

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

SR.14/5
28 May 1959

Limited Distribution

CONTRACTING PARTIES
Fourteenth Session

Page 47

SUMMARY RECORD OF THE FIFTH MEETING

Held at the Palais des Nations, Geneva,
on Wednesday, 20 May, at 2.30 p.m.

Chairman: Mr. F. GARCIA OLDINI (Chile)

Subjects discussed: 1. Article XXVIII:4 Request by Canada
2. The Rome Treaty
3. Expansion of International Trade

1. Article XXVIII:4 Request by Canada (SECRET/106)

The CHAIRMAN said that the Canadian request had been distributed in document SECRET/106 dated 24 April. The details of the items affected, together with statistical data, had been distributed with document Spec(59)73 dated 23 April.

Mr. SCHWARZMANN (Canada) said that his Government was requesting authority to renegotiate 140 items and sub-items of the Canadian Schedule. All of these items were bound in Part I, and forty-two were also bound in Part II of the Schedule. All the tariff items related to textiles. Canada's request was made under the provisions of paragraph 4 of Article XXVIII and Canada had, therefore, to demonstrate that there were special circumstances which, firstly, made it desirable for it to proceed with negotiations in the near future and introduce the tariff changes arising out of them as soon as possible and, secondly, that it was not practicable to wait until the autumn of 1960 when the provisions of paragraph 1 of Article XXVIII could be used.

The special circumstances arose primarily from the fact that Canada was in the process of modernizing important parts of its tariff. An important step in this process, which began a few years ago on a sector-by-sector basis, was to refer a sector of the tariff to the Tariff Board for review and recommendations. On the basis of these recommendations, the Government would proceed to implement a revised and modernized schedule within the framework of Canada's international obligations. Canada had already modernized and renegotiated its schedules for certain items and the Tariff Board was currently reviewing and reporting on the textile schedule which, to a large extent, had been little changed during the last thirty years; and which no longer met the needs of Canadian consumers, producers or importers. The Tariff Board, which had been asked to review the whole of the

textile schedule, including yarns, fabrics and made-up goods, had up to the present submitted reports on woollen and worsted fabrics, woollen yarns, cotton yarns and fabrics and on textile wastes. These reports had been available to the representatives of contracting parties in Ottawa for some time. The Board had also held hearings on synthetic fibres and fabrics and this report was expected shortly. Thus most of the important items had now been examined.

The Canadian Government considered it desirable to take action on individual groups of textile items as soon as practicable after receiving the Tariff Board's recommendations. This view was based on several considerations. First, Canada was a large consumer, producer and importer of textiles; substantial quantities of textiles were consumed by secondary industries while the fabrication of primary textiles was one of Canada's greatest industries. It would thus be unfair and undesirable to deny Canadians the benefits of a modernized textile schedule any longer than was necessary. Secondly, as the Tariff Board's reports were made public, it followed that an important sector of the public was aware that the Board had recommended changes in the textile schedule designed to serve their interests. Further, as the modernization of the tariff was being done on a sector-by-sector basis, there were convincing practical reasons for proceeding with and renegotiating each sector as the Tariff Board's reports appeared, instead of allowing reports to pile up and thus become an unmanageable problem. Canada would normally wish to use the provisions of paragraph 1 of Article XXVIII but, in the special circumstances surrounding textiles, the Government had decided it would be in the general interest to use the provisions of paragraph 4.

Mr. Schwarzmann, in referring to private enquiries from representatives of a number of contracting parties on the question of the effect modernization of the textile tariff would have on current levels of protection, said that as the proposed new rates of duty were not known he could not give a specific answer to that question. However, Tariff Board reports received to date coupled with past experience in modernizing other schedules enabled him to make the following comments. First, the nature of the changes recommended by the Tariff Board might be indicated by the following quotation from the Board's Report on Cotton and Cotton Products:

"In undertaking the formulating of a tariff schedule ... the Board has ... not had as its objective either the increasing or the decreasing of the overall protection at present afforded to the primary industry or to the secondary industries concerned. Rather it has kept before it (i) the desirability (in the interests of the trade generally) of revising a schedule which, in substance, has been little changed in thirty years; (ii) of deleting from the tariff such items as have lost their significance or their value in trade; (iii) of simplifying and modernizing the terminology; (iv) of reducing as far as possible the number of classifications; (v) of giving due consideration to such effect as incidental changes in rates - either upward or downward - might have upon secondary industries using cotton yarns and fabrics and (through these) upon the consumer."

Secondly; modernization would involve a substantial consolidation of the textile schedule. Thirdly, in carrying out this consolidation some rates would be reduced, some would remain at present levels and some would be increased. Fourthly, where bound rates were increased, Canada would enter into negotiations with contracting parties who had a supplying interest under the provisions of Article XXVIII and in these negotiations Canada would be prepared to pay fair and reasonable compensation to offset any increases. Fifthly, out of these negotiations would emerge a new textile schedule which would be largely bound under the General Agreement.

Mr. Schwarzmann said that, as these negotiations were likely to require several months to complete, he would like to assure the CONTRACTING PARTIES that Canada would not invoke paragraph 4(c) of Article XXVIII to refer the matter to the CONTRACTING PARTIES if agreement was not reached within sixty days although it would not, of course, waive its rights under paragraph 4(c) if, over a longer period of time, reasonable efforts to reach agreement failed.

Although the rates of duty for a number of the items Canada wished to renegotiate would be reduced or remain at existing levels, the Canadian delegation was not in a position to indicate these items at this time. Therefore, contracting parties would wish to safeguard their interests in all of the items in the Canadian list and establish any claims of principal supplying or substantial interest. Since this would take up a considerable amount of time, the Canadian delegation suggested that contracting parties who wished to claim a supplying interest in the items concerned should communicate with the Canadian delegation during the session, or subsequently with the Canadian authorities through normal channels.

The CHAIRMAN invited the CONTRACTING PARTIES to consider whether there were special circumstances, in the sense of Article XXVIII:4, which warranted the granting of the requested authority to enter into renegotiations.

Mr. BEALE (United States) said that, as he understood it, the special circumstances envisaged in this case arose from Canada's wish to modernize its tariff and its wish to proceed with this particular sector before the next open season. Further, as he understood the position, it was not yet known which items Canada would wish to raise above bound levels, or what the new rates would be. He wished to ask the Canadian delegate whether his understanding on these points was correct and also whether Canada had considered making its request at a later date. The United States delegation regretted seeing Article XXVIII:4 used to get cover in advance for items on which, in the event, there might not be increases; the procedure under Article XXVIII:4 was envisaged as permitting contracting parties to pin-point necessary modifications during periods of firm validity of concessions. On the other hand, his delegation was aware of the problems which the revision of large sections of a tariff involved. It also recognized the need to avoid a large number of renegotiations in 1960. Furthermore, there was the fact that the renegotiating procedure provided for in Article XXVIII was one of the processes of adjustment which afforded contracting parties the best opportunity of safeguarding their interests. Mr. Beale concluded by saying his delegation would be interested to hear the views of the other contracting parties.

Mr. PARBONI (Italy) referred to the fact that many of the items concerned had been bound directly in favour of Italy. Taking into account certain other items, it could be seen that Italy had a substantial interest. The items concerned not only represented a large percentage of Italy's exports to Canada, but also covered a substantial part of the tariff agreements between Italy and Canada. In principle, the renegotiations should not involve increases in duties. If there were such increases which in fact might even be considered as bringing into question the tariff agreements between Italy and Canada it would, in the view of the Italian delegation, be difficult to recognize that special circumstances existed in terms of Article XXVIII. Against the background of these remarks, his delegation agreed that Canada should be given authority to renegotiate.

Mr. JARDINE (United Kingdom) said that the United Kingdom delegation supported Canada's request. Although such agreement should not be given lightly, his delegation did consider, in the light of the statement made by the Canadian representative, that special circumstances existed in this case. He had been particularly impressed by the argument that delay in taking action on the Tariff Board's recommendations would unnecessarily irritate public opinion and that, through the piling up of Tariff Board reports which would result from delay, an unmanageable problem might be created.

Mr. ABE (Japan) said his Government was prepared to concur in Canada's request for authority to negotiate under Article XXVIII:4. Japan should be given adequate opportunity to enter into negotiations with Canada in respect of those products of which Japan was a principal supplier or in which it had a substantial interest as an exporting country.

Mr. PHILIP (France) said that France was an exporter of some of the products affected by the Canadian request. He referred to the bilateral negotiations which France had had in 1958 with Canada in connexion with the Canadian tariff bindings on wool fabrics and said that the CONTRACTING PARTIES were now faced with a similar situation in regard to cotton textiles, except that the quantities involved were much greater. Having expressed his delegation's understanding for Canada's desire to modernize its tariff, Mr. Philip stressed the need for the strict meaning of "special circumstances" to be maintained. The attitude of the French delegation was similar to that of the Italian delegation and it was to be hoped that the final result would not be an increase in tariff rates which France would be unable to accept.

Mr. MATHUR (India) said that India, which had close and cordial trade relations with Canada, was among the foremost producers of the products concerned. It hoped that Canada would bear fully in mind the interests of exporting countries in any negotiations that might take place. It was noted that the primary reason behind Canada's request was a wish to modernize its

tariff, which did not necessarily imply that the general level of tariff rates would be raised. India was prepared to agree to Canada's request.

Mr. ELSON (Federal Republic of Germany) stated that in the view of his delegation Canada had established that there were special circumstances in terms of Article XXVIII:4. It therefore supported the Canadian request. The Federal Republic would inform the Canadian authorities whether it considered it had a substantial supplying interest.

Sir John CRAWFORD (Australia) said that Australia had a direct interest in wool and woollen products as well as an indirect interest arising from concern with the net effect of any changes in total world trade. His delegation supported the request, as Canada had demonstrated that there were special circumstances to justify recourse to the provisions of Article XXVIII:4.

Mr. SCHWARZMANN (Canada) stated in reply to the question by the representative of the United States, that like other contracting parties Canada thought it important to ensure that the provisions of Article XXVIII:4 were used only in cases where valid and special reasons made it necessary for renegotiation to be authorized before the end of a bound period. His Government had given careful consideration to this aspect of the matter but had considered it necessary in the light of the factors outlined in his previous statement to avail itself in this case of the provisions of Article XXVIII:4.

Mr. BEALE (United States) said it was helpful to know that the various alternatives had been taken into consideration before the proposed course of action had been decided upon. On balance it appeared that Canada had chosen the best alternative under circumstances which could be described as special. He therefore supported the Canadian request.

The CONTRACTING PARTIES agreed that special circumstances existed in the sense of Article XXVIII:4 and decided to authorize the Government of Canada to enter into renegotiations.

The CHAIRMAN requested any contracting party which considered that it had a "principal supplying interest" or a "substantial interest", to communicate such claim in writing and without delay to the Canadian delegation while at the same time informing the Executive Secretary. Any claim recognized by the Canadian Government would be deemed to be a determination by the CONTRACTING PARTIES within the terms of paragraph 1 of Article XXVIII. If agreement could not be reached between the Canadian Government and a contracting party claiming interest, the matter might be referred to the CONTRACTING PARTIES.

It was so agreed.

2. The Rome Treaty (W.14/6 and W.14/11)

The CHAIRMAN recalled that, at the first meeting on 11 May when the agenda for the session was adopted, the leader of the Australian delegation had raised a point in connexion with the scope of item 5 - The Rome Treaty - and it had been agreed that this point would be taken up subsequently. The point raised by the representative of Australia was the question now to be discussed; the agenda item itself (the reports on the consultations under Article XXII) would be taken up later in the session. A communication from the delegation of Australia had been distributed in W.14/6 and W.14/6 Corr.1.

Mr. PHILIP (France) speaking on behalf of the European Economic Community, said that, at the opening meeting of the CONTRACTING PARTIES, the representative of Australia, supported by the representative of Brazil, had submitted a request for information concerning the application of the Rome Treaty in connexion with item 5 of the agenda, and this request might have given rise to some misunderstanding, both among the Six and among the delegations of third countries. In order to clear up any possible ambiguity concerning the position of the Member States of the Community, Mr. Philip wished to state that the Six still considered themselves bound by the statement of conclusions concurred in by the CONTRACTING PARTIES at the thirteenth session on the occasion of the examination of the Rome Treaty. As regards the point under consideration, i.e. the information to be furnished by the Six, the above-mentioned conclusions included two paragraphs. One of these concerned the information which the Six had undertaken to furnish in Article XXII consultations. The Six had fulfilled this obligation punctually, as shown by the records to be submitted. Another paragraph in the statement of conclusions related to the assurances given by the Six that they were ready to furnish all information pursuant to paragraph 7 (a) of Article XXIV, such information to serve as a basis for the CONTRACTING PARTIES to make appropriate reports or recommendations concerning the compatibility of the customs union or the free trade area with the provisions of Article XXIV. In other words, this was the information which should have been provided by the Six at the time of the first examination of the Rome Treaty at the twelfth session of the CONTRACTING PARTIES, if such information (in particular, on the common external tariff and the common agricultural policy) had then been available. The Six were of the opinion that this commitment was still valid and they intended to supply this information. But the determination as to whether there was any additional information available for transmission to the Executive Secretary, which could make it possible for the CONTRACTING PARTIES to determine whether the EEC action was consistent with the principles laid down in Article XXIV, rested with the Six in the first instance. Naturally, it was open to any contracting party which felt that the Six were not fulfilling their commitments on this point to bring its views to the notice of the CONTRACTING PARTIES officially. Mr. Philip added, that at present, current developments in the status of the Community did not, in the opinion of the Six; justify any communication in pursuance of paragraph 7 (a) of Article XXIV.

Having thus defined more accurately the scope of the commitments undertaken by the Six and by third countries at the thirteenth session of the CONTRACTING PARTIES in respect of information to be furnished, Mr. Philip said he would

also stress that, independently of any obligation thus undertaken by them, the Commission of the EEC would be prepared to supply information on the various aspects of the functioning of the Community to any delegation that so requested. But the EEC held the view that the information thus freely provided should not be confused with the information to be furnished as a result of its concurrence in the statement of conclusions at the thirteenth session and, therefore, in pursuance of the standard requirements of Article XXIV.

Sir John CRAWFORD (Australia), said he welcomed the statement made by the French delegate. It restated a basis for conducting the affairs of the CONTRACTING PARTIES in relation to the Rome Treaty - albeit a rather rigid procedural basis reflecting largely an approach in terms of "rights" of the kind the earlier Australian communication (W.14/6, W.14/6 Corr.1) had set out to avoid.

Sir John Crawford went on to confirm his interpretation of the actual procedures implicit in the French statement:

- (1) Article XXII consultations would be automatically before the CONTRACTING PARTIES so long as consultations were continuing.
- (2) Any reports in terms of Article XXIV:7(a) would, given the initiative of the Six, likewise be listed as agenda items for discussion by the CONTRACTING PARTIES. If initiative was not taken by the Six, and a contracting party or any group of contracting parties considered there was a relevant item, that contracting party or group could have the matter listed for consideration. The Six considered there was no such development at the present time. While making no request at this session, the Australian delegation considered there had been important developments in the area of agricultural policy (e.g. long-term contracts among members) which affected the interests of contracting parties. As the Australian delegation understood it, to seek a discussion on these developments it would be necessary, because of the present opinion of the Six, for them to seek a formal listing of the subject on the agenda.
- (3) The Australian delegation welcomed the willingness of the Commission to provide information quite apart from the requirements of Article XXIV. They had already had experience of the helpful attitude of the Commission in Brussels. Nevertheless, if a question arose out of their enquiries under this head, which they considered relevant to the relations between the EEC and GATT, the Australian delegation would feel free to request the listing of the question on the agenda in the manner already provided.

Sir John Crawford said that he was not pressing for immediate comment, but it would not be unreasonable to observe that there was great room to dispute the following paragraph in the First Memorandum from the Commission to the Council of Ministers: (Paragraph 8)-

"Looked at from the angle of undertakings at world level the Community conforms with the rules of GATT, in particular with Article XXIV, which expressly authorizes the formation of a Customs Union."

He would merely observe that in fact this issue was unfinished business between the EEC and the CONTRACTING PARTIES, all parties having agreed to set aside for the time being questions of compatibility of the Treaty with the General Agreement.

All this was workable but, in his view, unnecessarily stilted. The Australian delegation still preferred the simple solution: list the item regularly and generally. Formal reports of Article XXII consultations and reports on the initiative of the Six would still come forward. Likewise, contracting parties wishing to raise issues would do so in Plenary under the heading with such documentation as might be thought advisable. The Six might consider that the very generality of the item exposed them to risk of irrelevant discussion. This, in his view, was a needless fear. No contracting party would wish to raise an issue of no importance and unrelated to its conception of problems falling within the scope of the continuing evolution of the final settlement within Article XXIV.

He would welcome the views of other contracting parties. As far as the Australian delegation was concerned, he repeated their preference for a general listing of the item: Rome Treaty. If this was not the wish of other contracting parties, his delegation were prepared to give a trial to the procedures explicit and implicit in the conclusions of the thirteenth session and in the statement of the French delegation now before the CONTRACTING PARTIES.

Mr. KAWASAKI (Japan) said he was grateful to Mr. Philip for the assurance that the Community recognized its obligations under the General Agreement and that it was fulfilling these obligations faithfully. Japan reserved its right to comment on the results of the consultations when these were presented to the CONTRACTING PARTIES.

Mr. SCHWARZMANN (Canada) said that the CONTRACTING PARTIES would be engaged for some time in seeking to work out close satisfactory relations within the framework of the General Agreement between the Six and the other contracting parties with regard to the new arrangements now developing under the provisions of the Rome Treaty. He therefore welcomed the reaffirmation by the representative of France that one of the specific obligations of the Six under the General Agreement was to provide information periodically to the CONTRACTING PARTIES enabling them to fulfil their obligation to make appropriate reports or recommendations concerning the compatibility of aspects of the Common Market with GATT. This obligation was clear and unconditional and was not affected by the operation of procedures under other articles of the General Agreement between contracting parties and the Six.

Since the last session there had been developments with respect to the common tariff, long-term contracts in the field of agriculture and the formulation of a common agricultural policy. These were of importance and interest to the CONTRACTING PARTIES as a whole. While the Canadian delegation did not wish to insist on a legalistic approach, they felt that it would be in the common interest and in line with the declared objectives of the Community with regard to world trade if the Member States decided to discuss these developments with the CONTRACTING PARTIES. Issues arising from the Rome Treaty were still before the CONTRACTING PARTIES and their examination

should continue in a co-operative manner with the countries concerned. While his delegation was less concerned about the form of procedure for this examination than about its substance, which however had been clarified by the statement by the representative of France, they supported the Australian view that the most practical way to recognize the existing situation would be to include this item on the agenda for each session as a matter of course so that contracting parties could discuss questions of interest without formalities.

Mr. VALLADAO (Brazil) said that the Community's undertaking to provide information should not be taken as affecting any decision which the CONTRACTING PARTIES might take in regard to the reopening of the debate on the Rome Treaty which was begun at the twelfth session. He hoped, nevertheless, that the information which the Community had undertaken to provide would clarify matters which were of considerable interest to contracting parties and would lead to closer contact between GATT and the Community.

Mr. JARDINE (United Kingdom) thanked the French delegation for their helpful statement. He supported the proposal of Australia that the Rome Treaty should appear automatically on the agenda at each session as under this procedure contracting parties would no longer need to take the initiative in having the subject placed on the agenda. If the Six considered at any session that they had no information to impart to the CONTRACTING PARTIES under Article XXIV:7(a) and no specific points were raised then obviously there would be no debate, but inclusion of the item on the agenda would be a recognition of the importance of the Treaty of Rome and of the economic developments to which it gave rise.

Mr. CASTLE (New Zealand) agreed that the Treaty of Rome should be included automatically on the agenda. In view of the Chairman's summing up of the debate at the last session (SR.13/15) he was surprised that no provision had been made at this session for a general debate. The Australian paper had referred to the importance the establishment of the European Economic Community had for all contracting parties, and to the desirability of keeping contracting parties informed on developments. The inclusion of the item on the agenda would have the additional advantage of enabling the Member States of the European Economic Community to explain to the CONTRACTING PARTIES developments of policy. He welcomed the recognition by the Six in their statement of their responsibility to supply information to the CONTRACTING PARTIES but felt nevertheless that it would be desirable for an opportunity for general debate to be provided at each session.

Mr. STEYN (Union of South Africa) associated his delegation with the proposal that the Rome Treaty should appear automatically on the agenda. Developments which were taking place in the Common Market as well as developments which would take place in the future were undoubtedly matters of direct interest to the CONTRACTING PARTIES and were closely related to specific obligations under the General Agreement. It would therefore be in the interests of all contracting parties, including Member States of the EEC, if the item appeared automatically on the agenda.

Mr. SWAMINATHAN (India) agreed that in view of the importance and significance of the Rome Treaty to the CONTRACTING PARTIES the item should be included on the agenda at each session.

Mr. CAPPELEN (Norway) said that the Norwegian delegation supported the Australian proposal and shared the views expressed in its favour.

Mr. PHILIP (France), speaking on behalf of the European Economic Community, said that the statement he had made earlier in the discussion on this item represented the maximum which the Community could do in an attempt to meet the preoccupations of contracting parties. In fact, as a gesture of goodwill, it had offered to provide information it was not required to provide. The Six accepted all their obligations under the General Agreement, but nothing more. Why should general questions in connexion with the commercial policies of the Community be put on the agenda any more than similar questions about, say, the British Commonwealth or any other grouping of countries? The Six had not asked for the curtailment of the juridical debate on the compatibility of the Rome Treaty with the relevant provisions of the GATT. They were ready to resume the debate should contracting parties so wish. If, however, it was desired to maintain the existing "gentleman's agreement", the position of the Six was clear. They would provide information in connexion with consultations under Article XXII and they would provide information pursuant to Article XXIV:7(a). If any contracting parties were of the opinion that the Six were withholding such information it could, of its own initiative, request the inclusion of a specific item on the agenda. The Six would not accept the automatic inclusion of the Treaty of Rome as a general item on the agenda for each session.

The CHAIRMAN asked whether the Six would accept the regular inclusion of an item on the agenda - "Examination of the Treaty of Rome in accordance with Article XXIV:7(a)" - on the understanding that this would be limited to the report which the Six had already agreed to submit or, in the absence of such a report, to specific points raised by a contracting party.

Mr. PHILIP (France), speaking on behalf of the European Economic Community, said that the Six would not accept such an arrangement. If the Six had anything to report they would ask for an item to be included on the agenda. If a contracting party felt that the Six should have reported something on a specific point but had not done so, that contracting party could ask for the point concerned to be included on the agenda. The Six could not accept the obligation of having to submit a report regularly; such a procedure was contrary to the juridical obligations of the Six and went beyond the obligations of other contracting parties. The Six did not like being held in suspicion by other contracting parties, simply because they were trying to give an example of real co-operation and to promote an expansion of regional trade.

The CHAIRMAN suggested that the possibility of an acceptable solution should be studied and considered by the CONTRACTING PARTIES at a later meeting. In fact, the Six had agreed to present reports in accordance with Article XXIV:7(a) if they had any information to provide. It might be that the Six considered they had nothing to report, as had happened on this present occasion. At the same time, however, other contracting parties might consider that there had

been changes and an evolution in the situation about which the CONTRACTING PARTIES should be informed. In such a case, the contracting parties concerned would have the right to ask for an item to be included on the agenda. This might contain the ingredients of a solution.

Mr. VALLADAO (Brazil) said that, in principle, the attitude of the Six in opposing the regular inclusion of the Treaty of Rome as an item on the agenda would be justified if, in fact, the CONTRACTING PARTIES had completed their examination of the Treaty and had passed judgment on the compatibility or incompatibility of the Treaty with the General Agreement. The present situation, to a large extent, arose out of the fact that the examination of the Treaty had been curtailed as there was now inevitably a tendency for a contracting party to examine the situation from the point of view of its own interests. Nevertheless, as the final opinion of the CONTRACTING PARTIES on the Treaty of Rome had not yet been passed, it was necessary at each session of the CONTRACTING PARTIES to get all details from the Six if only to allay the fears and concern of contracting parties.

Sir John CRAWFORD (Australia) said that his delegation was prepared to accept the Chairman's summing-up of the debate and, if it were impracticable to proceed otherwise, to operate the procedures implicit in the statement of the French representative. He considered that the approach outlined in the French statement was too rigid and not the wisest, but he would accept it if necessary to avoid a division amongst the CONTRACTING PARTIES. A procedural point arose as it would be necessary for contracting parties to know, in order to decide whether or not to raise a point for consideration, if the Six intended to take the initiative in having the matter placed on the agenda. He suggested therefore that it should be left to the secretariat to advise contracting parties on this point at some convenient time before each session.

Mr. PHILIP (France) expressed agreement with the suggestion of the representative of Australia.

The CHAIRMAN proposed that the CONTRACTING PARTIES should return to this question at a later meeting. The point raised by the representative of Australia would be studied in the meanwhile by the secretariat.

3. Expansion of International Trade (W.14/7, W.14/15, COM.1/3, COM.II/5, COM.III/1)

The CHAIRMAN recalled that when this question had been discussed at a previous meeting (SR.14/3) he had invited the CONTRACTING PARTIES to comment on the programme as a whole and at the same time on points of special interest to them in the reports of the three committees. After a brief discussion, it had been proposed that further discussion should be deferred to afford delegates from the less-developed countries time to confer among themselves. A Note by the delegations concerned had now been circulated (W.14/15) and he invited the CONTRACTING PARTIES to proceed with discussion of this item on the basis of his Note in document W.14/7 and of the reports of the three committees.

Mr. BEALE (United States) said that his Government believed that the work of Committees I, II and III was of vital importance and he felt confident that it would make an important contribution to the economic growth and welfare of the contracting parties.

The economic growth and welfare of less-developed countries was urgent and was a major objective of the foreign economic policy of the United States Government, which, he recalled, had taken a number of measures directed towards this end, inter alia, by establishing the Development Loan Fund, by adding substantially to funds for the Export Import Bank, by taking the initiative in expanding the resources of the International Monetary Fund and the International Bank, and, within recent weeks by agreeing in co-operation with Latin American countries upon an Inter-American Bank. The United States was also prepared to work with interested countries in the establishment of an Arab Development Bank. The United States Government had pursued these and other lines of action as part of an overall programme for expanding world trade. The General Agreement was an essential and integral part of this programme and the United States regarded the measures which had been taken, whether unilaterally or in association with others, as evidence of their concern that the problems confronting all contracting parties should be solved co-operatively and constructively.

Much remained to be done to advance the economic growth of the less-developed countries. The Note submitted by these countries helped to identify major aspects of the work which remained to be done and presented a clear statement of their problems, which were among the most difficult and important confronting the CONTRACTING PARTIES.

The United States welcomed the positive and constructive contribution of the Council of Ministers of the European Economic Community in its decision to take part in tariff negotiations. The spirit of co-operation and goodwill reflected in this decision was in the highest traditions of this group and augured well for future relations with the Community and for the successful conclusion of negotiations.

The United States hoped that this session would produce a firm decision to hold tariff negotiations as recommended by Committee I in its interim report and urged that every effort should be made to adhere to the opening date of the tariff conference and the target date for beginning negotiations for new concessions. It was apparent that considerable work would have to be done in developing negotiating rules for the tariff conference and a number of the important problems which would have to be considered were mentioned in the Note of the less-developed countries. It was hoped that as much progress as possible would be made by Committee I at this session.

The Government of the United States accepted the recommendations and work programmes of Committees II and III and considered that these Committees had found a constructive approach to their tasks. The United States would co-operate in moving ahead as rapidly as practicable, and would be prepared to be among the first of the countries called to consult on agricultural policies.

Mr. Beale said that the magnitude of the task of economic development which lay ahead was very great but it was in the interest of all contracting parties that the economic resources of the world be used with the maximum effectiveness.

Mr. SWAMINATHAN (India) stated that his delegation was speaking for the group of less-developed countries which had submitted a Note (W.14/15) to the CONTRACTING PARTIES. This Note represented an attempt at a comprehensive survey of the impact of the work of the three committees on the group of less-developed countries, and more particularly to indicate the lines on which Committee III should proceed. The less-developed countries considered that the work of Committees I and II was also of great significance, as the work of the three committees constituted an integrated programme for the expansion of international trade, a subject in which less-developed countries, in their struggle to raise standards of living, were vitally interested. They had encountered great difficulties in this struggle and were grateful for the various efforts which had been made to assist them. Much remained to be done however. The Haberler Report had recognized the importance and urgency of this problem and the group urged that speedy action should be taken. Because of the weak position of the less-developed countries, actions and gestures by other countries amounting almost to acts of faith would be necessary rather than the usual process of equal concessions mutually exchanged.

In their Note, the less-developed countries had referred to problems which arose from obstacles to trade, such as high protective duties, price support schemes, subsidies and quantitative restrictions. India, together with the other less-developed countries, was in the process of industrial development and prosperity could not be achieved simply through the export of primary products. Some measure of industrialization was necessary. These countries could be efficient producers of the simpler manufactured goods, but lack of resources prevented the manufacture and export of more sophisticated products. By purchasing more of their simpler manufactured goods from the less-developed countries, the industrialized countries would be able to sell more capital goods to these countries, and the increased trade would be mutually advantageous. When less-developed countries were unable to sell adequate quantities of their products, they tended to concentrate on the production of import-saving goods rather than on exchange earning goods, thus making an uneconomic use of materials, manpower and capital. The group asked that the work of Committee III should be directed to take note of these considerations. This study was evidently going to be difficult and complicated. It would only be worthwhile for less-developed countries to participate in it if they received an assurance that their compelling need for development was recognized by the industrialized countries and that the latter would also participate, even if the solutions which might be indicated involved short-term adjustments which might cause some inconvenience to their immediate economic interests. He asked, therefore, for an indication from the industrialized countries that they would be prepared to examine the matters pragmatically and sympathetically.

Sir John CRAWFORD (Australia) referred to the importance of the Haberler Report and to the hopes which it had raised for the less-developed countries and for others heavily dependent on agricultural exports. The Australian delegation hoped that the work of the Committees, whose inter-related character had rightly been emphasized, would proceed rapidly. It was of tremendous importance to maintain momentum. Old and new difficult issues might emerge in the course of the Committees' work. One such issue was State trading, which was apt to present great difficulties for trading nations which depended on

an equitable interpretation of the non-discrimination provisions of Articles XIII and XVII. A special committee might in due course be necessary to study whether the existing rules were adequate, but meanwhile there would be an opportunity in Committee II to examine particular illustrations of this problem.

With regard to Committee I, Sir John Crawford said that Australia was well disposed to take part in tariff negotiations again and the Tariff Board was currently examining some 250 items; in many cases it was expected that room for significant reductions in most-favoured-nation rates of duty would be found. He wondered, however, whether Australian participation in these negotiations could be really fruitful. So far, it had been their experience that it was most difficult to obtain concessions on tariff rates of particular concern to Australia. The United States tariff on raw wool was an example of this. Experience had also shown that, where tariff concessions had been negotiated, the benefits had too frequently been offset and frustrated by non-tariff measures. This fact above all others had led to the Australian contention that there was inadequate reciprocity of most-favoured-nation obligations between countries exporting primary products and those highly-industrialized countries who used methods far beyond the tariff to protect their agriculture. If Australia were to participate usefully in negotiations, it would have to receive adequate assurances that concessions negotiated for Australian exports in the tariffs of industrial countries using non-tariff measures to protect their primary production would not be frustrated.

Certain principles ought to be examined further in Committee I:

- (a) the need for assurances that tariff concessions would not be frustrated by non-tariff devices, including import discrimination, unless specifically covered by the General Agreement. In the Australian view it should be more clearly understood that unqualified most-favoured-nation treatment could not be expected by contracting parties who, in practice, denied it to their trading partners;
- (b) the view that no payment should be made for the removal of existing frustrations affecting benefits previously negotiated where these non-tariff devices were already in conflict with GATT;
- (c) the possibility for agricultural exporters to negotiate positive understandings about the level of protection afforded by non-tariff devices which were not in conflict with the GATT, e.g. domestic subsidies and mark-ups under State trading. The interpretative note to Article III:4 of the revised GATT was relevant.

Sir John invited the attention of contracting parties to paragraph 343 of the Haberler Report which was of particular importance to Committee I. Non-tariff questions and their role in tariff negotiations were important and deserved attention by the Committee. One issue which had not been resolved in Committee I was whether the participation of the European Economic Community in tariff negotiations would presume final approval by GATT of the Community as a whole.

The Australian delegation supported the proposals of Committee II for consultations and wished to see a definite programme drawn up at the present session. They suggested that Committee II should be in charge of the consultations. In his view the real results were likely to arise out of the educative effects of the consultations. These, he believed, would reveal both the difficulties of those countries protecting agriculture and the adverse effects of agricultural protectionism on world trade. The identification of non-tariff barriers to trade would also throw light on the practicability of their being made negotiable. He reminded contracting parties of the view expressed in the Haberler Report that a moderate curtailment of agricultural protectionism would do much to help the trade of many exporters of primary products. Committee II had raised the problem of participation of agricultural exporting countries in tariff negotiations. While he did not mind this point being referred to Committee I, he felt that Committee II should not lose its continuing interest, as it was likely to acquire a detailed understanding of the problem.

Sir John said that issues had been raised in Committee III which GATT could ignore only at great peril to its own continued existence as an instrument for expanding world trade. He assured the less-developed countries that their proposals would be examined sympathetically in so far as they affected Australian trade policy. He accepted the sense of urgency emphasized in paragraphs 11 and 12 of their statement and would co-operate in efforts during the session and later to register tangible progress by the fifteenth session.

Mr. HAGEN (Sweden) said that the question before the CONTRACTING PARTIES was intimately bound up with the objectives of the General Agreement.

Sweden was prepared to accept the recommendations put forward by Committee I. In the hope that it might, inter alia, result in more realistic rules in the General Agreement, Sweden likewise supported the proposal for consultations on agricultural policies discussed by Committee II. It doubted, however, whether the order which the Committee proposed for the consultations, namely that a start should be made with the major industrialized countries, was the best one. A preferable approach would be to concentrate in the first place on a limited number of countries, which should include both importing and exporting countries, and perhaps on a limited number of commodities, and to aim at getting a fairly clear overall picture of the situation in a relatively short time. Mr. Hagen pointed out that the OEEC countries had already consulted thoroughly, within that organization, on their agricultural policies and it should, therefore, be possible to use, in preparation for the GATT consultations, the documentation produced by the OEEC. A further point was the desirability of not spending too long on consultations with countries whose trade in agricultural products was relatively small. The criterion, both in the selection of countries which are to consult first, and in the choice of products which were to be studied, should be their importance in international trade. The secretariat might submit proposals regarding which countries and which products should be dealt with first. The plan set out in Annex A of the Committee's report seemed to constitute a suitable basis for the consultations.

Mr. Hagen referred to some of the factors which caused difficulties for the less-developed countries in their trade in primary commodities. He stressed the need, in the course of the commodity-by-commodity study proposed by Committee III, for a comprehensive analysis and elucidation of the problem, so as to determine what practical measures could be taken to promote an expansion of trade in primary commodities. Other important studies were proposed by the Committee and there might be some doubt as to whether there were sufficient resources to enable all the work to be undertaken. It would, therefore, be convenient if the Committee could submit interim reports to the CONTRACTING PARTIES at an early stage of its work.

Mr. JØRGENSEN (Denmark) referred to the development in international trade which had taken place since the inception of the General Agreement and to the opportunities for freer trade which now existed, particularly since the recent convertibility measures in Western Europe. Shortcomings had become apparent in the General Agreement itself, however; in particular, the lack of balance between the benefits derived by industrialized countries and those derived by countries exporting food or primary products had often been pointed out. It was the task particularly of Committees II and III to suggest remedies for this problem. If the CONTRACTING PARTIES failed to improve the position of the agricultural exporting countries and of the less-developed countries, the General Agreement ran the risk of falling into disrepute.

The Danish delegation was prepared to accept the report of Committee II. It was to be hoped that, during the proposed consultations, the ability and willingness of contracting parties to reduce agricultural protectionism would be demonstrated in a concrete way. Mere expressions of view, such as those recorded in paragraph 12 of the report, would not satisfy the Danish delegation. Paragraph 14 of the report reflected a view advanced by some contracting parties that the problems connected with agricultural production in industrialized countries were similar to those connected with industrial production in the less-developed countries; if it were to be suggested that the two should therefore be treated in the same way, such a suggestion would be unacceptable to the Danish delegation.

Concerning the report of Committee I, Denmark considered that the negotiating procedures for the proposed tariff conference should permit the submission of claims for compensation for lost benefits arising out of concessions obtained in previous negotiations and should provide for assurances to be given that any new concessions would not be nullified by non-tariff measures. Committee I could examine this question in the first instance. Denmark doubted whether there could be much progress under the accepted procedures. The smaller countries and those with low tariffs were particularly at a considerable disadvantage.

Mr. STEYN (South Africa) said that the decision taken by the CONTRACTING PARTIES at the thirteenth session to embark on a co-ordinated programme for expansion of trade was of great importance. The reports of the three committees were only preliminary indicators but they did open the way for constructive action. Without minimizing the importance of the work of Committees I and III and the Note produced by the less-developed

countries (W.14/15), he would like to comment in particular on the report of Committee II. The Committee's recommendation regarding consultations on agricultural policies represented an important step forward. Nevertheless, it was important that these consultations should be conducted in the right spirit. The aim should not be to expose breaches of obligations, but to conduct objective consultations in a sincere attempt to understand the underlying motives for certain measures which countries were taking. The question of agricultural protectionism had already been highlighted in the country papers. The consultations now proposed should take account of the problems and particular circumstances of each country; only in this way could a balanced judgment be made of whether or not the motives behind measures introduced by a contracting party were sound or whether they were unjustified.

Mr. KANAGASUNDRAM (Ceylon) said that his Government had studied with care the interim reports of the three Committees and their general views were set out in the Note circulated by the group of less-developed countries. He wished, however, to emphasize certain aspects which were of vital importance to his country.

With regard to the proposals of Committee I, Ceylon's ability to bind tariffs in the proposed negotiations would necessarily be very restricted in scope, as over 90 per cent of foreign exchange earnings came from trade in three agricultural commodities - tea, rubber and coconut. In order to balance on equal terms concessions granted by industrial countries on this limited range of items, Ceylon would have to bind a very large number of tariff items in return and would consequently have little control over imports. Ceylon would, therefore, like other less-developed countries, find it extremely difficult to enter into tariff negotiations with industrialized countries on traditional lines. Negotiations on traditional lines with industrialized countries would have further disadvantages for Ceylon, because her existing tariffs on capital goods needed for economic development were already low and would remain so as Ceylon did not expect to be able to produce these goods in the future. Another consideration to be taken into account was the change in the pattern of Ceylon's trade with industrialized countries since duties in her tariff were first bound at Annecy. As a result of this, the concessions granted to Ceylon had diminished in value while those granted by Ceylon had increased in importance. Any future negotiations should, therefore, particularly in the case of Ceylon, include a review of existing bindings.

On the report of Committee III, the Ceylon delegation shared in the general disappointment that the work had not gone far or fast enough. He felt that the approach did not reflect the urgency of the problem. Ceylon was committed to long-term development programmes to raise standards of living and of consumption, and it was essential that trade should expand. While realizing that the terms of reference were broad and that the work required adequate preparation and collection of data, his delegation could not subscribe to the programme outlined in the Chairman's Note. The problems of the less-developed countries were so urgent that it would be necessary to accord priority to this work. The problems of commodity trade and the difficulties of less-developed countries had been discussed in GATT since 1956, but no positive measures had been adopted

to assist these countries. His delegation therefore strongly supported the programme of work which had been indicated in paragraph 12 of the Note circulated by the group of less-developed countries.

The CHAIRMAN said that the discussion on this item would be continued on the following day.

The meeting adjourned at 5.20 p.m.