GENERAL AGREEMENT ON
TARIFFS AND TRADE

COUNCIL
3 and 7 February 1975

MINUTES OF MEETING

Held in the Palais des Nations, Geneva,
on 3 and 7 February 1975

Chairman: Mr. K.A. SAHLGREN (Finland)

Subjects discussed:

1. Lebanon - Observer status at Council meeting
2. Agreement between the European Economic Community and Lebanon
3. Schedule XLII - Israel - Adjustment of Specific Duties
4. Trade Agreement between Egypt, India and Yugoslavia
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6. Association EEC-East African States
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17. Greece - Import Restrictions on Meat
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1. Lebanon - Observer status at Council meeting

The Council decided that the Government of Lebanon should be represented at this meeting of the Council by observers, in connexion with the discussion of the report of the Working Party on the Agreement between the European Economic Community and Lebanon.

2. Agreement between the European Economic Community and Lebanon (L/4131)

The Chairman recalled that in March 1974 the Council had established a working party to carry out an examination of the provisions of the agreement between the European Economic Community and Lebanon in the light of the relevant provisions of the GATT. The report of the Working Party had been circulated in document L/4131.

Mr. Mariadason (Sri Lanka), Chairman of the Working Party, stated that the Working Party had addressed itself to some general questions and to certain specific issues, namely rules of origin and trade coverage. He noted that the Working Party had been unable to reach unanimous conclusions as to the compatibility of the agreement with the provisions of the General Agreement. The parties to the Agreement, supported by some members of the Working Party, held the view that it conformed fully with Article XXIV of the General agreement, while other members were of the view that it was not possible at this time to establish whether the Agreement conformed fully to the requirements of the GATT. In the light of this situation, the Working Party had limited itself to reporting the opinions expressed on these issues.

The Council noted the differences of views expressed and adopted the report.

The Council agreed that the parties to the Agreement should be invited to submit in April 1977 the first biennial report in accordance with the calendar for the biennial examination of reports on developments under regional agreements.

3. Schedule XLII - Israel - Adjustment of Specific Duties (L/4112, L/4134)

The Chairman drew attention to document L/4134 in which the Israeli Government had referred to its decision taken on 10 November 1974, with the concurrence of the International Monetary Fund (IMF), to devalue the Israeli pound from 4.20 per United States dollar to 6.00 per United States dollar. This devaluation had been notified to the CONTRACTING PARTIES on 19 November 1974 in document L/4112. The IMF had also informed the Director-General by telegram received on 15 November 1974 of the Fund's concurrence in the change in par value of the Israeli pound.
The Israeli Government had informed the contracting parties of its intention, in accordance with the provisions of paragraph 6(a) of Article II of the GATT, to adjust the specific duties contained in its Schedule XLII in order to take account of this reduction in par value. In accordance with these provisions, Israel asked the CONTRACTING PARTIES to concur that such adjustments would not impair the value of the concessions provided for in the Schedule of Israel.

The representative of Israel stated that his Government had adopted in November 1974 an emergency economic policy designed to overcome Israel’s economic difficulties. He explained that the deterioration of economic conditions in Israel and the continuation of the decline in foreign reserves, had compelled his Government to devalue its currency and to take steps in order to control the very serious state of the balance-of-payments situation. Steps had also been taken to control imports, and to restrain public and private consumption. At the end of 1974 the deficit in the balance of payments had reached the level of 3.5 billion dollars as a result of a large expansion of imports and the higher prices of those imports. On the other hand, exports had not developed as anticipated and had not gained sufficiently from the higher prices which prevailed in the international markets. The Israeli pound had, therefore, been devalued - with the concurrence of the International Monetary Fund - from I£ 4.2 per US$ to I£ 6.00 per US$ or by 42.9 per cent.

He pointed out that, in line with this measure, the Government of Israel had made preparations to adjust its specific duties to the new par value of the Israeli pound. He assured the Council that the adjustment would not go beyond 43 per cent and, in accordance with Article II:6(a), would not impair the value of concessions provided for in the Israeli Schedule.

The representatives of Japan and the United States expressed support for the adjustment of specific duties provided that the adjustment was in proportion to the devaluation of the Israeli pound on 10 November 1974, i.e. 43 per cent, and that no contracting party made a specific complaint on this measure within a period of three months counting from the present date.

The Chairman concluded that the Government of Israel, consistently with the Articles of Agreement of the International Monetary Fund, had, on 10 November 1974, changed the par value of the Israeli pound from I£ 177.333 to I£ 253.333 per troy ounce of fine gold, i.e. a devaluation of 42.9 per cent. Furthermore, the Government of Israel had presented in document L/4134 a request to the CONTRACTING PARTIES under Article II:6(a) of the General Agreement to adjust the specific duties contained in Schedule XLII accordingly. He called attention to the declaration by the representative of Israel that the adjustment would not exceed the rate of devaluation and would not impair the value of concessions granted to contracting parties. It was his impression from the discussion that the Council approved this request. In accordance with the practice of the CONTRACTING PARTIES he therefore proposed that the Council should decide as follows:
The Government of Israel could give effect to such adjustment of each specific duty contained in Schedule XLII as would take proportionate account of this devaluation of the Israeli pound. However, if on or before 5 March 1975, a contracting party should declare, giving reasons therefor, that the adjustment of any particular duty would impair the value of a concession provided for in Schedule XLII, the Government of Israel should defer such adjustment pending consultation with the contracting party concerned. If, after such consultation, the claim concerning impairment was maintained, the question should be decided by the CONTRACTING PARTIES or by the Council.

Within three months of any particular adjustment made pursuant to this decision having been put into effect, any contracting party could lodge a claim with the Israeli Government that such adjustment had impaired the value of any concession. In such case, the Government of Israel and the government claiming impairment should enter into consultation. If, after such consultation, the claim concerning impairment was maintained, the question should be decided by the CONTRACTING PARTIES or by the Council.

The Council approved the conclusion. The Chairman noted that there was a consensus in the Council composed of at least half of the contracting parties and concluded that therefore the CONTRACTING PARTIES had so decided.

4. Trade Agreement between Egypt, India and Yugoslavia (L/4132)

The Chairman said that the Decision of 20 February 1970, as amended by the CONTRACTING PARTIES on 13 November 1973, enabled the three governments participating in the Trade Expansion and Economic Co-operation Agreement to continue to implement the Agreement subject to specific conditions and procedures. In accordance with these procedures the three participating States had submitted their annual report on the sixth year of operation of the Agreement (L/4132).

The representative of Egypt, in presenting the report, said that the statistical data annexed to the report covered the seventy-seven tariff items originally included in the Common List and the fifty-seven items added to the Common List in 1969. He expressed the hope that in the next report the Participating States would also be able to supply trade information concerning the additional twenty-six items included in the Agreement in 1973. He stated that the report showed that the Agreement continued to have a modest impact, in creating new and additional opportunities for trade in non-traditional products between the three partner countries and had not caused any harm to the trade interests of other contracting parties. He added that the Participating States, according to their declared intentions, would use their best endeavours during the next round of trade negotiations among developing countries to multilateralize, as far as possible, trade concessions exchanged among them, through their inclusion in the Protocol Relating to Trade Negotiations among Developing Countries.

The Council took note of the report.
5. **Association EEC-African and Malagasy States (L/4122)**

The Chairman said that in accordance with the Calendar of Biennial reports on developments under regional agreements, set up by the Council in March 1972, the parties to the Agreement of Association between the EEC and the African and Malagasy States had submitted a report in document L/4122.

The Council took note of the report.

6. **Association EEC-East African States (L/4121)**

The Chairman stated that a report on developments under the Agreement of Association between the EEC and the East African States had been distributed in document L/4121.

The Council took note of the report.

7. **Association EEC-Turkey (L/4126)**

The Chairman said that information on the implementation of the Agreement of Association between the EEC and Turkey had been submitted by the parties to the Agreement in document L/4126.

The Council took note of the report.

8. **Consultative Group on Meat (L/4119)**

The representative of Australia referred to the earlier discussions in Council and at the Session concerning the Australian proposal for the setting up of an International Meat Consultative Group (L/4119). He reiterated that the Group would be mutually beneficial to meat exporters and importers. Production and trade in meat continued to fluctuate sharply, so that much could be done to promote stability on a basis that ensured adequate supplies of meat to consumers and markets to producers at equitable prices which could create a long-term equilibrium between production and consumption. A major co-operative effort was needed in an endeavour to avoid the extremes of recent experiences. If the governments had a better understanding of world markets in all their ramifications, the decisions they would take would be more enlightened as regards the impact any action would have on their trading partners. It would therefore be helpful to establish a forum, within an appropriate intergovernmental framework, in which countries with a substantial interest in the production and consumption of meat could have a continuing exchange of information on market developments in the meat trade. Such a group could cover a wide range of meat, concentrating initially on the bovine sector. In bringing forward this suggestion, the Australian Government was encouraged by the work of other international commodity groups. The proposed group would not be a negotiating forum, nor would it be a forum to resolve bilateral problems arising in meat trade. As to the association of such a group with the prospective MTN, he considered that this would be possible to the extent considered appropriate.
The representative of Argentina said that consultations had been held and multilateral contacts had taken place which had not answered the concerns of exporting countries. Therefore, in view of the present situation, his delegation was in agreement with the Australian proposal, which was without prejudice to the Article XXII consultations.

The representative of New Zealand repeated his delegation's support for the proposal. He pointed out that when the proposal was first launched, the prospects of the MTN getting under way were less than bright, and his Government considered it a matter of priority that work on meat should get started. Equally important was that the GATT should acknowledge its responsibilities to promote consultations in an area where severe fluctuations in trading conditions were causing disruption to exporters and importers alike. Given the volatility of the meat sector this was a continuing responsibility and his delegation had therefore in mind a group whose management and monitoring functions would endure well beyond the MTN. For the duration of the MTN there should inevitably be a close connexion between the consultative functions of the GATT group and the negotiating functions of a meat group in the MTN. In conclusion, he emphasised that his delegation's support for the Australian proposal was without prejudice to the view that there should be a meat group established in the MTN.

The representative of the United States pointed out that the United States remained the major open market for meat. As the situation in the meat sector had remained unsatisfactory his delegation had been compelled to enter into discussions with major suppliers about a voluntary export restraint programme in order to prevent a flood of additional imports into the United States market. He therefore expressed the hope that a consensus could be reached for the establishment of the proposed group.

Many other delegations expressed their support for the Australian proposal.

The representative of the European Communities stressed the readiness of the Community to discuss developments that had taken place in the international meat sector. The Community could even accept that a group could be useful for such discussions, but he noted that the Group, as proposed by the Australian delegation, should not be a negotiating forum, nor should it be a forum to settle bilateral problems. He pointed out however that the Trade Negotiations Committee would be meeting very shortly and it was important to establish clearly the relationship, if any, between the proposed consultative group and the negotiations. He also noted that in the terms of reference of the proposed group there was a considerable degree of duplication with the work of other international organizations especially the FAO Intergovernmental Group on Meat. He would therefore wish to receive some further clarification on these points, preferably after the discussions in the TNC had been held.
The representative of Japan also referred to the question of duplication with the functions of other international organizations, such as FAO, and of the group's relationship to the MTN. These questions were still to be clarified. It would therefore be useful to wait for the outcome of the TNC and to give further examination and thought to these points, perhaps through informal consultations.

The representative of the FAO stated that the FAO as part of its regular activities closely followed current and prospective developments in production, consumption and trade in meats. In 1970, the FAO Member Nations had established an Intergovernmental Group on Meat. The Intergovernmental Group was to provide a forum for consultations on and studies of international trade, production and consumption of meat, including poultry meat, and problems connected with these products. The field of competence of the Group included the assembly and analysis of comprehensive and regular data on the current situation and short, medium and long-term market prospects for meat and meat products; improvement of basic statistics and of economic information, and the establishment of an international economic intelligence system for the purpose of improving market knowledge; and furthermore, the analysis of programmes related to the expansion of production of meats and their influence on imports and exports. The Group's aims were to mitigate fluctuations in the volume of supplies, prices and earnings in the short, medium and long run by deepening knowledge of seasonal and cyclical variations and of long-term trends. The membership in the Group was open to interested Governments. Participating countries represented around 90 per cent of the world trade in meat and meat products. All major international organizations having a substantial interest in production and trade in meats also participated. At each of the Group's sessions the world meat situation and market outlook were reviewed. A sessional working party evaluated the global, current market situation and made a short-term forecast of production, consumption, export availabilities and import requirements.
The Chairman said that several delegations had emphasized that the terms of reference of a consultative group should clearly define the relationship with the MTN, and should make clear that the Group must not in any way serve to delay or prevent negotiations in meat in the MTN. He proposed to refer the question of the terms of reference to an informal drafting group, and to resume the discussion on this item on 7 February.

The Council resumed discussion on this matter on 7 February on the basis of draft terms of reference drawn up by the informal group and distributed in document C/W/255.

The representatives of Australia, the EEC, Japan and several other delegations, expressed their support for the establishment of the Group with the terms of reference proposed in document C/W/255 and indicated their intention of participating in the Group.

The representative of Switzerland pointed out that the members of the Group always had the possibility of re-examining the question of the maintenance of the Group in the light of future developments.

The Council agreed to establish the International Meat Consultative Group with the terms of reference set out in document C/W/255. The Council agreed that the Group would be open to all countries interested in international trade in meat and wishing to participate in the Consultative Group, and nominated Mr. Falconer (New Zealand) as Chairman of the Group.

The Director-General referred to the Group's terms of reference, in particular to the need for making use of existing sources for the collection and dissemination of information. He emphasized the excellent working relations which existed between the FAO and the GATT, to which he attached considerable value. The Group undoubtedly could benefit very much from the information assembled by the FAO and he expressed confidence that the Group would carefully avoid entering into the regular activities of the FAO.

The representative of FAO expressed his organization's readiness to collaborate closely with the Group and to provide the Group with all information assembled by FAO.

9. Consultation on trade with Hungary

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

Membership:

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

Chairman: Mr. Easterbrook-Smith (New Zealand)

10. Consultation on Trade with Romania

The Chairman recalled that the Protocol for the Accession of Romania provided for consultations to be held between Romania and the CONTRACTING PARTIES in a working party to be established for this purpose to review the development of reciprocal trade and measures taken under the terms of the Protocol. The Protocol set out in detail the specific questions to be examined in the working party.

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 Romania provided for in the Protocol of Accession, and to report to the Council.

Membership:

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

Chairman: Mr. Bier (Brazil).

The representative of Romania stated that the Working Party on Trade with Romania would have the task of reviewing, in accordance with the Protocol for the Accession of Romania, the development of reciprocal trade and measures taken under the Protocol. He recalled, in this connexion, that contracting parties still maintaining prohibitions or quantitative restrictions not consistent with Article XIII of the GATT had undertaken in the Protocol to remove these measures progressively and had accepted as an objective their elimination before the end of 1974. The Protocol also provided that if, for exceptional reasons, a limited number of restrictions were still in force on 1 January 1975 the Working Party should examine such restrictions with a view to their elimination.
In order to permit a constructive discussion, he considered it necessary that
the notifications by contracting parties of restrictions still in force should
contain concrete information regarding the reasons for maintaining these
restrictions, the products affected, the countries applying them and any other
relevant information. The Working Party would, thus, be able to examine the
restrictions and make appropriate recommendations for their elimination.

11. (a) Agreement between Finland and Hungary (L/4136 and Add.1)
(b) Agreement between Finland and Bulgaria (L/4137 and Add.1)
(c) Agreement between Finland and Czechoslovakia (L/4138 and Add.1)

The representative of Finland said that the principal aim of the Finnish
Government in concluding these three agreements on the reciprocal removal of
obstacles to trade was to solve, in a reasonable way, the problems arising for
Finland from the economic integration processes in Eastern and Western Europe,
and to develop its economic relations with Hungary, Bulgaria and Czechoslovakia.
He emphasized that the Finnish initiative in respect of the conclusion of these
agreements was fully in line with his Government's approach to the development of
trade relations between countries having different economic and social systems.
The agreements became operative as from 1 January 1975 as regards reciprocity of
advantages, concessions and obligations. They were in accordance with the
provisions and the spirit of Article XXIV of the GATT concerning the establishment
of free trade areas.

The representative of the European Communities pointed out that the concept
of free trade areas had been designed in a period in which the customs tariff
constituted the principal instrument of trade policy. Agreements of this type
involved free market economy countries and countries with centrally planned
economies, where factors other than tariffs figured prominently. The role and
scope of customs tariffs in these cases should therefore be examined. The
Communities were ready to join in an examination of the provisions of the
Agreements bearing in mind the desire to eliminate trade barriers and having
regard to the provisions of the General Agreement.

The representative of the United States recalled that his Government had
been concerned for some years over the resort to the free-trade agreement
provisions of Article XXIV to justify the discriminatory effects of bilateral
trade agreements. In past examinations of such agreements his delegation had
expressed doubts over the extent to which such agreements were consistent with
the criteria and intent of Article XXIV. The bilateral agreements which had been
notified to the GATT by Finland, Czechoslovakia and Hungary would raise many of
these same questions. In addition, they would raise questions on the involvement
of countries in which considerations other than tariffs and market factors could
play an important role in determining trade flows. Article XXIV of the GATT was
intended to permit the creation of free-trade areas by the removal of duties and other restrictive regulations of commerce. He wondered how this was to be achieved in the case of countries where duties had a nominal or at most a limited effect on trade, while other restraints on commerce played a more significant role. In this respect, his delegation believed that the working parties should examine the nature and extent of discrimination involved in these agreements against non-participants. Although his delegation would participate in the working parties with an open mind, he would like to take this opportunity to express their doubt that the criteria and intent of Article XXIV could be met by agreements between market and non-market economy countries which essentially dealt only with the removal of duties.

The representative of Canada also expressed his willingness to participate in the examination of the agreements, which were significant in that they involved market economy and State trading systems.

The representative of Hungary said that the Agreement between Hungary and Finland was based strictly on mutual advantages and was designed to promote trade between the two countries in conformity with the provisions of the General Agreement and in particular with those of Article XXIV.

The observer for Bulgaria said that despite his country's status as an observer to the GATT, it had in its trade relations always adhered to the same principles of international trade as those on which the General Agreement was based. He pointed out that the new Bulgarian tariff system had been introduced on 1 January 1971. Being an essential component of the new economic mechanism this system had developed into an efficient foreign trade instrument in which duties were one of the elements entering into price calculations. The Agreement for reciprocal abolition of obstacles to trade between Bulgaria and Finland, signed on 26 April 1974, represented essentially a treaty for free trade between the two countries. It was in full agreement with Article XXIV of the GATT and corresponded to a large number of precedents in this field. The Agreement envisaged the abolition, on the basis of reciprocity, in the course of 2½ years, of duties on most industrial commodities and a large number of agricultural products. Charges on trade in some sensitive industrial commodities would be abolished in the course of ten years. In case of the creation of a working group for the examination of the Agreement his country expected to attend its meetings as an observer.

The representative of Czechoslovakia said that the main purpose of the Agreement between Czechoslovakia and Finland was the solution of problems connected with the process of economic integration in Europe. The Agreement aimed at the elimination of barriers to trade and was in full conformity with the provisions of Article XXIV.
The Council agreed to establish three working parties with the following terms of reference and membership:

(a) **Working Party on Agreement between Finland and Hungary**

To examine, in the light of the relevant provisions of the General Agreement, the provisions of the Agreement between Finland and Hungary signed on 2 May 1974; and to report to the Council.

(b) **Working Party on Agreement between Finland and Bulgaria**

To examine, in the light of the relevant provisions of the General Agreement, the provisions of the Agreement between Finland and Bulgaria signed on 26 April 1974; and to report to the Council.

(c) **Working Party on Agreement between Finland and Czechoslovakia**

To examine, in the light of the relevant provisions of the General Agreement, the provisions of the Agreement between Finland and Czechoslovakia signed on 19 September 1974; and to report to the Council.

**Membership:**

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

**Chairman:** Mr. Easterbrook-Smith (New Zealand)

It was also agreed that contracting parties wishing to submit questions in writing to the parties to the Agreements would be invited to send such questions to the secretariat by 20 March 1975 and that the parties to the Agreements would supply the answers to these questions within six weeks after receipt of the written questions.

12. **Consultations on Balance-of-Payments Restrictions in 1975**

The Chairman drew attention to document C/W/253 concerning the consultations on Balance-of-Payments Restrictions in 1975. He requested the secretariat to make the necessary arrangements, in consultation with the consulting countries, and with the International Monetary Fund, as well as with the Chairman of the Committee on Balance-of-Payments Restrictions, for the carrying out of the consultations in the course of the year. Contracting parties would be informed in due course of the exact dates of the consultations.

The Council took note of the arrangements for consultations.
13. Administrative and Financial Questions

The Chairman drew attention to document L/4147 which contained the salary scales and allowances for staff in the professional category and above, as had been approved by the UN General Assembly. Provisions for the costs resulting from these revisions had already been made in the 1975 budget as approved by the CONTRACTING PARTIES. He asked the Council to authorize the Director-General to apply the revised scales and allowances annexed as from 1 January 1975.

Mr. Clark (Canada), Chairman of the Committee on Budget, Finance and Administration, said that the Canadian delegation gave their full support to the proposal. He also mentioned that the informal contact group which had been established last autumn, had concluded its work and had reported to the Budget Committee. One of the conclusions of the Contact Group was that the problems examined were pressing and warranted a solution as soon as possible. He expected that the Budget Committee would be able to complete its work at an early date and present its report, together with the report of the contact group. He stressed the need to consider these reports very carefully.

The Council authorized the Director-General to apply the revised scales and allowances to the staff as from 1 January 1975.

14. German-Icelandic Fishery Dispute - Ban on Icelandic Fish Landings

The representative of Iceland brought to the attention of the Council a matter which had seriously affected the trade relations between the Federal Republic of Germany and Iceland and which involved, in the view of his Government, a breach of GATT obligations by the Federal Republic of Germany.

He stated that on 29 November 1974 the Governments of the Federal Republic of Germany and of four German coastal States had put into force a ban on direct landings of Icelandic fish in harbours of the Federal Republic. This ban deprived Iceland of continuing the traditional export of fresh fish to the German market which accounted for an important share of Iceland's exports to that country. The closing of the German market posed particular problems for the trawler section and freezing plants of Iceland's fishing industry. The landing ban and the resulting loss in earnings and foreign exchange added to the exceptional external strains to which Iceland's economy was exposed.
These measures taken by the Federal Republic of Germany against Iceland constituted, in the view of his authorities, a violation of provisions of the General Agreement. After informal consultations with the German delegation, shortly after the landing ban was imposed, and which took place concurrently with other bilateral contacts over this matter, his delegation, by a letter dated 18 December 1974, had formally requested consultations as envisaged under Article XXII, paragraph 1, of the General Agreement.

The German delegation, by a letter dated 14 January 1975, had communicated the views of its Government on this matter, stating that talks between the two delegations in Geneva could not be regarded as consultations within the meaning of Article XXII:1 of the GATT and the lifting of the landing ban was on the German side subject to the prior fulfilment of certain conditions by Iceland. These conditions were unacceptable to his delegation; they furthermore had nothing to do with obligations under the General Agreement. In a second letter dated 21 January 1975 his delegation had communicated to the delegation of the Federal Republic his Government's wish to restore normal trade relations with the Federal Republic of Germany as envisaged by the General Agreement and as they existed before the imposition of the landing ban, and he reiterated the proposal for consultations under Article XXII:1 of the GATT, to be conducted by the Permanent Missions of the two countries in Geneva.

The representative of Germany stated that his Government did not share the Icelandic Government's views that the ban, which four Länder of the Federal Republic of Germany imposed with the approval of the Federal Government on the direct landing of fresh fish by Icelandic trawlers in German ports, constituted a violation of GATT provisions. The competent German authorities saw themselves compelled to impose the ban after the incident involving the German trawler "Arcturus", which had been fired at about 35 nautical miles off the Icelandic coast, and had been seized by an armed Icelandic detachment on 24 November 1974. The master of the ship had been condemned to a heavy fine by an Icelandic court while the catch and fishing gear had been confiscated. This action constituted, in the view of his authorities, a violation of the prohibition of the use of force embodied in international law and of the centuries-old well established freedom of the high seas. It furthermore showed a disregard for the judgment passed by the International Court of Justice on 25 July 1974 in the German-Icelandic fishery dispute.

He pointed out that after the unilateral decision by Iceland in 1972 to extend the Icelandic fishery zone from 12 to 50 nautical miles, Iceland had caused almost daily incidents which had seriously imperilled German fishermen and fishing vessels. Such incidents had continued even after the International Court of Justice had found that the unilateral extension of the Icelandic fishery zone
from 12 to 50 nautical miles was not opposable to the Federal Republic of Germany, and that the Icelandic Government was not entitled unilaterally to exclude fishing vessels of the Federal Republic of Germany from the disputed waters or unilaterally impose restrictions on their activities in the regions in question.

He went on to say that the Federal Government had, since 1971, upon hearing of Iceland's intentions, attempted to bring about a peaceful settlement regarding this matter. In October 1974 the two delegations had finally worked out a draft agreement in which the Government of the Federal Republic of Germany made substantial concessions in favour of Iceland. This draft agreement was not approved by the Icelandic Parliament.

In the light of these circumstances he felt that the ban on direct landings was a justified counter-measure fully in line with the general principles and rules of international law. There was therefore nothing to support the Icelandic Government's assertion that GATT provisions were applicable and that they had been violated by the German Government.

He pointed out that the landing ban was not an embargo on Icelandic fish imports nor did it close German ports to Icelandic trading vessels. It was only a temporary measure which would be cancelled as soon as conditions existed for the continuation of talks between the two governments. To this effect comprehensive discussions at Foreign Minister level had been proposed by the German Government. However, the Icelandic Government had so far not agreed to such discussions. He expressed the hope that a compromise taking into account the legitimate interests of both sides would soon be found.

The representative of Iceland emphasized that his authorities did not agree with the view that the provisions of the General Agreement in the present case were not applicable. The German measure was a simple prohibition on traditional exports of Iceland and was directed against Iceland only. It was a complete alteration of the import policy of the Federal Republic of Germany under which imports of fresh fish by traditional transport means had been liberalized. The measure constituted therefore a violation of the provisions of Articles XI and XIII of the General Agreement and of the very principles on which co-operation under the GATT was founded.

His Government did not agree with the view that the landing ban was a permissible counter-measure against Iceland under general international law. This moreover was irrelevant, as the GATT could only be concerned with the application or functioning of the General Agreement and not with any other international principles.
Although the observations made in this connexion were not relevant they still required a reply. He explained, therefore that the arrest of the German trawler had been made in accordance with Icelandic law and the case had been handled in accordance with standard court procedure. This was a matter of normal law enforcement. With reference to the judgment of the International Court of Justice he pointed out that Iceland had not participated in the proceedings at The Hague. Furthermore, five out of the ten judges who had voted for the judgment had stated that in their opinion the 12-mile limit was not established as a maximum limit under international law. Moreover, the Court had stated that the deliberations at the United Nations Conference on the Law of the Sea could not be taken into account because the Conference had not yet concluded its work. The fact remained that more than 100 nations had expressed support for the concept of the exclusive economic zone of up to 200 miles. But even if the extension of the fishery limits in question was contrary to international law, the measures which had been taken against Iceland constituted a breach of obligations under the General Agreement which was a law in itself. It was and remained his Government's policy to endeavour to solve this matter on a bilateral level. Article XXII:1 consultations had been requested by his Government, but they had been refused by the German delegation. The bilateral discussions at Foreign Minister level had not been acceptable to his Government because of the pre-conditions attached by the German Government. At this stage he only wished to call the attention of the Council to this matter, to which his delegation would revert later if necessary.

The representative of Germany remarked with respect to the relationship between the general rules of international law and GATT rules that if the ban on direct landings was justified as a counter-measure under generally recognized rules of international law it could not be illegal under the GATT. The General Agreement did not represent an isolated legal system. Rather, it was embedded in the general rules of international law. Otherwise, any State could constantly violate the economic interests of its neighbouring State which would be forced to renounce any counter-measure it wanted to take. Concerning the application of national Icelandic law and national Icelandic court procedures, he did not question the fact that in the trial against the master of the German vessel the relevant substantial and procedural provisions of law in force in Iceland had been fully respected. However, the Icelandic jurisdiction, according to international law, did not extend to the high seas where the German vessel had been seized by force of arms.

The Chairman expressed the hope that both parties would find a mutually satisfactory solution to this matter.

The Council took note of the statements made.
15. **Australia - Article XIX Action on Motor Vehicles**

The representative of Japan referred to the introduction on 1 February 1975 by the Government of Australia of restrictions on imports of motor vehicles, as communicated to the CONTRACTING PARTIES in document L/4149. His Government regretted this action and he pointed out that, according to his information, domestic production of automobiles in Australia had been relatively constant for the last three years, as 433,000 cars were built in 1972, 464,000 in 1973 and 371,000 during the first eleven months of 1974.

He said that until recently there had been a general tendency in the Australian policy to encourage importation, as illustrated by the revaluation of the Australian currency and unilateral tariff reductions. With respect to motor vehicles, the Industries Assistance Commission considered importation of completely assembled cars as economically beneficial and had recommended measures to promote imports rather than domestic production.

Countries exporting automobiles to the Australian market had taken these measures into consideration and had adjusted their production accordingly. His delegation was not unaware of the fact that stocks of automobiles had increased and unemployment had risen in Australia since last autumn. He drew attention to the fact that the Australian Government had already resorted to measures to restrain imports of automobiles, such as the increase of rates of duties, ranging from 20 per cent points to 15 per cent points, and the devaluation of the national currency on 14 November 1974. Before the full impact of these measures could be felt, the new import restrictions were introduced limiting imports of automobiles to less than 20 per cent of newly registered automobiles in Australia or about half of what had been the ratio for the last year. His delegation, therefore, expressed concern about the seriousness of the measures taken by the Australian Government and it reserved the right to enter into consultations at an early date.

He concluded by expressing also his delegation's concern about the general tendency of the Australian Government to turn from a policy of liberalized trade to import restrictive measures. He stated that in the light of the present difficult international economic situation, trading partners should refrain from trade-restrictive measures and he hoped that the measures taken by the Government of Australia would not proliferate.

The representative of the EC associated his delegation with the concern expressed and reserved all rights under the General Agreement for the Community and its member States in this matter.
The representative of the United States expressed his delegation's concern with regard to the Australian action on automobiles and textiles. He noted that other countries were also considering import restrictions and he was concerned about the detrimental effects which such trade-restrictive policies might have on the international economic system, particularly at a time when serious negotiations for a broad programme of trade liberalization were about to begin.

The representative of Canada enquired whether the new Australian measures would continue to allow for importation of automobiles in commercial quantities.

The representative of Australia explained that the restrictions had been imposed in the light of seriously declining domestic demand and increasing unemployment. The measures had, moreover, been taken against the background of positive internal measures to stimulate domestic demand. He presented automobile statistics which showed that new registrations of automobiles in Australia had increased from 405,000 in 1972 to 459,000 in 1973 and to 475,000 in 1974. Imports had increased from 34,000 in 1972 to 65,000 in 1973 and to 151,000 in 1974. For 1975 it was the objective of his Government to allow imports, by monthly quotas, for an annual total of about 95,000 automobiles, which was about 20 per cent of the Australian market. He felt that this objective compared quite favourably with import prohibitions by other countries against Australian products. His delegation was ready to enter into consultations with contracting parties having a substantial interest as exporters of the product concerned.

The Council took note of the statements made.

16. Australia - tariff quotas on imports of textiles

The representative of Japan referred to the tariff quota measures in the field of textiles introduced by the Government of Australia. His delegation had already referred to these measures in a recent meeting of the Textiles Committee and considered that the measures were contrary to Article 9 of the Textiles Arrangement and were nullifying the objectives of that Arrangement. There was a danger furthermore that these measures could trigger off a chain reaction of similar measures. He felt that the Australian measures should be carefully examined both at the meetings of the Council and of the Textiles Surveillance Body. He was much concerned that further products would be added to the list of textiles products subject to tariff quota, and had already received indications that recently new tariff quotas had again been introduced.
The representative of Canada recalled that when this matter was brought up in the Textiles Committee the Australian delegation had declared that the measures affected unbound tariff items where no concessions were impaired and that they were not inconsistent with Australia's rights and obligations under the GATT. The Canadian delegation doubted that these actions were covered under the Multifibre Arrangement. In these circumstances they would not be subject to scrutiny by the Textiles Surveillance Body. This however did not imply that there should be no examination of these measures. His delegation was concerned because, when the tariff rate was raised to a prohibitive level, a tariff quota would constitute a quantitative restriction. He was also concerned at the level of the quota which was considerably lower than would have been permissible under the Multifibre Arrangement. He welcomed the offer of the Australian delegation to discuss this matter in the GATT. The question of how this matter could best be discussed could be referred to a later meeting of the Council in order to give time for reflection.

The representative of the United States remarked that the measures had the effect of frustrating the objectives of the Multifibre Arrangement and that they were inconsistent with the provisions of Article 9 of that Arrangement. The measures constituted a de facto restraint on trade and they therefore required discussion and consideration.

The representative of the United Kingdom, speaking on behalf of Hong Kong, similarly maintained that tariff quotas at prohibitive levels became de facto quantitative restrictions. He referred to public statements by Australian authorities that the intention of this action was to reduce appreciably current levels of imports. Referring to the statement by the Australian representative at the Textiles Committee that the Multifibre Arrangement did not override GATT rights and obligations, he pointed out that if a country had accepted the Multifibre Arrangement this reflected the intention to deal with the textiles problems in accordance with the terms of that Arrangement. He endorsed the suggestion that there should be an examination of this action in the Council and in the Textiles Surveillance Body. His Government had reserved its rights to seek consultations under Article 9, paragraph 2 of the Multifibre Arrangement.

The representative of Australia confirmed his Government's readiness to consult on any action taken by Australia under the GATT. He stated that in his view the tariff level was not prohibitive. He pointed out that the question of tariff quotas was not relevant. The issue was that Australia had raised the level of unbound tariffs and had maintained certain quotas at a lower level.
Referring to the Textiles Arrangement, he pointed out that it enabled contracting parties to apply discriminatory quotas against imports which were not permitted under the GATT. To that extent, the Arrangement had increased the degree of protection available to contracting parties, but it did not preclude contracting parties from exercising their GATT rights. He also pointed out that some participants in the Textiles Arrangements were not contracting parties. His delegation was not prepared, in the case of tariffs, to confer GATT rights on non-GATT members. His delegation was therefore prepared to enter into consultations, but only in the context of the GATT. He had an open mind as to what particular forum would be most appropriate.

The representative of Japan said that Australia was free to modify tariff rates which were not bound under the GATT. He considered however that since these measures were designed to have effects similar to quantitative restrictions they should be treated in a similar manner. He pointed out that while the Textiles Arrangement enabled contracting parties to apply protective measures which were not allowed under the GATT, these measures were subject to precise criteria and surveillance.

The Council took note of the statements made and agreed to revert to the matter at its next meeting.

17. Greece - Import restrictions on meat

The representative of Australia stated that the Greek authorities had imposed restrictions on imports of meat. His delegation expressed the hope that the Greek authorities would notify to the CONTRACTING PARTIES details of the restrictions imposed and that in due course interested contracting parties could discuss them.

18. Australia - Article XIX Action on Footwear (L/4099)

The representative of the European Communities stated that, in connexion with the recent Article XIX action on imports of certain footwear taken by Australia, the European Communities had asked for a prolongation by mutual agreement of the period of 90 days, referred to in paragraph 3(a) of Article XIX. There were several precedents for such a prolongation by mutual agreement between the parties. The Australian delegation, however, believed that a decision of this nature would have to be taken by the CONTRACTING PARTIES. He therefore asked whether any other contracting party was of the opinion that such a decision would come under the jurisdiction of the CONTRACTING PARTIES and whether such contracting party would have objections to such a decision.

A number of representatives stated that they had never encountered any difficulty in reaching agreement with the other party for an extension of the period referred to in Article XIX:3(a) in order to continue consultations rather than having recourse to retaliation.
The Chairman suggested that the matter be reverted to at the next meeting of the Council, if necessary.

The representative of the European Communities stated that rather than reverting to the matter again, it appeared to him that no objection had been voiced in the Council to the extension of the time limit for a reasonable period of time. A period of 60 days would be quite sufficient for the Community's purpose.

The Council took note of the statement made.