1. Association between the EEC and Tanzania, Uganda and Kenya (L/3721)

The Chairman recalled that in September 1970 the Council had initiated consideration of the provisions of the Agreement of Association between the EEC and Tanzania, Uganda and Kenya and had established a Working Party for this purpose.

In the light of the fact that the representatives of the East African States were not able to attend the present meeting, the Council agreed only to open the discussion of this matter and to revert to it again at a subsequent meeting in the autumn so as to give a full opportunity to the East African States to present their views.
In introducing the report, Mr. Mizoguchi (Japan), Chairman of the Working Party, noted that all members of the Working Party had expressed sympathy with the development needs of the East African States. Some members, however, had indicated that certain East African imports from third countries which had only been subjected to fiscal entry charges and not to import duties had also become subject to import duties with the application of the Agreement. This was, in their view, not in accordance either with Article XXIV:5(c) or with Article XXIV:8(b). In the view of the parties to the Agreement, there were no grounds for denying the attainment of free trade within the meaning of Article XXIV. In these circumstances the Working Party had only been able to record the different views.

The representative of the United States did not believe that the arrangement was a free-trade area nor did he see any reason to suppose it would ever become one. The arrangement did not meet the definition of a free-trade area in which the duties and other restrictive regulations of commerce were eliminated on substantially all the trade between the constituent territories. But even if one accepted the argument that fiscal entry charges were not duties or other regulations of commerce, the arrangement still did not comply, because in that case the association would have been established by the imposition of customs duties where none had existed before. This was not permissible under Article XXIV:5(b). His authorities were concerned over the fact that the parties to the arrangement persisted in asserting that trade was free without producing any facts to refute the evidence that had been put on record that it did not meet the criteria of Article XXIV. His delegation was not prepared simply to adopt the report and note the differing views, but asked members of the Council other than the parties to the agreement to call on the latter to bring their trade policies into line with their GATT obligations.

The representative of Australia identified his delegation as one of those which had taken the view in the Working Party that the agreement did not constitute a free-trade area within the meaning of Article XXIV.

The representative of the EEC said that, since the representatives of the East African States were not present, he reserved his position to comment on the report later.

The Council decided to revert to the matter at a later meeting.

2. Balance-of-payments restrictions

Reports on consultations with New Zealand (BOP/R/60), Finland (BOP/R/61), Argentina (BOP/R/62) and South Africa (BOP/R/63).

Mr. Dunkel (Switzerland), Chairman of the Committee on Balance-of-Payments Restrictions, introduced the reports on the consultations held in June 1972. He noted that the Committee had agreed that the import restrictions applied by Argentina did not exceed the extent necessary and justifiable in terms of the provisions of Article XVIII:B. It had, however, expressed the expectation that Argentina would work steadily towards the removal of the restrictions as circumstances permitted. As regards Finland, the Committee had expressed the hope that, as a
result of the substantial rise in its reserves, other factors pointing towards an easing of the situation and the measures that had been taken to diversify the economy, Finland would continue to reduce its reliance on import restrictions. In the New Zealand case the Committee, while noting that the economy was faced with uncertainties because of its extreme dependence on agricultural exports, had believed that the present balance of payments and reserve position was strong enough to permit a much faster rate of liberalization and had, therefore, urged New Zealand to substantially accelerate the review of removal of the remaining restrictions imposed under Article XII. With regard to South Africa, the Committee had considered that the present balance-of-payments position no longer justified recourse to Article XII and had, therefore, urged South Africa to eliminate the intensified restrictions of November 1971 and to proceed with further liberalization of import restrictions in effect from 10 November 1971.

The representative of the United Kingdom, referring to paragraph 17 of the report on the consultation with Finland, expressed his Government's hope that Finland would be able to abolish the import equalization tax shortly and in the meantime would at least exempt from it goods not produced in Finland. The exchange of views in the Committee was not to be taken as the last word on this matter.

The representative of South Africa informed the Council of his Government's decision to discontinue its recourse to Article XII of the General Agreement as justification for its remaining import restrictions. This decision had been notified in document L/3730. His authorities had also decided on a further and substantial relaxation of import restrictions. Certain items which had been placed under permit in November 1971 would, with a few exceptions, be reinstated on the permit-free list. Moreover, certain groups of commodities which, prior to November 1971 had been subject virtually to automatic licensing and which had, under the intensified import restrictions, been made subject to global quotas, were now once again being restored to their previous status, with the exception of seven groups. In respect of six of these seven groups, however, additional import relaxations had been decided upon. The pre-November 1971 list of commodities that could be imported only under a specific permit would, to a large extent, be retained. These measures were a serious attempt by his Government to go as far as it could at the present time in giving effect to the conclusions of the Committee.

The representative of the United States was pleased to note the disinvocation of Article XII. It was, however, difficult to assess the exact extent to which South Africa would continue to apply import restrictions which had no legal cover under the GATT. Furthermore, it was not clear why South Africa had not been able to remove immediately all restrictions imposed in November 1971 since the justification for their imposition had disappeared. The retention of restrictions could be interpreted by the South African business community as a lack of conviction about the balance-of-payments position and a hint that restrictions might be reimposed, thus inducing a level of imports higher than justified on purely commercial grounds. He also said that there had been no support in the Committee for the South African thesis that restrictions could be imposed outright
when the balance-of-payments situation required it, but could only be removed gradually when the balance-of-payments position no longer required their retention. His authorities, therefore, urged the removal of all restrictions introduced in November 1971 now that the South African Government had acknowledged that the Article XII justification no longer existed, and also urged the resumption of the process of liberalization of restrictions in effect prior to November 1971. He suggested, therefore, that the Council revert to the matter at its next meeting so as to enable contracting parties to assess details of the South African notification, to give South Africa a short period of time to remove all restrictions introduced in November 1971 and to report thereon and to permit contracting parties to consider, in the light of the above, whether further action under the relevant provisions of GATT was necessary.

The representative of the EEC recalled his authorities' views expressed in the Committee and welcomed the disinvocation of Article XII. Until all details had been made public, it would not be possible to assess the extent of the liberalization measures. He expressed support for the United States procedural proposal.

The representative of Canada welcomed the disinvocation of Article XII. He noted that reference had been made to certain exceptions and regretted that the South African authorities had apparently not seen fit to remove all intensified restrictions of November 1971. He urged South Africa to remove also those restrictions and to proceed promptly with the further liberalization of the restrictions in effect prior to November 1971.

The representative of the United Kingdom welcomed the measures announced. It seemed that with regard to imports of machines and raw materials, the situation was now fairly reasonable; this was, however, not the case as regards consumer goods, particularly clothing, and textile piece-goods and general goods. He hoped, therefore, that the restrictions imposed in November 1971 would be removed as soon as possible and, if possible, by the end of 1972.

The representative of Australia welcomed the disinvocation of Article XII and hoped that South Africa would resume the process of liberalization as soon as possible.

The Council adopted the reports on New Zealand, Finland, Argentina and South Africa. The Council welcomed the disinvocation of Article XII of the General Agreement by South Africa and the steps taken towards liberalization of its restrictions, urged South Africa to eliminate fully the intensified restrictions of November 1971 and to proceed as promptly as possible with further liberalization of import restrictions which were in effect prior to November 1971 and decided to keep the item on its agenda.
3. **Uruguay - Import surcharge (L/3722)**

The Chairman recalled that in July 1971 the Council had instructed the Committee on Balance-of-Payments Restrictions to carry out a detailed examination of the Uruguayan system of import surcharges in the light of the provisions of Article II of the General Agreement.

Mr. Dunkel (Switzerland), Chairman of the Committee on Balance-of-Payments Restrictions, in introducing the report on the consultation held in June 1972, stated that the Committee considered that, while Uruguay should be allowed to maintain the surcharge to meet the balance-of-payments difficulties, it should be urged to take steps to reduce or eliminate the surcharge or to develop a programme for adjusting the import régime so as to dispense with recourse to the Article XXV:5 procedures. In order to allow time for such action, the Committee had recommended that the waiver to permit the continued application of the import surcharge be extended for a further period of two years, i.e. until the end of June 1974. The waiver was to be granted subject to certain conditions, notably: that the Government of Uruguay would transmit to the CONTRACTING PARTIES by October 1972 a certified copy of the relevant laws and regulations and a list of the surcharge rates; and that it would report in June 1973 on action taken or planned to reduce or eliminate the surcharge.

The representative of the EEC stated that his authorities continued to be concerned over the application of the surcharge with regard to flag discrimination. It was not clear whether the surcharge introduced by Decree 438/67 of 17 July 1967, Article 4, had been abolished. His authorities, therefore, reserved their position.

The representative of Uruguay recalled that, as he had explained to the Committee, the whole mechanism of surcharges that benefited national flag ships had been introduced in connexion with the increases in the surcharges. Since these increases had been removed, all flag discrimination had implicitly also been withdrawn. He could assure the members of the Council that at present not a single surcharge benefiting directly or indirectly national flag ships was being applied by his authorities.

The representative of the United Kingdom asked for information on the draft legislation for "freight reservation" referred to in paragraph 10 of the report, in particular whether there was any intention to adopt legislation which would reintroduce objectionable discrimination. He suggested that until this was clearer the waiver should be granted for only a short period.

The representative of Norway pointed to the difficulty of the situation since there was a prospect that one objectionable measure would be replaced by even more objectionable measures of a different nature. His delegation would, therefore, need additional time for reflection before taking a position in respect of the granting of a waiver for two years.

The representative of Sweden took the view that more time was needed for reflection and reserved his position.
The representative of Nigeria expressed his concern that the Council seemed to envisage an alteration in the terms of the waiver as proposed by the Balance-of-Payments Committee, because of uncertainties about draft legislation on a matter which might be outside the competence of the GATT.

The representative of Uruguay stated that the bill which was now before Parliament did not contain any provision which would tend to reinstate a system of discrimination through surcharges. When and in what form the bill might finally be adopted was obviously unpredictable. The risk of new legislation existed constantly and was not a reason for postponing a decision on the waiver. The issue could, of course, be reopened if legislation was passed that was not in accordance with the terms of the waiver. Moreover, there was at present only one overseas ship flying his Government's flag and the policy was rather to put a premium on foreign vessels coming to his country.

The Chairman of the Balance-of-Payments Committee pointed out that the text of the draft decision had been conceived in a systematic fashion which would be affected by a simple alteration of the expiry date. He suggested, therefore, that the Council revert to the matter at its next meeting and that Uruguay be asked to give further data on flag discrimination.

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

4. Switzerland - Review under paragraph 4 of the Protocol of Accession (L/3523, L/3616, L/3712)

The Chairman recalled that under paragraph 4 of its Protocol of Accession, Switzerland had reserved its position with regard to the application of the provisions of Article XI of the General Agreement to permit it to apply certain import restrictions pursuant to existing internal legislation. The Protocol called for an annual report by Switzerland on the measures maintained consistently with this reservation and required the CONTRACTING PARTIES to conduct a thorough review of the application of the provisions of paragraph 4 every three years.

The representative of Switzerland, in introducing the three annual reports covering the years 1969-1971 (L/3523, L/3616, L/3712), noted that the agricultural import policy of his authorities had remained unchanged with regard to its principles as well as with regard to the modalities of its application. The share of agricultural imports had been fully safeguarded. The Agriculture Committee had recently dealt extensively with the overall criteria for assessing commitments in the agricultural sector. He referred to two of them, the self-sufficiency ratios and the volume of agricultural imports per caput, to illustrate his Government's position as regards trade in agricultural products. Thus, his country's self-sufficiency ratio had remained constant at about 60 per cent, while it remained the world's leading importer of agricultural products on a per caput basis. His Government's agricultural policy was based on the will to maintain the level of agricultural production required by its status of permanent neutrality and was characterized by continuity, predictability and transparency.
The representative of Greece pointed out that his Government's quota for red wine was disproportionately low and asked for its revision, especially in light of the fact that it had been established on the basis of a bilateral quota nearly twenty years ago and that Greece was a developing country.

The representative of Australia, although he had welcomed the review carried out by a Working Party in 1969, had no objection to the review being carried out by the Council. The Protocol for the Accession of Switzerland required Switzerland to administer the import restrictions in accordance with Article XIII of the General Agreement. The statement by the Greek delegation did however give rise to some concern as to whether, because of the existence of bilateral quotas, the restrictions were not, in fact, discriminatory. The 1969 Working Party had asked that more information be given in the future so as to enable clarification of this matter. The information contained in Annex 2 had presumably been provided in answer to that request. Nevertheless, the information was not complete: missing was the size of each quota, the size of the opportunity open to countries that had no quota and the volume of actual imports under the quota. Referring to the statement by the representative of Switzerland that the system had not been changed, he said that this, of course, meant that there had been no regression, but it implied that there had been no progress in terms of seeking to open up the market either. There had been an increase in imports, presumably due to an increase in demand which had not been met by a raising of the level of domestic production. He recalled that Switzerland in the Preamble to the Protocol for its Accession had declared its preparedness to consider with the CONTRACTING PARTIES the existing situation with a view to ascertaining that, notwithstanding its reservations, Switzerland provided for acceptable conditions of access for agricultural products. He noted that this matter had never been examined by the CONTRACTING PARTIES. It seemed, however, that no particular action was necessary in this respect at present, especially since the Swiss authorities were approaching the coming round of negotiations in exactly the same spirit and intent to which they had subscribed in their Protocol of Accession. He then pointed to a slight discrepancy in the sixth annual report with regard to bread wheat, where the text on page 2 indicated that there had been no real reduction in imports, whereas the statistics in Annex I indicated that there had been a steady fall in imports of bread wheat in the past three years. A final item of interest to his country was apples and pears, where, again, statistics indicated that the level of imports in recent years had been somewhat below that of 1969. His country would certainly be able to market greater quantities of this fruit if the entry period were longer.

The representative of Poland asked for more information on the reasons for the decline of egg imports from the Eastern trading area during the second six months of 1971 and suggested that in future data on fresh eggs be broken down according to supplier.

The representative of Switzerland, in reply to the statement made by the representative of Greece, pointed out that the quota distribution was based on three principal criteria: the maintenance of traditional trade currents, the
allotment of quotas to newcomers, and consumer tastes. His authorities were trying to do their best in considering all requests in the light of these criteria. He saw no difficulty in providing the additional information requested by the representative of Poland. As regards data on individual country quotas, it seemed that such information would not be really descriptive of the traditional trade flows since in addition to the contractual quotas additional imports were often admitted in order to meet fluctuating market requirements. As to the lack of changes in the agricultural policy, his authorities had followed the general line that increased demand in agricultural goods would be met in the same unchanged proportion by domestic products as well as imported goods. This meant that increased consumption resulted also in increased imports. In present circumstances such a policy could certainly be termed liberal. With regard to the declaration in the Preamble of the Accession Protocol, which had been referred to, it was clear that this declaration, though made with regard to a specific round of negotiations, remained valid; all the more so, since the agricultural import policy of all contracting parties would possibly be subject to changes if a better harmonization could be achieved. With regard to bread wheat, it was to be noted that the calendar year data given was based on extrapolations from the cereal year which created certain distortions. Furthermore, the implementation of the bread wheat import policy had been delegated to private enterprises which imported according to the world market situation and stock developments. Finally, there was a certain trend towards reduced bread consumption. As to apples and pears, it seemed that the three-phase import system applied by his Government ensured a maximum flexibility in conciliating the interests of both the national as well as the foreign producers. Due to seasonal lag, it seemed that the system would be rather favourable to Australia. With regard to the reduction of egg imports during the second half of 1971, it was to be noted that there had been no restriction on imports in that period. His delegation was of course willing to discuss these matters in more detail on a bilateral level.

The Chairman noted that the Council had hereby carried out the second triennial review required under paragraph 4 of the Protocol of Accession of Switzerland.

The Council took note of the reports.

5. European Economic Community compensatory taxes: Complaint by the United States (L/3715)

The Chairman said that the United States had invoked the provisions of Article XXIII:2 of the General Agreement in connexion with the imposition by the European Economic Community of compensatory taxes on certain products in excess of the rates of duty bound in the Schedule of the Community.
The representative of the United States said that, as a consequence of the monetary situation, the Community had established a system of compensatory taxes on imports and exports, between member States and with third countries, in order to offset the effect of exchange rate changes on the common agricultural policy. In the case of many products, however, the compensatory amounts collected on imports had been in excess of the total charges which the Community was entitled to collect under GATT bindings and were thus in violation of Article II.

As early as February the United States had made representations to the Community, both informally and in writing, but no reply had been received. The United States had then notified its intention of invoking Article XXIII:2; the letter sent to the Director-General of GATT for that purpose, circulated as document L/3715, and its addendum, listed the tariff classifications in which the bindings had been breached. The United States was asking for the immediate removal of compensatory taxes on imports in all cases where they impaired GATT bindings.

The speaker said that three types of bindings could be distinguished: those where there was a fixed duty and the duty was bound; those where there was a variable levy or a fixed duty and variable charges and the maximum level of total charges was bound; and those where there was a fixed duty or a combination of fixed and variable charges and the maximum level was bound, but the Community reserved the right to collect an additional variable amount on the sugar, grain or milk contained in the product. The nature of the impairment of the concessions varied with the type of binding and not all of the bindings were to the United States. The value of United States trade affected by those measures amounted to more than $40 million. The United States therefore asked the Council to find that the compensatory amounts collected by the Community in excess of the total charges permitted under GATT bindings constituted a violation of Article II of the General Agreement and impaired or nullified concessions granted by the Community, and to recommend the immediate elimination of those taxes.

The representative of the European Economic Community said that the purpose of the tax in question, known as a "compensatory amount", was corrective, not protectionist; it had been introduced in the Community as a result of monetary events. The amounts represented the difference between the official parity and the actual exchange quotations recorded for the United States dollar; they were part of a system for maintaining price levels expressed in national currencies, which could be applied either in the form of a charge on imports, in the case of a revaluation, or of an import subsidy, in the case of a devaluation, as had occurred in the past. At the present time, all the member States except Italy made such compensatory charges, both in intra-Community trade and in trade with third countries. They were applied to certain agricultural products that were subject to a system of intervention prices and to certain goods obtained from those products, so as to prevent support prices converted on the basis of the fixed parities in the member States concerned from being affected because imports were being paid for at the actual rates of exchange. At present the
amounts were 5.7 per cent in the case of the Federal Republic of Germany, 4 per cent in the Benelux countries and 1.9 per cent in France.

The speaker informed the Council that the Community had just made a further review of the situation and had decided that it was possible to abolish the compensatory amounts in the case of a very large number of products. That decision would come into force on 31 July. From that date, only the following products that were bound without a reservation concerning the charging of a variable element or of an additional duty would continue to be subject to the system: certain types of cheeses (04.04 AI and B), certain wines (ex 22.05 C I b), and three pig products, namely lard for industrial purposes (15.01 A I) and two products containing pig liver (16.01 A and 16.02 A II). Consequently, imports from the United States into the member States that charged the compensatory amounts would represent only about half a million dollars. In accordance with the policy it had followed up to the present, the Community would make every effort to abolish the remaining compensatory amounts as soon as circumstances permitted.

The representative of Switzerland said he had taken note of the encouraging nature of that information, which testified to the Community's desire to give a positive answer to the representations made to it, but he pointed out that certain typical and important exports from his country still remained subject to the taxes concerned, though he hoped that that would only be so for a very short time. That state of affairs was all the more regrettable because the Swiss authorities had drawn the attention of the competent authorities of the Community to the inadequacy of the amounts in the light of the relationship between the parities in the States of the Community and the parity of the Swiss franc established as a result of the Washington monetary realignment. He had taken note of the assurance that urgent steps would be taken to settle the problem, by the early abolition of the compensation amounts still applied to certain agricultural products. The Swiss authorities would decide what procedure to follow on the basis of the new facts brought to the notice of the Council.

The representative of Australia said that, while he recognized that the system was the result of present circumstances, he wished to express his Government's concern, which had already been conveyed to the Community authorities, at the application of taxes that were in excess of the GATT bindings.

The representative of the United States said that, although he welcomed the measures taken by the Community, he noted that the compensatory amounts still applied might lead to the limits set by the bindings being exceeded. For the United States, the importance of the question was greater than that of the volume of trade involved. He reiterated his request that the Council recommend to the Community the immediate elimination of the compensatory amounts which still remained and were in excess of the tariff bindings. He also requested the Council in any case to appoint a panel to study the question, in conformity with provisions of Article XXIII:2 and in accordance with the procedure
traditionally adopted in cases where the parties concerned had not succeeded in settling their differences. In the case in question, examination of the problem by a panel should lead to conclusions that would be of help to the CONTRACTING PARTIES if they wished to make recommendations under that Article.

The representative of the Community said that, in view of the developments which had taken place in the situation since the United States had lodged its complaint, the EEC considered that there was no justification for setting up a panel in the present case, and it therefore opposed that step.

The representative of the United States asked whether the Community, in arriving at its decision, had taken account of all the tariff headings listed by the United States, apart from the few headings mentioned earlier, and what had been the grounds for making an exception in those few cases.

The representative of the Community explained that the Community had abolished the compensatory amounts not only in the case of a number of articles subject to unconditional bindings, but also in the case of products where the binding was accompanied by a reservation concerning the charging, in addition to the bound duty, of a variable element or of an additional duty corresponding to the charge levied at the frontier on the raw material from which the product had been manufactured. The Community was nevertheless of the opinion that when a compensatory amount was charged on a raw material and the duty on that raw material was not bound, then that amount could in such a case, and in accordance with the terms of the binding, be legitimately transferred to the variable element or the additional duty.

With regard to the products that were subject to unconditional bindings and on which compensatory amounts were nevertheless still being charged on importation into the Community, he pointed out that when quantitative restrictions were not applied on entry, and the currency was revalued, recourse for a limited time to measures enabling farmers to adjust themselves to possible loss of income might be unavoidable.

The representative of the United States observed that an exception relating to the content of certain products did not constitute an authority to apply additional taxes to an unlimited extent; the nature of the taxes applicable was specified and did not embrace compensatory amounts. He considered that the products listed by the United States, including those in the third part of the list, were subject to compensatory amounts in excess of the GATT bindings, and that the complexity of the problems made it necessary to set up a panel.
The Chairman noted that the Council had been asked to take a decision on a complicated legal question. A request for the appointment of a panel made by a very interested party had been refused by the other party most concerned. New information had been communicated to the Council and it would wish to examine that information in detail. An immediate decision by the Council was undesirable; it should be given time to consider the matter.

The Council agreed to defer the question until its next meeting.

6. Main Findings concerning Trade at Most-Favoured-Nation and at Other Rates (L/3708)

The Chairman recalled that at the last meeting the Council had been presented with the Main Findings concerning Trade at Most-Favoured-Nation and at Other Rates, as requested by the CONTRACTING PARTIES at their twenty-seventh session. The CONTRACTING PARTIES had also instructed the Council to consider what further steps should be taken.

The representative of the United States agreed that the present exercise could be considered complete. Further study in the future should, however, not be foreclosed. His delegation attached considerable importance to this subject and, in light of the increasing magnitude of preferential trade, believed that consideration should be given, at a future time, when the workload permitted, to the secretariat updating the study with a more current year's data and more comprehensive country coverage. Trade breakdowns by commodity groups and duty-free and dutiable trade could also be included where feasible. With regard to the cover note and Table 1, he pointed out that the purpose of the exercise, as stated in the terms of reference cited on page 1, had been to determine "total imports at most-favoured-nation rates and total imports at preferential rates, including imports from other parties to customs unions, free-trade areas and special trading arrangements". However, the first full paragraph on page 2 in particular differentiated between certain cases of intra-regional trade and other preferential trade. His Government regarded intra-regional trade as well as other components as an integral part of the preferential total. For these reasons, the findings which he felt should be highlighted were comparisons between the trends of total preferential trade and most-favoured-nation trade. One major finding was the continued decline over the 1955-1970 period in the most-favoured-nation share on the one hand and the steady increase in the total preferential share of total imports on the other. Furthermore, the findings highlighted in both of the first two paragraphs on page 2 related to the size and rate of growth of preferential trade only in terms of relative percentage shares. In his view, the magnitude and growth of preferential imports in terms of absolute trade values, on which the terms of reference and the entire report aside from Table 1 were based, were important and should also be pointed out, particularly in cases where percentage shares showed a decline or deceleration in growth rate but absolute trade values
had increased. With respect to the deceleration of the yearly growth rate of the preferential share, pointed out in the second paragraph, the most significant fact was that the absolute value of preferential trade had increased steadily from $6,500 million in 1955 to $56,400 million in 1970, of which $30,000 million of $50,000 million absolute growth had taken place in the 1964-1970 period. "Other" preferential trade noted in the last sentence of the first paragraph had actually increased over the period, in absolute value as opposed to percentage share terms, steadily since 1961. In addition, the present study understated the magnitude and growth of preferential trade over the whole period as well as the 1964-1970 period since data was unavailable, and therefore not included, for many countries which had a high proportion of total imports subject to preferential arrangements. Therefore, the implication in particular of the last sentence of the second paragraph, which referred to deceleration of the preferential import share in 1964-1970 period when new arrangements were introduced could be misleading. Finally, it was also relevant to point out the magnitude and growth of preferential imports in terms of their importance to the total trade of particular countries or country groups in addition to their importance in world trade. For example, it was significant that total EEC preferential imports (intra-EEC trade plus arrangements with third countries) had increased from $2,000 million in 1955 to $38,600 million in 1970, from a 10.5 per cent to a 49.1 per cent share of total EEC imports.

The representative of Australia expressed some concern over the nature of the information provided in Table 1 since the share of imports at preferential rates of countries associated with the EEC was included in column 8 "Other". He could support the suggestion that, at a later stage, work on the study be continued.

The representative of the EEC drew attention to the dynamic development of intra-Community trade which was, in fact, to be considered as intra-national trade. In the past decade, the rate of preferential imports had tended to slow down as compared to most-favoured-nation imports, as was evidenced in paragraph 2 of page 2 of the note. If, in Table 1, one excluded intra-Community trade, then it became evident that trade at preferential rates had remained nearly unchanged since 1961. This had been due to the expansion of preferential trade between the United States and Canada and among EFTA countries and the reduction of other trade at preferential rates. Finally, his authorities had also established that the share of imports at preferential rates into the EEC from associated countries, as compared to total EEC imports from third countries, had decreased from 4.8 per cent in 1961 to 3.7 per cent in 1970.

The Council took note of the Director-General's note.
7. Customs unions and free-trade areas - procedures

The Chairman recalled that at its last meeting the Council had begun the consideration of a proposal made by the United States regarding procedures for the submission and examination of basic information concerning newly established customs unions and free-trade areas.

The representative of the United States stated that his delegation's original proposal put to the Council on 29 May 1972 had had a good deal of support in principle. As a result of informal talks with a number of delegations, he was inclined to feel that it would be difficult to agree to any specific time-limits that could be applied. He suggested, therefore, a more general approach, and proposed that the Council note that Article XXIV:7(a) required any contracting party deciding to enter into a customs union or free-trade area to notify the CONTRACTING PARTIES promptly, and that it should decide that any agreement subject to notification under Article XXIV:7(a) should be included in the agenda of the first meeting of the Council after the signing of the agreement for which the requirement of ten days' notice for agenda items could be met, and that it should, at such meeting, establish the time-table and procedure for examination of the agreement.

The representative of Japan recalled that at its last meeting his delegation had, in principle, expressed support for the proposal. The amended proposal now tabled was very realistic and merited positive consideration. It would not create any serious problems for the parties to an agreement.

The representative of the EEC was not yet in a position to comment on the proposal, although he fully supported the need for a practicable and efficient solution to this problem. He enquired whether it was the intention to have such an agreement inscribed on the Council agenda only at the request of the countries concerned or at least after consultation with them. Another question still open was the definition of the term "deciding" used in Article XXIV:7. The Council should revert to the matter at a later meeting.

The representative of Canada expressed support for the proposal. Any practical difficulties could then easily be met at the first meeting of the Council discussing the particular agreement.

The representative of the United States, replying to the representative of the EEC, expressed the hope that the inscription on the Council agenda of the conclusion of an agreement would not create serious difficulties. One could expect that the parties to the agreement would inscribe it in the agenda. If another contracting party thought an agreement had been concluded which should be dealt with by the Council, an enquiry would presumably be put to the parties to the agreement. The matter would then be solved on a basis of fact. The mere notification to the GATT of the existence of a decision to enter into an agreement should in no case cause procedural problems to the parties concerned.

The Council decided to revert to the matter at its next meeting.
8. Participation of developing countries in the preparations for the trade negotiations

The Director-General informed the Council about arrangements made since the previous meeting regarding the association of developing countries non-contracting parties with the preparatory work for the multilateral trade negotiations. He had sent a letter to the developing countries concerned (L/3718). As a result, a number of delegations of developing countries had informally contacted the secretariat; furthermore, El Salvador, Mexico and the Philippines had replied to the letter and indicated their interest in being associated with the preparatory work. All of them had been given all additional information required. The latter, moreover, had been advised that they would be invited to attend as observers the meetings of the Agriculture Committee, the Committee on Trade in Industrial Products and the Committee on Trade and Development. They would also receive the working documents of the Agriculture Committee and the Committee on Trade in Industrial Products which appeared in the COM.AG/W/- and COM.IND/W/- series. Together with the normal distribution of GATT documents which was already being sent to all developing countries and which included, inter alia, documents in the COM.IND/- and COM.AG/- series, such distribution seemed adequate to acquaint the developing countries concerned with the preparatory work which was being carried out. Should any delegation of a non-member developing country, once sufficiently acquainted with the preparatory work, express a specific interest in attending meetings of any of the groups established by the Committee on Trade in Industrial Products or the Agriculture Committee, arrangements could be made to meet such requests. In such a case the Chairman of the Group concerned would be asked to inform the members of the attendance of these developing countries. He pointed out that such a distribution of documents in no way detracted from the procedure on the derestriction of documents.

9. United Kingdom - Restraints on imports of cotton textiles from Israel

The representative of Israel recalled the statement made by his delegation at the meeting of the Cotton Textiles Committee on 5 June 1972 referring to consultations held with the United Kingdom on restraints on imports of cotton textiles from his country. These restraints were, in his delegation's view, clearly contrary to the provisions of the Long-Term Arrangement Regarding International Trade in Cotton Textiles and of the General Agreement. No progress had been made since in these bilateral consultations. In the meantime, the continuing application of these measures was damaging his country's commercial interests and directly impaired benefits accruing to it under the General Agreement. He was, therefore, referring the matter to the CONTRACTING PARTIES in accordance with Article XXIII:2.

The representative of the United Kingdom stated that his Government disputed the basic facts of the case presented by Israel. The criteria set forth by the Long-Term Arrangement for the reference of such disputes to the CONTRACTING PARTIES were, therefore, not met. The Israeli case was covered neither by
paragraph 1 nor by paragraph 2 of Article 7 of the Long-Term Arrangement. He expressed some concern that the matter had reached the Council at this stage. Although his delegation did, of course, not dispute the right of a contracting party to raise any matter under Article XXIII, Articles 7:3 and 8(b) of the Long-Term Arrangement clearly envisaged that divergence of views should first be referred to the Cotton Textiles Committee, which, after all, was the most appropriate forum for the discussion of such questions.

The Council decided to revert to the matter at the next meeting.

10. Committee on Budget, Finance and Administration

The Chairman recalled that at its meeting in March 1972 the Council had established the Committee on Budget, Finance and Administration, without nominating a Chairman. It had now become clear that Mr. Moerel (Netherlands), who had chaired the Committee in 1970 and 1971, would not be available for renomination.

The Council appointed Mr. Moehler (Germany) as Chairman.

The Council nominated Uruguay a member of the Committee, to replace Brazil, which was not in a position to be represented on the Committee this year.

On behalf of the Council, the Chairman thanked Mr. Moerel for the work he had done.

11. Programme of meetings (C/W/205)

The Chairman pointed out that a tentative programme of meetings, for the period between the summer recess and the twenty-eighth session, had been circulated (C/W/205).

The representative of Japan noted that the dates listed on the Programme of Meetings were subject to revision in consultation with the Chairman and principally interested contracting parties.

The representative of the EEC suggested holding the meeting of the Working Party on EEC-Turkey Association on 11 and 12 instead of 14 and 15 September.

The Council took note of the programme.