

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

SR.16/2
20 May 1960

Limited Distribution

CONTRACTING PARTIES
Sixteenth Session

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SUMMARY RECORD OF THE SECOND MEETING

Held at the Palais des Nations, Geneva,
on Tuesday, 17 May, at 10 a.m.

Chairman: Mr. E.P. BARBOSA DA SILVA (Brazil)

- Subjects discussed:
1. Article XVIII
 - (a) Notifications by Ceylon
 - (b) Review under paragraph 6
 - (c) Notification by Cuba
 2. Facilities for temporary admission of professional equipment and packing materials
 3. European Free Trade Association

1. Article XVIII

- (a) Notifications by Ceylon (see SR.15/8 and L/1113, Part I)
- (b) Review under paragraph 6 (see L/1113, Part II)
- (c) Notification by Cuba (see L/1113, Part III)

The CHAIRMAN recalled that, at the fifteenth session, the CONTRACTING PARTIES had appointed a Panel to consider certain notifications submitted by Ceylon under Section C of Article XVIII. The Panel had recommended releases for certain items, but could not reach a favourable conclusion for certain other items. At the last meeting of the fifteenth session the CONTRACTING PARTIES, on the recommendation of the Chairman of the Panel, had left it open to the Government of Ceylon to put forward again at the sixteenth session the request on the basis of new information. The Government of Ceylon had informed the CONTRACTING PARTIES that it wished to have the matter reconsidered at the sixteenth session. In addition to this matter, the annual review under paragraph 6 of Article XVIII and a notification by Cuba were to be considered at the present session.

The CHAIRMAN proposed that the Panel established at the fifteenth session should be reconstituted, with the following terms of reference and composition, to consider these matters:

Terms of reference

1. To reconsider, in consultation with the representatives of Ceylon and other interested countries, and in the light of additional information to be supplied by Ceylon, the notification submitted by Ceylon under paragraph 13 of Article XVIII with respect to aluminium foils, asbestos cement products, and textiles, and to submit findings and recommendations to the CONTRACTING PARTIES;
2. On the basis of information submitted by Ceylon, to complete the second annual review provided for in paragraph 6 of Article XVIII;
3. To examine the notification submitted by Cuba under Section C of Article XVIII relating to the import of henequen and sisal and to submit findings and recommendations to the CONTRACTING PARTIES.

Composition

Chairman: Mr. G.J.J.F. Steyn (Union of South Africa)

Mr. D.A. Karim (Indonesia)	Baron C.H. von Platen (Sweden)
Mr. G. Magarinos (Uruguay)	Mr. J.H.C. Schell (Netherlands)

This was agreed.

2. Facilities for temporary admission of professional equipment and packing materials (L/1139, L/1178, L/1179)

The CHAIRMAN recalled that, at the fifteenth session, the CONTRACTING PARTIES had decided that a Group of Experts should be established to examine the draft Convention on the Temporary Admission of Packing Materials, which had been received from the Customs Co-operation Council in Brussels, and also to consider the problems involved in the temporary importation of professional equipment and of cinema and television equipment. The Group of Experts had met in January 1960 under the chairmanship of Dr. Benes (Czechoslovakia) and its report had been distributed in document L/1139.

Dr. BENES (Czechoslovakia), Chairman of the Group of Experts, explained that, in its task, the aim of the group had been to take account of a wider cross-section of views than was represented by the Brussels Customs Co-operation Council and to communicate these views to the Council. Initially, the Group had examined the draft convention on packing materials and its comments on the convention were included in Section A of the report (L/1139); the text of the convention as recommended by the Group was contained in

Annex II of the report. One question, namely Article 4 of the draft convention, had been left open for further consideration. The Group also considered the problems involved in the temporary importation of professional equipment and of cinema and television equipment; its views on this subject were included in Section B of the report. The general conclusion of the Group was that international action aimed at facilitating the temporary importation of these materials would serve a useful purpose. The Group felt that it would be desirable to reduce to a minimum the number of conventions covering the various kinds of equipment concerned; a note prepared by the GATT secretariat concerning a general convention covering all types of professional equipment was attached to the report as Annex III.

As the Permanent Technical Committee of the Customs Co-operation Council was holding a meeting in March 1960, the report of the Group of Experts had been transmitted to the Technical Committee immediately after the January meeting of the Group, before the report had been approved by the CONTRACTING PARTIES; this procedure had been agreed upon at the fifteenth session. The Group's recommendations to the CONTRACTING PARTIES were contained in Section C of the report. As regards the suggestion in Section C that further consideration of these matters would best be advanced by the continued close co-operation between the CONTRACTING PARTIES and the Customs Co-operation Council, Dr. Benes drew attention to documents L/1178 and L/1179 which contained progress reports received from the Customs Co-operation Council, indicating recent developments in the Council's consideration of these matters.

The CHAIRMAN proposed:

- (i) that the CONTRACTING PARTIES should take note of the report (L/1139);
- (ii) that the draft conventions prepared by the Customs Co-operation Council be referred to a Group of Experts to be established by the Executive Secretary under the Chairmanship of Dr. Benes and that the Group should have the following terms of reference:

To examine the draft customs convention on the temporary duty-free importation of packings and the preliminary draft customs convention on the temporary importation of professional and cinematographic equipment and to submit recommendations to the CONTRACTING PARTIES before the close of the sixteenth session.

This was agreed.

3. European Free Trade Association (L/1167 and Add.1)

The CHAIRMAN recalled that the Stockholm Convention establishing the European Free Trade Association had been submitted to the CONTRACTING PARTIES for consideration under paragraph 7 of Article XXIV. In accordance with the arrangements agreed upon at the fifteenth session, the contracting parties were invited to submit questions concerning the provisions of the Convention and its implementation. These were transmitted to the signatory governments and the replies were distributed to contracting parties in document L/1167. The Intersessional Committee had met on 9, 10 and 11 May to examine the replies to the questions and to afford an opportunity for further questioning and fact finding before the beginning of the session. As a result, further questions and answers had been distributed to contracting parties (L/1167/Add.1). Another document which would appear shortly (L/1167/Add.2) would contain the Agreements concerning trade in agricultural products between Denmark on the one hand and Austria and the United Kingdom on the other.

Sir Edgar COHEN (United Kingdom), speaking on behalf of the Member States of the European Free Trade Association, drew attention to the preamble to the Stockholm Convention in which it was stated that the Member States had proceeded, in drawing up the Convention, "determined to facilitate the early establishment of a multilateral association for the removal of trade barriers and the promotion of closer economic co-operation between the Members of the Organization for European Economic Co-operation, including the Members of the European Economic Community". Secondly, as was also stated in the preamble, the Member States had proceeded "having regard to the General Agreement on Tariffs and Trade".

Sir Edgar Cohen went on to say that, as the Member States had kept the CONTRACTING PARTIES informed of their progress towards the conclusion of the Convention, he would refer only briefly to the communications which had already passed between the Member States and the CONTRACTING PARTIES to the GATT. On 11 August 1959, the Swedish Minister of Commerce, as Chairman of the Conference of Ministers of the Member States, had formally communicated to the Executive Secretary a draft plan for a European Free Trade Association and had set on record that it was the firm intention of the seven Governments that the Convention should be in accordance with Article XXIV of the General Agreement. During the Ministerial meetings at the fifteenth session, Mr. Kling, of Sweden, had spoken at some length about the negotiations then in progress between the seven Governments. He had said that the draft plan involved the formation of a free-trade area in the sense of Article XXIV of the General Agreement. Speaking of quotas, he had said that it was in no way the intention of the Member States to use quantitative restrictions to create a preferential system and that it was their desire to reduce the amount of discrimination in the world rather than to increase it. Sir Edgar Cohen recalled the stress Mr. Kling had laid on the very high proportion of their total imports which the EFTA countries took from third countries, and the extent to which this dependence on foreign trade constituted a guarantee for third countries against an autarkic policy by the Association. As had been agreed at the fifteenth session, the Member States had communicated, in December 1959, to the CONTRACTING PARTIES the text of the Convention which had since been ratified by all the Member States. The Member States had also answered the questions addressed to them by the contracting parties pursuant to the procedure laid down at the fifteenth session. These answers had been the subject of further clarification and discussion at the recent meeting of the Intersessional Committee.

The General Agreement recognized that regional trade arrangements were beneficial to international trade provided that they created, and did not merely divert, trade. In recent years there had been an increased tendency towards regional arrangements. Very soon after the war Benelux was formed and more recently the CONTRACTING PARTIES had considered the Treaty of Rome which was indeed an historic achievement. The CONTRACTING PARTIES to the GATT had already started their consideration of the Treaty of Montevideo and he would like to say, on behalf not only of the United Kingdom but also on behalf of the other EFTA Governments, that they welcomed the achievement of the Latin American Governments. These regional arrangements might, of course, affect the trade interests of other countries. It was, therefore, right that the arrangements should be examined critically in the light of the tests laid down in Article XXIV. The Member States were ready to submit their Convention to such an examination and indeed they had already submitted it to the initial stages of such an examination.

The questions addressed to the Member States had already indicated to them some of the points on which other contracting parties sought reassurance. He would like to do what he could to indicate that some fears regarding the possible effects of the Stockholm Convention would prove unfounded. Sir Edgar Cohen went on to say that the Member States were confident that the arrangements provided for in the Convention were consistent with Article XXIV. Article XXIV did not require the members of a free-trade area to eliminate duties and other restrictive regulations of commerce on all the trade between each other but on substantially all the trade. In the particular case of the Stockholm Convention, the barriers to trade in all industrial products were removed and, given the volume of the trade in agricultural products from which barriers were also removed, the EFTA countries had no doubt that the Convention should properly be regarded as a free-trade area in the sense of Article XXIV. Some disquiet could be detected in the questions put by other contracting parties to the Member States as to the effect of the Convention on their commitments under the GATT. In this connexion, he would draw attention to Article 37 of the Convention, which provided that nothing in the Convention should be regarded as exempting any Member State from obligations which it had undertaken by virtue of other international agreements, including the GATT, to which it was a party. It was evident from the questions addressed to the Member States that there were some apprehensions that provisions in the Convention whereby the Council could amend it might result in the achievement of the free-trade area being postponed beyond the end of the transitional period laid down in the Convention. The Member States asked the other contracting parties to believe that the purpose of the powers conferred upon the Council was not to enable it to decide on substantial amendments to the Convention which would be inconsistent with the aim of the Member States to achieve and maintain a free-trade area. The purpose of these provisions was simply to enable the Council to facilitate practical progress towards the achievement of the objectives of the Association without necessitating the use of the cumbersome procedure in Article 44 for the amendment of the Convention.

Sir Edgar Cohen then made some remarks of a more general character about the Convention. The Convention was intended to create a free market under conditions of fair competition between countries which were determined - and indeed by the nature of their economies were bound - to pursue liberal trade policies towards the rest of the world. The larger internal market for the

industries within the area would lead to increased competition, a more rational use of the productive capacity and an increase in the standard of living. As a result of this development, the peoples of the seven countries would have a growing capacity to buy not only from each other but also from third countries. The economies of all the Member States were to a very high degree dependent upon foreign trade. It was an obvious interest, therefore, of these countries to promote free trade in the world. They wanted to buy under conditions of free competition and they wished to have free markets for their products in order to be able to pay for their imports. The Stockholm Convention had been drawn up with an eye to liberal trade relations with other countries. From the start of the negotiations the Member States had been united in their determination that co-operation within the Association should be firmly based on the principles of GATT. The Convention was, therefore, conceived so as to comply with GATT, and at the same time to forward its objectives as a step towards free world trade. All the Member States had the firm intention, not only to free trade between themselves, but also to work for the freeing of trade, not merely in Europe, but also in the rest of the world with which it was of vital importance for them to develop trade in both directions. They had particularly in mind countries in the course of economic development, the prosperity of which would be of great and ever-increasing importance to the economic progress of the world. Sir Edgar Cohen concluded by saying that the Member States remained ready to submit their Convention to a thorough examination. They only requested that any such examination should be conducted, as he had no doubt that it would be, in a spirit which gave due credit to the intention of the Member States to achieve the aims of the Convention and to pursue liberal and outward-looking policies towards other contracting parties.

Mr. ADAIR (United States) said that the present session afforded the CONTRACTING PARTIES their first opportunity to review the Stockholm Convention, one of the most significant post-war developments in international commercial policy. The Convention, in the view of the United States, represented an important effort to lower trade barriers and to strengthen economic co-operation among its members. As such, it deserved the sympathetic and serious consideration of all the contracting parties. There was considerable material available to help the CONTRACTING PARTIES in their review of the Convention. There was the Convention itself and, of course, the relevant provisions of the GATT which must be the point of departure for the review. There were also the detailed replies of the Member States to the questions put to them by contracting parties; his Government was very appreciative of the full information the Member States had provided.

The details of the Convention and their specific relationship with particular provisions of the GATT should, in the view of his delegation, be considered by a Working Party which should report to the seventeenth session. His present remarks would, therefore, be of a general character. The United States' overall view of the Stockholm Convention was that, on balance, it deserved the support and approval of the CONTRACTING PARTIES. While there would be questions concerning specific aspects of the trade arrangements provided for in the Convention and, it was hoped, responsive adjustments on the part of the Member States, nevertheless the Convention as a whole was, in the judgment of the United States, in harmony with the spirit and broad objectives of the General Agreement. Together, the seven Member States represented a group with considerable influence on the volume and direction of international trade.

Like all regional arrangements the Association would mean change. It would require adjustments for producers and consumers inside the Association and in countries which traded with the Member States. These adjustments might raise problems, but they would also provide opportunities. If sound and liberal policies were followed by the Member States, the result could be increased trade and prosperity both for the Member States and for their trading partners. Ministers of the Member States meeting at Stockholm on 20 November 1959 had pointed out that "as world trading nations, the countries of the European Free Trade Association are particularly conscious of Europe's links with the rest of the world". As the Convention entered into force, the United States was confident that it would be carried out in a manner to maximize trade-creating effects and to minimize problems for other countries, both in Europe and in other parts of the world.

The United States believed that the procedures whereby the CONTRACTING PARTIES would consider and, the United States hoped, approve the Stockholm Convention were important. For reasons which they would put forward in detail in the working party, his delegation was of the opinion that the provisions of Article XXIV alone were not fully adequate to cover the Stockholm Convention. The exemption from the free-trade provisions of the Convention of the entire economic sector of agriculture, and the question as to how third country trade in agriculture would be affected by bilateral agreements related to the Convention, seemed to his delegation to warrant consideration of the Convention by the CONTRACTING PARTIES under GATT procedures other than those set out in Article XXIV.

His delegation would like to express satisfaction with the declaration in Article 37 of the Convention which reaffirmed the obligations of Member States undertaken in the GATT. It was also reassuring to have the statement contained in the replies from the Member States to the questions submitted by contracting parties that the Member States intended to administer and interpret the origin rules in a liberal spirit. While it was unnecessary, at this stage, to discuss in detail the provisions of the Convention relating to quantitative import restrictions his delegation would, nevertheless, like to indicate its view that the imposition, maintenance and administration of quantitative import restrictions for financial reasons should depend exclusively on the balance-of-payments position of individual Member States.

Mr. GRANDY (Canada), in stressing the importance of the Member States adopting and following sound policies in relation to trade with third countries, said his delegation had appreciated the assurances which the Member States had given on this point. They also recognized the force of the contention of the Member States that, as they had a very substantial interest in world trade, it would not be to their benefit to follow policies which were not of a liberal character. In connexion with the question of relations with third countries the administration of the origin rules would be particularly important; many of the origin provisions were clear and straightforward, but others were complex and would need to be studied in a working party. It would also be particularly important to examine carefully the proposed agricultural arrangements under the Convention. Article 37 was an important provision in the Convention and, in this connexion, he would like to make it clear that, insofar as Canada was concerned, any notion that principles and obligations accepted internationally to govern the use of quantitative restrictions for

balance-of-payments reasons ceased to be relevant in a free-trade area could not be accepted. Canada would support the establishment of a working party and would wish to participate sympathetically and constructively in its work.

Mr. ITAGAKI (Japan) said that certain points regarding the Convention still remained to be clarified and his delegation would support the establishment of a working party. He would like to draw attention, however, to the fact that the creation of regional economic groupings one after the other could result in a deviation from one of the most important principles of GATT, namely non-discrimination, and might also have an effect on the authority of the GATT itself.

Mr. CASTLE (New Zealand) said that, while New Zealand appreciated the considerations which had prompted the establishment of the Association, it felt it appropriate to point out that the Stockholm Convention needed to be examined by the CONTRACTING PARTIES in relation to the obligations which all contracting parties had assumed under the GATT. One of the questions to be carefully considered was whether the proposed arrangements, while removing barriers to trade among the Member States themselves, would create serious difficulties for the trade of third countries. This was a consideration to which smaller and more remote countries, particularly those dependent for their export income on a few primary commodities, attached importance; to such countries a world-wide system of multilateral trade and payments offered the best hope for their full development.

The Member States' replies to a number of questions put to them by contracting parties under the procedures agreed at the fifteenth session had given rise to some concern, not only because of the possible effects on the trade of third countries, but also from the point of view of the interpretation of contracting parties' rights under the GATT and especially under Article XXIV. The fact that the Association included Portugal, which was not yet a contracting party to the GATT, and Switzerland, whose position did not appear to be quite clear, suggested that the provisions of Article XXIV:10 might be relevant in the case of the Association. A further important point was the question of the use of quantitative restrictions; the replies given by the Member States on this issue raised several important considerations. The same was true of the bilateral agreements on agriculture which the Member States claimed formed an integral part of the Free Trade Association arrangements. So that a thorough examination of these and other points could be made, New Zealand supported the establishment of a working party.

Mr. PSCOLKA (Czechoslovakia) said that Czechoslovakia was following the formation of economic and trade groupings in Western Europe both with attention and apprehension. While his delegation recognized that technical and technological progress in these highly developed countries had created strong pressures for an extension of markets, they were far from convinced that the right solution needed to take the form of inward-looking groupings operating under preferential arrangements for the participants while putting third countries at a disadvantage. Further, a preferential market was not a long-term solution, for already it could be foreseen that these groupings would again be confronted with the same urgent need for seeking further and expanding outlets for their increased production capacity. In this connexion it should not be overlooked that certain growing markets in other areas might meanwhile

have to adapt themselves to the changed conditions resulting from the adverse effects of the policies of inward-looking groupings. Czechoslovakia was convinced that, in the long term, only economic co-operation between all countries regardless of their economic and social systems could best serve the interests of all. His delegation had noted the assurances given by the Member States, particularly the assurance that the principle of equality of treatment and non-discrimination would not be impaired, and would hope to see these assurances followed by concrete measures translating them into practice. These measures were of decisive importance when considering future directions of trade.

Mr. RIZA (Pakistan) said that his delegation considered that it would be useful to refer the Stockholm Convention to a working party. The Association was an important group of countries and the implications of the Convention must be examined carefully and in detail to assess its effects on the economies of, especially, the less-developed countries. As was well known, many of the less-developed countries were switching over from an economy of trading in primary commodities to one of trading in processed and manufactured goods. The effects of the reductions in tariffs among the Member States of the Association on the export trade of the less-developed countries should, therefore, be studied in detail. It had been mentioned that the creation of the Association would help increase competition and assist in developing the quality of products. It should, however, be remembered that many of the less-developed countries had been exporting under certain tariff preferences and the economy of their exports was aligned with these preferences. Removal of the preferences or a reduction of tariffs among the Member States of the Association would disturb the balance with a consequential adverse effect on the exports of the less-developed countries who would find themselves face to face with new competition which they had not had to meet before. These were some of the aspects that required careful examination. The Pakistan delegation would be happy to participate in any working party which might be set up.

Mr. MAGRASSI DE SA (Brazil) said that his Government recognized the economic reasons which had prompted the formation of the European Free Trade Association and considered, after a preliminary examination of the Convention, that the steps envisaged for the creation of the free-trade area were not incompatible with the principles of the GATT relating to arrangements of this kind. Nevertheless, his Government hoped that the Member States of the Association would pay special attention to the provisions of the Convention which were a matter of concern to his Government; these provisions were contained in paragraph 1 of Article 21 and in paragraphs 3 and 4 of Article 43. The provisions in paragraph 1 of Article 21, as interpreted by his Government, gave the Council authority to bring within the scope of the free-trade area agricultural products of interest to Brazil's export trade. Paragraphs 3 and 4 of Article 43 covered the right of the Member States to extend to territories other than those enumerated in Annex F of the Convention the advantages of the free-trade area arrangements. Further, these paragraphs of Article 43 provided that such an extension could also be effected by future signatories to the Convention. The consequence of these provisions could be that the position of Brazilian exports of certain agricultural products on the markets of the Member States could be less favourable in future as a result of competition from products originating in territories whose exports were similar

to those of Brazil. The position of these exports had already been adversely affected by the association of the dependent overseas territories with the European Economic Community. The Brazilian Government hoped that its preoccupations would be seriously considered by the Member States.

Mr. DUHR (Luxemburg), speaking on behalf of the Member States of the EEC, said that they were convinced that regional integration was a general phenomenon, characteristic of the world of today. It was incumbent on everyone to seek out the ways in which efforts towards regional integration could be carried forward within the framework of GATT. In putting forward certain thoughts concerning the problems raised by the Stockholm Convention, Mr. Duhr said that, when the Treaty of Rome was before the CONTRACTING PARTIES for consideration in 1957, it was the first time that the CONTRACTING PARTIES had had to consider the provisions of Article XXIV in the case of a large-scale attempt at regional integration. Since then, it had become apparent that the Community was only one example of the trend towards regional economic integration. The Stockholm Convention, and the Montevideo Treaty establishing the Latin American Free Trade Area, were other examples of the same trend.

The GATT doctrine applicable to regional integration was based on Article XXIV. What did this Article indicate? First, it indicated that GATT had no objection in principle to regional groupings; its approach was one of goodwill tempered with prudence. It did not accept all forms of customs unions or free-trade areas but only those which, in conformity with the objectives of GATT, were likely to lead to the economic development of the participating countries and of their trade with third countries. It was the view of the Six that the CONTRACTING PARTIES should attempt to formulate a correct interpretation of Article XXIV. Several interpretations had already been put forward when the Treaty of Rome was before the CONTRACTING PARTIES; some of these were valid and others were not. The examination of the Stockholm Convention and of the Montevideo Treaty should help to enable a distinction to be made between what was valid and what was not insofar as the interpretation of Article XXIV was concerned.

There was now a considerable amount of material available for the study of the Stockholm Convention. Certain points would require more detailed examination; among these were the provisions on agriculture and those on the length of the transitional period. In addition, the examination of the Convention would throw light on the various views held concerning the most important criterion relating to the establishment of a free-trade area, namely that customs tariffs and other barriers to trade must be eliminated on "substantially all the trade" between the Member States. The Six supported the proposal that a working party should be established to carry out a detailed examination of these problems.

Sir John CRAWFORD (Australia) referred to the significance for world trade of the establishment of the Association. It was significant in the sense that it could so readily fit in with the objectives of GATT. It could, however, also be significant in the opposite sense and this accounted for the apprehensions which many contracting parties had about regional groupings. It was clear that the Member States did not wish to weaken GATT and his delegation welcomed the further assurance that the representative of the United Kingdom had given that the Association's aim was to work towards freer world trade and not just

for free trade among the Member States. However, in view of the fact that the Association really constituted an industrial free-trade area, his delegation hoped that the Member States would not exclude agricultural products from their aim of working towards freeing world trade generally. Commenting on the replies given by the Member States to the questions submitted to them by contracting parties, Sir John Crawford said that some of the replies concerning quantitative restrictions were not reassuring; the provisions of the Stockholm Convention covering quantitative restrictions should be carefully examined in a working party. Other questions which the working party should examine included the bilateral agreements on agriculture, the rules on origin, and the question of the applicability of Article XXIV or XXV. On the last point his delegation took no definite position at the moment, but they did have doubts whether Article XXIV:8 was applicable in the case of the Association.

Mr. SWAMINATHAN (India) said that his delegation, while recognizing the historical significance of the establishment of the Association, had certain apprehensions concerning the increasing number of regional groupings. India would have preferred to see commercial policies evolve in the direction of freeing world trade generally in accordance with the accepted principles of GATT, through the all-round reduction of tariffs, the removal of discrimination, and the elimination of quantitative restrictions and other impediments to trade. There was a fear that the proliferation of regional groupings could delay the evolution of commercial policies in this way. This fear was not unreal, because there had been the earlier experience arising out of the OEEC arrangements, where there was the anomalous situation of some GATT countries liberalizing trade between themselves and taking a long time to extend the benefits of this liberalization to other contracting parties. By their very nature these regional groupings must be somewhat inward-looking and must have a delaying effect on the collective effort to free world trade generally. As for the provisions of the Stockholm Convention itself, the Indian delegation felt that the rules on origin should be carefully examined. Some of these rules could be particularly harmful to the trade of India and other less-developed countries which were now exporting, not only primary products, but also semi-processed and finished goods. Cotton textiles were an example of these goods. The applicability of Article XXIV to the Association's arrangements should also be examined. These and other questions should be considered by a working party.

Mr. GAJINOVIC (Yugoslavia) said that trade between Yugoslavia and the Member States of the Association had been steadily increasing. Agricultural products had predominated in Yugoslavia's export trade with the Member States, but its industrial exports were also increasing. The Member States' import policies would, therefore, be of considerable interest to Yugoslavia. The elimination of duties on trade in industrial products between the Member States would doubtless have an effect on the interests of third countries while, in the agricultural sector, where the general elimination of customs duties and the evolution of a common agricultural policy were not foreseen, the proposed bilateral agreements on agricultural products gave cause for concern. As for quantitative restrictions, Yugoslavia hoped that the relevant provisions of the Stockholm Convention would be implemented in accordance with the spirit of GATT and that liberalization measures in regard to third countries would not lag behind those taken between the Member States themselves.

The CHAIRMAN said that, in the light of the discussion, there was obviously a desire that the Stockholm Convention should be examined by a working party. He therefore proposed that a working party should be set up with the following terms of reference and composition:

Terms of Reference

To examine, in the light of the relevant provisions of the General Agreement on Tariffs and Trade, the provisions of the Stockholm Convention and to report to the CONTRACTING PARTIES.

Composition

Chairman: Mr. Julio A. Lacarte (Uruguay)

Australia	Denmark	Japan	Sweden
Austria	France	Netherlands	Switzerland
Brazil	Germany, Federal	New Zealand	United Kingdom
Canada	Republic of	Norway	United States
Czechoslovakia	India	Pakistan	Uruguay
	Israel		

This was agreed.

The meeting adjourned at 11.35 a.m.