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MINUTES OF MEETING

Held in the Centre William Rappard
on 7 October 1987

Chairman: Mr. A. Oxley (Australia)

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The Chairman, on behalf of the Council, welcomed Botswana as the 95th contracting party.

1. Pension and salary matters
- Report by the Chairman of the Committee on Budget, Finance and Administration

The Chairman recalled that the Council was expecting to be informed of developments that had occurred over the summer in the matter of salaries and pensions. The Committee on Budget, Finance and Administration had met on 24 September to consider these questions.

Mr. Smith (Jamaica), on behalf of Mr. Hill (Jamaica), Chairman of the Committee on Budget, Finance and Administration, gave a summary of the conclusions reached by the Committee on these two matters.[1] Regarding

[1]The full text of his statement was subsequently circulated in Spec(87)50.

salaries of staff in the professional and higher categories, the Committee had been informed that the International Civil Service Commission had agreed on measures which had the effect of mitigating still further the impact of exchange rate fluctuations so as to raise take-home pay in Geneva to approximately its level in October 1983, at the time of the most recent Geneva-New York place-to-place cost-of-living survey. This modification had come into effect on 1 September 1987 and was within the terms of reference of the Commission, i.e., not subject to review by the United Nations General Assembly. The main concern of the CONTRACTING PARTIES, however, remained that a long-term durable solution to the salary problem should be found within the common system as a matter of urgency. Consequently, the Committee had been pleased to note the ICSC decision to create a working party which had been instructed to make recommendations to the Commission in 1988 on: (a) possible ways of separating exchange rate variations from cost-of-living movements in the post adjustment index, and (b) the adequacy of the post adjustment system in general terms. The Committee had requested the GATT Secretariat to follow closely the activities of the working party on the elaboration of a long-term solution and to keep the CONTRACTING PARTIES informed of developments.

Regarding pensions, the Committee had been informed that the United Nations Joint Staff Pension Board had recently adopted recommendations to the United Nations General Assembly which were designed to deal with the decline in the value of initial periodic pension benefits in certain local currencies. The essence of the Pension Board's recommendations was to set, as of 1 January 1988, a floor exchange rate for the calculation of the local-currency value of initial periodic benefits. The Pension Board was also reiterating a recommendation made already some years earlier that the rate of contribution to the Fund be raised gradually to 24 percent of pensionable remuneration, and that the present level of 21.75 percent of pensionable remuneration be raised to 22.5 percent effective 1 January 1988. Consideration of the GATT Informal Advisory Group's Report, Spec(87)10/Add.1, would continue as directed by the Council. Furthermore, the Committee had considered how GATT could best help to ensure that the two crucial recommendations of the Pension Board were addressed adequately in the General Assembly. It was considering the possibility of sending a letter to the Secretary-General of the United Nations requesting him to inform the General Assembly, and in particular the Fifth Committee, of CONTRACTING PARTIES' views on these recommendations. The Committee had considered that it would also be most helpful if each contracting party were to ensure that its representative in the Fifth Committee was aware of those views.

The Committee would report at a future Council meeting its views on the Informal Advisory Group's recommendations on the establishment of long-service steps and relaxing the rules regarding the age of retirement,

as well as on the proposals of the GATT Staff Council regarding long-service steps and a lump sum payment to retirees, taking into account the Pension Board's recommendations.

The Council took note of the statement.

2. Accession of Bolivia
- Establishment of Working Party (L/6217)

The Chairman drew attention to document L/6217 containing a communication from Bolivia.

The representative of Bolivia, speaking as an observer, said that his country's intended accession to GATT was a step commensurate with its current economic policy. Bolivia had suffered from the crisis afflicting developing countries; the most regrettable result had been hyperinflation of 24,000 percent in 1985. Together with the collapse of the tin market and the fall in prices of other minerals produced by Bolivia, this had caused a serious deterioration of the economy, which in the past six years had contracted at the rate of 2 percent per year. In the same period, unemployment and underemployment had stood at 20 percent each. To respond to such a critical situation, a new economic policy had been put into place in August 1985, which had reestablished fiscal discipline and reduced inflation to 10 percent in the course of the current year. At the same time, the economy had resumed an estimated growth of 2 percent in 1987. The first stabilization stage having been concluded with success, the reactivation stage was being started; that implied an authentic and energetic restructuring process. Freedom of action was the basic criterion of Bolivia's trade policy: complete import and export freedom had been put in place for lawfully produced and traded goods; the tariff régime had been reduced and simplified, rates ranging from 2 to 150 percent being replaced by a uniform level of 20 percent for all merchandise, the only exception being the levels agreed multilaterally or bilaterally in regional integration or preferential arrangements. The para-tariff and administrative restrictions had also been eliminated. Both the conceptual framework and the practice of Bolivia's commercial policy were perfectly adapted to the normative structure and philosophy of GATT. His Government hoped that, through GATT, the liberalization of Bolivia's own trade régime would find its counterpart in the actions of its foreign trade partners and that Bolivia would be treated in accordance with its relatively less developed and landlocked country status.

The representative of India, speaking on behalf of the developing contracting parties, said that they warmly welcomed and supported Bolivia's request for accession. They were confident that Bolivia's participation in GATT would contribute to its achievements.

The representative of Argentina said that the Latin American contracting parties recognized Bolivia as an important country in that region and fully supported its request for accession. Bolivia's participation in GATT would be useful to all contracting parties, and in particular to Bolivia itself in relation to its decision to liberalize trade.

The representative of the European Communities said that the Community and its member States warmly supported Bolivia's decision, which they considered as an incentive and a symbol for all those who sought through negotiations the reinforcement of the multilateral system. It provided a further illustration that no country could guarantee its development and the security of its people in isolation. It was one more stone added to the building of an open multilateral trading system which was accessible to all those ready to take on its obligations.

The representative of the United States also welcomed Bolivia's request and said his delegation was pleased that Bolivia, formerly among those countries which had chosen not to accept GATT's contractual obligations, had changed its mind. The United States supported the establishment of a working party and would participate actively in it.

The representative of Norway, speaking on behalf of the Nordic countries, welcomed Bolivia's request. Bolivia's accession to GATT would no doubt be in its own interest and that of all contracting parties, and would be another step towards globality of the trading system.

The representative of Canada welcomed Bolivia's important decision. Canada supported the establishment of a working party and would participate in it. Contracting parties should derive satisfaction from the fact that despite difficulties confronting GATT, other countries showed confidence in the system and wanted to be associated with it.

The representative of Austria welcomed Bolivia's request and said that GATT procedures should be set in motion to bring the process to an early completion.

The representative of Japan welcomed Bolivia's wish to join GATT.

The Chairman proposed that the Council take note of the statements and agree to establish a working party with the following terms of reference and composition:

Terms of reference

"To examine the application of the Government of Bolivia to accede to the General Agreement under Article XXXIII, and to submit to the Council recommendations which may include a draft Protocol of Accession."

Membership

Membership would be open to all contracting parties indicating their wish to serve on the Working Party.

Chairman

The Council would authorize its Chairman to designate the Chairman of the Working Party in consultation with representatives of contracting parties and with the representative of Bolivia.

The Council so agreed.

The Chairman invited the representative of Bolivia to consult with the Secretariat as to further procedures, in particular regarding the basic documentation to be considered by the Working Party. He also invited Bolivia, on behalf of the Council, to attend the meetings of the Council and of other GATT bodies during the period when the Working Party would be carrying out its work.

3. Turkey - Stamp duty
- Request for extension of waiver (C/W/526, L/6214)

The Chairman recalled that at their Forty-First Session in November 1985, the CONTRACTING PARTIES had granted Turkey an extension of its stamp duty waiver until 31 December 1987 (BISD 32S/18). He drew attention to Turkey's request in document L/6214 for a further extension of the waiver, and to the draft decision in document C/W/526.

The representative of Turkey said that as the underlying circumstances for the waiver had not changed, his authorities were requesting that it be extended for a further two years. On various occasions in the recent past, his delegation had communicated to the CONTRACTING PARTIES the trade liberalization policy pursued by Turkey. In the most recent communication (BOP/271), Turkey had submitted, in the framework of its balance-of-payments consultations, detailed information thereon. The effects of this policy had been particularly evident in the fields of quantitative restrictions and customs duties where, in addition to measures taken to eliminate quantitative restrictions and efforts made to simplify import formalities, customs duties had been substantially reduced for some 1200 products. Many of these reductions had provided duty-free treatment, in particular to imports of investment goods and products intended for industrialization purposes. The overall tariff incidence had thus been brought to about 4.5 per cent in 1986, if duty-free crude petroleum imports were excluded. As Turkey was a developing country, this incidence had a particular significance which should be taken into consideration; even

with the maintenance of this non-discriminatory stamp duty, the average level of Turkey's import duty appeared as one of the lowest. On the other hand, according to the provisions of the Turkish Customs Code, products imported duty-free were also exempt from the stamp duty. In 1986 the total value of such imports amounted to nearly US$ 2 billion or 17 percent of overall imports. The trade liberalization policy was accompanied by fiscal reforms, the most important of which was the implementation of the value added tax (VAT). When this tax had first been introduced in 1985 the objective had been to reduce to the minimum, even to eliminate, the stamp duty. This objective remained; but despite positive results achieved in the application of the VAT, Turkey's current economic problems prevented it from being reached. In order to cope with the financial incidences of development programs and to pursue a balanced budget policy, Turkey requested a two year extension of the waiver.

The representative of the United States said that his Government commended Turkey for its liberalization efforts but wondered why the Council should agree to a further extension, since it appeared that the terms of the previous waiver extension had not been observed. The waiver extension granted by the CONTRACTING PARTIES in 1985 had covered a duty application of four per cent, yet a six per cent duty had been applied since December 1986. The United States wanted some indication from Turkey that it intended to address the issue in a definitive manner, rather than counting on an extension of the waiver every two years. He asked how and when the Government of Turkey intended to bring this situation into conformity with GATT provisions.

The representative of Turkey said that Turkey's economic and trade policy was inspired by liberalism; the measures thus far introduced had all been aimed at realizing this goal. In recent years, Turkey's economy had made substantial progress, but economic and commercial problems remained. Turkey's action to date showed its courage to fulfill its liberal economic and trade policy objectives. The reduction of the stamp duty was currently among his Government's priorities, and the economic situation permitting, measures in that direction would be taken. To do this however, Turkey needed a further extension of the waiver for two years.

The representative of the United States said that while recognizing Turkey's perceived need to maintain the waiver, the United States felt strongly that Turkey should begin to consider alternatives to its semi-automatic renewal. The United States could not support extension of the waiver without some specific assurance that proposals would be forthcoming to bring the practice into GATT conformity. If other contracting parties believed it appropriate to extend the waiver, he would propose an extension for only one more year on the condition that, by the end of 1987, Turkey would report to the CONTRACTING PARTIES on how it intended to address the need to bring this practice into conformity with its GATT obligations.

The representative of Pakistan said his delegation felt that the reasons for Turkey's request were sufficient and that Turkey was already doing enough to fulfill its GATT obligations. The United States should recognize that. He hoped that the extension would be granted.

The representative of the United States asked whether Turkey could assure the Council that it intended to bring the application of the tax into conformity with GATT provisions, thus eliminating the need to continue to request extensions of the waiver.

The representative of Turkey replied that, as stated earlier, it was his authorities' intention to implement measures to this effect as far as economic conditions would permit.

The representative of Uruguay referred to paragraph 3 of the draft decision (C/W/526) which contained Turkey's undertaking to report. Together with paragraphs 5 and 6 of the same draft, this provided sufficient details and assurance to take account of various countries' preoccupations and to satisfy the legitimate concern of the United States. Consequently, his delegation could support the draft decision.

The representative of the United States said that the United States looked forward to action by Turkey during the new waiver period to bring the stamp duty into compliance with Turkey's GATT obligations, and hoped that it would not be necessary to consider this item again in the Council.

The Council took note of the statements, approved the text of the draft decision (C/W/526) extending the waiver until 31 December 1989 and recommended its adoption by the CONTRACTING PARTIES by postal ballot.

4. Enlargement of the European Economic Community
- Recourse to Article XXIII:2 by Argentina (L/6201)

The Chairman recalled that at the Council's July meeting, Argentina had raised this matter under "Other Business" and had asked that the request for a panel to examine it be considered at the present meeting. He had been advised by Argentina that consultations on this matter were advancing satisfactorily and that Argentina did not wish to take up this item at the present meeting.

The representative of Japan recalled that at the July Council meeting, his country had stated its serious interest in this matter. His Government could not accept the Community's interpretation of Article XXIV:6 as given in the course of the Working Party on the Accession of Portugal and Spain to the European Communities and in bilateral negotiations under that

Article. Depending on the results of the latter negotiations, his Government might raise this matter under GATT's dispute settlement procedures, and he reserved Japan's rights under the General Agreement.

The representative of Canada said that his delegation, which was participating in the Article XXIV:6 negotiations with the Community, had considerable sympathy with Japan's concerns. Canada was continuing those negotiations, which it hoped would soon lead to fruitful results.

The representative of Uruguay recalled that his delegation had already expressed its direct interest in this item and maintained that interest.

The representative of the European Communities expressed surprise at the interventions made, since the two parties directly concerned had considered it preferable to postpone discussions on this matter. He added that his delegation had noted Japan's statement and assumed that it did not constitute a threat for the negotiating process.

The Council took note of the statements and agreed to revert to this item at a future meeting.

5. European Economic Community - Third-Country Meat Directive - Recourse to Article XXIII:2 by the United States (L/6218)

The Chairman drew attention to the communication from the United States in document L/6218.

The representative of the United States said that the European Economic Community had a two-tiered system for regulating meat-handling facilities and procedures. The Intra-community Meat Directive (ICD) applied to Community plants that shipped meat to other member States, while member States were permitted to maintain their own meat-handling requirements for plants that did not export to other Community members. Most meat was not covered by the ICD; no more than 30 per cent of Community beef and 20 per cent of Community pork was shipped across borders and was, thus, subject to the ICD; in France and the Federal Republic of Germany, less than five per cent of the pork production moved across national boundaries and required compliance with the ICD. The Third-Country Meat Directive (TCMD) in effect extended the requirements of the ICD to the United States and other third countries, clearly violating GATT Article III:4, which required contracting parties to accord national treatment to imports of like products from other contracting parties. Meat produced in a Community member State which did not cross national boundaries was exempt from the ICD/TCMD requirements. If a meat inspection requirement was significant for the protection of human health, it should be applied not only to meat traded among Community members, but also for

meat marketed and consumed within the member States. In addition to the two-tiered system of meat inspection, there was a dual standard in enforcing the ICD and the TCMD; enforcement of the ICD was less aggressive than that of the TCMD. While GATT Article XX gave contracting parties the right to enact measures to protect human, animal or plant life or health, such measures could not be applied in a way which would be arbitrary or an unjustifiable discrimination between countries where the same conditions existed, or a disguised restriction on international trade. The TCMD was discriminatory because it was not applied uniformly to meat produced within the Community. The Directive was arbitrary because it required detailed and expensive processes that were not essential to the production of safe, wholesome meat. The Community could not hold that ICD/TCMD standards were necessary for the hygiene of meat crossing national boundaries, while these same standards were not necessary for the internal production and processing of meat within the large territories and for the benefit of the large populations of Community member states. The adverse impact of the TCMD could be avoided if the Community would enforce its certification requirements on the basis of equivalency. The equivalency and essential safety of US meat packing and inspection procedures had been recognized in the Community for years and had provided the basis for substantial US exports of meat to it. This new measure was not a response to any identifiable health problems with US meat exports, nor would it increase the healthiness or safety of those exports over current levels; its sole effect would be to disrupt and diminish US meat exports to the Community. Over the past few years the United States had held numerous discussions with Community officials at all levels about this matter. When these talks had failed to show any progress, the United States had held bilateral consultations with the Community under Article XXIII:1. Because these consultations had also failed to produce any movement on this question, the United States was asking the Council to establish a panel to examine this matter under Article XXIII:2. The United States urged the Community to delay implementation of the TCMD pending the outcome of the panel's work.

The representative of the European Communities said that in a letter dated 27 July 1987, the United States had claimed that the Community Directive (no. 462 of 1972) imposed requirements on third-country suppliers which were not identical to those applied to producers in member States which were not engaged in intra-Community trade. He asked whether or not it was true that the US federal legislation applying to third-country suppliers was not applicable at the domestic level to trade within each federal State. The Community, for its part, was careful not to question unnecessarily such internal dispositions which did not substantially affect trade. As to the GATT conformity of the Directive, its objective was to protect Community citizens' health, and was perfectly consistent with GATT Article XX(b). The US argument concerning Article III was therefore baseless. Moreover, Article III:4 applied to products already imported, while the Community Directive regulated the importation of products. As to

procedures, the Community did not contest each contracting party's indisputable right to request a panel, but this did not mean that panel establishment was automatic and instantaneous. Every effort should be made to use all stages of dispute settlement procedures to reach a solution. More specifically, referring to the US letter of 27 July and the Community's reply of 29 July requesting more details, both legal and factual, on the reasons which had motivated the US complaint, the Community had agreed to Article XXIII:1 consultations but had received a reply from the United States only on the morning of the consultations. Consequently, the Community had not been in a position to provide a timely response, and the consultations had not taken place under satisfactory conditions. It was therefore too early to conclude that consultations had failed. The Community was prepared to act expeditiously, but not over-hastily. It proposed a second meeting in order to find, if possible, a solution or, at least, to reduce the differences and make progress.

The representative of the United States said that his delegation recognized the extent of the Community's concern to protect its citizens' health, but was concerned that it was protecting them more from foreign than from domestic products. The United States wanted a panel to examine this. As to his country's federal standards, the US Department of Agriculture had the authority to ensure that trade within a State met federal standards. Perhaps the Community should do likewise, as this would obviate dual standards. The United States reiterated its request for a panel and hoped it would be created at the present meeting.

The representative of Canada said that his country had a direct commercial interest in this matter. The implementation of the TCMD had already had negative effects on Canada's meat exports to the Community. Canada thus supported the US request for a panel and reserved its right to intervene therein.

The representative of New Zealand said that New Zealand was the largest third-country supplier of sheep meat to the Community. With pork, beef and poultry as well, New Zealand slaughtered more animals under the TCMD than any other single third country, and would be affected by any altered arrangement. It followed that New Zealand had a very close interest in the matter and wanted to be involved in any negotiations or discussions.

The representatives of Australia and Uruguay supported the request for a panel and reserved their right to make a submission to it.

The Chairman asked whether there was consensus to agree to establish a panel at the present meeting.

The representative of the European Communities said that while there had been consultations, they had been so expeditious that they had bordered on haste. He repeated that the Community wished to pursue consultations in order to discuss in a more considered manner the US complaint and, if not to reach a solution, at least to bridge differences and to discard useless disputable points. The Community did not contest the right to request a panel, but had not indicated that it should be created instantaneously.

The representative of the United States said he appreciated that the Community did not contest the right of any contracting party to a panel, but the Community seemed to contend that a contracting party also had a right to impede establishment of a panel. The United States was not pleased about this but would nevertheless continue with the consultations. He hoped that, if those were not successful in solving a problem of an imminent nature, the Community would not stand in the way of the US right to have a panel established.

The representative of Canada said that he was disturbed at the turn of the discussion. Canada held the view that every contracting party had a right to a panel and believed this was standard practice in GATT. He hoped that discussion of this matter would not be concluded by taking a decision which would set a precedent regarding that right. More time should be allowed for consideration of the matter.

The representative of the European Communities said it seemed that the discussion was drifting dangerously. He had not said that he was opposed, still less that he was definitively opposed, to a panel but that the exercise of an indisputable and inalienable right should be made in an intelligent manner.

The Chairman said in conclusion that it was not unusual for a panel not to be set up at the time the proposal was first made. It had been said that further time was required for consultation. As there was no consensus to establish a panel at the present meeting, he proposed that the Council revert to the item at its next meeting.

The Council so agreed.

6. India - Import restrictions on almonds
- Recourse to Article XXIII:2 by the United States (L/6197)

The Chairman recalled that at its July meeting, the Council had considered this item and had agreed to revert to it at the present meeting.

The representative of the United States recalled that his delegation had requested establishment of a panel under Article XXIII:2 at the July Council meeting and that India had not agreed to this because it believed

further consultations under Article XXIII:1 were appropriate. The United States had acceded to India's demand, and a second round of Article XXIII:1 consultations had been held on 28 September. As efforts to reach a mutually satisfactory solution had still not been successful, the United States was again requesting establishment of a panel. He said that the 29 September decision by the Committee on Import Licensing (L/6223, LIC/M/19) to establish a panel pursuant to a US request did not moot or in any way affect the present request for a panel under Article XXIII:2; different issues were involved. The dispute at hand focussed on the consistency of India's import restrictions on almonds with Articles XI and XXIII, while the Panel established by the Committee on Import Licensing would investigate whether provisions of that Agreement had been contravened.

The representative of India recalled that his delegation had explained at the July Council meeting how the restrictions on almond imports had been imposed entirely in accordance with Article XVIII. During the September consultations, India had tried unsuccessfully to obtain clarification from the United States on its claim that the measures were not in accordance with Article XVIII. India had been participating in balance-of-payments consultations regularly, and the Committee on Balance-of-Payments Restrictions had found the restrictions to be in order. He noted the specific provisions of Article XVIII:B and said that over the past decade, India had consistently liberalized its import policy and lowered the general level of restrictions in consonance with its overall balance-of-payments position; proof of this was the considerable rise in imports during that period. His Government had neither introduced new balance-of-payments restrictions, nor raised the general level of existing restrictions by any substantial intensification, and, therefore, had not consulted under paragraph 12(a) of Article XVIII; it had, however, held consultations under paragraph 12(b) of that Article in 1980, 1982, 1984 and 1986 according to procedures laid down for simplified consultation. At no stage had the Committee or any contracting party expressed the view that India had not been complying with Article XVIII requirements.

During the consultations, the United States had drawn attention to paragraph 3 of the 1979 Declaration on Trade Measures Taken for Balance-of-Payments Purposes (BISD 26S/205), which required contracting parties to notify promptly to GATT the introduction or intensification of all restrictive import measures taken for balance-of-payments purposes. He pointed out that the subsequent paragraph stated that all such measures should be subject to consultations in the Balance-of-Payments Committee. These two paragraphs extended the scope of balance-of-payments consultations from quantitative restrictions to all import restrictive measures taken for balance-of-payments purposes. It was significant that the 1979 Declaration referred to notification of all restrictive import measures in general and not each specific measure. For this reason, India

could not accept the US contention that there was an obligation to notify separately every small change in the import régime effected for balance-of-payments purposes. Consequently, India contested the US claim that the lack of notification of changes in the import régime for specific items made Article XVIII inapplicable.

He noted that in paragraph 3 of L/6197, the United States had stated that the minimum license value granted by India was Rs.5,000, an amount too small to permit economically viable commercial shipments. India had already explained that this amount was the minimum and not the maximum, and that it did not act as an impediment to imports of economically viable quantities. In claiming inconsistency with GATT provisions, the United States had referred to paragraph 10 of Article XVIII, which enjoined contracting parties applying balance-of-payments restrictions to allow imports in commercial quantities. On the one hand, the United States claimed that Article XVIII was inapplicable, while on the other, it asserted inconsistency with a provision of this Article.

He pointed out that the Committee on Import Licensing had established the panel sought by the United States on the same subject, and said there was an overlap in the points made by the United States in the Council and in that Committee. The total US trade in almonds was roughly US$ five million. India accounted at present for as little as one per cent of the US export market for almonds. Given this background, establishment of a panel in the above-mentioned Committee and another panel under Article XXIII would not be justified. His Government believed that the credibility of GATT's dispute settlement machinery needed to be enhanced; however, the establishment of a panel in a case as patently flawed as the US case on almonds would diminish rather than enhance that credibility. For these reasons his delegation opposed the establishment of a panel as requested.

The representative of Brazil recalled his delegation's statement at the July Council meeting that at the present stage of discussions on this issue, the establishment of an Article XXIII panel was neither appropriate nor recommended. An adequate examination of the issues involved in this case was necessary before any other step could be taken. In Brazil's view, this matter should be considered primarily in the Committee on Balance-of-Payments Restrictions since, as India had pointed out, the licensing measure in question had been legitimately taken under Article XVIII. To bring this matter to dispute settlement without first exhausting its examination in that Committee would create a serious precedent, particularly for developing countries obliged to take restrictive action for balance-of-payments reasons. He recalled that in June 1984, the Council had approved the Balance-of-Payments Committee's report on its simplified consultation with India, and had deemed that country to have fulfilled its obligations under Article XVIII:12(b). Brazil believed that any matters pertaining to India's restrictions on

almond imports would be more adequately and comprehensively dealt with in the Balance-of-Payments Committee's full consultations with India later in October, when this issue could, furthermore, be examined in the broader context of India's general balance-of-payments problems and not singled out as a unique case for panel deliberations.

The representative of Canada said his delegation believed that no other provision of GATT overrode a contracting party's right to seek redress under Article XXIII. Established practice was to set up a panel when a complaint was received. Every contracting party, large or small, had the right to a panel. Canada had always supported requests in the Council for panels regardless of its view on the merits of a particular case. This kind of recourse was fundamental to the credibility of GATT's dispute settlement system. Regarding the case at hand, it seemed that in some respects India had already completed a fairly large portion of its submission to a panel. He suggested that it would be more expeditious -- in terms of the rights involved in this matter and in terms of discharging the consideration of this complaint -- to have a panel examine this matter.

The representative of Yugoslavia said her delegation felt that every effort should be made to resolve this matter in bilateral consultations between the United States and India. The establishment of a panel in the Committee on Import Licensing should be considered a positive step towards finding a solution to this matter. Article XVIII provided not only for general consideration of the balance-of-payments situation but also included provisions similar in their effect to those in Article XXIII, which could help lead to a solution; these were paragraphs 12(c) and (d). She asked whether the problem cited by the United States had been raised in the Balance-of-Payments Committee. Yugoslavia was concerned that the establishment of an Article XXIII panel to examine a matter falling under Article XVIII circumvented that Committee's procedures and the provisions of Article XVIII. Her delegation hoped this matter could be solved in the forthcoming balance-of-payments consultations with India and did not support the US request to establish a panel.

The representative of Egypt said that his delegation maintained its position expressed at the Council's July meeting. The establishment of a panel to examine such a problem could set a dangerous precedent and involved a matter of principle, as it concerned the problems of many developing countries. In Egypt's view, India's argument was valid, especially given the Balance-of-Payments Committee's conclusion that that country had fulfilled its obligations under Article XVIII. His delegation recommended that bilateral consultations continue in order to reach a satisfactory conclusion.

The representative of the European Communities recalled that at the July Council meeting, his delegation had expressed an interest in this matter on two counts -- a purely economic interest and one based on

principle. As Canada had said, it was normal practice for the Council to establish a panel at the request of a contracting party and there should be no opposition to such a request provided it was made intelligently. It did not seem that India was arguing in favour of further bilateral consultations. He said it was worrying that some contracting parties felt this matter was suitable only for the Balance-of-Payments Committee, particularly because there was a risk that the latter would become a permanently sitting committee in order to conduct full consultations with every consulting developing country and to examine every specific measure taken for balance-of-payments reasons. This would be the result if fulfilling the requirements of simplified consultations provided an adequate and uncontestable defense of those measures. While it was reasonable for India to say that the measures in question had been taken for balance-of-payments reasons and that consultations had been held, it was wrong to suggest that Article XXIII had nothing to do with this matter. Such a suggestion would turn the Balance-of-Payments Committee into a final court of appeal on the justification for a measure, and would necessitate its consultations being substantially more lengthy and detailed. The Community did not feel that this had ever been the practice or intention of GATT. As Canada had said, India would be expected in a panel to adduce in much greater depth the arguments made in the Council regarding the defense, in terms of Article XVIII, of the measure in question. His delegation could not accept the position that the existence of balance-of-payments consultations vitiated in any way the right to a panel. The Community therefore supported the US request for a panel, all the more for reasons of principle, as previously discussed, and reserved its right to make a submission to it.

The representative of Australia supported the US request for a panel, based on its belief in the right of recourse to this procedure. Australia had an economic interest in this issue as it accounted for some 40 per cent of India's imports of dried vine fruits. The linkage with the US complaint was that the restrictions and the attendant mandatory licenses grouped almonds and dried vine fruits together; the licenses did not stipulate specific products. Accordingly, in Australia's view, any panel established should consider the GATT compatibility of the measures in relation to the restrictions on dried fruits -- almonds, dried vine fruits and other products within that category.

The representative of New Zealand said that while his country was not a party to this dispute and would not be directly affected by its outcome, it was concerned with the legal interpretations made in this case and their future implications for GATT dispute settlement. In New Zealand's view, there were no grounds for the view that Article XXIII:2 did not apply to all GATT provisions. The right of contracting parties to have complaints relating to any GATT Articles heard by a panel was fundamental to any effective dispute settlement mechanism, and New Zealand would strongly

oppose any attempt to limit this right. Therefore, his delegation supported the US request for a panel on the basis of the principles involved.

The representative of Argentina reiterated his delegation's concern, expressed at the July Council meeting, over the way in which the provisions of the General Agreement were to be used. Article XVIII clearly provided for the examination of measures taken by a contracting party for balance-of-payments reasons. Measures once examined and approved in the Balance-of-Payments Committee, whose reports were approved by the Council, could not be subject to dispute settlement, as this would constitute the contracting parties going back on their own word. It was incumbent on contracting parties to be consistent, and it was fundamental that the General Agreement be respected. Article XVIII had to take account of the balance-of-payments situation of countries invoking it and the duration of the measures taken. Contracting parties with concerns, such as that of the United States, should continue to have recourse to consultations under that Article.

The representative of Nicaragua said that his delegation felt this matter should be examined by the Balance-of-Payments Committee, and consequently felt that it would not be appropriate to establish a panel.

The representative of Peru said that her delegation maintained its position on this matter as expressed at the July Council meeting. Any such problems should be dealt with in the Balance-of-Payments Committee and the Panel set up by the Committee on Import Licensing.

The representative of Cuba said that her delegation agreed with the views expressed by developing countries on this matter and supported Argentina's statement.

The representative of Switzerland said that his delegation was perplexed by some of the comments made regarding Article XXIII, which was a central provision in the General Agreement, offering the possibility of a multilateral exercise in the objective consideration of disputes and the possibility of containing pressures resulting from different economic weights of countries involved in disputes. His delegation endorsed New Zealand's analysis and comments regarding the place and importance of Article XXIII, and would oppose any attempt to erode it in any way.

The representative of Austria recalled that years earlier this question had been raised in the Committee on Import Licensing without any success. Austria was pleased that a Panel had finally been set up within that Committee to examine the administrative aspect of this issue; however, Article XXIII should deal with the substance of this matter. In Austria's view, the consultations under Article XVIII had been purely

routine and did not touch on matters of substance. For that reason, his delegation supported the establishment of a panel to examine this matter.

The representative of Nigeria said his delegation felt that bilateral consultations between the United States and India should continue.

The representative of the United States said his delegation felt that the arguments put forward by the Community and New Zealand had great merit, and appreciated the support given by a number of delegations to its request for a panel. Regarding the claims by some representatives that Article XVIII reviews could impede the setting up of a panel under Article XXIII, the United States believed that taking any issue out of the scope of Article XXIII would set a dangerous precedent for GATT. Those arguing to the contrary confused the right to establishment of a panel with what a panel may consider. A panel might well consider it appropriate to explore what was and was not considered during previous balance-of-payments consultations, but that was a question of evidence which should be decided in the panel process. He also said that Article XVIII:12 consultations were of a general nature, not product specific, and so no matter how productive, could not substitute for examination of a dispute by a panel under Article XXIII.

The representative of India thanked the representatives of Brazil, Yugoslavia, Egypt, Argentina, Nicaragua, Peru, Cuba and Nigeria for the stand they had taken. The substantive arguments India had made in its initial statement remained unaffected by the subsequent points raised by some delegations. India, therefore, did not see any justification for the establishment of a panel on this issue. He reiterated his delegation's willingness to engage in further bilateral consultations with the United States on this subject in order to find a mutually satisfactory solution.

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

7. Measures affecting the world market for copper ores and concentrates - Report of the Group of Governmental Experts (L/6167)

The Chairman recalled that in July 1986, the Council had established a Group of Governmental Experts to examine this matter, and that in July 1987, the Council had considered the Group's report (L/6167) and had agreed to revert to it at the present meeting.

The representative of Japan said that the report was a fair and balanced one, and deserved immediate adoption. It was regrettable therefore that the Community, which had fully participated in the Group, had opposed its adoption. At the July Council meeting, the Community had

asked that this matter be submitted to a binding arbitration by an independent arbitrator such as the Director-General. As Japan had stated then, since the Group had dealt with the copper trade problem from a global point of view and not as a bilateral dispute settlement issue, it would not be appropriate to place the matter under arbitration. His delegation was not sure what the Community meant by arbitration, and sought further explanation on such aspects as the mechanism and legal status of the proposed arbitration. The best way of addressing the matter seemed to be to follow the conclusion of the Report, which in the last sentence of paragraph 16 said "They express the hope that further liberalization of copper trade would be achieved through the Uruguay Round of trade negotiations". If one followed this recommendation, it would not be necessary to establish a separate arbitration mechanism on the matter. Japan understood that the Uruguay Round Negotiating Group on Natural Resource-Based Products would take up global issues concerning copper trade. On that assumption, his Government would be ready to follow the recommendation.

The representative of the European Communities said that the Community did not challenge what was said in the Report. The Community's concern related to questions on which the Group had been unable to agree, as pointed out in paragraph 16, namely whether certain pricing and trading practices in Japan constituted a distortion in the supply and demand situation of copper concentrates, with an aggravating impact on world trading conditions. These questions remained unanswered because of a divergence of views between, in particular Japan and the Community, and also because of a lack of expertise which could have permitted the verification of what actually happened in the copper market. Since these questions were of crucial importance to the Community's trade interests, they needed to be clarified. The Community had requested that Japan agree that the specific questions posed be submitted to an arbitration procedure. The request had apparently given rise to preoccupations, and Japan had sought clarification and wished to reflect further. In order to dissipate any misunderstanding, he explained that the Community proposed a procedure in two stages. The first stage would be that the Secretariat, with the help of independent experts having sufficient knowledge of the situation in the copper market, establish the factual situation of what was happening in the Japanese market. The questions on which clarification was sought were essentially: (1) Was there a substantial difference between (a) the Japanese internal price for copper metal as reported by the Japan Metal Journal, (b) the so-called Japanese market price referred to by the Japanese delegation in the Working Group and published by the Japanese Economic Journal (to the knowledge of the Community, this price referred solely to sales out of warehouses of the three major Japanese harbours, where no Japanese smelter was located, and so reflected only the price of imported copper, either without duty (GSP) or with duty) and (c) the London Metal Exchange price, the level of which was accepted by both parties? (2)

Could any copper smelter in the world, and in Japan in particular, transform copper concentrates into copper metal at a cost of 10 to 14 US cents per pound without losing money? As to the second stage of the proposed procedure, the Community hoped that Japan would accept that the outcome of this fact-finding exercise could be the subject of arbitration procedures. In other words, the report of the independent copper experts could be examined by the Director-General, or by his appointed representatives, to determine whether any breach of Japan's GATT obligations had occurred. If this procedure was acceptable, the Community would not stand in the way of adopting the Report.

The representative of Japan said his delegation regretted that the Report could not be adopted at the present meeting. Japan was not in a position to respond to the additional explanation about the arbitration proposed by the Community. The question arose as to what legal status the proposed arbitration would have in the existing GATT system if it dealt only with the factual situation. The Community was proposing in the Negotiating Group on Dispute Settlement a certain idea about mandatory arbitration; but contracting parties would have to give careful consideration to whether or not the GATT should adopt this sort of mechanism into its system. His delegation was ready to talk with the Community if further clarification and other discussion was necessary before the next Council meeting.

The Council took note of the statements and agreed to revert to this item at a future meeting.

8. Integrated Data Base
- Note by the Director-General (C/W/521)

The Chairman recalled that at its July meeting, the Council had considered a note by the Director-General (C/W/521) regarding the draft proposal for creating a fully integrated trade and trade policy data base. While many representatives had spoken in favour of the proposal to establish an integrated data base in the GATT Secretariat and were prepared to authorize the Secretariat to begin work on it, some had indicated that they needed additional time to consider the proposal and to clarify certain aspects. At the end of the discussion, the Council had agreed to revert to this matter at the present meeting, noting the points made by the Director-General, in particular, the importance of taking a decision on this matter at the present meeting.

In the interim there had been additional consultations which suggested that more time was needed by some delegations in order to come to an agreed decision. In these circumstances, he suggested that the Council postpone a decision on the integrated data base to its next meeting. He encouraged

representatives to keep in mind that there was some urgency if the data base was to become operational within a meaningful period of time. He urged that delegations use the time available until the next Council meeting to sort out any remaining questions.

The Council took note of the statement and agreed to revert to this item at its next meeting.

9. United States - Section 337 of the Tariff Act of 1930
- Recourse to Article XXIII:2 by the European Economic Community (L/6198)

The Chairman recalled that at its July meeting, the Council had considered this matter and had agreed to revert to it at the present meeting.

The representative of the European Communities recalled that his delegation had explained its request in detail at the July Council meeting. The Community had requested Article XXIII:1 consultations on 24 April 1987 and such consultations had been held on 10 July. These were not the only bilateral contacts that had been held on this matter. Unfortunately no mutually satisfactory solution had been reached. At the July Council meeting, the United States had explained that time shortage had prevented them from responding to the request; the Community thus hoped that the panel could be established at the present meeting.

The representative of the United States said his delegation was disappointed that the Community believed it necessary to seek recourse to Article XXIII:2 concerning application of the Section 337 exclusion order in the aramid fibre matter. The consistency of Section 337 had already been addressed by the GATT in the panel report (L/5333) concerning US exclusion of infringing imports of automotive spring assemblies pursuant to a Section 337 order, which the Council had adopted in May 1983. One should conclude therefrom that Section 337 and its application in that case were consistent with the United States' rights and obligations under the GATT, as were actions taken by the United States under Section 337 regarding imports of aramid fibre found to infringe a valid US patent. Therefore, there was no nullification or impairment of a benefit accruing to the Community under the GATT. The United States, however, did not object to the establishment of a panel under Article XXIII:2.

The representative of Canada said that Canada reserved its rights to make a submission to a panel.

The representative of Japan recalled his delegation's position as expressed at the July Council meeting. Japan supported the Community's request for a panel and reserved its rights, including that of making a submission to it.

The representative of Hong Kong referred to the conclusion in the report of the Panel on Imports of Certain Automative Spring Assemblies (L/5333) and to the understanding on the adoption of the report "that this shall not foreclose future examination of the use of Section 337 to deal with patent infringement cases from the point of view of consistency with Articles III and XX of the General Agreement." (C/M/168, p.10). He expressed Hong Kong's interest in the matter as some Hong Kong exporters had been affected by the application of Section 337, and reserved Hong Kong's right to make a submission to any panel that would deal with such cases.

The representative of Switzerland congratulated the United States for having accepted the request for a panel and reserved Switzerland's position on this matter.

The representative of Brazil said it was not incumbent on a panel to examine legislation protecting intellectual property per se, which was a subject that did not fall under the competence of GATT. A panel should therefore limit its work to the application of GATT rules that may have been violated by the US measures. Brazil hoped that this understanding would be duly reflected in such a panel's terms of reference.

The representative of Korea said that his delegation was very pleased to hear that the United States had agreed to the establishment of a panel. It would benefit all parties concerned if a panel could examine this important issue within the GATT framework, in the interest of upholding and strengthening the multilateral free trade system.

The Chairman proposed that the Council take note of the statements, agree to establish a panel, and authorize him to draw up the terms of reference and to designate the Chairman and members of the Panel in consultation with the parties concerned. He added that the view expressed by Brazil concerning the terms of reference would be taken into account, but thought it unlikely that a problem would arise in practice, since the terms of reference would not include something that had not been proposed.

The Council so agreed.

10. Dates for the Forty-Third Session of the CONTRACTING PARTIES (C/150)

The Chairman recalled that at their Forty-Second Session, the CONTRACTING PARTIES had agreed that their Forty-Third Session should be held in the week beginning 30 November 1987, and that the Council should be authorized to fix the opening date and duration of the Session in the course of 1987. He drew attention to the Director-General's proposal (C/150) that the Forty-Third Session should open on Tuesday, 1 December and

that the duration should be fixed at three to four days. Following discussions with the Director-General, he understood that it would be more suitable for the Session to begin in the morning instead of the afternoon. Accordingly, he suggested that the Council adopt the Director-General's proposal with an amendment to that effect.

The Council so agreed.

11. United States - Agricultural Adjustment Act - Annual report by the United States

The representative of Australia, speaking under "Other Business", said his delegation understood that the United States had not yet furnished the annual report for 1985/86 required under the terms of its 1955 waiver (BISD 3S/32) on imports of agricultural products, and asked the US delegation when it expected to be able to do so.

The representative of the United States said that his Government was aware of, and regretted, the delay in submitting this report. He assured Australia and all interested contracting parties that the report was in the final stages of preparation and would be submitted as soon as possible.

The representative of Australia reserved his delegation's right to raise this matter at the next Council meeting.

The Council took note of the statements.

12. Canada-United States Free-trade Agreement

The representative of Canada, speaking under "Other Business", informed the Council that on 3 October 1987, Canada and the United States had initialled, ad referendum, a free-trade area agreement which would lead to significant trade liberalization, phased in over a period of time. The Agreement would lower trade barriers between Canada and the United States, would not raise barriers to any third country, and was thus complementary to, and reinforced, the trade liberalization goals of the Uruguay Round; it was fully consistent with GATT obligations regarding free-trade areas. Canada would notify the CONTRACTING PARTIES in keeping with Article XXIV:7 with a view to Council action on the reporting requirement for the Agreement.

The representative of the United States said his delegation was pleased to join Canada in reporting that the United States and Canada had reached an agreement in substance on the terms of a free-trade agreement. Efforts would soon begin to prepare a final text for presentation to the US

Congress and to the Canadian authorities for their approval. The text of the Agreement would be made available to interested contracting parties in a timely manner.

The representative of Japan expressed his Government's strong interest in the Agreement, which it hoped would be conducive to increasing US and Canadian trade with third countries. The question of its compatibility with the relevant provisions of the General Agreement should be fully studied before the Agreement entered into force.

The Council took note of the statements.

13. United States - Unilateral measures on imports of certain Japanese products
- Recourse to Article XXIII:1 by Japan (L/6159)

The representative of Japan, speaking under "Other Business", recalled that at the June Council meeting his delegation had requested, and the United States had agreed to, consultations under Article XXIII with regard to the US unilateral measures on Japanese exports concerning trade in semi-conductors. On 4 August, such consultations had been held, but with no satisfactory results. The 100 per cent tariff imposed by the United States on the import of certain electronic products such as personal computers, colour television sets and rotary drills, had been implemented solely against Japan. This measure was a prima facie contravention of Article I and of Article II, and nullified or impaired the benefits accruing to Japan under the General Agreement. Japan again asked the United States to withdraw all these measures as soon as possible and recalled that Japan had reserved all its GATT rights, including those under Article XXIII:2, should any measure not be withdrawn by the United States before the next Council meeting.

The representative of the United States regretted that Japan believed that the Article XXIII:1 consultations had not produced a satisfactory result. The United States believed that the measures were fully in accord with its international obligations and were justified by the lack of Japanese compliance with the bilateral semi-conductor arrangement.[1] The United States had already reduced the level of the measures proportional to Japan's increased conformity with the Agreement. There was still a long way to go before this was fully achieved.

The Council took note of the statements.

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[1] See L/6076.

14. United States - Omnibus Trade Bill

The representative of Japan, speaking under "Other Business", expressed his delegation's concern over the proposed US Omnibus Trade Bill which was currently under deliberation in the US Congress. The proposed legislation contained strong protectionist elements, and the final outcome of the Bill might have important adverse effects on the ongoing Uruguay Round negotiations. His Government had noted, and highly appreciated, the US Administration's efforts to prevent protectionist bills from being enacted, and strongly hoped that those efforts would continue.

The representative of the European Communities said that the Bill was dangerous because it contained elements of a protectionist nature which could cause irremediable damage to the multilateral trading system. This was of great concern to the whole world. He paid tribute both to the efforts of the US Administration to oppose protectionism as well as to the transparency of the US legislative system, which allowed countries to know what was under consideration; however, that system should act responsibly: this was the message the Community wished to convey to Washington.

The representative of Australia supported the views already expressed regarding concern over the protectionist elements in the Bill. Australia noted that the US Administration had opposed those elements and hoped it would continue to do so.

The representative of Canada said that the outcome of this legislation would have a major effect on GATT, and that a good bill would make a major contribution to work in the Uruguay Round. Canada was aware of and supported the US Administration's efforts, and hoped that they would be successful.

The representative of Korea expressed his delegation's deep concern over the serious implications that this protectionist bill would have for the multilateral free trade system and the Uruguay Round negotiations.

The representative of Hong Kong said his delegation shared the concerns expressed by Japan, the European Communities and others. In addition to areas of concern in the Bill which were visible, there were those which might emerge at the last minute, such as attempts to exclude certain subjects -- textiles, for example -- from the scope of the negotiating authority, as well as provisions which would cut across existing US obligations under the General Agreement and in the GATT Codes. This could have an extremely damaging effect on the GATT and on the Uruguay Round. Hong Kong supported Japan's concerns as well as its acknowledgement of the US Administration's efforts to resist protectionist trends. His delegation hoped that those efforts would continue and would be successful.

The representative of Pakistan said that his delegation had the same concerns as those expressed by Hong Kong.

The Council took note of the statements.

15. United States - Taxes on petroleum and certain imported substances - Follow-up on the Panel report (L/6175)

The representative of the European Communities, speaking under "Other Business", recalled that in June 1987 the Council had adopted the Panel report on the US taxes on petroleum and certain imported substances. In doing so the Council had recommended that the United States bring the tax on petroleum into conformity with its obligations under the General Agreement. The Community asked the United States for information on whether and what actions had been taken to implement this recommendation.

The representative of Mexico recalled that at the June 1987 Council meeting, his delegation had expressed satisfaction with how the dispute settlement mechanism had resolved the dispute presented by Mexico, jointly with Canada and the Community, in connection with US legislation for financing what was known as the "Superfund". However, more than 90 days had since elapsed. For that reason, Mexico was also asking what measures the United States had taken to implement the Panel's recommendation.

The representative of Canada said that his delegation was also interested in the US answer to this question.

The representative of the United States said that his Government had accepted the report and was anxious to put into practice something to respond positively to it. However, implementation of the Panel report required legislation. The US Congress was currently preoccupied with the Omnibus Trade Bill.[1] His Government continued to reflect on how best to address this report. The United States took its GATT obligations seriously, and he would report to his authorities the concerns expressed at the present meeting.

The Council took note of the statements.

16. European Economic Community's contribution to the 1987 GATT budget

The representative of the European Communities, speaking under "Other Business", said that in order to mark in a concrete way the Community's commitment to the GATT trading system and its solidarity with and concern

[1] See Item no. 14.

for the developing countries, as well as recognition of the Secretariat's excellent work, the Community had decided to make a contribution of 45,000 ECUs, or roughly US$50,000, to the GATT budget to support the Secretariat's technical assistance operations. He would recommend to his authorities that this assistance be continued throughout the Uruguay Round negotiations and also for the beginning of the implementation of the results of the Round. This was intended to help the developing countries to participate as fully as possible in the Uruguay Round.

The Chairman said that it would be appropriate to mark the Community's gesture with appreciation.

The Council took note of the statements.

17. GATT's 40th Anniversary
- Statement by the Director-General

The Director-General, speaking under "Other Business", gave the outline of GATT's 40th Anniversary celebration to be held on 30 November. The day would begin with a morning session in which Mr. Lacarte (Uruguay), Mr. Reisman (Canada) and Mr. Benes (Czechoslovakia) would recall the discussions which had led to the setting up of GATT. He hoped that they would accept the invitation. After a break, there would be a keynote address by Mr. Paul Volcker, former Chairman of the US Federal Reserve Board and currently consultant to the World Bank. The afternoon would consist of a round-table debate on GATT's future, with Ministers and representatives from the media and academic world, in the second part of which the debate would be broadened to include other ministers as well as other members of the audience. He had been informed that the Swiss and Geneva authorities intended to host a reception in the evening for the participants and the Secretariat, followed by a dinner for heads of delegations, organized by the Swiss Federal Council. He would give a full description of plans for the Anniversary celebration as soon as these were firmly decided.

The Council took note of this information.

18. Preshipment inspection programs

The representative of Indonesia, speaking under "Other Business", said that his delegation had taken part, as an observer, in the May 1987 meeting of the Committee on Customs Valuation where this issue had been discussed. His delegation's views had been reflected in document VAL/W/44. Indonesia believed that discussion of this matter should take place in a wider and more appropriate forum where the views of all affected countries, not only

those of the Customs Valuation Code signatories, could be taken into account. His delegation did not have specific views at this stage on which forum; perhaps this could be a matter for further consultations.

The representative of the European Communities said that the question of preshipment inspection, because of its rapid evolution, was becoming too important to ignore, particularly in the trade between industrial and developing countries, but also in international trade generally. This problem had its place in GATT, but great care was required in dealing with it. The problem should be dealt with both through the normal GATT mechanisms provided by the Codes on Customs Valuation and on Import Licensing, and in the context of the Uruguay Round, in order to arrive at more transparency and agreed multilateral discipline.

The representative of the United States said that his Government was deeply interested in, and concerned by, this problem. The United States was examining, both internally and with other governments through consultations, exactly which was the most appropriate manner of dealing multilaterally with the subject of preshipment inspection. The United States was looking forward to participating in further consultations on this matter.

The representative of Nigeria supported the statement by Indonesia.

The representative of Switzerland said that the elements put forward by Indonesia were valid with a view to a future discussion on the matter. His delegation would take part in any relevant consultation.

The Council took note of the statements.

19. Provisional accession - Working party chairmanships
- El Salvador
- Guatemala
- Honduras

The Chairman, speaking under "Other Business", recalled that in May, the Council had established working parties on the provisional accession of El Salvador and Honduras, and in June, on the provisional accession of Guatemala. In each case, the Council had authorized him to designate the Chairman of each working party in consultation with representatives of contracting parties and with the representative of the country requesting provisional accession.

As a result of those consultations, he informed the Council that Mr. Emilio Artacho (Spain) had agreed to serve as Chairman of each of these three working parties, which would meet as separate entities and would

examine each request individually. The interested delegations had considered that having one person serve in three separate capacities would facilitate their work and that of the other delegations.

The Council took note of this information.

20. United States - Trade measures affecting Nicaragua (L/6053)

The Chairman, speaking under "Other Business", recalled that in July the Council had agreed that he should continue the process of consultations on this matter. He had been in touch with the delegations of Nicaragua and the United States since the July meeting and intended to continue the process of consultations on this matter. It would, of course, be open for either delegation to ask that this item be placed on the agenda of a future Council meeting.

The Council took note of this information.

21. Communication from the United States on the relationship of internationally-recognized worker rights to international trade (L/6196)

The Chairman, speaking under "Other Business", recalled that at its meeting in July, the Council had considered the communication from the United States in L/6196 and had taken note of the wish that this matter be continued as a subject of informal consultations. He said that on 29 September an informal consultation had been held in response to a request by the United States. He asked the Secretariat to inform interested delegations of any future consultations that might be requested on this subject.

The representative of the United States recalled that at the July meeting his delegation had indicated its intention to ask the Council to set up a working party on worker rights and, in informal consultations held in June and July, had tabled proposed terms of reference for such a group. The United States had participated in informal consultations with interested contracting parties -- most recently on 29 September -- to explain its interest in a GATT discussion of the issue. Many countries had raised objections to having GATT examine it, but no one had come forth with alternatives to a working party or with substantive comments on the proposed terms of reference. The United States hoped there would be further consultations in order to allow a more detailed discussion of possible terms of reference and to consider alternative proposals. He encouraged constructive participation of all interested Council members in this effort. At the November Council meeting, the United States would formally propose the establishment of a working party to examine the relationship between internationally-recognized worker rights and international trade.

The Council took note of the statements.

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The Council took note of the statements.