

GENERAL AGREEMENT ON TARIFFS AND TRADE

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MINUTES OF MEETING

Held in the Palais des Nations, Geneva
on 23 May 1977

Chairman: Mr. C. DE GEER (Sweden)

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1. Arrangement Regarding International Trade in Textiles - Annual Review
(COM.TEX/8)

The Chairman said that the provisions of Article 10:4 of the Arrangement Regarding International Trade in Textiles required the Textiles Committee to review the operation of the Arrangement once a year and to report thereon to the Council.

The Director-General, Chairman of the Textiles Committee, said that the last review had been a major review, as required under the Arrangement, and had taken into consideration the experience of participating countries over the years 1974-1976. The Committee's report on this review was contained in Section I of document COM.TEX/3 and particularly in paragraphs 20 to 36. He pointed out that the crucial question of the extension, modification or discontinuation of the Arrangement was currently before the Textiles Committee.

The representative of Egypt referred to paragraph 54 of the report, which suggested that the Committee should have met before the end of February 1977 to reach a conclusion in early 1977 on the conditions of textiles trade as from 1 January 1978. He expressed concern that no conclusion had been reached so far, which created a situation of uncertainty harmful to textiles trade.

The representative of Brazil also expressed his concern at the delay and hoped that in early June a conclusion could be reached on this question. He mentioned that the need for arriving at a quick conclusion on the immediate future of the Arrangement had also been discussed at the Conference on International Economic Cooperation in Paris because the uncertainty in international trade in textiles was harmful to the interests of exporting developing countries.

The representatives of India, Korea and the United Kingdom, speaking for Hong Kong, also expressed their regret that a conclusion on the future of the MFA had not yet been achieved. Because of the delay, irretrievable harm had already been done to the export interests of developing countries.

The representatives of the United States and Japan shared the regret expressed by other delegations and hoped that a meeting of the Textiles Committee could be arranged as soon as possible to enable a renewal of the Arrangement. The representative of the European Communities said that during the period covered by the report the Community had taken the largest share of imports of textiles from developing countries. This substantial increase in imports had resulted in social and economic problems within the Community, which problems had not been solved by the present Arrangement. The European Communities therefore had to examine the situation in the light of these factors and was accordingly working on proposals for an improved Arrangement. His delegation was conscious of the need for rapid progress.

The Council adopted the report of the Textiles Committee on its annual review of the operation of the Arrangement.

2. Consultation on trade with Poland (L/4483)

The Chairman recalled that the Protocol for the Accession of Poland provided for annual consultations between Poland and the CONTRACTING PARTIES. Furthermore, the CONTRACTING PARTIES were required to consider the establishment of a date for the termination of the transitional period, by the end of which discriminatory elements in the remaining quantitative restrictions should be eliminated. A report on the Ninth Annual Review was contained in document L/4483.

Mr. Hoda (India), who presented the report on behalf of Mr. Sandilya (India), Chairman of the Working Party, said that the Working Party had noted that discriminatory quantitative restrictions were still maintained in five customs areas. However, a number of these restrictions had been relaxed and the discriminatory element in certain other restrictions had been reduced since the previous consultation. He pointed out that the parties maintaining the restrictions had declared that these were kept in force, inter alia, because of the economic situation and because of the pricing policies applied by Poland. The Working Party had also noted that Poland had considerably exceeded its import commitment under its Protocol of Accession. It furthermore noted that Poland had introduced a new customs tariff and welcomed the proposal for its examination in a separate working party, when sufficient experience had been gained in the operation of the tariff. The Working Party finally had examined for the sixth time the question of the establishment of a terminal date for the abolition of discriminatory restrictions but had not been able to reach agreement on this point.

The representative of Poland said that Poland had fulfilled its obligations as a GATT member for ten years, and had even exceeded the commitment undertaken in its Protocol of Accession. He regretted that some of Poland's trading partners did not act in the same manner with respect to the terminal date for the transitional period, and he emphasized that this could have an impact on the practical aspects of the balance of rights and obligations between Poland and the contracting parties.

The representative of the European Communities said that his delegation's point of view on this matter was stated in the report.

The Council took note that the Working Party was not in a position to agree on a recommendation with regard to the establishment of a terminal date for the transitional period. In accordance with the provisions of the Protocol of Accession, this question would be re-examined at the Tenth Annual Review.

The Council adopted the report.

3. Agreement between Finland and Hungary (L/4497)

The Chairman recalled that in October 1975 the Council had adopted a report of the Working Party on the Agreement between Finland and Hungary. It was then agreed that the Agreement should be further examined at an appropriate time. The Working Party, which had been chaired by the secretariat in the absence of Ambassador Easterbrook Smith, Chairman of the Working Party in 1975, presented its second report in document L/4497.

Mr. Lindén, secretariat, introduced the report and said that the Working Party had addressed itself to several specific issues such as trade coverage, customs duties and quantitative restrictions, as well as to some general considerations related to the Agreement. There had also been discussion on the continuation of the work of the Working Party. He noted that the Working Party had been unable to reach any unanimous conclusion as to the compatibility of the Agreement with the provisions of the General Agreement and as to the continuation of its work. The Working Party therefore limited itself to reporting the opinions expressed.

The representative of Hungary said that his delegation was ready to furnish additional information on the functioning of the Agreement, if requested.

The representative of Finland said that, in his opinion, sufficient information had been given to the Working Party, but in view of the interest expressed, his delegation was prepared to give more information on the functioning of the Agreement.

The representative of the United States said that the report was an accurate reflection of the discussions in the Working Party. In view of the results, as reported, he considered that the Working Party should continue its work. In this respect, the offers made by the representatives of Hungary and Finland to provide additional information would be useful for the future work of the Working Party.

The representative of the European Communities supported the view of the United States delegation and stated that, as was indicated in paragraph 44 of the report, the Working Party should meet again at a date to be fixed in consultation with the parties to the Agreement.

The representative of Hungary stated that his delegation was not in a position to accept the request, contained in paragraph 44 of the report, for a continuation of the work of the Working Party.

The representatives of Czechoslovakia and Poland said that the Working Party had had sufficient opportunity for the assessment of the questions relevant to the Agreement. A continuation of its work, therefore, was not necessary, particularly since the parties to the Agreement had expressed their readiness to supply additional information, if requested.

The Council took note that the Working Party had not been able to reach any unanimous conclusion as to the compatibility of the Agreement with the provisions of the General Agreement.

The Council also noted that there were differences of opinion as to the continuation of the work of the Working Party. The Council agreed that in the light of further experience, and in consultation with the delegations concerned, an appropriate time for a further meeting of the Working Party should be determined.

The Council noted the reservation made by the representative of Hungary that he was not able to change his position as to the continuation of the Working Party, and adopted the report.

4. United States - Imports of automotive products (L/4495)

The Chairman recalled that under the Decision of 20 December 1965, the CONTRACTING PARTIES had waived the obligations under Article I of the General Agreement to enable the Government of the United States to eliminate customs duties on imports of automotive products from Canada. The Decision provided for a review of its operation every two years on the basis of annual reports to be submitted by the United States. The Ninth Annual Report had been submitted in June 1976 and the Tenth Report had now been circulated in document L/4495.

The Council carried out the fifth biennial review in accordance with paragraph 6 of the Decision and took note of the report.

5. United States - Suspension of customs liquidation regarding certain Japanese consumer electronic products (L/4500)

The representative of Japan¹ stated that following countervailing duty investigations by the United States since 1972 the United States Treasury Department had determined that the exemption from commodity taxes upon the export of certain electronic products from Japan should not be subject to countervailing duties. Thereupon, a United States corporation, the Zenith Radio Corporation, had instituted an action for a review of this determination and on 12 April 1977 the United States Customs Court ruled that the exemption or refund of the Japanese commodity tax on the products concerned constituted a bounty or grant under United States law and the Court directed that countervailing duties be assessed. Subsequently, customs liquidation regarding these products had been suspended and a bonding procedure had been introduced requiring bonds equal to the amount of estimated countervailing duty.

¹The text of the statement had been distributed in document C/W/288.

It was Japan's view that the Court ruling and the subsequent United States action was in clear contravention of the provisions of the General Agreement, in particular paragraph 4 of Article VI and the note to Article XVI, and consequently impaired Japan's rights under the GATT.

He said that the present administrative action, which had been put into effect pending the final outcome of the judiciary, already seriously affected trade in the products concerned, which amounted to \$1.89 billion in 1976. The potential impact of the action could go much further through possible proliferation of similar actions affecting a large number of contracting parties. Because of these serious trade implications he requested the Council to establish a Working Party to examine the decision of the United States Customs Court in Zenith Radio Corporation versus United States, and the subsequent United States action, in the light of the provisions of Article VI:4 of the GATT and the note to Article XVI, and to report to the Council. It was his understanding that such consideration would also include the examination of the consistency or otherwise of the United States action with the provisions of the General Agreement.

He also called the Council's attention to the fact that Japanese electronic products had been subject to numerous harassments in the United States, due to often duplicating procedures under different legal provisions. These required Japanese companies to invest heavily in man-hours and legal expenses and constituted a major trade issue.

The representative of the United States said that he could not agree with some of the conclusions drawn by the representative of Japan with regard to the effect on trade of the United States action, and the question of its consistency with the GATT. He pointed out that the United States had not imposed countervailing duties and he did not believe that the bonding procedures were a serious impediment to trade. Furthermore, the Court decision was not part of any programme to harass Japanese products. His Government was appealing the decision of the Customs Court. He agreed to the creation of a working party with the terms of reference proposed by the representative of Japan.

The representative of the European Communities expressed his delegation's deep concern at the decision of the United States Customs Court in this case. He said that this decision ran counter to rules established for over fifty years in a number of bilateral agreements and confirmed in the General Agreement. The decision of the Customs Court raised serious implications for world trade in general, since it asserted as a matter of law that the reimbursing of indirect taxes was, in fact, a subsidy and was subject to the payment of countervailing duties. He said that the European Communities expected the United States Government to fulfil its obligations under the GATT. If the measure was not abolished soon, it could easily be extended to other products and thus threaten

world trade as a whole, since the United States trading partners would not remain passive in case of such a development. He further pointed out that Zenith Radio Corporation itself was domiciled in five Federal States and obtained exemption from sales taxes in those States. It furthermore enjoyed the fiscal benefits of DISC, which were considered by a panel as being inconsistent with the provisions of the GATT. He supported the setting up of a working party to examine these questions and stressed that his delegation reserved all its rights under the relevant provisions of the General Agreement, to which the EEC might wish to have recourse in the light of further developments of the situation. He suggested that the matter be examined not only in the light of the Articles mentioned but also bearing in mind all other relevant provisions of the GATT.

The representatives of Finland, speaking on behalf of the Nordic countries, and Canada supported the creation of the working party.

The Council agreed to set up a Working Party on the United States/Zenith case with the following terms of reference and membership:

Terms of Reference:

To consider the decision by the United States Customs Court in Zenith Radio Corporation versus the United States and the subsequent United States action in the light of the provisions of paragraph 4 of Article VI of the General Agreement and the Note to Article XVI, and to report expeditiously to the Council.

Membership:

Australia	Japan
Brazil	Malaysia
Canada	Sweden
European Communities and their member States	Switzerland
India	United States
	Yugoslavia

Chairman: Mr. E. Farnon (New Zealand)

The Council agreed that the Working Party was free to discuss the matter under other relevant provisions of the GATT, even though this was not specifically mentioned in the terms of reference.

The Chairman said that in view of the need for the Working Party to carry out its work expeditiously, the Working Party should be convened as soon as possible.

6. Tax legislation

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

The Chairman recalled that the Council had conducted in March a further discussion on the reports prepared by the four Panels on the DISC and on income tax practices maintained by France, Belgium and the Netherlands, and had agreed to continue the discussion after further consideration at a later meeting.

The representative of the European Communities said that the conclusions of the report on the DISC showed clearly the non-conformity of the United States DISC legislation with the relevant provisions of GATT. He stated that about 75 per cent of United States exports had been channelled through DISC companies during the fiscal year 1976 and had resulted in an increase in exports in that period amounting to US\$8 billion. These were export activities in the usual and traditional sense of the General Agreement. He pointed out that the DISC legislation related to taxation of profits derived from exports from the United States territory. The normal procedure was now for the Council to adopt the report and to examine what recommendations or ruling, as appropriate, under paragraph 2 of Article XXIII, invoked by the European Communities in May 1973, should be made.

The representative of Canada asked for an early decision on the basis of the report of the Panel on DISC recommending the termination of the DISC programme. He also expressed the hope that the United States authorities would give early consideration to the termination of the DISC programme in the light of the Panel's findings. As regards the other Panel reports, he considered that some more time for reflexion was needed as the other tax practices raised different issues and considerations.

The representative of the United States reiterated his delegation's views that the Council should now adopt all four Panel reports. He noted that this was the appropriate next step and was consistent with past practice. Since the tax practices were intrinsically related, one could not act in one case without taking similar action in the other cases. With regard to the definition of "exports", as used by the four Panels, which had been questioned by certain delegations, he observed that the subsidization in the tax practices of France, Belgium and the Netherlands related clearly to exports. He had carefully

researched the question and could find no evidence to support the complaint that the Panels had used an overly broad definition of exports. There was therefore no reason to question the conclusions reached by the Panels.

The representative of Sweden, speaking on behalf of the Nordic countries, said that the maintenance of the tax practices by the four countries concerned might lead to undesirable proliferation of export promoting systems. It appeared to him that the risk of disruptive effects on trade was clear in the case of the United States DISC legislation, but also the tax practices applied by France, Belgium and the Netherlands could have effects which were not in accordance with these countries' obligations under paragraph 4 of Article XVI. He also called attention to the importance, especially for small countries, of the dispute settlement procedures of the GATT. This machinery had so far been allowed to function in accordance with a long-established practice and should not be tampered with. He insisted that when the matter would be ready for decision, the four Panel reports be treated as such reports had been treated so far.

The representative of Japan said that his delegation hoped for an early termination of the DISC practice. His delegation therefore supported the adoption of the Panel report on DISC. The other three questions could, in his opinion, be handled separately from the DISC.

The representative of the Netherlands supported the statements that the valuable work of the Panels should not be undermined and their views respected. This could be done only by examining each of the four cases separately and not by attributing views to the Panels which they had not expressed. From the conclusions of the Panel in the case of the Netherlands, it was clear that the subject had been primarily approached from an economic point of view. He also noted that the Panel had taken as wide a view as possible of the geographical area and the range of activities that might lend itself to direct taxation by any government that had the desire to impose such taxation. It was now for the Council, against the background of the economic and fiscal analysis provided by the Panel, not to pronounce itself on economic theories or principles of international taxation, but on the legal obligations within the scope of the General Agreement. For the application of Article XVI:4, a comparison between the level of taxation on sales in the home market and sales for exports was relevant. While it was conceivable, in economic terms, to see the process of exporting as being completed only when the exported products had reached the consumer in the importing country, his delegation was of the opinion that such a comparison should not be continued beyond the point where the exported product had been imported into the territory of another country. When the product had become an imported product, the national treatment principle of Article III became applicable in the importing country. This intended to provide equal conditions of competition. Although exporting countries were free to continue direct taxation of activities connected with the exported product after importation into another country, it would seem contrary to this principle of equal conditions of competition to oblige exporting countries to continue such taxation.

The representative of the European Communities expressed regret that again no conclusion could be reached on the question of DISC, because the United States linked this question to other separate issues. He felt that this was the reason why the United States had adopted the position that the Panels had considered that if the DISC was incompatible with the provisions of GATT, this was also the case with the tax practices of other countries. The Panels had not made this link. He considered that linking the outcome in one case to the outcome in other different cases constituted an unfortunate precedent. This unfortunate precedent came in addition to other precedents created in the conciliation procedure concerning the DISC legislation. He hoped that the matter could be concluded at the next meeting of the Council.

The representative of France confirmed his Government's intention to circulate a memorandum on the French tax practices. He expressed concern at the fact that the United States was prepared to accept the report on the DISC only on the condition that the other reports were also formally adopted. For the safeguarding of the GATT dispute settlement machinery, it was essential not to link one case to another or to answer a complaint with a counter-complaint. This might develop into a situation of having virtually permanent disputes on matters which should have been dealt with in negotiations.

The representative of Switzerland said that, recently, several Panels had been established to deal with a number of different measures. He considered it essential that each case be strictly considered individually without making any connexion with other cases. He also expressed concern about the practice engaged in by contracting parties who, rather than justifying measures which were inconsistent with the General Agreement, called in question measures applied by other contracting parties. He insisted that a clear distinction should be maintained between various cases. As regards the question under discussion, he indicated his delegation's support for the conclusions contained in the report on the DISC.

The representative of Belgium reconfirmed his Government's position on the tax practices maintained by Belgium as presented at the last meeting of the Council. As no new elements had been presented, this position had not changed.

The representative of the United States recalled the provisions of paragraph 4 of Article XVI, which bound the contracting parties which had accepted the Declaration of November 1960. He also recalled that one of the forms of subsidy that was forbidden by these provisions was remission of, or exemption from, direct taxes. He pointed out that the Panels had concluded, in identical language, that the tax practices of the United States, Belgium, France and the Netherlands were inconsistent with these provisions. His delegation was ready to adopt the conclusions of these Panels. He considered that these conclusions had important implications for the tax legislation of the four countries. His country was ready to work with goodwill towards a satisfactory solution of this matter, and he expected its trading partners to do the same. He added that the conclusions of all four Panels supported his country's view that it was important to re-examine the overall international tax situation and he called again for adoption of all four reports.

The representative of the Netherlands recalled that item (c) of the illustrative list referred to the remission of direct taxes calculated in relation to exports, which seemed to him particularly relevant to the DISC. He was aware of the desire of the United States, in the absence of GATT rules on direct taxation, to examine such matters at the international level, but stressed that the Council should consider the present cases in the light of the existing GATT provisions.

The Chairman said that it appeared to him that the Council had not yet reached the stage of coming to a final conclusion on any of these matters.

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

7. Revision of salary scales (L/4487)

The Chairman drew attention to document L/4487 which contained the revised scales of the professional salary system, effective since 1 January 1977, as approved by the General Assembly, including the revised scales as they would be applicable to ungraded posts.

The Council agreed with the recommendation that the CONTRACTING PARTIES should authorize the Director-General to apply the revised scales of salary and post adjustments, as annexed to document L/4487, to the GATT staff as from 1 January 1977.

8. Erosion of salaries (C/M/119)

The Chairman, referring to the Council's discussion in March on the question of erosion of salaries of the professional staff, recalled that a compromise proposal had been made by the representative of Yugoslavia, as set out in the

minutes of that meeting (C/M/119). While a number of delegations had supported this proposal, other delegations had called for a further study in order to determine whether the proposal was not inconsistent with the Common System and whether it was acceptable to the GATT staff. The Chairman informed the Council that the GATT Staff Assembly had discussed the Yugoslav proposal in the meantime and had given it full support.

The representative of the United Kingdom, speaking on behalf of the member States of the European Communities, recalled that his delegation had explained, at the Council meeting in March, its reasons for not being able to support the proposal for part compensation to GATT professional staff for income losses due to exchange rate movements, as had been put forward by the Director-General. His delegation also believed that the alternative proposal made by the representative of Yugoslavia could not be accommodated within the Common System and considered that it would have the effect of eroding the Common System in an important respect. He was aware that the recommendations made by the ICSC, which had been implemented by the General Assembly, fell short of the expectations of the staff, but it also appeared to him that these changes did much to redress the imbalance that had developed as a result of the currency fluctuations. He concluded by stating that the member States of the European Communities did not want their inability to support the proposals to be interpreted in any way as a lack of esteem for the staff, which in fact they held in very high regard, or indifference to the problems of the international organizations outside New York.

The representatives of the United States, Norway (speaking for the Nordic countries), Canada and Australia shared the views expressed by the representative of the United Kingdom.

The representative of Yugoslavia said that a compensation principle due to currency fluctuations had been accepted by the United Nations in December 1975 with effect from 1 January 1976. If this principle were acceptable for 1976, it was difficult to see why the compensation principle was not acceptable in any circumstances for losses incurred in 1974 and 1975. His delegation had endeavoured, with the support of many developing and some developed countries, to propose a solution which was in accordance with the Financial Regulations and Rules of the United Nations and would bring no change to the Common System. He was also convinced that there existed a moral obligation to the staff. He expressed regret that the major contributors to the GATT could not accept the proposal and also regretted that they did not present any other positive approach to the matter. In conclusion, he stressed the necessity for some kind of solution to be found for this problem.

Several representatives supported the statement made by the representative of Yugoslavia. They pointed out that all delegations shared the responsibility for finding a positive solution to this problem.

The Chairman concluded that there was no consensus in the Council in support of the proposal made by Yugoslavia.

As the question of the part of the 1974 surplus, which had been placed in a suspense account, should now be disposed of, the Chairman suggested that the Council reconfirm the decision taken on 24 November 1974, that the balance of the 1974 surplus account be transferred to the Building Fund.

This was agreed.

Mr. Hanus, Chairman of the Staff Council, who had asked for the opportunity to speak on this matter, expressed regret at the outcome of this question. However, the staff would remember with gratitude the efforts made by the Director-General and the support given by so many delegations. He stated that the decision created the impression with the staff that it had been deserted by its employers and left fully dependent on the Common System, in which their interests were lost in a vast anonymity. He expressed the hope that the CONTRACTING PARTIES would give support to the staff in the future and mentioned the desirability that governments reconfirm their readiness, under Article 27 of the Regulations of the United Nations Joint Staff Pension Fund, to make good any deficiency if the Fund were not able to meet its liabilities to the GATT staff. Furthermore, he considered it desirable that closer contacts be established between the CONTRACTING PARTIES and the staff on the question of pensions in general. Finally, he asked for the support of the CONTRACTING PARTIES in order to obtain a better representation of GATT on the United Nations Joint Staff Pension Board.

9. Working Party on trade with Hungary

The Chairman recalled that the Protocol for the Accession of Hungary provided for consultations, to be held between Hungary and the CONTRACTING PARTIES biennially, in a working party to be established for this purpose, in order to carry out a review of the operation of the Protocol and of the evolution of trade between Hungary and contracting parties. The specific questions to be examined were set out in detail in the Protocol.

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

Terms of Reference:

To conduct, on behalf of the CONTRACTING PARTIES, the second consultation with the Government of Hungary provided for in the Protocol of Accession, and to report to the Council.

Membership:

Membership would be open to all interested contracting parties wishing to serve on the working party.

The Council authorized the Chairman of the Council to nominate the chairman of the working party in consultation with the delegations principally concerned.

10. Greece - increase of bound duty (L/4499)

The representative of Greece recalled that at earlier meetings of the Council in September 1975 and November 1976, the representative of Austria had raised a matter relating to an increase in the bound duty on magnesite bricks, item ex 69.02A of the Greek Schedule. Subsequently, consultations had taken place between Austria and Greece which had resulted in an agreement that had been communicated to the CONTRACTING PARTIES in document L/4499.

The Council noted with satisfaction that it had been possible for the delegations concerned to reach a satisfactory conclusion in this case.

11. Sweden - renegotiation under Article XXVIII:4

The representative of Sweden stated that his Government requested authorization from the CONTRACTING PARTIES under paragraph 4 of Article XXVIII to enter into negotiations for the modification of item ex 22.03 in the Swedish Schedule XXX. He explained that this item included two concessions which were bound in the Kennedy Round:

- "beer made from malt of an alcoholic strength exceeding 2.8 per cent but not 3.6 per cent by weight", bound at the rate of SKr 12 per 100 litres plus amount corresponding to internal taxes;
- "beer made from malt of an alcoholic strength exceeding 3.6 per cent by weight", bound at a rate of SKr 14 per 100 litres plus amount corresponding to internal taxes.

The modification would affect only the first concession, as from 1 July 1977 all beer made of malt of an alcoholic strength exceeding 2.8 per cent would be subject to the same taxation and to the higher duty.

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

12. European Communities - Agreements with Egypt, Jordan, Syria and Lebanon

The representative of the European Communities informed the Council that the European Communities had signed Agreements with the Arab Republic of Egypt, the Hashemite Kingdom of Jordan and the Syrian Arab Republic on 18 January 1977 and with the Lebanese Republic on 3 May 1977.

He explained that the purpose of the Agreements was a broad co-operation in order to contribute to the economic and social development of these countries and to strengthen the relationship between the four Machrek countries and the European Communities. The Agreements were part of the Mediterranean policy of the European Communities and fitted into the general Community policy towards developing countries. They also marked the strengthening of co-operation between the Community and the Arab world.

He said that the Agreements were subject to a general review, the first of which would take place in 1979. He stated that interim agreements had been signed on the same dates with the four countries, providing for the advance implementation on 1 July 1977 of the arrangements relating to trade. The purpose of the Agreements, in the field of trade, was to promote trade between the parties concerned, taking into account their different levels of development, and to improve conditions of access for the goods of these countries to the Community market. He stated that no reciprocity was required from these countries in respect of access of Community goods to their markets. These goods would merely receive m.f.n. treatment. He concluded that the legal instruments pertaining to these agreements would be notified to the GATT as soon as possible.

The Council took note of the statement and agreed to revert to the matters when the texts of the Agreements had been made available.

13. Papua New Guinea-Australia Agreement ..

The Chairman recalled that the Council had established the Working Party on the Papua New Guinea-Australia Agreement in March and had authorized the Chair to nominate the Chairman of the Working Party.

He now informed the Council that Mr. Barthel Rosa (Brazil) had been nominated Chairman of the Working Party.

The Council took note of the nomination.