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C/M/144
21 November 1980
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GENERAL AGREEMENT ON TARIFFS AND TRADE

COUNCIL
10 November 1980

MINUTES OF MEETING

Held in the Centre William Rappard on 10 November 1980

Chairman: Mr. G.O. MARTINEZ (Argentina)

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1. Tariff matters

(a) Committee on Tariff Concessions

- Report by the Chairman

The Chairman recalled that in January 1980 the Council had established the Committee on Tariff Concessions, with a mandate to supervise the task of keeping GATT schedules up to date, supervise the staging of tariff reductions and provide a forum for discussion of questions relating to tariffs. The Committee had met in February, July and November 1980.

Mr. Hussain (India), Vice-Chairman of the Committee, presented an oral report in the absence of Mr. Dugimont (European Communities), Chairman of the Committee. He said that at its first meeting in February 1980 the Committee had examined the Director-General's proposal for the establishment of a loose-leaf system for the schedules of tariff concessions (C/107). The Committee had made a revised proposal, which was approved by the Council on 26 March 1980 (C/107/Rev.1). He recalled that under the proposal, contracting parties were to submit, not later than 30 September 1980, draft consolidated schedules of their tariff concessions in their new version. However, since delegations had not been able to observe that time-limit due to technical problems, the Committee was of the opinion that it would be unadvisable to set a new time-limit for submission of schedules, it being understood that delegations would do their utmost to submit them to the secretariat as soon as possible.

In respect of the Geneva (1979) Protocol and the Supplementary Protocol, he stated that for some countries the domestic ratification procedures had not been completed before the expiry of the time-limit for acceptance of 1 July 1980, which had therefore been extended until 31 December 1980 by the Council decision of 18 June 1980. While some countries had accepted those instruments since that date, it appeared that several others would still not be able to complete the ratification procedures in time. Therefore, a further extension of the time-limit for acceptance until 30 June 1981 had to be envisaged. The text of a draft decision to that effect was before the Council in document C/W/348.

Turning to the supervising of the staging of tariff reductions granted in the Multilateral Trade Negotiations, he said that a few countries had implemented the reductions in full on 1 January 1980. Most countries had implemented the first stage of reductions on that date; and some had delayed implementation of their reductions but had then introduced two stages of reduction simultaneously. A small number of countries had not yet given any indication on this subject.

He also stated that a revised proposal concerning renegotiations under Article XXVIII and the updating of the procedural guidelines for such negotiations had been submitted to the Committee on Tariff Concessions in June 1980 (TAR/2) and had been discussed further at the Committee's meeting in November 1980. Some amendments had been made to the proposal, which was before the Council in documents C/113 and Corr.1.

He further recalled that the Working Party on Specific Duties had envisaged in its Report (L/4858) adopted by the Council on 29 January 1980, that examinations of certain specific duty adjustments under Article II:6(a) of the General Agreement should be conducted in the Balance-of-Payments Committee. At that time, the Committee on Tariff Concessions had not yet been established. He therefore suggested that the functions assigned to the Committee on Balance-of-Payments Restrictions in this connexion rather be allotted to the Committee on Tariff Concessions. A proposal to that effect was before the Council for consideration in document C/112.

He also said that the Committee had discussed questions related to the Tariff Study in the light of a Note by the secretariat summarizing the methodology used in the Tariff Study and presenting a short report of the work currently under way (TAR/W/15). The Committee had taken note of the work currently in progress and had discussed the possible enlargement of the Tariff Study. Furthermore, the Committee had requested the secretariat to prepare for its next meeting a document on the methodology applicable to the calculation of tariff averages and on the methods for aggregating products, in the light of the discussions which had taken place in the Group of Technical Experts on the Tariff Study before the opening of the MTN. The Committee had also requested the secretariat to prepare a note on the question of the measurement of the tariff escalation.

He furthermore said that some members of the Committee had raised the problem of tariff reclassification, and that the Committee had therefore asked the secretariat to prepare a background paper on the subject (TAR/W/14). That document had been examined by the Committee at its meeting in November 1980; and the Committee had asked the secretariat for a more detailed study in the context of the provisions and procedures of the General Agreement.

He concluded by stating that in the future the Committee would concentrate on questions such as the introduction of the loose-leaf system, the acceptance of the Tariff Protocols resulting from the Multilateral Trade Negotiations and the implementation of the concessions in them, problems concerning tariff reclassification, and the continuation and expansion of the Tariff Study. It had also been suggested that the Committee should play an active rôle in seeking solutions to residual problems in the tariff field, particularly those concerning developing countries.

The Council took note of the Report.[1]

- Procedures for negotiations under Article XXVIII (C/113 and Corr.1)

The Chairman drew attention to documents C/113 and Corrigendum 1, containing a proposal by the Committee on Tariff Concessions in respect of Guidelines relating to procedures for negotiations under Article XXVIII.

The Council adopted the Guidelines proposed in documents C/113 and Corr.1.

(b) Geneva (1979) Protocol to the GATT and Protocol Supplementary to the Geneva (1979) Protocol to the GATT

- Extension of time-limit for acceptance of the Protocols (C/W/348)

The Chairman recalled that in June 1980 the Council had adopted a decision extending to 31 December 1980 the time-limit for acceptance of the Geneva (1979) Protocol and the Supplementary Protocol. He said that it had become clear that some contracting parties having schedules annexed to these Protocols would be unable to accept them before the expiry of the extended time-limit, and that therefore provision should be made for a further extension. In this connexion, he drew attention to the text of a draft decision contained in document C/W/348.

[1] The text of the Report was subsequently circulated in document TAR/4.

The representative of Japan supported the draft decision and noted that the time-limit was being extended for a second time. He expressed the hope that the countries concerned would be in a position to accept the Protocols within the new time-limit.

The Council approved the text of the draft decision (C/W/348) and recommended its adoption by the CONTRACTING PARTIES at their thirty-sixth session.

(c) Adjustment of specific duties under Article II:6(a) (C/112)

The Chairman drew attention to the proposal by the Chairman of the Committee on Tariff Concessions (C/112) that the functions assigned to the Committee on Balance-of-Payments Restrictions in connexion with the new guidelines on the adjustment of specific duties, be allotted to the Committee on Tariff Concessions.

The Council approved the proposal.

2. Egypt - Economic Development Tax (C/W/347, L/5039)

The Chairman recalled that in paragraph 6 of its Protocol of Accession the Government of Egypt had reserved the possibility to maintain in effect the temporary consolidation of economic development tax on bound duties. The protocol provided that if the measure was still in effect on 31 December 1975 the matter should be reviewed by the CONTRACTING PARTIES. The CONTRACTING PARTIES had reviewed this matter in November 1975 and had agreed that the measure could be maintained in effect until the end of 1980, by which time if the measure was still in effect, the matter should be again reviewed by the CONTRACTING PARTIES. A communication on this matter from the Permanent Mission of Egypt had been distributed in document L/5039.

The representative of Egypt said that his authorities had decided to maintain the economic development tax at rates not exceeding the rates in force from the date of the Protocol until 31 December 1985 to correspond with Egypt's third Five-Year Development Plan.

The Council, having thus reviewed the matter in accordance with the provisions of the Protocol of Accession, approved the text of the draft decision (C/W/347) and recommended its adoption by the CONTRACTING PARTIES at their thirty-sixth session.

3. Indonesia - Renegotiation of Schedule (L/5060, C/W/350)

The Chairman drew attention to document L/5060 containing a request from the Government of Indonesia for a further extension of the waiver from the provisions of Article II of the General Agreement. The text of a draft decision was contained in document C/W/350.

The representative of Indonesia said that the CONTRACTING PARTIES by their decision of 22 November 1976 (BISD 23S/9) had suspended the application of the provisions of Article II of the General Agreement to the extent necessary to enable the Indonesian Government to maintain in force its new customs tariff, subject to certain specified conditions. Indonesia was required to conduct negotiations on a new GATT Schedule XXI under the provisions of Article XXVIII and terminate them before 31 December 1977. Negotiations had started with a number of interested governments; but due to the heavy demands made on the available personnel during the latter stages of the Multilateral Trade Negotiations, Indonesia had been obliged to suspend those negotiations temporarily. He recalled that subsequent decisions had extended the time-limit for the completion of the negotiations until 31 December 1980. On 25 June 1980 an agreement had been reached with one of Indonesia's main trading partners; and a List of Items for Inclusion on Indonesia's Schedule XXI would be deposited in due course. Subsequently, his delegation had informed other delegations who had expressed an interest to enter into negotiations that it was prepared to resume discussions on Indonesia's new Schedule. He said that in the meantime, Indonesia had converted its Tariff Schedule to conform with the CCCN classification. As it might not be possible to complete the negotiations before 31 December 1980, his delegation requested that the time-limit be extended again until 31 December 1981.

The representative of Japan, in supporting Indonesia's request, expressed the hope that the renegotiations would be completed before the end of 1981.

The Council approved the text of the draft decision (C/W/350) and recommended that the decision be adopted by the CONTRACTING PARTIES by a vote at their thirty-sixth session.

4. Pakistan - Renegotiation of Schedule (L/5063, C/W/351)

The Chairman drew attention to document L/5063 containing a request from the Government of Pakistan for a further extension of the waiver from the provisions of Article II of the General Agreement. The text of a draft decision was contained in document C/W/351.

The representative of Pakistan said that his Government had found it necessary to revise Pakistan's customs tariff in view of the difficult financial position of the country and the need to keep its budgetary deficit and the inflation rate as low as possible, and to mobilize additional domestic resources to meet essential development requirements. He stressed that the tariff revision was being undertaken for fiscal reasons and that it was not intended as a protective device or a trade measure. As it had not been possible to complete the negotiations and consultations by the end of 1980, his Government was obliged to ask for a further extension of the time-limit until 31 December 1981.

The Council approved the text of the draft decision (C/W/351) and recommended that the decision be adopted by the CONTRACTING PARTIES by a vote at their thirty-sixth session.

5. Uruguay - Import surcharges (L/5048, C/W/346)

The Chairman drew attention to document L/5048 containing a request from the Government of Uruguay for a further extension of the waiver to enable it to maintain a surcharge on bound items. The text of a draft decision was contained in document C/W/346.

The representative of Uruguay recalled that Uruguay was engaged in a process of simplifying its import tariff through the application of a single customs tax, which would incorporate the system of import surcharges. He said that final steps were being taken for an adjusted Schedule XXXI covering questions of nomenclature, customs valuation and levies, and which respected the agreed levels. His delegation hoped to be able to present a proposed new Schedule XXXI to the CONTRACTING PARTIES in the course of 1981. Uruguay therefore requested an extension of the waiver until 31 December 1981.

The Council approved the text of the draft decision (C/W/346) and recommended that the decision be adopted by the CONTRACTING PARTIES by a vote at their thirty-sixth session.

6. Consultation on trade with Romania

- Report of the Working Party (L/5046)

The Chairman recalled that at its meeting on 6 November 1979 the Council had established a Working Party to carry out the consultations to be held every two years between Romania and the CONTRACTING PARTIES pursuant to paragraph 5 of the Protocol of Accession of Romania. The Report of the Working Party was contained in document L/5046.

Mr. Raimondi (Argentina), Chairman of the Working Party, introduced the Report. He said that in October 1980 the third consultation on trade with Romania had been carried out according to the plan in Annex A of the Protocol of Accession. The Working Party had a broad exchange of views on different aspects of trade with Romania. It had noted that some progress had been made in phasing out quantitative restrictions applied against imports from Romania. Hope had been expressed that complete elimination of restrictions, in accordance with paragraph 3(a) of the Protocol of Accession, would be achieved at an early date. Concerns had been expressed in the Working Party that certain provisions of the Agreement on Trade in Industrial Products between the EEC and Romania could lead to preferential treatment for EEC exports. The Working Party had noted with satisfaction statements by the EEC and Romania that the bilateral agreement was not preferential in nature and

that it would be implemented in conformity with the relevant GATT provisions. Furthermore, the Working Party had taken note with satisfaction that Romania had fulfilled its commitment under the Protocol of Accession.

The representative of Romania expressed his delegation's appreciation of the work performed by the Working Party, and the hope that trade between Romania and the contracting parties would continue to develop harmoniously.

The Council adopted the report.

7. United States - Imposition of countervailing duty without injury criterion/Industrial fasteners imported from India

- Recourse by India (C/M/143, L/5028, L/5062)

The Chairman recalled that at the meeting of the Council on 9 October 1980 the representative of India had said that his Government had requested consultations with the United States under Article XXIII:1 concerning the denial to India of the injury criterion in respect of dutiable products while extending the benefit to other contracting parties (L/5028).

The delegation of India had thereafter informed the CONTRACTING PARTIES that the consultations had not resulted in a satisfactory adjustment of the matter (L/5062). India therefore sought recourse to the procedures of Article XXIII:2 and requested that a panel be established.

The representative of India proposed that the Council establish the panel and authorize the Chairman of the Council to decide on its composition and on appropriate terms of reference.

The representative of the United States said that his delegation had been proceeding in the Article XXIII:1 consultations on the basis of the matters raised by India in document L/5028, and had been prepared to accept the establishment of a panel when the consultations had failed. He stated that in document L/5062 the delegation of India had raised certain new issues which had not been the subject of the Article XXIII:1 consultations and which related exclusively to the Agreement on Interpretation and Application of Articles VI, XVI and XXIII of the General Agreement (the "Code"). At the request of India, his delegation had agreed to discuss these Code-related issues at a special meeting in December 1980 of the Committee on Subsidies and Countervailing Measures, which his delegation considered to be the appropriate body for this. He said that prior to the circulation of document L/5062, the delegation of India had not indicated any intention to ask for examination of issues of Code interpretation under a GATT Article XXIII proceeding. He stated that his delegation could not agree to the establishment of a GATT panel to examine those issues that related to interpretation of Code provisions. Nevertheless, it was still prepared to agree to the establishment of a panel under Article XXIII:2, but only to deal with problems related to rights and obligations under provisions of the General Agreement.

The representative of India said that all the points in document L/5062 were inter-related with one another and had been raised by India during the consultations with the United States. He added that at the October 1980 meeting of the Committee on Subsidies and Countervailing Measures, the United States had maintained that matters related to the Code should not be raised in the Committee, since the Code was not being applied between India and the United States.

The Council agreed to set up a panel and authorized the Chairman to decide on its composition and appropriate terms of reference in consultations with the parties concerned.

8. EEC - Refunds on exports of sugar

(a) Recourse by Australia (C/M/143, C/W/341)

The Chairman recalled that at its meeting of 9 October 1980 the Council had agreed that this item should be pursued further at the next meeting and that in the meantime, interested delegations should, with the assistance of the Chairman of the Council, hold informal discussions. He said that the informal discussions had resulted in the text of a draft decision for adoption by the Council, as follows:

> "With regard to the report of the GATT Panel entitled 'European Communities: Refunds on exports of sugar - Complaint by Australia' (document L/4833) adopted by the CONTRACTING PARTIES on 6 November 1979 and considering the conclusions of the Panel (paragraphs (g) and (h)) and considering as well the debates which took place in the Council and the reports submitted by Australia and EEC on their exchanges of views under the terms of paragraph 1 of Article XVI of the General Agreement, the CONTRACTING PARTIES request the EEC to discuss with them the possibility of limiting the subsidization.
>
> "The Director-General is invited to organize such discussions in a working party and to submit a report to the Council within three months."

The Council adopted the decision.

The representatives of Australia and of the European Communities agreed to the decision ad referendum[1] and asked for a delay until the following day in order to seek the final approval of their respective authorities.

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[1] Subsequently confirmed.

The representative of Australia, in an interpretative statement following the adoption of the decision, stated his understanding that the very purpose of the request to the EEC to discuss the possibility of limiting the subsidization on exports of sugar, was to examine the EEC system so as to see what steps could be taken to remove the prejudice which had been found by the Panel.

The representative of the European Communities said that the EEC was, desirous to comply strictly with its obligations under the General Agreement, and stated that what was envisaged in the decision was neither less nor more than to discuss the possibility of limiting the subsidization in accordance with the terms of Article XVI:1.

(b) Recourse by Brazil

- Report of the Panel (L/5011)

The Chairman recalled that at their thirty-fourth session the CONTRACTING PARTIES had agreed to establish a panel to examine the complaint by Brazil regarding EEC refunds on exports of sugar. The Report of the Panel had been circulated in document L/5011.

Mr. Kaarlehto (Finland), Chairman of the Panel, introducing the Report, said that it consisted of five chapters and a statistical annex. The findings of the Panel were contained in Chapter IV, and the conclusions were given in Chapter V. The Panel had reached its conclusions unanimously.

The representative of Brazil expressed regret that, in the first part of the conclusions (items (a) - (e)), the Panel had found that on the basis of the evidence available to it in this particular case, it was unable to conclude that the increased share of EEC exports had resulted in more than an equitable share of world export trade in the product, in terms of Article XVI:3. He recalled having been the first to point to the difficulty of establishing, under strict and formal requirements, judicial or quasi-judicial evidence of direct displacement in a given country, especially when dealing with so complex a market as the international sugar market. He said that the problem of the methodology for determining what was a "more than equitable share of world export trade" under Article XVI:3 was one which deserved the attention of the CONTRACTING PARTIES in the future. Nevertheless, he added, it was clear that the EEC, traditionally a net importer, had become a net exporter through subsidization. He found the conclusions of the Panel relating to Article XVI:1 and Part IV of the General Agreement to be absolutely clear and irrevocable. In relation to point (g) of the Panel's conclusions, it was obvious that the EEC system of export refunds and its application, in the present form, constituted a permanent threat of serious prejudice to Brazil and other exporting countries. He found the conclusions of the Panel regarding the obligations of the EEC under Part IV to be equally clear, and considered that they should be of grave concern to members contracting parties generally and to developing countries in particular.

Referring to the Understanding Regarding Notification, Consultation, Dispute Settlement and Surveillance (BISD 26S/210), the representative of Brazil drew special attention to paragraphs 21-23, which seemed to be particularly relevant in this case. He proposed that the Council call on the EEC to take the necessary steps to correct the situation described in the Panel's report.[1]

The representative of the European Communities noted that in the course of the Panel's work, no contracting party had expressed any intention of making representations to that body, although an invitation to that effect had been extended. The concept of net importer or exporter was irrelevant in the context of conformity with obligations under the General Agreement. He also noted that the Panel had examined in great depth the world export trade in sugar and the problems concerning the concept of "equitable share". He pointed out that the Panel had not reached a finding of any violation by the EEC of Article XVI:3. He noted also that the Panel had found that the EEC system had contributed to depress world sugar prices and that this constituted a serious prejudice to Brazil in terms of Article XVI:1. In fact, conclusions (b), (c), (d) and (e) proved that application of the EEC system had remained consistent with Article XVI:3 ("equitable share"). For that reason, the contentions by Brazil concerning serious prejudice caused to its interests and the resulting hampering of attainment of objectives in respect of stabilization of the world market became groundless. He noted in this connexion that the Panel had not carried out any systematic examination concerning price formation in the world market for sugar and the multiple factors that influence price levels, including the rôle of each partner in world export trade.

The representative of the European Communities was of the opinion that the Panel's conclusions (f) and (g) were in contradiction with the conclusions under sub-paragraphs (a) - (e), from which it was clearly apparent that the EEC system was recognized under Article XVI:3 like any other system or form of subsidy applying on a primary product. There was therefore no reason to try to qualify the EEC system in one way or another. In connexion with sub-paragraph (h) of the conclusions, he stressed that this finding by the Panel had been essentially motivated by the EEC's non-participation in the International Sugar Agreement (1977) which could not, in itself, be considered as non-compliance with a commitment. The EEC was of the opinion that conclusions (f) and (g) were groundless, constituted a source of misunderstanding, and did not contribute to better application of the GATT rules.[2]

The Council took note of the statements made and adopted the Report.

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[1] The statement by the representative of Brazil was subsequently circulated in document C/W/355.

[2] The comments of the representative of the European Communities were subsequently circulated in document C/W/354.

The representative of Brazil suggested that the CONTRACTING PARTIES call on the European Communities to take urgently the necessary steps to modify the subsidization of sugar exports in such a way as to correct the situation that was described in the Panel's report, and proposed that a follow-up of the adoption of the Report be pursued at the thirty-sixth session of the CONTRACTING PARTIES in November 1980. He reserved the position of his delegation to make further comments at the session in respect of the statement made by the representative of the European Communities.

The representative of Australia said that he could not share the EEC's interpretation of the Panel's conclusions regarding "more than an equitable share", and expressed concern at the methodology used by the Panel in relation to the interpretation of Article XVI:3. He foreshadowed that this point would be taken up with the CONTRACTING PARTIES at a later stage. He found the points (f) and (g) of the Panel's conclusions to be quite clear.

The representative of the European Communities recalled that neither in the Report of the Panel nor in that of the Panel which had examined the complaint by Australia (L/4833) had there been found a violation of Article XVI:3.

9. EEC - Restrictions on imports of apples from Chile (L/5047)

The Chairman recalled that in July 1979 the Council had established a panel to examine the complaint by Chile. The Report of the Panel had been circulated in document L/5047.

The Chairman of the Panel, Dr. El Gowhari (Egypt), explained that the Report contained an introduction setting out the history of the establishment of the Panel, the factual aspects of the measures concerned, the main arguments presented to the Panel by the parties, and the conclusions reached by the Panel. He stressed that the conclusions had been approved unanimously by the Panel members.

The representative of Chile stated that his Government had analyzed the Report in detail and had found it to be a careful and well-reasoned document which clearly delineated Chile's rights. He felt that the Panel's conclusions would influence Chile's exports in the future.

The representative of the European Communities said that the Report was balanced and very moderate. He stated that the EEC would have no difficulty in purusing what the Panel had recommended, i.e., "that the EEC and Chile consult bilaterally with a view to arriving at a mutually satisfactory solution". The EEC was somewhat perplexed, however, as to what this solution should be, since the Panel had concluded that the quota share of Chile should have been larger, but had been unable to determine

precisely what it should have been. The EEC was nevertheless willing to enter into bilateral consultations with Chile on the matter. He also called attention to one aspect of the Panel's conclusions, namely, that a voluntary restraint agreement or export restraint was not similar to an import restriction. In his view, this finding could have a significant influence in the future for all contracting parties in the context of Article XIX, and would merit further reflection.

The Council adopted the Report of the Panel and took note that the delegations of the United States, Australia and New Zealand reserved their rights to comment on the Report in the future. The Chairman stated that there would be a possibility to refer again to this item when the results of the bilateral consultations between the parties concerned were brought before the CONTRACTING PARTIES.

10. Japan - Measures on imports of leather

- Report of the Panel (L/5042)

The Chairman recalled that at its meeting on 16 November 1979 the Council had established a panel to examine the complaint by Canada concerning measures on imports of leather by Japan, and had authorized the Chairman of the Council to nominate the chairman and members of the Panel in consultation with the two parties concerned. In March 1980 the Council had been informed of the composition of the Panel. The Report of the Panel had been circulated in document L/5042.

Mr. Lemmel (Sweden), speaking on behalf of Mr. Ewerlöf (Sweden), Chairman of the Panel, introduced the Report and said that the Panel had held a total of eight meetings between March and the end of June 1980, during which it heard statements from Canada and Japan and encouraged bilateral efforts with the aim of developing a mutually satisfactory solution between the two parties. The Panel had therefore been pleased to be advised by the parties that on 22 September 1980 they had signed a Record of Discussions, which contained a solution to the dispute and a statement that Canada would be withdrawing the complaint filed under Article XXIII:2. As the two parties had reserved their rights under the General Agreement, it was understood that the matter could be subject to further GATT proceedings should the conclusions of the discussions not be put into practice to the satisfaction of either government. He said that the two parties intended to provide the substance of their agreement to other interested delegations upon request. In view of the fact that the agreement constituted a solution to the matter before it, the Panel considered the proceedings under Article XXIII:2 to be terminated.

The representative of the European Communities, in agreeing to the adoption of the Report, recalled the EEC's interest for the whole of this sector, including finished products and particularly shoes. He said that imports of shoes into Japan were subject to severe quantitative restrictions and that the EEC was determined to pursue bilateral discussions with Japan, which thus far had not given the impression of leading to a satisfactory solution. The EEC therefore reserved its rights under the General Agreement.

The Council took note of the statements and adopted the Report.

11. Norway - Restrictions on imports of certain textile products (C/M/141, 143)

The Chairman recalled that in June 1980 the Council had considered the Report of the Panel (L/4959) which had been established to examine the complaint relating to Norwegian restrictions on imports of textiles from Hong Kong. The Council had adopted the Report in principle and had made an appeal to the two parties to intensify their efforts to reach a mutually acceptable agreement, and recommended to the Norwegian Government to make its Article XIX action consistent with Article XIII as soon as possible. To this end, the Council had also requested the Director-General to initiate consultations with the two parties and had agreed to revert to the matter after the summer recess. At the meeting of the Council on 9 October 1980, this matter had been deferred to the next meeting of the Council, with the agreement of the parties concerned.

The representative of the United Kingdom, speaking for Hong Kong, said that the totally negative outcome was not, in his view, any reflection on the intensity of the efforts made by the two parties. Hong Kong had made a conditional offer at consultations in mid-September, but had been informed in October that the Norwegian Government needed additional time for further discussion with the parties concerned in Norway, and had later been informed that Norway had concluded that under the present circumstances there was not sufficient basis in Norway for concluding the bilateral consultations. He noted that Norway had thus discontinued the efforts to reach a mutually acceptable agreement without responding to the conditional offer made by Hong Kong. He said that after this abortive outcome, Hong Kong was sadly left with no alternative but to reserve its GATT rights. He added that Norway had informed Hong Kong that on 17 November 1980 the trade régime for 1981 would be decided. Depending on the outcome, Hong Kong might find it necessary at the thirty-sixth session of the CONTRACTING PARTIES to revert to any issues that might be raised by the impending Norwegian decision.

The representative of Norway expressed regret that it had not been possible to reach a mutually acceptable solution on this question despite serious efforts made by both sides. He confirmed that his Government would take a decision on Norway's import régime for 1981 on 17 November 1980, taking into account the Council decision of 18 June 1980, as Norway understood it. He recalled that at the June 1980 Council meeting he had stated

that one of the ways of making Norway's Article XIX action consistent with Article XIII was to discontinue the six bilateral agreements reached with developing countries in Asia. He said that Norway wanted, to the extent possible, to avoid such an action, as no party was interested in such an outcome.

The representative of Hungary recalled his delegation having stated at the June 1980 meeting of the Council that Hungary's export interests were also affected by the Norwegian measures, and that Hungary reserved its GATT rights in this respect. He said that his authorities had made certain proposals to the Norwegian authorities, with a view to seeking a mutually acceptable solution to the problem, while observing fully the parties' GATT rights and obligations. He expressed the hope that on that basis, taking into account the provisions of the MFA, a solution could be found in the near future.

The representative of Japan recalled certain delegations' having pointed out at the June 1980 meeting of the Council that the global quotas introduced by Norway did not apply to all contracting parties. His delegation also considered this point to be important, given the fact that no conclusion had been reached in GATT whether a contracting party which was a member of an association agreement or the like could exclude the other member countries of such an agreement from a safeguard action.

The Council took note of the statements made.

12. Balance-of-Payments restrictions

The Chairman said that at its meeting in October 1980 the Committee on Balance-of-Payments Restrictions had carried out a consultation with the Philippines. The Committee furthermore had considered written statements submitted by Bangladesh, Brazil and Ghana under the simplified procedures.

Mr. Martin (Canada), Chairman of the Committee, introduced the reports.

(a) Consultation with the Philippines (BOP/R/115)

Mr. Martin pointed out that this had been the first consultation of the Philippines since its accession to the GATT in January 1980. The Committee had welcomed the recently adopted import liberalization programme of the Philippines and had concluded that the remaining restrictive import measures were justified as a temporary means to safeguard the balance of payments until more fundamental policies became effective. The Committee encouraged the Philippine authorities to continue pursuing policies that would lead over the medium term to the desired external adjustment.

The Council adopted the Report.

(b) Consultations with Bangladesh, Brazil and Ghana (BOP/R/116)

Mr. Martin said that full consultations with Bangladesh and Ghana had not been considered desirable. The Committee therefore recommended to the Council that the two contracting parties be deemed to have fulfilled their obligations under Article XVIII:12(b) for 1980.

He said that in respect of Brazil, the Committee had decided that a full consultation should be held in 1981. In reaching this decision, the Committee had taken into account that changes had recently been introduced in Brazil's import régime, which warranted a more detailed review in the Committee, and that there were indications that the nature of Brazil's balance-of-payments situation could have changed substantially since the last full consultation. He explained that the reasons for the Committee's decision had been spelled out in the Report, in accordance with paragraphs 8 and 11 (c) of the Declaration on Trade Measures Taken for Balance-of-Payments Purposes, adopted by the CONTRACTING PARTIES in November 1979 (BISD 26S/205).

The Council adopted the Report and agreed that Bangladesh and Ghana were deemed to have consulted with the CONTRACTING PARTIES and thus to have fulfilled their obligations under Article XVIII:12(b) for 1980.

The Council took note that the Committee had decided that a full consultation would be held with Brazil in 1981, with the exact date to be fixed by the Chairman of the Committee in consultations with interested parties.

13. Agreement between EEC and Yugoslavia (L/5007 and Add.1)

The Chairman recalled that the Council had been informed by the representative of the European Communities in March 1980 that a Co-operation Agreement had been initialled between the EEC and Yugoslavia on 25 February 1980. Copies of the Agreement had been circulated to contracting parties with document L/5007/Add.1. The Council had considered this matter in October 1980 and had agreed to revert to this item at its next meeting.

The representative of the United States said that his authorities had not had sufficient time to examine the Agreement and asked for a postponement of its consideration.

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

14. Association Agreement between the EEC and Turkey (L/5064)

The Chairman drew attention to document L/5064 containing information submitted, under the procedure established by the Council for the distribution of biennial reports, by the Parties to the Association Agreement between the European Economic Community and Turkey.

The Council took note of the Report.

15. Agreement between the EFTA countries and Spain - Report of the Working Party (L/5045)

The Chairman recalled that in January 1980 the Council had established a Working Party to examine the agreement that had been concluded between the EFTA countries and Spain in June of 1979. The Working Party had now concluded its work and had submitted its Report in document L/5045.

Mr. Hussain (India), Chairman of the Working Party, said that a number of matters had been taken up in the course of the deliberations, such as trade coverage, bilateral agreements on agriculture, quantitative restrictions, licensing, rules of origin and questions relating to safeguards. He pointed out that the Working Party had not been able to reach unanimous conclusions as to whether the Agreement was in conformity with the relevant provisions of the General Agreement. He said that the parties to the Agreement would submit biennial reports in accordance with normal GATT practice, the first of which would be due, after the comprehensive review to be undertaken according to the provisions of the Agreement, not later than 1982.

The representative of Sweden, speaking on behalf of the EFTA countries, expressed the view that the results reached were balanced and that they were a reflection of the interests involved.

The representative of Spain associated his delegation with these remarks and said that his delegation was prepared to supply additional information if required.

The Council took note of the statements made and adopted the Report.

16. Textiles Committee - Reports of the Committee (COM.TEX/17, COM.TEX/19 and Corr.1 and 2)

The Director-General presented the Reports of the Textiles Committee on its third and fourth meetings under the extended Arrangement in July and October 1980, contained in documents COM.TEX/17, COM.TEX/19 and Corr.1 and 2. He recalled that at the meeting of the Council on 26 March 1980, the Committee had asked the Textiles Surveillance Board to prepare a catalogue of all cases where the provisions of agreements involved variations from the provisions of Annex B of the Arrangement. In addition, a Working Group of the Textiles Committee had been asked to carry out a detailed examination of adjustment measures with reference to the objectives set out in Article 1:4 of the Arrangement.

Turning to the Committee's Report on its meeting in July 1980 (COM.TEX/17), he said that the Committee had considered the two reports in documents COM.TEX/SB/576 and Corr.1 and COM.TEX/16 and Add.1. It had agreed that the Working Group on Adjustment Measures, together with the Sub-Group

established by it, should continue its work on adjustment measures with a view to supplementing and carrying forward the analysis and evaluation of the information contained in COM.TEX/16. The matter would be considered further in the light of the progress made by the Working Group.

In respect of the Committee's Report on its meeting in October 1980 (COM.TEX/19 and Corr.1 and 2), he said that the Committee carried out the major review of the Arrangement called for under Article 10:4. To assist in this review, the Committee had before it a report from the TSB on its activities since the extension of the Arrangement (COM.TEX/SB/610 and Corr.1 and Addenda 1-4). The Committee had also considered a survey by the secretariat on demand, production and trade in textiles (COM.TEX/W/75-78), and a progress report by the Working Group on Adjustment Measures (COM.TEX/18). He said that following its discussion, the Committee had endorsed the recommendation by the Working Group on Adjustment Measures that this Group, along with the Sub-Group established by it, be empowered to continue its efforts with the objective of presenting its report to the Textiles Committee in early 1981.

He noted that the Committee had also agreed to have a further meeting in December 1980 to start consideration of the future of the Arrangement, as required under Article 10:5. It also requested the secretariat to prepare a paper bringing out more clearly, on the basis of available statistics, the facts regarding demand, production and trade in textiles with a view to assisting the Committee to make an assessment of the extent to which the objectives of the Arrangement had been achieved. At this meeting the Committee would also establish the membership of the TSB for the year 1981. The Committee also agreed that the Working Group on Adjustment Measure should continue its work and prepare a report early in 1981.

The Council adopted the Reports.

17. Provisional accession of Colombia
- Extension of time-limit (L/5065)

The Chairman said that the Declaration of 23 July 1975 on the Provisional Accession of Colombia, as extended by the Second Procès-Verbal of 14 November 1978, and the Decision of the CONTRACTING PARTIES which provided for the participation of Colombia in the work of the CONTRACTING PARTIES, were due to expire on 31 December 1980. A request by the Government of Colombia for an extension of these arrangements had been circulated in document L/5065.

The representative of Colombia recalled that earlier in 1980 his Government had signed the Protocol of Accession of Colombia (BISD 26S/194) and had submitted the Protocol for ratification to the Colombian Parliament.

Although he hoped that it would still be possible to complete the ratification before the end of 1980, this could not be a matter of certainty. His authorities had therefore decided to seek an extension of the Declaration on the Provisional Accession of Colombia by one year.

The Chairman, in expressing the hope that the ratification procedure could be completed in time, drew attention to the text of a draft of the Third Procès-Verbal Extending the Declaration and to the text of the draft Decision extending the invitation to Colombia to participate in the work of the CONTRACTING PARTIES. Both drafts had been circulated as annexes to document L/5065.

The Council approved the text of the Third Procès-Verbal Extending the Declaration to 31 December 1981 and agreed that the Procès-Verbal should be opened for acceptance by the parties to the Declaration.

The Council approved the text of the Decision extending the invitation to Colombia to participate in the work of the CONTRACTING PARTIES to 31 December 1981 and recommended its adoption by the CONTRACTING PARTIES at their thirty-sixth session.

18. Safeguards - Report by the Committee (L/5061)

The Chairman recalled that the CONTRACTING PARTIES had established the Committee on Safeguards by their Decision of 28 November 1979 (BISD 26S/202), to continue discussions and negotiations, taking into account the work already done, with the aim of elaborating supplementary rules and procedures regarding the application of Article XIX of the GATT, in order to provide greater uniformity and certainty in the implementation of its provisions. At its meeting on 9 October 1980 the Council had adopted the Report of the Committee dated 30 June 1980 (L/4998). The Report relating to the Committee's second meeting was circulated in document L/5061.

The Director-General said that the Report brought out clearly that informal discussions and consultations among delegations had not yet advanced to a stage at which contracting parties could consider specific answers or solutions. He stressed that there was a need to move ahead purposefully with the consultations and maintain the greatest possible degree of transparency in this process. He endorsed the hope that sufficient progress should be made in the coming six months for the Committee to engage in substantive discussion of the issues before it at its next meeting, to be held in April 1981 at the latest.

The Council adopted the Report.

19. Consultative Group of Eighteen (L/5066)

The Chairman recalled that the Consultative Group of Eighteen was required under its terms of reference to submit once a year a comprehensive account of its activities to the Council. The Report on the Consultative Group's activities in 1980 was circulated in document L/5066.

The Director-General, Chairman of the Consultative Group, presented the Report, which had been prepared, as usual, on his own responsibility. He said that its main feature was the section devoted to structural adjustment and trade policy, recalling that at the thirty-fifth session of the CONTRACTING PARTIES, the Consultative Group had been requested to advise the Council and through it, the Committee on Trade and Development on the modalities for carrying out further work on this subject.

He said that after a number of discussions about the nature of the adjustment process and of the rôle which the GATT could play in this field, the Consultative Group had decided to recommend to the Council that it should establish a working party, as indicated in paragraph 14 of the Report. The Consultative Group had further decided to recommend to the Council that it invite the working party to report to it by March 1981.

He said that the remaining subjects considered by the Consultative Group of Eighteen were the current economic situation and its implications for trade policies, the trade policy aspects of the North South Dialogue, and the future work of the Consultative Group.

The representative of Brazil made a suggestion, which was supported by the representatives of Argentina and Jamaica, that the Director-General prepare a background document summarizing discussions in the Consultative Group, that the working party could use in its deliberations. The representatives of Pakistan and Zaire commented on some aspects of the Report. The Director-General, noting that it had been prepared on his own responsibility, said that he had taken note of the comments. He stated that when the Report was presented to the CONTRACTING PARTIES at their forthcoming thirty-sixth session it would be possible to refer to some of the points that had been raised by representatives.

The Council agreed to establish a working party with a mandate to elaborate specific proposals for the future work of GATT relating to structural adjustment and trade policy, including the nature and objectives of such work, in the light of the report of the Consultative Group of Eighteen and of the views expressed in the Council, as well as the discussions in the Committee on Trade and Development. The working party was invited to report to the Council by March 1981.

The Council took note of the understanding in the Consultative Group that the working party would bear in mind the provisions of the General Agreement, including Part IV, and that the Council, in its consideration of the working party report, should take account of the views expressed on the report by the Committee on Trade and Development and the Consultative Group.

The Council took note of the Report.

20. Training activities (L/5034)

The Director-General, in presenting a Report (L/5034) on the activities of GATT in the field of training, stated that the opening of the fiftieth course coincided with the twenty-fifth anniversary of the creation of the courses, which had taken place regularly since 1955 and which were part of GATT's fundamental activities. He said that the CONTRACTING PARTIES had for a long time attached particular importance to the courses, since they created a better understanding of the principles and mechanisms of the multilateral trading system. As these courses were open to all countries, whether they were contracting parties to the GATT or not, they thus contributed to giving a universal character to the activities of the CONTRACTING PARTIES.

He pointed out that one of the objectives of the programme was the training of trade negotiators and commercial diplomats, which was greatly appreciated by developing countries. The courses furthermore allowed for the establishment of useful contacts by the participants with the public and private sectors in the countries visited during the study tours. The growing number of requests for participation in the courses was proof of the increasing interest of governments in this activity of GATT. He stressed that this was indeed an activity of the GATT, as it was the CONTRACTING PARTIES which provided the financing of the courses. He also gratefully acknowledged the contributions made by the UNDP, which had financed the courses until the end of 1978, and which now continued to provide co-operation in transmitting the candidatures from various countries and in assuring the liaison with the governments and the candidates.

He said that in 1980 the participants in the English-speaking course had visited Turkey, and that the participants of the French-speaking course would soon make a visit to Portugal and France. In addition, each course included a study tour of Switzerland. He was grateful to all governments for their continuing interest in these training activities and for the hospitality extended to the participants during their visits.

He stated that in 1980 the secretariat had also organized two special courses of short duration for officials of the least advanced countries. About sixty trainees had taken part in these courses, which had been organized with the financial aid of the Nordic countries. He thanked in particular the Governments of Finland, Norway and Sweden for this important

initiative. He also expressed his appreciation to the representatives of delegations and other international organizations for the lectures they had given to the GATT trainees.

The representative of Sri Lanka, in expressing his Government's appreciation for the training activities of the GATT, noted that the interest in the courses had increased and that the demand surpassed by far the fellowships available. Referring to the Report on the Budget (L/5044), he expressed concern that a reduction of Sw F 40,000 might affect the high quality of the courses. He also hoped that it would be possible to increase the number of fellowships, which had remained at the same level for a number of years.

A large number of representatives from developing countries expressed their appreciation for the courses, which they considered to be of great benefit for their countries.

The Council took note of the Report.

21. Committee on Budget, Finance and Administration - Report of the Committee (L/5044)

Mr. Williams (United Kingdom), Chairman of the Committee on Budget, Finance and Administration, introduced the report of the Committee (L/5044).

He recalled that Mr. Long had spoken in the Council in June 1980 on the problems arising in connexion with the great mass of documentation produced as a result of the GATT's new responsibilities relating to the MTN Agreements. He said that the Committee had studied this situation, which confirmed Mr. Long's advance notice of a year-end financial deficit on the accounts which cover the cost of documentation, translation and processing. The Committee, therefore, considered it important that GATT committees, and the councils and committees established under the MTN Agreements, become increasingly cost-conscious and fully aware of the financial implications of their requests and decisions on documentation. The Director-General had been asked to work out guidelines in this respect in consultation with the committees.

He said that another area of over-expenditure in 1980 was that for official travel resulting from technical co-operation missions. The Committee had recognized the need to meet requests from developing countries for technical co-operation; and this was reflected in the increased provision for technical co-operation travel in 1981. The Committee had recognized that the anticipated over-expenditure on these and some other items in 1980 could not be fully offset by savings within the budget, and recommended that the Director-General be authorized to use, to the extent necessary, the provision for unforeseen expenditure. He also referred to the perennial problems of outstanding contributions, which had shown little improvement and continued

to be a matter of great concern. He stressed the Committee's recommendation that governments be urged to pay pending contributions immediately, and to pay each year's contribution as early as possible.

Referring to the budget estimates for 1981, he said that the increase over 1980 was due to several factors. In respect of documentation and technical co-operation, the increased provision in 1981 corresponded to the increased needs already felt in 1980 and to the entering into force on 1 January 1981 of two new MTN Agreements. A third factor consisted of the costs relating to the administering of dispute-settlement panels arising from the MTN Agreements. Another element of increase concerned the provision for some new posts and certain regradings, which the Committee had considered with great care. Finally, there were a number of unavoidable statutory increases as well as the effect in many areas of inflation.

He stated that the Committee was well aware that, to a large degree, the increases were the result of the success of the Multilateral Trade Negotiations and that it was imperative that sufficient funds be made available to ensure the effective implementation of the Work Programme. However, difficulties were encountered in accepting the budget at the level proposed, mainly because of national budgetary considerations in present economic conditions. The Committee had discussed the possibility of some reductions and a mutually acceptable budgetary level was thus achieved.

He stated that the total revised budget represented an increase of 4.67 per cent over the 1980 approved budget. The Committee considered this increase to be reasonable and recommended that the Council approve the revised GATT budget estimates at this level and their financing in accordance with paragraph 42 of the Committee's report.

He pointed out that the Committee had also examined the Director-General's report on the Working Capital Fund, which had been prepared at the Committee's request in view of the cash-flow problems resulting from the high level of outstanding contributions. The Director-General in his report had proposed that the Working Capital Fund be raised to a level of about 10 per cent of the GATT budget, which would represent about Sw F 4 million, to be financed initially by additional advances on contracting parties. The Committee had recognized the need for an increase, but had decided to revert to the matter early next year to discuss the level to which the Fund should be increased, the period over which the increase would be made and other ways and means of financing such an increase.

He said that in the field of pensions, the Committee had heard a report by Mrs. Michaud (France), the member representing the CONTRACTING PARTIES on the ICITO/GATT Pension Committee. In this connexion, he drew the Council's attention to the recommendation that Mrs. Michaud and Mr. Stünzi (Switzerland) be reappointed as member and alternate member, respectively, to represent the CONTRACTING PARTIES on the ICITO/GATT Pension Committee. Their period of appointment would be for three years, commencing on 1 January 1981.

As regards the ITC budget, the Committee had examined revised estimates contained in the First Performance Report for the 1980-1981 Biennium. These revised estimates were due to the recalculation of the budget, to take account of inflation at a level of 5 per cent and US dollar/Swiss franc parity movements since the budget had been established in 1979. He said that the appropriation in the 1980 GATT budget for a contribution to the Centre had to be increased by Sw F 113,600. Similarly, an increase of Sw F 163,000 was provided in the 1981 provision. These increases represented GATT's share of the additional requirements, on the assumption that the United Nations General Assembly would approve the revised estimates and make a corresponding contribution.

The Council approved the recommendation of Mrs. Michaud (France) and Mr. Stünzi (Switzerland), as member and alternate member, respectively, to represent the CONTRACTING PARTIES on the ICITO/GATT Pension Committee for a three-year period commencing 1 January 1981.

The Council approved the recommendations of the Budget Committee contained in paragraphs 18, 21, 22, 23 and 56 and agreed to submit the draft resolution contained in paragraph 52 to the CONTRACTING PARTIES for consideration and approval.

The Council approved the Report (L/5044) and recommended that the CONTRACTING PARTIES at their thirty-sixth session adopt the Report, including the recommendations contained therein and the Resolution on the Expenditure of the CONTRACTING PARTIES in 1981 and the ways and means to meet that expenditure.

22. Report of the Council (C/W/345)

The secretariat had distributed in document C/W/345 a draft of the Council's Report to the CONTRACTING PARTIES on the matters considered by the Council since the thirty-fifth session and any action taken in this respect.

Several representatives proposed amendments to the draft.

The Chairman requested the secretariat to insert the various amendments proposed as well as suitable additional notes regarding action taken at this meeting.

The Council agreed that the Report with these additions should be distributed and presented to the CONTRACTING PARTIES by the Chairman of the Council.

23. United States - Prohibition of imports of tuna and tuna products from Canada

The Chairman recalled that in March 1980 the Council had agreed to establish a panel to examine the complaint by Canada, and had authorized the Chairman of the Council to nominate the Chairman and members of the Panel in consultation with the two parties concerned. In June 1980 the Council had been informed of the composition of the Panel.

He informed the Council that following the departure from Geneva of Mrs. Auguste (Trinidad and Tobago), Chairman of the Panel, and following consultations with the two parties, Mr. Williams (United Kingdom) had assumed the chairmanship of the Panel.

The Council took note of the nomination.

24. European Communities - Accession of Greece

The Chairman recalled that on 6 November 1979 the Council had established a Working Party to examine the accession of Greece to the European Communities.

He informed the Council that following the departure from Geneva of Mrs. Auguste (Trinidad and Tobago), Chairman of the Working Party, and following consultations with the delegations principally concerned, Mr. Jayasekera (Sri Lanka) had assumed the chairmanship of the Working Party.

The Council took note of the nomination.

25. Latin American Integration Association

The representative of Uruguay, speaking under Other Business, informed the Council on behalf of GATT contracting parties which were also parties to the 1980 Montevideo Treaty which established the Latin American Integration Association, that this Treaty had been initialled in Montevideo on 12 August 1980 by Argentina, Boliva, Brazil, Colombia, Chile, Ecuador, Mexico, Paraguay, Peru, Uruguay and Venezuela. He said that this new Treaty would replace the Treaty establishing the Latin American Free Trade Association (LAFTA), and that in due course the text of the new Treaty would be notified to the CONTRACTING PARTIES, together with information concerning its entry into force.

The Council took note of the information.

26. Notification and Surveillance (C/W/349)

Upon the adjournment of its regular meeting, the Council met in special session to conduct the first review of developments in the trading system under paragraph 24 of the Understanding regarding Notification, Consultation, Dispute Settlement and Surveillance (BISD 26S/210).

The Chairman referred to the Proposal (C/111) adopted at the meeting of the Council on 26 March 1980, and noted that contracting parties had been invited in April 1980 to submit the relevant notifications. He said that the scheduling of the special session had resulted from the extremely heavy calendar of meetings for autumn 1980, when the first review was to be initiated. He recalled that the Proposal had provided that the arrangements for the review were to be experimental in nature and as simple as possible. He also drew attention to the note by the secretariat in document C/W/349, which was essentially factual in nature, as provided in the Proposal.

The representative of Brazil said that the exercise was an extremely important one which could not be carried out hastily, especially in respect of paragraphs 3 and 24 of the Understanding, where there were already numerous cases. He suggested that the review be postponed so as to allow delegations more time preparation.

The representative of the United States agreed that the topic was an important one which his authorities had not yet had sufficient time to examine. He suggested that the procedures of the review be discussed in capitals as well as in Geneva, and that the Council revert to the matter at its next meeting.

The Chairman proposed that at its next meeting the Council resume the special session at the close of its regular business.

The Council agreed to the suspension of the special session.