by the United States to the CONTRACTING PARTIES under Article XXIII:2, relating to income tax practices maintained by France. The matter was referred to the next Council meeting.

The representative of the United States referred to his statement in the previous item with respect to the setting up of a panel with the same terms of reference as those of the Panel on the Community Complaint against the United States.

The representative of France expressed regret that explanations which had been given bilaterally had not solved the difficulties. He pointed out that the first two tax practices, objected to by the United States, were based on general principles of the French tax system. While these principles were different from those applicable in the United States, they were in conformity with the provisions of the GATT. Further, the French authorities were also accused of not paying sufficient attention to the income distribution between French companies and their subsidiaries and branches abroad. He could easily show that this was not the case. The practice in this regard had been basically modified at the end of last year. If the United States wanted to pursue its enquiry into this matter his delegation would furnish detailed information on the measures criticized.

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

To examine the matter referred by the United States to the CONTRACTING PARTIES pursuant to paragraph 2 of Article XXIII, relating to income tax practices maintained by France 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.

The Council agreed also to give the Chairman of the Council authority to nominate in consultation and agreement with the parties concerned, the Chairman and not more than three members to the Panel, of which at least one, but not more than two, would be a tax expert.

(b) Income tax Practices maintained by Belgium (L/3860, C/M/87 and Corr.1)

The Chairman recalled that in May 1973, the Council received the complaint referred by the United States to the CONTRACTING PARTIES under Article XXIII:2 relating to income tax practices maintained by Belgium and agreed to refer the matter to its next meeting.

The representative of Belgium stated that his authorities had conducted bilateral consultations with the United States in June according to Article XXIII:1 of the General Agreement. His authorities had terminated these consultations with the conviction that the American side was convinced by the arguments presented by their Belgium counterparts. The practices which were being criticized now had been an integral part of the Belgian tax code for fifty-four years. Several times consultations had taken place between the Belgian and American tax authorities, but the point had never been raised as to the non-conformity of these tax practices with the rules of GATT. His delegation had no objection to an examination of this matter in a panel within the framework of the GATT.

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

To examine the matter referred by the United States to the CONTRACTING PARTIES pursuant to paragraph 2 of Article XXIII, relating to income tax practices maintained by Belgium 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.

The Council agreed also to give the Chairman of the Council authority to nominate in consultation and agreement with the parties concerned, the Chairman and not more than three members to the Panel, of which at least one, but not more than two, would be a tax expert.

(c) Income tax practices maintained by the Netherlands (L/3860, C/M/87 and Corr.1)

The Chairman recalled that in May 1973, the Council received the complaint referred to the CONTRACTING PARTIES by the United States under Article XXIII:2 relating to income tax practices maintained by the Netherlands.

The representative of the Netherlands stated that he had no objection to an examination of the income tax practices of the Netherlands in a panel within the framework of the GATT.

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

To examine the matter referred by the United States to the CONTRACTING PARTIES pursuant to paragraph 2 of Article XXIII, relating to income tax practices maintained by the Netherlands 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.

The Council agreed also to give the Chairman of the Council authority to nominate in consultation and agreement with the parties concerned, the Chairman and not more than three members to the Panel, of which at least one, but not more than two, would be a tax expert.

8. United Kingdom dollar area quotas

In introducing the Panel's final report, (L/3891), Mr. Tomić (Yugoslavia), on behalf of Mr. Sahlgren (Finland) Chairman of the Panel recalled that the Panel had submitted an Interim Report (L/3843) to the Council in April 1973. This report inter alia, requested the United States and the United Kingdom to seek a mutually-acceptable solution, bearing in mind the need to preserve the interests of the Commonwealth Caribbean countries and territories in certain products. Since that submission, the Panel had continued to hear representations from and to consult with the interested delegations. In document L/3890 the United States delegation informed the CONTRACTING PARTIES of the withdrawal of their complaint, following a settlement of the matter by bilateral consultation with the United Kingdom. Mr. Tomić concluded by saying that the Panel, in welcoming the fact that an agreement could be reached between the parties to the dispute, was aware that the Commonwealth Caribbean countries did not consider this settlement as fully satisfying their interests. The Panel welcomes, however, the assurances given by the Governments of both the United States and the United Kingdom to continue to safeguard, to the fullest extent possible, the interests of the Caribbean countries.

The representative of Cuba drew attention to the communication submitted to the Panel by his delegation (C/W/224). He added that his delegation took note of the fact that the Commonwealth Caribbean countries were not entirely satisfied with the agreed settlement, and expressed his understanding of their concerns.

The representative of Jamaica expressed his appreciation to the Panel and its Chairman for the facilities which had been afforded to the Commonwealth Caribbean countries to express their views. He reaffirmed the crucial importance of the quotas for these countries. He recalled the assurances given by the United States in the Council in April that the United States was not seeking a solution which would in any way damage the interests of the Commonwealth Caribbean countries. He also recalled that the request by the United Kingdom that a settlement be sought in a multilateral context was rejected by the United States. The matter had now been settled bilaterally, but the Council had not been informed of the terms of the settlement. The settlement did not include any alternative means of safeguarding the interests of the Commonwealth Caribbean countries in the future. He hoped that the assurances given by the United States and the United Kingdom would be transformed into concrete measures to safeguard these interests.

The representative of Trinidad and Tobago said that he had emphasized many times in the past the indisputable value and importance of the quotas to the economies of the Commonwealth Caribbean countries. Although these countries had held talks with the United States and the United Kingdom separately, they had never consulted with both at the same time. The Agreement reached was therefore between the United States and the United Kingdom alone. In addition to the strong objection by the Commonwealth Caribbean countries to the terms of the Agreement there was the fear that possible loss of confidence in the future of trade in the items affected by the Agreement would hamper production plans and employment in related industries. He recalled the Panel's request, in its Interim Report, that the United States and the United Kingdom seek a mutually-acceptable solution to the problem which especially would pay due regard to the importance to the Caribbean countries and territories of certain named products, namely fresh grapefruit and grapefruit juice and orange juice. He also referred to the Panel's understanding in the report that the Commonwealth Caribbean countries do not consider the settlement reached between the United States and the United Kingdom as giving full satisfaction to their interests. He concluded by noting the assurances given by the Governments of the United Kingdom and the United States that they would continue to safeguard, as far as possible, the interests of the Caribbean countries. Finally, he added that Barbados and Guyana wished to be associated with his remarks.

The representative of the United States said that the agreement with the United Kingdom provided a fair and balanced settlement to a delicate problem. He confirmed his authorities' desire not to harm the interests of the Commonwealth Caribbean countries.

The representative of the United Kingdom confirmed that a mutually acceptable solution had been reached. He recalled his authorities' earlier efforts in the Council to find a procedure for a multilateral discussion, but the Panel had requested that the United States and United Kingdom should seek a bilateral solution. This had been done. He believed that the settlement reached was a fair

and reasonable one which preserved the Commonwealth Caribbean countries' interests. He added that the settlement was as favourable as could be agreed and that except for the cigar quota, no change was to take place in the quotas until 1975. He repeated the United Kingdom's assurances that it would continue to safeguard, as far as possible, the interests of the Commonwealth Caribbean countries.

The Council adopted the Report of the Panel (L/3891) and its Interim Report (L/3843).

9. Trade in textiles

The Chairman recalled that at its meeting in April the Council amended the terms of reference of the Working Party on Trade in Textiles and requested it to make a progress report by the end of June 1973. This report had been distributed in document L/3885.

In introducing the Report, the Director-General, Chairman of the Working Party, explained that following the new directives given to it by the Council, the Working Party had held three meetings. The first meeting on 2-4 May had been mainly devoted to the examination of problems existing in international trade in textiles and the main points raised in this discussion were summarized in Annex I to the report. At its second and third meetings, held on 4-6 June and 25-29 June, the Working Party addressed itself to the question of possible alternative multilateral solutions to these problems. The views expressed in these meetings were summarized in paragraphs 6-16 and 18-33 of the report. On the basis of a paper prepared by the secretariat (TEX/W/25), setting out the salient elements to be considered in the search for possible solutions, the Working Party had prepared a new document attached to the report as Annex II. The text contained many sections in square brackets reflecting the different positions of the various delegations. Finally the Director-General referred delegations to paragraph 35 of the report and particularly the recommendation by most members of the Working Party that the Council, after consideration of the report, take the decisions necessary to enable the Working Party to proceed with its work with the objective of reaching a mutually satisfactory agreement not later than 31 December 1973.

The representative of Brazil read to the Council a text which had originally been prepared by his delegation for inclusion in Annex II of the report of the Working Party, but which had had to be omitted for practical reasons. In this text the Brazilian delegation had expressed concern that some other delegations had been trying to introduce topics into the discussions which fell outside the mandate of the Working Party. Furthermore, his delegation had expressed the view that it was not proper to work on solutions referring to textiles of fibres which had not been studied by the Working Party.

The representative of Romania felt that there was some lack of clarity in the wording of paragraph 25 of the report. He expressed the opinion that it was not possible to provide adequately for the needs of newly-established textile exporters without this being to some extent at the expense of the old-established exporters. However, provision for newcomers should not be at the expense of developing countries, but rather at the expense of the old-established developed country exporters.

The Council adopted the report of the Working Party on Trade in Textiles in document L/3885. The Council then went on to consider the recommendation in paragraph 35 of the report concerning the future work of the Working Party.

The Director-General suggested that the Council consider taking a decision that the Working Party on Textiles be reconstituted into a negotiating group with the objective, taking into account the Working Party's reports and its mandate of 30 April 1973, of reaching a mutually satisfactory arrangement on trade in textiles by the end of 1973. The negotiating group should report the terms of the new arrangement to the Council by 31 December 1973.

The representatives of Brazil, Canada, the European Communities, Japan, Poland and the United States supported the text for a Council decision as proposed by the Director-General.

The representative of Portugal, while supporting the proposal of the Director-General, commented that any special approach for the problem of textiles should not lead to the creation of new barriers to trade and must safeguard the rights of exporting countries. Any new textile arrangement must take into consideration the following points: it should be of relatively short duration; the multilateral surveillance body must have adequate means to function properly; the concept of market disruption must be clearly defined and certain textile products should be excluded from any restrictive system which may be established. Lastly, he stressed that in considering the results of the negotiations in the textile field, it would be necessary to take into account developments in the Multilateral Trade Negotiations.

The representative of Spain, while also accepting the proposal of the Director-General, stated that his country's experience with the Cotton Textiles Arrangement had been unsatisfactory, both on account of the restrictive nature of its provisions and its actual application. He maintained that a future textile arrangement should aim at further liberalization in the textile field and avoid any proliferation of restrictive measures. He emphasized that any agreement which might be arrived at this year could not be final in nature. When the results of the multilateral trade negotiations were known his country might wish to reconsider any agreement arrived at in the textile field in order to determine whether a satisfactory balance had been achieved in all fields.

The representative of Pakistan stated that, as his country was heavily dependent on exports of cotton textiles for its foreign exchange earnings, it could not live with a situation of great uncertainty in the textile trade. His delegation supported the proposal of the Director-General.

The representative of Yugoslavia, in supporting the proposal of the Director-General, expressed the view that the objectives and principles agreed upon in the draft declaration of the multilateral trade negotiations should also apply for the developing countries in the context of any special arrangement in the field of textiles.

The representative of India expressed his support for the Director-General's proposal, and indicated that his delegation's views were adequately reflected in the report of the Working Party and particularly in paragraphs 7 bis and 8 of Annex II thereof.

The representative of Zaire also supported the proposal of the Director-General, and stated that while a special international framework seemed to be necessary for the textile trade, such a framework must contain special preferential and safeguard rules for the developing countries and help them to overcome the structural difficulties which are facing their textile industries.

The representative of Egypt gave his support to the proposal of the Director-General and expressed the hope that any arrangement arrived at would take into account the special situation of the cotton textile trade and the problems of the developing countries.

The Council decided that the Working Party on Textiles be reconstituted into a negotiating group with the objective, taking into account the Working Party's reports and its mandate of 30 April 1973, of reaching a mutually satisfactory arrangement on trade in textiles by the end of 1973. The negotiating group shall report the terms of the new arrangement to the Council by 31 December 1973.

10. New Australian trade measures<sup>1</sup>

The representative of Australia informed the Council of new Australian trade measures announced on 18 July. They consisted of a reduction of 25 per cent in all tariffs excluding a small number of revenue items and anti-dumping duties. The tariff reduction was to be combined with a comprehensive programme of assistance to industries. His Government's action was designed to restrain domestic price increases through increasing competition by stimulating additional imports from overseas. The tariff reductions were estimated to have the same impact on prices of dutiable imports as a revaluation of approximately 6 per cent. This action was consistent with his Government's long-term objectives with

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<sup>1</sup>The full text of the Australian communication has been circulated in document L/3896.

respect to the Australian tariff. The continuing general review of the tariff, currently being made by the Tariff Board was directed at achieving a more efficient use of his country's resources by ensuring that assistance given to Australian industries was no greater than was needed for long-term efficient production.

He explained that a tribunal had been set up to recommend adjustment assistance measures in those cases where it was felt that some assistance was required, but that restoration of the duties in whole or in part was not a suitable means of assistance.

He emphasized that in introducing the new measures his Government was conscious of its obligations and commitments to other nations and in particular to developing countries. The new and very considerably expanded Australian system of tariff preferences for developing countries would be maintained and operated from the new reduced general tariff rates. The decision was taken having full regard to the current preparatory work within GATT for the inauguration of the multilateral trade negotiations. The tariff reductions introduced by Australia formed an integral part of Australia's contribution to the GATT negotiations.

His Government also informed the contracting parties that the long-standing bounties in respect of the Australian Dairy Industry on the production of butter and cheese and on the export of processed milk products would be phased out, beginning in the current 1973/74 season, and would be terminated on 30 June 1975. Adjustment assistance measures already operated to assist in the reconstruction of the Dairy Industry and additional finance would be provided beyond June 1974 for readjustment action.

The Council took note of the information.

11. Committee on Anti-Dumping Practices and Working Party on Acceptance of the Anti-Dumping Code

The Chairman said that Mr. Buxton (United Kingdom), Chairman of the Committee on Anti-Dumping Practices and of the Working Party on the Acceptance of the Anti-Dumping Code, would be leaving Geneva. He proposed therefore that Mr. Huslid (Norway) be nominated Chairman of the above-mentioned Committee and Working Party.

The Council agreed to this nomination.

The Chairman thanked Mr. Buxton on behalf of the Council for the important services rendered to the CONTRACTING PARTIES.