

GENERAL AGREEMENT ON TARIFFS AND TRADE

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SUMMARY RECORD OF THE FIFTH MEETING

Held at the Palais des Nations on Tuesday,
24 May, at 2.30 p.m.

Chairman: Mr. Toru HAGUIWARA (Japan)

- Subjects discussed:
1. Statement by the Observer for the Organization of American States
 2. Expansion of International Trade - Report of Committee III (continued)
 3. Relaxation of Import Restrictions
 4. Declaration on the Provisional Accession of Switzerland
 5. State-trading Enterprises - Report by the Panel
 6. Subsidies - Report by the Panel

1. Statement by the Observer for the Organization of American States

The CHAIRMAN welcomed the Observer for the Organization of American States. He recalled that recently an agreement of co-operation had been concluded by the Organization of American States and the CONTRACTING PARTIES, and said that this was the first time the Organization of American States was represented by an observer at a session of the CONTRACTING PARTIES.

Mr. MORALES (Organization of American States) thanked the CONTRACTING PARTIES for the opportunity to address them on behalf of his Organization. The Latin American countries had become increasingly aware of the importance of the work of the CONTRACTING PARTIES for the expansion of trade and the Secretariat of the Organization of American States had called on member countries which were not so far signatories to the General Agreement to study the convenience for them of acceding to GATT so as to discuss in this forum with other contracting parties problems of trade such as those which might arise in connexion with the moves towards economic integration in Europe. The work of the CONTRACTING PARTIES, particularly in the field of expansion of exports of less-developed countries and in their study of agricultural policies was of vital concern to the Latin

American countries. He was convinced that a close co-operation between the two organizations would prove mutually advantageous and the Organization of American States was looking forward to having in its meetings the voice and expert advice of the Executive Secretary of GATT.

2. Expansion of Trade - Report of Committee III (L/1162)

The CHAIRMAN recalled that the previous meeting had been adjourned before all representatives had had an opportunity to comment on the report of Committee III and that it had been agreed to resume the discussion at the following meeting.

Mr. RIBEIRO AYEH (Ghana) stated that his delegation was concerned about the extent of protectionism in its various forms which continued to affect a large share of trade, as had clearly been shown in the report of the Committee. He was pleased to see some relaxation of trade barriers, as noted in paragraph 7 of the report. However, much remained to be done. For example, cocoa, a product of great importance for Ghana, continued to be subject to high tariffs in most countries and in some instances not only to high tariffs but also newly discriminatory tariffs such as those being established in connexion with the movement towards market integration by the Community of the Six. Referring to the practice of giving relatively less favourable import treatment to the processed product as compared with the unprocessed product, the representative of Ghana pointed out that although imports of cocoa beans were admitted free of duty into the United States and the Benelux countries, cocoa powder, cocoa paste and cocoa butter were dutiable upon importation into the United States at rates equivalent to 4, 2 and 6 1/4 per cent respectively and imports of cocoa butter and paste into the Benelux countries were subject to duties of 6 and 10 per cent respectively.

Ghana had always admitted the need for protection in the case of countries with infant industries, but in the cases mentioned, as in almost all instances where such protection was applied by industrialized countries, there was no justification for these tariffs. On the other hand the maintenance of such tariffs had a very marked adverse effect on the possibilities for the development of processing industries in producing countries. It was hoped therefore that the discriminatory import treatment would soon be abolished through the elimination of tariffs on these products. This hope was based on the signs of an increasing awareness of the interdependence of all countries economic and otherwise and the evolution of a world-wide sense of mutual responsibility. This growing awareness of the moral and practical obligation of all countries to help each other was illustrated by the welcome financial and technical assistance which had been extended by many countries, notably the United States, to less-developed countries throughout the world. However, in addition to this financial and technical aid, it was necessary to provide at the earliest possible time increasing trading opportunities for the less-developed countries. On the other hand, less-developed countries themselves should give serious and sympathetic consideration to the creation of a favourable investment climate in their respective countries in order to facilitate the inflow of foreign capital.

In summary Mr. Ribeiro Ayeh said that protectionist policies of any kind were the greatest deterrent to the expansion of trade and should therefore not be practised any longer than was absolutely necessary. The rate at which protectionist policies were to be abandoned depended to a large extent upon the sense of moral duty on the part of the more-developed countries towards their neighbours and particularly towards the less-developed countries which would in the future be faced with even more serious social and economic problems than at present unless it was possible for them to improve rapidly and significantly the standard of living of their people.

Mr. DUHR (Luxemburg), speaking on behalf of the Member Countries of the European Economic Community, welcomed the progress which had been made by the Committee in dealing with the problem of the expansion of trade of less-developed countries and the dynamic approach and the spirit of mutual understanding which had characterized the work of the Committee. He recalled that at the fifteenth session the Member Countries had advocated such a dynamic programme of work in order to find rapidly the most promising and appropriate solutions to the problem of expanding trade and had also expressed the hope that this work could be conducted in an atmosphere of mutual confidence. He noted the obstacles which had been listed in the report as representing barriers to the expansion of trade and the recommendations for their reduction and elimination. He expressed the view that some of the recommendations especially those affecting fiscal charges should be further studied in order to determine, on the basis of an objective and scientific analysis, the benefits and costs of the proposed changes in fiscal charges or structures. Such a thorough and impartial study of the particular measures and recommendations was essential if the work of the Committee was to have a lasting influence on the decisions of those responsible for the determination of commercial and fiscal policies. He welcomed the start which had been made in dealing with sections 3 and 4 of the work programme of Committee III, and he expressed the hope that the experts would not lose sight of measures to assist less-developed countries in the fields of production and marketing. He also welcomed the inclusion of a number of manufactured products into the second list of products to be studied by the Committee, especially as it was felt that part of the problem faced by the developing countries in developing their economies and increasing their export trade would have to be achieved by a diversification of production and an increase in consumption. In concluding his remarks, Mr. Duhr associated himself with the previous speakers in congratulating the Committee and its Chairman on the valuable work they had done, and he assured the CONTRACTING PARTIES that, as in the past, the Six would continue to assist the Committee in its effort to find appropriate solutions for the problems encountered by less-developed countries.

Mr. GAJINOVIC (Yugoslavia) stated that his delegation shared the view expressed by other delegations that the Committee had made significant progress towards the solution of problems involved in the modification and elimination of obstacles to exports from the under-developed countries. He commended the spirit of understanding and co-operation which had prevailed in the work of the Committee. It was particularly promising to see that in its present report the Committee had gone beyond the mere recording of established facts. He was pleased that the unanimity which had been shown at the fifteenth session of the CONTRACTING PARTIES in the first appraisal of the barriers to

exports from less-developed countries had been followed by moves by some developed countries towards the reduction and elimination of these barriers. However, much remained to be done, not only in eliminating barriers to trade but also in assisting the less-developed countries to diversify their economies, for example, by assuring them adequate opportunities for the export of industrial products. He expressed the hope that the recent trade liberalization measures would soon be followed by further steps in the same direction and would thus make it possible for the CONTRACTING PARTIES to note a further and more significant advance at the seventeenth session.

Mr. IBSEN (Norway) stated that assistance to the development of the less-developed countries was considered by his Government to be of utmost economic and political importance and also a moral obligation on the part of the developed countries. Norway was determined to contribute within the limits of its possibilities to the solution of these problems. His delegation shared the view expressed by other delegations concerning the work of Committee III and agreed with the programme of future work outlined in the report. With reference to the recommendations contained in paragraph 9 of the present report, he announced that a considerable part of the quantitative restrictions which it had so far been necessary to retain, some of which affected goods of immediate interest to less-developed countries, would be abolished as of 1 July 1960. His Government was hoping to take further steps in the direction of import liberalization during the course of the year both as regards import restrictions and duties. Furthermore, on 1 July 1960 Norway would reduce the level of internal taxes on chocolate and it was estimated that this reduction in taxes would lead to a decrease in the retail price of chocolate bars by about 30 per cent. In conclusion, Mr. Ibsen said that his Government would continue its efforts to contribute as effectively as possible to the expansion of trade of less-developed countries.

Mr. KASTOFT (Denmark) stated that his delegation had noted with great satisfaction the marked progress of the work of Committee III and with respect to its future work programme his delegation fully shared the views expressed by Mr. Swärd (Sweden). He noted that the Committee had recommended that contracting parties, during this session or at the next meeting of the Committee in September, should report on action taken towards modification or elimination of measures affecting the trade of less-developed countries. He stated that he was happy to be in a position, in a provisional way, to inform contracting parties that the turnover tax on cocoa beans would be decreased in the near future. More detailed information on this matter would in due course be communicated to the secretariat.

Mr. ADAIR (United States) stated that the third progress report of the Committee and the recommendations contained therein were receiving the careful attention of his Government. The United States Government would continue to give full and sympathetic consideration to the interests of less-developed countries and his delegation would report to the CONTRACTING PARTIES, probably at the September meeting of the Committee, concerning action on measures affecting the export trade of less-developed countries. He asked less-developed countries, on their part, to examine carefully the pattern and prospects of their export and import trade and to submit at an early time request lists containing items with real trade expansion potential for the

coming tariff negotiations. The United States would consider these requests carefully and sympathetically. He expressed the hope that many less-developed countries would join in these negotiations. Tariff concessions by the United States could take the form of a reduction or a binding of the tariff duty or applicable import taxes or the binding of duty-free treatment. It was his Government's hope that within the context of world-wide trade liberalization special consideration would be given by contracting parties to provide increasing trading opportunities for less-developed countries which re-entered these markets after a long time or entered these markets for the first time.

Sir John CRAWFORD (Australia) stated that it was impossible to exaggerate the importance of the work of this Committee. In his opinion Committee III and Committee II probably dealt with the most difficult aspects of the work of the CONTRACTING PARTIES. Further success in the work of the CONTRACTING PARTIES in these fields could make an important contribution towards international understanding and rising levels of prosperity everywhere. Commenting on the future work of Committee III, he thought it dangerous to talk about market disruption without, at the same time, giving serious attention to the need for trade expansion, particularly of less-developed countries. What was wanted were growing market opportunities especially for the products of developing economies consistent with the avoidance of market disruption. It was certain that it was easier to allow import growth without disrupting established markets when economies were expanding. He felt that the recognition of this fact was crucial to the work of the Committee. Referring to the close inter-relationship between trade and aid, he pointed out that although aid was important, practical measures permitting the expansion of trade of less-developed countries might prove even more rewarding to the welfare of the developing countries than aid. Aid could be completely frustrated if the newly developing countries were not assured of prosperous trade. Although much of the work of the Committee was long-term in character and had to be accepted as such, contracting parties must not and need not act as though short-term results were not practicable. Australia therefore supported procedures designed to test more solidly and vigorously the scope for more immediate action on some items, for example, with respect to goods subject to high revenue duties which stifled consumption and with respect to semi-manufactures hampered by restrictions which appeared to go beyond the steps needed to avoid market disruption. In conclusion, Sir John Crawford stressed again the importance of considering the question of market disruption and trade expansion in relation to each other. In seeking a solution to these problems, all contracting parties should pool their experience. Australia had had some valuable and rewarding, although at times, controversial experience in this field. Australia was prepared to work for concurrent progress on both problems and the Australian delegation would support all reasonable steps designed to speed up the work of the Committee for producing further and substantial results.

Mr. de la FUENTE LOCKER (Peru) welcomed the considerable progress which had been made by the Committee in finding a practical approach towards the solution of some of the urgent problems faced by the less-developed countries. His delegation welcomed particularly the recent liberalization measures which had been introduced by a number of industrialized countries

in response to the recommendations of the Committee. However, he agreed with other delegations which had emphasized that much remained to be done. Further liberalization measures should not be delayed. The rapid solution to the problem of finding increased opportunities for less-developed countries for expanding their exports was of utmost importance if the less-developed countries were to be enabled to maintain and improve the standard of living of their rapidly rising populations. The imposition of high fiscal charges in a number of industrialized countries on some of the products of less-developed countries was one of the most serious barriers to the expansion of the export trade in these products. The effect of these taxes ran counter to the objectives of the General Agreement and the problem should therefore be thoroughly studied by the CONTRACTING PARTIES. In view of the high levels of prosperity and economic activity which prevailed at present in most industrial countries, the maintenance of import restrictions by these countries appeared to be no longer justified on economic or balance-of-payments grounds. The practice, for political reasons, of maintaining uneconomic industries in production, be it through subsidies or guaranteed price schemes, had very unfortunate results for the economics of less-developed countries. These measures prevented less-developed countries to increase the exports of goods which they could produce efficiently to markets which were thus protected. His delegation did not share the view expressed by one delegation during the discussions in Committee III (see document L/1162, Annex D, paragraph 2) that the abolition of the price-support programme for raw cotton would not necessarily be in the interest of other raw cotton exporting countries. He expressed the hope that it would soon be possible under the GATT to take action to reduce and eliminate the widespread operation of such practices.

The representative of Peru welcomed the liberalization measures which had been introduced by a number of countries following the improvement in their external reserve position. He asked that other industrial countries still justifying import restrictions on balance-of-payments grounds give sympathetic consideration to the early elimination of these restrictions. A deficit on trade account should not give rise to undue concern in the case of highly developed economies. It was not unnatural that these countries would show a trade deficit and this fact did not imply a retardation of their further economic development or the maintenance of high levels of prosperity as was normally the case when a less-developed country showed a similar deficit. In concluding he expressed the hope that contracting parties would take early action to implement the recommendations contained in the report.

Mr. CAWOOD (Federation of Rhodesia and Nyasaland) stated that his delegation considered the work of Committee III to be of utmost importance. His Government had followed the work of the Committee with great interest and it was thought that its future work, especially those aspects dealing with industrial expansion and production and marketing techniques, would prove to be even more significant. He expressed the belief that much of interest to the less-developed countries would emerge from the factual studies undertaken by the Committee and he expressed the hope that it would be possible to include in future studies a number of commodities of particular interest to his country.

Mr. LATIMER (Canada) joined with the other delegations which had emphasized the importance of the work of Committee III. His delegation was encouraged by the practical progress which had already been made. However, much remained to be done. Canada shared the view expressed by some contracting parties that it was important, at a time when the industrialized countries generally were enjoying a record level of prosperity and a high rate of economic expansion, to proceed immediately to a further and substantial reduction of barriers to the trade of less-developed countries thus assisting them in developing their economies and increasing their standard of living.

Mr. TNANI (Tunisia) said that Tunisia, as a developing country which depended largely on exports of wheat, iron ore and vegetable oils, had followed with great interest the progress made by the Committee and the conclusions reached so far. He expressed the hope that it would be possible for the Committee, either during the September meeting or at a later date, to study the problem of expanding exports of phosphates and its derivatives, products which were of particular interest to Tunisia. He also expressed the hope that the fact that the examination of the trade problems and prospects for a particular product had not been completed by the Committee would not lead to a delay in import liberalization for the product in question. In concluding, Mr. Tnani welcomed the inclusion of a study of the problems of production and marketing techniques in the future work programme of the Committee.

Mr. PSCOLKA (Czechoslovakia) said that his delegation had followed with great interest the work of the Committee. He welcomed the beginning which had been made in dealing with those aspects of the work programme relating to production and marketing techniques and the inclusion of a number of manufactured items in the second list of commodities drawn up by the Committee for further study. He also welcomed the increasing awareness in many countries of the fact that the rapid and sound development of the less-developed countries required greater opportunities for these countries to expand and rationalize production through an increase in trade. Czechoslovakia was aware of the need of providing greater market opportunities for the products of less-developed countries and a number of practical measures had already been taken to achieve this end. For example, Czechoslovakia had recently lowered the retail price of coffee by more than 10 per cent. His Government envisaged an increase in coffee consumption by 1965 by as much as 40 to 50 per cent and of fish by about 25 per cent; also it was foreseen that in coming years the share of imports of processed vegetable oils relative to oilseeds would further increase. It was estimated that total personal consumption in Czechoslovakia would have increased by as much as 30 per cent in 1965. Czechoslovakia was determined to share its rising prosperity by providing greater market opportunities for imports, particularly for imports from less-developed countries, in exchange for a growing range and increasing quantities of the type of products, for example capital equipment, needed by less-developed countries for their further development.

The CHAIRMAN thanked the contracting parties which had indicated progress in eliminating barriers to the expansion of trade of less-developed countries. He expressed the hope that the Committee would in the near future be able to report further progress towards the goal of increasing the export earnings of less-developed countries. He announced that the Committee would meet again during the present session to consider the future programme of work in the light of the views expressed during the discussion. He asked contracting parties to adopt the Third Progress Report of Committee III.

The report was adopted.

3. Relaxation of Import Restrictions by United Kingdom, Netherlands, Malaya and Australia

The CHAIRMAN called on the representative of the United Kingdom who had asked for an opportunity to make a statement.

Mr. JARDINE (United Kingdom) said that the remarks he was going to make related to imports from countries to which the United Kingdom's programme of relaxation of import restrictions normally applied. His delegation thought that it might be helpful to make a brief statement on the residual import restrictions maintained in the United Kingdom since his Government disinvoked Article XIII of the General Agreement in February 1960. He recalled his statement at the fifteenth session when he announced that a few import restrictions would remain in force after the substantial relaxation had taken place in November 1959 and that the abolition of controls which had been in force for twenty years gave rise to transitional problems which in some cases would take a little time to resolve. It had always been the intention of the United Kingdom to make further progress with the relaxation of outstanding restrictions as quickly as possible. In February 1960 the CONTRACTING PARTIES were informed of a further removal of import restrictions. The relevant notification to the secretariat pointed out that there were problems in removing the remaining restrictions, which in some cases, would take time to resolve. His delegation was circulating a list of such restrictions indicating which of them applied generally and which applied to dollar sources only. This residue was very small and the list did not include items, such as arms and ammunition, for which restrictions were maintained under Article XIII or XII of the General Agreement. In respect of certain products on which the restrictions related only to dollar sources the United Kingdom Government was in consultation with the countries affected, for instance with the United States about certain citrus products. In respect of certain other products such as basketware and watches on which the restrictions were non-discriminatory, his Government had programmes for progressive liberalization on a non-discriminatory basis. If countries with a trade interest affected by any of the other restrictions wished to consult with the United Kingdom, his Government naturally was ready to meet such requests.

Mr. van OORSCHOT (Netherlands) informed the meeting about the further elimination of quantitative import restrictions by the Netherlands. He recalled that at the fifteenth session his delegation promised to try to find a solution for the remaining items on the Netherlands negative list and to report to the CONTRACTING PARTIES at this session. The Netherlands delegation was now in a position to announce the elimination of restrictions in the course of this year for a new range of commodities, mainly agricultural products. A note had been sent to the GATT secretariat for distribution to the contracting parties¹. The number of restrictions which would be still in force at the end of 1960 was limited and it was the firm intention of his Government to proceed with their liberalization as soon as possible.

¹ Document L/960/Add.2.

Mr. de BRUYNE (Federation of Malaya) informed the CONTRACTING PARTIES that his Government had decided to withdraw the application of Articles LVIII:B and LIV of the General Agreement. The Federation of Malaya thus renounced the use of import restrictions for balance-of-payments reasons and at the same time decided to eliminate the few remaining licensing formalities which were still in force in respect of imports from certain contracting parties. The licensing procedure for the import of watches, motor vehicles and radio sets from the OEEC countries and the dollar area, as well as for the import of goods from Czechoslovakia, would be removed in the near future. The licensing requirements for the imports from Japan of about twenty-five items would also be abolished when the trade agreement between the Federation of Malaya and Japan, which was signed on 10 May 1960, entered into force - once the instruments of ratification had been exchanged; this exchange should take place in the near future. The relative administrative action for removing these licensing formalities was now being taken in order to publish the decrees as well as the effective dates in the Federation's Government Gazette. With the removal of these licensing procedures the Government of the Federation of Malaya no longer maintained any form of restriction or licensing procedure in respect of imports from all the countries which were contracting parties to the General Agreement except those permitted under Articles XII and XIII of the General Agreement.

Sir John CRAWFORD (Australia) informed the meeting that the Australian delegation had submitted, in document L/1204, a statement concerning Australia's import restrictions. It was Australia's belief that, whether contracting parties were operating under Article XIII or not, all quantitative restrictions should be the subject of review from time to time. In the aforementioned document the Australian Government expressed its expectation to move from Article XIII before the seventeenth session. In making this move his Government would wish, in lieu of consultations under Article XIII, scheduled to take place in October 1960, to review with the CONTRACTING PARTIES at the seventeenth session, Australia's then remaining restrictions and its proposals with regard to them. The transition from years of severe restrictions for balance-of-payments reasons to a basis of trading free of such restrictions inevitably produced some problems. Australia would certainly welcome advice from contracting parties when it submitted its proposals.

Mr. DAIR (United States) said the foregoing statements were important ones for the progress of GATT. All contracting parties had received with considerable satisfaction the reports that their trading partners one after another were finding it possible to renounce their resort to the balance-of-payments exceptions in the General Agreement. The announcement to this effect by the United Kingdom was particularly gratifying because the United Kingdom's trade was the largest of any contracting party that had found it necessary to maintain restrictions under Article XIII and also because the United Kingdom had been faced with unique problems for many years in maintaining the stability of sterling as a widely used international trading reserve currency. It was in the interests of all contracting parties that the United Kingdom should continue to be successful in extending the regime of freer trade and payments which had been developing during the last few years. The list of imports on which restrictions were still maintained by the United Kingdom was now relatively short and showed the progress which this country had made towards the elimination of restrictions commonly applied for balance-of-payments

reasons. However, there were still significant items on the negative list of the United Kingdom and some of them were admittedly discriminatory in character. The delegate of the United Kingdom had stated that further progress in removing the remaining restrictions would be made as soon as his Government could do so. The delegation of the United States hoped that the timing of this action by the Government of the United Kingdom would be defined precisely. The United States Government did not deny that transitional problems existed, but was not persuaded that some of these were as serious as perhaps they were regarded in the United Kingdom. Mr. Adair appreciated the readiness of the United Kingdom Government to consult with other countries having a trade interest in the commodities still under restriction. The United States had in the past discussed such questions with the United Kingdom and expected to do so again in the future.

With respect to the statement by the delegation of the Netherlands, the representative of the United States said that he was much encouraged by this report setting out the further progress being made in dismantling the quantitative import restrictions which remained after the Netherlands had renounced Article XII. His Government would be interested in examining in detail the new Netherlands liberalization list. He hoped the Government of the Netherlands would make steady progress in eliminating the few restrictions which were still maintained.

Mr. Adair congratulated the delegation of the Federation of Malaya which, in its statement, had set an example to contracting parties which merited warm commendation throughout. Malaya was the first contracting party entitled to resort to Article XVIII:B which had given up its access to the balance-of-payments exception; it retained but a few restrictions and had put before the meeting a clear plan for removing these.

The United States delegation thought it particularly noteworthy that the Australian delegation was about to announce its decision to disinvoke Article XII. It appreciated in particular Australia's assurance that it would provide the CONTRACTING PARTIES with a complete statement on the restrictions remaining after such action had been taken, and on its policy regarding procedural proposals in relation to them.

In concluding, Mr. Adair assured the CONTRACTING PARTIES that his Government, which had so often pressed other contracting parties to relax and remove their balance-of-payments restrictions and had so often questioned the need for their maintenance, would be most gratified to hear the results of the present meeting.

Mr. LATIMER (Canada) expressed his delegation's appreciation of the statements made by the representatives of the United Kingdom, the Netherlands, Malaya and Australia. The emergence of trading nations over the past years from balance-of-payments restrictions was of major significance to the objectives of the General Agreement. Canada welcomed the undertaking of countries applying remaining restrictions to enter into consultations and to remove such restrictions as quickly as possible. The Canadian delegation appreciated the statement of the representative of Australia to the effect that his Government would make a complete statement to the CONTRACTING PARTIES as soon as it had moved out of balance-of-payments difficulties and was prepared to discuss with contracting parties the restrictions which remained. He stressed the importance which Canada attached to the early removal of all restrictions and to the elimination of the remaining discrimination.

Mr. SVEC (Czechoslovakia) expressed his delegation's appreciation of the statement made by the representative of the Federation of Malaya. With respect to the statement delivered by the representative of the United Kingdom the delegation of Czechoslovakia wished to say that the lack of any further comment on their part was not to be understood as meaning that his country was satisfied with the present state of affairs concerning restrictions still applied by the United Kingdom. It therefore felt bound to raise this matter under the procedures of Article XIII and it hoped that the relevant forthcoming consultations would bring about results corresponding both to the principles of GATT and to the interests of mutual advantage of trade.

4. Declaration on the Provisional Accession of Switzerland (L/1185)

The CHAIRMAN recalled that the Declaration of 22 November 1958 providing for commercial relations between individual contracting parties and Switzerland, based on the General Agreement, had entered into force on 1 January 1960 between Switzerland, on the one hand, and some twenty-five contracting parties, on the other. Under paragraph 1(b) of the Declaration the Swiss Government had reserved its position with regard to the application of the provisions of Article XI of the General Agreement, but had undertaken that at the first session of the CONTRACTING PARTIES following the entry into force of the Declaration, it would furnish a report on the measures maintained under this reservation. The first report under this arrangement had been received from the Swiss Government and had been distributed in document L/1185. In paragraph 1(c) of the Declaration the Swiss Government undertook to enter into consultations with contracting parties "with a view to finding solutions compatible with the basic principles of the General Agreement to the problems dealt with in the reservation."

Mr. WEITNAUER (Switzerland) said that the aforementioned report, dated 13 May 1960, represented an exact description of the measures which were maintained by Switzerland. With regard to paragraph 1(c) of the Declaration, he said that the problems with which Switzerland was faced within the framework of GATT were essentially agricultural. As contracting parties were aware, Committee II was now carrying out studies on the agricultural policies of all contracting parties, but had not yet reached the stage of general and fundamental discussion of these problems. Because of this, the Swiss Government was of the opinion that it would not be appropriate to start the consultations at this moment, but that it would be more advantageous to initiate them at the seventeenth session. The Swiss Government hoped that this suggestion would be acceptable to the CONTRACTING PARTIES.

Mr. Weitnauer said that the Declaration on the Provisional Accession of Switzerland had not yet been signed by some contracting parties who, in principle, were ready to do so. For that reason the Swiss Government would suggest extending the closing date for acceptances of the Declaration until the end of the seventeenth session and at the same time invite the contracting parties who had not yet signed the Declaration to do so within this period.

The CHAIRMAN invited delegates to comment on the report, as contained in document L/1185, on the Swiss proposal to initiate consultations at the seventeenth session, and on the proposed prolongation of the closing date for acceptances of the Declaration.

Mr. VIDAL (Brazil) said that his Government had decided to sign the Declaration and that Brazil's signature would be affixed within the next few days.

Mr. PARBONI (Italy), as a representative of a country which had not yet accepted the Declaration supported the proposal to extend the closing date for acceptances until the end of the seventeenth session.

Mr. CASTEL (New Zealand) said that his country was one of those which had not signed the Declaration. His Government regarded the reservation in paragraph 1(b) as a substantial derogation from the rights and obligations of the General Agreement and since it applied mainly to agricultural products it affected the greater part of New Zealand's exports. The New Zealand Government had expected that the Swiss report might indicate some change of attitude on the part of the Government of Switzerland on its agricultural policy and that it might show some progress towards liberalizing agricultural imports. The report as submitted by the Swiss Government was, however, a factual one and did not contain any indication as to the realization of New Zealand's expectations, which was the decisive point for his country in considering whether or not it should sign the Declaration. In the view of his delegation the obligation in paragraph 1(c) of the Declaration did not depend on the outcome of the work of Committee II, but was entirely independent of that.

The CONTRACTING PARTIES agreed that the consultation with the Swiss Government should start at the seventeenth session.

It was also agreed by the interested contracting parties that the closing date for acceptances of the Declaration on Provisional Accession be extended to the end of the seventeenth session and that, accordingly, the Executive Secretary be authorized to receive acceptances up to that time.

5. State-trading Enterprises - Report by the Panel (L/1146)

The CHAIRMAN recalled that the Panel which had been appointed at the thirteenth session to examine certain questions on subsidies and State trading had submitted a report on State-trading enterprises to the fourteenth session and had then been requested to meet again to examine notifications from contracting parties in response to the new questionnaire. The Panel had met in February 1960 and had submitted a final report in document L/1146. He invited the Chairman of the Panel, Mr. S.D. Wilks, to present the report.

Mr. WILKS (United Kingdom) said that the Panel had called the report, to which reference was made, a final report on State-trading enterprises because it considered that it did not need to meet again in the near future on this subject. This report contained the substance of last year's report (L/970) together with some points which emerged from the meeting in February 1960. The main task of the Panel consisted in examining the replies to the new questionnaire agreed upon at the fourteenth session.

The Panel was conscious of the fact that Article XVII only required information to be submitted on request, but recognized that the CONTRACTING PARTIES did make a general request for notifications. Generally the replies to the new questionnaire did not bring out clearly the purpose and effects of State-trading enterprises maintained by various contracting parties and the information about import, export and domestic prices was often inadequate. Attention might be given to these points as well as to some other recommendations put forward by the Panel in its report, if at some time in the future the CONTRACTING PARTIES were to request further notifications on State-trading enterprises. The Panel recommended that the secretariat might assemble the replies and consolidate them into a basic document. It did not consider it necessary for notifications to be made at fixed intervals, but suggested that individual contracting parties might be asked to bring up-to-date the basic document as any changes occurred in their State-trading activities. The CONTRACTING PARTIES might wish to consider in the autumn of 1962 whether it would then be appropriate to initiate a review of the basic documentation so far assembled.

Mr. SUBARDJO (Indonesia) stated that his Government was well aware of the fact that it had not yet submitted a notification pursuant to Article XVII:4(a). His Government did not find it opportune to submit at this stage to the CONTRACTING PARTIES such notification due to the fact that the establishment of Government Control Agencies in Indonesia was still in a transitional period and therefore had not reached permanent organizational status. With respect to the character and trade practices of such Government Control Agencies, he referred to the opening speech of the Head of the Indonesian delegation to the fifteenth session and to the statements of the Indonesian representatives before Committee II, in which the CONTRACTING PARTIES were assured that the Indonesian State-trading practices were in accordance with the objectives and principles of GATT. Nevertheless, the Indonesian Government would be prepared to fulfil its obligation pursuant to Article XVII:4(a) and document L/1146 in due course.

Mr. KASTOFT (Denmark) supported the approval of the final report of the Panel. His delegation regretted that not all contracting parties had been able to comply with the rules for notification and it hoped that such countries would find it possible to notify their State-trading enterprises in the course of the preparation by the secretariat of the proposed basic document. The Danish delegation strongly recommended the assembling of such a document which should include all notifications made pursuant to the new questionnaire.

Mr. GARCIA OLDINI (Chile) recalled that his Government had been engaged for some years in an overall re-organization of the Chilean economy. So long as this work, affecting all sectors of trade, was not completed, it would be impossible to state the final attitude and policy of the Chilean Government towards State-trading enterprises.

Mr. SCULLY (Australia) stressed the importance which his Government attached to the collection of full and accurate information concerning State-trading enterprises. This was in recognition not only that such enterprises could be operated so as to create serious obstacles to trade, but that complete information was necessary in order to determine steps for possible negotiations which were envisaged in Article XVII. His delegation therefore hoped that the replies would be completed in the near future and that in future notifications the inadequacies of the replies, to which reference was made in the report of the Panel, would be remedied. In the view of the Australian Government the matter of import mark-ups could be very relevant to the negotiations of non-tariff barriers. With regard to the statement contained in paragraph 22 of the report where it was stated that a State agency which did not buy or sell but which had the power to influence imports or exports by the exercise of its licensing powers was not required to report under Article XVII, Australia did not quarrel with such an interpretation. But if these regulations were not motivated by balance-of-payments reasons then they should be subject to other provisions of the General Agreement. In the view of the Australian Government it was not clear how such operations were to be brought to the regular attention of the CONTRACTING PARTIES, other than by consultations or complaint procedures of Article XXII or XXIII; the Australian Government might wish to pursue this problem at a later session of the CONTRACTING PARTIES.

The CONTRACTING PARTIES adopted the report and the Chairman noted that the secretariat would assemble a basic document, consisting of the replies to the questionnaire on State-trading enterprises, and that the CONTRACTING PARTIES would consider in the autumn of 1962 whether this basic document needed to be reviewed.

6. Subsidies - Report by the Panel (L/1160)

The CHAIRMAN recalled that the Panel on Subsidies which had submitted a report on subsidies (L/970) at the fourteenth session of the CONTRACTING PARTIES had then been asked to continue its work on the same lines as before, but taking into account the views expressed by contracting parties. The Panel met again in February 1960 and presented a further report which was now before the meeting. He invited Mr. S.D. Wilks, the Chairman of the Panel, to present the report.

Mr. WILKS (United Kingdom) stated that the report took into account the views expressed by contracting parties when the first report was considered at the fourteenth session. The Panel's terms of reference had consisted of four specific tasks: to examine the notifications on subsidies which had been submitted; to discuss with the notifying contracting parties any points requiring clarification; to make suggestions with a view to improving procedures for notifications; and to assemble material for a draft report on the operation of the provisions of both sections of Article XVI. The Panel had so far carried out the first three of these tasks and had had a preliminary discussion on the fourth. Notifications on subsidies had been received from the majority of the contracting parties and the Panel emphasized in its report that it found a distinct improvement in most of the notifications which had been drawn up after its first meeting and which had taken into account the recommendations formulated by contracting parties at the fourteenth

session. Nevertheless, the Panel felt that, in general, insufficient information had been provided on the effects of subsidy arrangements and the Panel therefore recommended that in subsequent notifications contracting parties should include statistical data covering the last three years for domestic production, consumption, import and export of the products concerned. The Panel also recommended that similar information should be given for a representative period preceding the entry into effect of the subsidy arrangement or preceding the last major change in the measure. The Panel considered that the information concerning the representative period need be notified only once for each product. In order to assist the contracting parties in the collection of these statistics the Panel had revised Section II of the questionnaire as drawn up initially by the CONTRACTING PARTIES at their ninth session. The Panel had also made comments with respect to the notification of levy/subsidy and price support arrangements. The Panel felt that the appeal for notifications made by the Chairman of the CONTRACTING PARTIES at the thirteenth session should stand and that those contracting parties which considered that they did not maintain measures requiring notification under Article XVI should notify the CONTRACTING PARTIES to that effect.

The major task, that of assembling material for a draft report on the operation of Article XVI, still remained to be carried out. In the short time at its disposal the Panel had not had the opportunity to deal with this question adequately and had held only preliminary discussions about the preparation of the draft report. If the Panel was to continue this task it would be necessary for it to examine the information to be obtained on the effects of subsidies as a result of the revised Section II of the questionnaire. It would not be appropriate for the Panel to meet until early in 1961, when the revised notifications should be available. The Panel also suggested that the CONTRACTING PARTIES should comment on the matters to be dealt with in the draft report on Article XVI.

Mr. DUHR (Luxemburg), on behalf of the Member States of the European Economic Community, stated that the Panel, in assembling the documentation relating to the various subsidy arrangements applied by the contracting parties had carried out an important task. Such documentation was indispensable for the work of the CONTRACTING PARTIES and for that reason the EEC suggested that the governments which had until now not submitted a notification pursuant to the revised questionnaire should be invited to do so. Furthermore, the Member countries of the EEC attached great importance to the work which the Panel had carried out with respect to the interpretation of Article XVI and agreed with the conclusions and recommendations formulated by the Panel. The Panel had, however, not yet been in a position to initiate a detailed examination on the effects of the subsidies on international trade. It should be stressed that such a study could not be completed satisfactorily without contracting parties submitting to the Panel relevant statistical data and information. The delegations of the Six supported the adoption of the report and the suggestion to the effect that the Panel should carry on its work in order to prepare a report on the operation of Article XVI based on documentation as complete as possible.

Mr. KASTOFF (Denmark) stated that his Government welcomed the report on the work accomplished by the Panel since the fourteenth session. The tasks so far carried out represented a great step forward in that they enabled the CONTRACTING PARTIES to have a clearer picture and a greater understanding of

the subsidy arrangements introduced or maintained in Member countries. The Danish Government fully supported the views expressed in the report and supported action by the CONTRACTING PARTIES accordingly. In the view of the Danish delegation the new questionnaire, proposed by the Panel, gave a clear and useful guidance to contracting parties as to the information to be submitted to enable the Panel to make an evaluation of the effects of subsidies. The Danish delegation furthermore wished to stress the Panel's recommendation that contracting parties should notify the CONTRACTING PARTIES of all price support schemes, regardless of the methods used, and in particular that the CONTRACTING PARTIES should be notified about all levy/subsidy schemes that required government action for their enforcement.

The ultimate aim of the Panel's exercise consisted in the review of the operation of the provisions of Article XVI. In this context the Danish delegate recalled earlier discussions on this subject when there was fairly substantial agreement that the CONTRACTING PARTIES should, in the near future, come to the point of dealing with the problem of establishing provisions on export subsidies for primary products similar to those applicable to industrial products. The Danish delegation expressed its hope that this review would be given high priority in the work of the CONTRACTING PARTIES.

Mr. SWÄRD (Sweden) said that his Government had noted with satisfaction that the Panel's recommendation resulting from its first meeting had brought about a distinct improvement in most notifications. He recalled that in its first report the Panel had discussed the question of the extent to which subsidies were notifiable under Article XVI. In view of the difficulty of formulating a clear-cut distinction between subsidies which contracting parties were required to notify and other subsidies, the Panel had recommended to the CONTRACTING PARTIES at the fourteenth session that for the future contracting parties should be requested to supply information on all subsidy arrangements. Several contracting parties had not supported that suggestion since it was considered to constitute a new obligation compared with the present rules of the General Agreement. On that occasion the Swedish representative had stressed that his Government would like to see the Panel's studies completed so as to get a clearer picture of the notification procedure in operation before the question be considered whether or not the present obligations concerning notifications under Article XVI should be modified. The Swedish delegation still doubted whether the time had come for an extension of the obligations for notifications as proposed in paragraph 11 of the Panel's report. On the other hand, the Swedish Government considered reasonable the proposal contained in paragraph 12 of the report that the CONTRACTING PARTIES should ask governments to notify all levy/subsidy schemes affecting imports or exports which, for their enforcement, were dependent on some form of government action. With respect to the question concerning notifications of the effects of subsidies to which reference was made in paragraphs 7 and 8 in the report, the Swedish delegation had some doubts whether the wording of Section II:(a) of the questionnaire would bring the desired result. The Swedish Government also supported the recommendation by the Panel that governments which were of the opinion that in their countries there were no measures or schemes maintained which required notification under Article XVI, should inform the CONTRACTING PARTIES to that effect. Furthermore, Sweden was in favour of the suggestion that the appeal for more comprehensive notifications than were normally required should

stand for one more year while the Panel continued its examination. It should, however, be kept in mind that the background of this decision, which had been taken at the thirteenth session, was an ad hoc examination for the sole purpose of facilitating the review contemplated in Article XVI:5.

Mr. ADAIR (United States) stated that his delegation regarded the report before the meeting as a valuable interim statement. The United States delegation agreed that the Panel should hold further meetings in order to examine the effects of subsidies and to consider further the general matters involved in the review of the operation of Article XVI. The United States also supported the use of the revised questionnaire. On the other hand, his delegation had to make the same reservation as the delegation of Sweden in regard to paragraph 11 of the report; it felt that the proposal that all cases of price support programmes should be notified would go beyond the scope of Article XVI:1. The United States Government would be prepared to discuss this point at some appropriate future date.

Mr. CASTLE (New Zealand) expressed support of the Panel's recommendations. New Zealand had always hoped that, as a result of the work of the Panel and also of Committee II, it might see some strengthening of the provisions on subsidies in the General Agreement. In his view the emphasis on the reduction of subsidies on industrial products had tended to draw attention away from those applying to primary products. Such a distinction between subsidies on industrial and agricultural products as made in Article XVI should be eliminated so as to bring about the gradual removal of all subsidies and not only those on industrial products. The delegation of New Zealand was of the opinion that the assembling of material for the draft report on the operation of the provisions of both sections of Article XVI was very useful work and that the Panel should proceed with it, including an examination of how the various provisions of this Article were operated in practice.

Mr. SCULLY (Australia) said that his delegation regarded the revised questionnaire and the recommendations of the Panel as a step forward. The Australian delegation also agreed with the points listed in the report with regard to the additional matters which should be dealt with in the review of the operation of Article XVI. It suggested adding to the points listed in this context the possibility of a definition of the term "subsidy". In the view of his delegation the words "an equitable share of individual markets" would be more just than the words now used in this Article - "an equitable share of world trade". In view of the considerable importance of Article XVI to Australia his delegation did not wish to see it weakened and would welcome its strengthening since it was one of the few Articles which offered some benefit to competitive agricultural exports. The eventual review by the CONTRACTING PARTIES of the provisions of Article XVI should not be undertaken later than the eighteenth session.

Mr. HONKARANTA (Finland) expressed the same doubts as those mentioned by the Swedish delegation and supported fully their views.

Mr. GARCIA OLDINI (Chile) said that, for the reasons he had already expressed when discussing the report on State trading, his Government was not yet in a position to submit a notification on the operation of subsidies in Chile.

Mr. MANHART (Austria) said that his delegation supported the Panel's report and expressed the same reservations in respect of paragraph 11 as those formulated by Sweden.

The CONTRACTING PARTIES adopted the report.

The CHAIRMAN proposed that the Panel should meet again early in 1961 and should recommend the time at which the review of the operation of Article XVI could be carried out by the CONTRACTING PARTIES. In view of the reservations expressed by several delegations to paragraph 11 of the report, the Panel should also reconsider this problem at its next meeting, taking into consideration the views expressed at the present meeting, and report to the CONTRACTING PARTIES at the eighteenth session.

This was agreed.

The meeting adjourned at 5.15 p.m.