

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

SR.16/8
20 June 1960

Limited Distribution

CONTRACTING PARTIES
Sixteenth Session

Page 98/99

SUMMARY RECORD OF THE EIGHTH MEETING

Held at the Palais des Nations, Geneva,
on Tuesday, 31 May 1960, at 2.30 p.m.

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

- Subjects discussed:
1. Avoidance of Market Disruption
 2. Italian Import Restrictions
 3. German Import Restrictions
 4. New Zealand Request for a Waiver
 5. Accommodation for Secretariat

1. Avoidance of Market Disruption (L/1164 and Add.1; MGT(60)32 and 37)

The CHAIRMAN recalled that at the Ministerial meeting during the fifteenth session, attention was called to the problem of disruption of markets caused by a sudden influx of imports. It had then been pointed out that sharp increases in imports, over a brief period of time and in a narrow range of products, could have serious economic, political and social repercussions in the importing countries and that the problem was to find the means to alleviate the adverse effect of such abrupt invasions of established markets while continuing to provide steadily enlarged opportunities for trade. At that session the CONTRACTING PARTIES had agreed that the question should be included in the agenda of the present session, at which time they would decide on the procedure to be adopted for dealing with it and would consider whether the establishment of a Panel of Experts would be appropriate. In the meantime the secretariat was instructed to submit a **factual** report to the CONTRACTING PARTIES and to consult with governments with a view to ensuring that this report was complete. This report had been circulated as document L/1164, and Add.1. The Chairman drew the attention of the meeting to document W.16/10, in which the United States delegation suggested the establishment of a working party and proposed terms of reference for such a group.

Mr. ADAIR (United States) presented to the CONTRACTING PARTIES the views of his Government on this subject.

¹ The full text of Mr. Adair's statement has been distributed in document W.16/14.

Mr. HAGIWARA (Japan) said that the fundamental objective implied in this particular subject was to seek appropriate means for an orderly expansion of international trade, and not such restrictive devices as would eventually hamper the expanding flow of world trade under the pretext of avoiding so-called market disruption. Many cases of market disruption enumerated in the report by the secretariat were alleged to have been caused by imports from Japan. At the present time his delegation was not inclined to engage in abstract arguments on the definition of so-called market disruption, nor did it wish to argue on whether the reported cases were of the nature of market disruption. The Japanese delegation wished to point out one very important factor which did not appear in the secretariat's report and this was that certain Japanese products which a particular country claimed had caused the so-called market disruption in its territory were merely a fraction of the entire trade between that country and Japan, the majority of the trade having been conducted quite smoothly and without causing such problems. It seemed clear therefore that market disruption represented a marginal case. The secretariat's report stated that the cases of market disruption had been dealt with in various manners by the importing countries. There were cases which had been dealt with under Article XIX of the General Agreement and steps taken under that Article were perfectly within the rights of contracting parties, being in conformity with the General Agreement. However, there had been many instances where, in order to avoid the actual resort to Article XIX by the importing countries which would have had a highly damaging effect on trade, Japan had instituted voluntary export control measures on specific products. Such measures had been taken by Japan after consultation with the importing countries, and for most of the cases, proved to be a satisfactory and successful means for a gradual and early increase of exports without causing market disruption. On the other hand the report indicated many cases where counter-measures had been taken by the importing countries in a very undesirable manner. There were instances where quantitative restrictions resorted to initially for balance-of-payments reasons were still maintained against Japan in a discriminatory way. In other instances countries applying Article XXV to Japan had been applying discriminatory customs rates or arbitrary single quotas to this country. Such measures, of course, could not have been applied if these countries had had a full GATT relationship with Japan and they were very much hampering expansion of trade.

The question placed before the CONTRACTING PARTIES was whether the so-called market disruption could not be dealt with without resorting to such undesirable measures. There were for instance cases which happened in countries such as the United States, which had no quantitative restrictions and which accorded full most-favoured-nation treatment to Japan. Some difficulties had been felt by this country on the import of certain commodities and which led that country to resort to Article XIX. However, out of seven cases in which the United States had resorted to this Article since 1955, the cases for which Japanese exports were accountable were only two. Whenever similar difficulties arose they had been solved through consultations and by export control measures voluntarily taken by Japan. Some countries, which in relatively recent times had ceased to resort to Article XII, still applied solely against Japan a much wider range of restrictions than those applied to other countries. With respect to some of those countries, Japan had succeeded through consultation in obtaining almost complete liberalization without discrimination. In doing so Japan had again agreed to apply self-restraint in the export of certain

products. If the measures taken by the importing or exporting countries against cases of market disruption were carefully examined, it could be seen that the cases where market disruption happened were quite marginal and that most of them could be solved within the framework of the General Agreement. If the result of such a careful examination should reveal that there existed cases really difficult to solve by normal measures under the General Agreement, then the Government of Japan thought that additional multilaterally-acceptable safeguard measures, either under Article XXIII or XXV of the General Agreement, might be provided. In respect of such safeguard measures it was important that their operation should be placed under the supervision of the CONTRACTING PARTIES and that they should be temporary in nature and subject to review by the CONTRACTING PARTIES until they were terminated. By way of such a realistic approach the Government of Japan hoped that it could demonstrate that discriminatory quantitative restrictions, resorted to on a mere apprehension, or the invocation of Article XXV, were actually unfounded and therefore unnecessary. Moreover, by such an approach the marginal cases would be solved whenever they occurred thus ultimately realizing an overall expansion of trade.

This type of study should be undertaken immediately and completed speedily. It should also be undertaken separately from the long-term study of this subject. Furthermore, the work of Committee III, which was undertaken on a commodity-by-commodity basis, for the main purpose of increasing export earnings of less-developed countries, should be continued separately also. When the study of the problem of market disruption had first been proposed at the fifteenth session, the immediate reaction of the Government of Japan had been that it could not but feel doubts about the practicability of such an undertaking. However, it had since given considerable thought to the practical value of taking up this proposal and on ways and means towards its materialization and consequently it had reached the aforementioned views.

The delegation of Japan was participating in the discussions on this particular subject on the premise that when appropriate measures for the avoidance of the so-called market disruption were found one way or another, the application of Article XXV should be terminated immediately. Any idea to devise safeguard measures and put them to experiment first without terminating the invocation of Article XXV nor liberalizing trade was clearly self-contradictory. There was no way of experimenting with such safeguard measures if overall import restrictions were maintained. The delegation of Japan earnestly hoped that the CONTRACTING PARTIES would favourably respond to its views.

Mr. SWAMINATHAN (India) presented to the CONTRACTING PARTIES the views of his Government on this subject.¹

¹ The full text of Mr. Swaminathan's statement has been distributed in document L/1229.

Mr. WARWICK SMITH (Australia) said that all contracting parties agreed on the necessity of exploring ways to improve the present situation with respect to this particular problem which had been drawn to the attention of the CONTRACTING PARTIES at the fifteenth session. He thought that the CONTRACTING PARTIES were approaching this subject in the fullest recognition of its importance not only directly to the developing countries but also to other contracting parties including the industrialized countries. Through appropriate procedures and studies the CONTRACTING PARTIES should devise workable arrangement which might be generalized and which should be directed towards permitting the orderly expansion of exports without the disruptive effects on markets which had sometimes been experienced and sometimes apprehended. In this respect the document prepared by the secretariat represented a valuable beginning and the Australian delegation hoped that it would indeed prove to be a foundation for progress. The Australian delegation had already pointed out that on this subject the work of Committee III and the operation of Article XXXV were all related and they each had implications for the other. It was the view of the Australian Government that the problem of market disruption presented both long-term and short-term aspects. If the CONTRACTING PARTIES were to establish a working party its short-term discussions might consist of examining the secretariat's report, reviewing the factual situation and endeavouring to find solutions. The long-term approach would be concerned with collating data which might be wider than particular details of trade and prices, looking into social and related aspects of the problem, analysing the more basic factors, endeavouring to identify the real causes, and seeking lasting solutions which would in fact dispense with the need for specific action. The Australian delegation considered that Committee III also had a long-term role, but it believed that this Committee had acquired a certain momentum and succeeded in convincing the CONTRACTING PARTIES of the urgency of its work. There was a prospect of significant achievement in Committee III which the Australian delegation would not wish to see lost or dissipated and it was therefore its opinion that this Committee should proceed with its tasks independently of the so-called market disruption. With regard to Article XXXV, the Australian delegation was of the opinion that the achievement of generally acceptable procedures might well facilitate the withdrawal of a number of contracting parties from their use of this Article. This would greatly enhance the effectiveness of the General Agreement to the benefit of contracting parties both collectively and individually. Whilst the Australian delegation would like to look towards a situation where the use of Article XXXV could be dispensed with, it had, however, to say that there would be nothing in the proposal as it now stood which would affect the right of countries to operate under this Article. It might well be possible that the situation which the delegation of Japan envisaged would in fact emerge, but in the Australian delegation's view the basis for the studies proposed would be the full retention of the right of contracting parties to operate under Article XXXV if they found that circumstances warranted it. In addition to the questions of market disruption, Committee III and the operation of Article XXXV, emphasis should also be given to the question of import restrictions which did not fall readily under any of the explicit provisions of the General Agreement and especially restrictions of a discriminatory kind. The Australian delegation hoped that solutions to the problem of market disruption would enable a considerable assortment of such quantitative restrictions to be eliminated, since most of such restrictions were certainly not of a kind contemplated under the General Agreement.

The Australian Government expected that it would be generally recognized that any generalized arrangement would need to be acceptable both to exporting and importing countries since they had a mutual responsibility in achieving the kind of orderly trade expansion now sought. In many cases action would be required equally on the part of exporting and importing countries if workable and generally acceptable arrangements were to be made. With regard to the suggested working party, the Australian delegation would like to see a careful and sober analysis of the facts which would be isolated from the frequently emotional and ill-informed associations which were often found in connexion with this particular subject. The re-statement of this problem in rational terms would be a very helpful step forward. In the view of the Australian delegation the primary task was to examine the character and dimension of the problem. The facts of market disruption, in respect of which no really adequate statement existed as yet, should be studied and analysed. Moreover, it should be investigated what kind of control measures had been used to restrict imports within the category of disruptive imports and how this category had been defined in administrative practices in various countries. On the other hand it would be interesting to know what kind of measures had been used to enable the expansion of importations to occur or in what circumstances the expansion of imports of goods of this kind had actually occurred in practice. The Australian delegation recognized that there was a real need at the right time to study the long-term aspects of this problem, such as the social, economic and commercial factors underlying it, but it did not think that this was yet the right time. In due course the existence of this problem, as well as the effects on the trade of under-developed areas which the enforcement of such special trade restrictions might have, should be brought to the attention of the public. At the same time explicit attention should be given to ways of promoting growth, both in the economies and in the exports of less-developed countries. There had been comments on the wage-cost aspect of the question of market disruption and the Australian authorities in their own experience had found on enquiry that the superficial facts in relation to costs did in some cases bear no relation to the true situation in terms of productivity and similar factors. The Australian delegation hoped that the question of wage costs, insofar as any long-term studies might cope with it, would be put in proper perspective and it certainly did not regard this question as a proper single element on which judgment in importing countries might be based, but that it should be put **in relation to productivity**.

The Australian Government was in favour of the kind of action that had been indicated and it would see some advantage if the text of the resolution, that the CONTRACTING PARTIES might ultimately adopt, were to incorporate a reference to the working party's co-operation with the International Labour Organisation or with other experts of a governmental or non-governmental standing.

Mr. DUHR (Luxemburg) said that the Member States of the European Economic Community agreed to establish a working party with the terms of reference as proposed by the delegation of the United States, and that they

were prepared to participate in this work. The Member States appreciated the work accomplished in the report of the secretariat which would be most useful and valuable for the tasks ahead of the working party.

Mr. WILKS (United Kingdom) said that his delegation accepted the draft terms of reference which it had carefully studied. There were one or two points of particular detail which were not altogether clear to his delegation and on which it wished to make some comments. It was its understanding that in the term "multilaterally acceptable solutions" the word "multilaterally" referred to the acceptability of the solutions and not to their character. The solutions themselves might, or might not, be multilateral. His delegation thought it likely that the recommendations which emerged from the working party might well include arrangements which would involve bilateral arrangements. Moreover, the United Kingdom delegation wished to make clear its understanding that while the working party would start with the particular problems described in the secretariat's report, it would use these to illustrate types or kinds of problems for which solutions of a general nature were to be found and that the application of any multilaterally acceptable solutions to particular cases would be a matter for consideration subsequently by the governments concerned. The Government of the United Kingdom hoped that when the working party came to identify problems which appeared to call for immediate action it would have due regard to the fact that some of the restrictions at present in force infringed the General Agreement. In this connexion the United Kingdom delegation wished to repeat the remarks made by the representatives of the United States and India to the effect that the work on market disruption must not be used to delay progress on the removal of restrictions which were not justified under the provisions of the General Agreement.

Mr. GRANDY (Canada) said that this most interesting discussion on the subject of market disruption reflected the careful way in which the CONTRACTING PARTIES had approached this problem. This particularly difficult and delicate question was in fact a problem which must properly engage the attention of the CONTRACTING PARTIES. The essential aim of this exercise was the expansion of trade and in this respect the delegation of Canada was looking for the removal of quantitative and other restrictions which were not justifiable, for the establishment of normal trading relations between Japan and other contracting parties and for appropriate safeguard procedures. He agreed with the delegate of India that the number of items that could be shown to have caused market disruption was limited. The problems of market disruption arose really out of the depth of penetration of a market and the speed of penetration and the degree of concentration on particular items. Thus, many of the problems for countries such as the United States, Canada and Australia had been a result of a lack of openings in other markets for these exports. What had to be envisaged was the shift of resources to more competitive uses in both the exporting and the importing countries and the problem that made this a subject worthy of special study on its own was the difficulty of carrying out these shifts as rapidly as they were made necessary by the speed of penetration in a market where disruption occurred. The social, political and other difficulties that resulted if a market or an industry were seriously and rapidly disrupted were such that no government could force the sudden shift of resources quickly enough to solve the problem. The Canadian delegation was of the opinion that the United States proposal represented a careful and sensible method for the CONTRACTING PARTIES to proceed with this work. The Canadian delegation would like to emphasize that the manner in which this work was undertaken should not serve as an excuse to postpone the removal of unjustified restrictions or the disinvocation of Article XXXV, nor should it be allowed to duplicate or adversely affect the work upon which Committee III was already engaged.

Mr. SOMMERFELT (Norway) said that in the case of market disruption it was not sufficient just to study these problems, but that it was essential to find a solution, and therefore the approach to be pursued seemed to be very important. If one country, particularly if it was one of the larger ones, closed or limited its markets for imports of what might be called low-wage goods, it was fairly natural that the exporting countries concerned tried to find other outlets for these exports. In turn there would then be an additional pressure on the internal markets of such countries, which might be obliged to take steps to stop or reduce these imports, which in turn again resulted in pressures in new countries, thus leading to a rather vicious circle. It was particularly difficult for small countries like Norway to be exposed to an abrupt influx of low-wage goods. For such small markets, even a relatively limited increase in quantity terms might be very important in relative terms and could very easily cause hardship for the local industry. The unilateral approach, meaning that each country take its own steps of protection could, therefore, in the view of the Norwegian Government, not be a solution to the problem, but represented even a great

danger. The safeguards taken on a bilateral approach, whereby the exporting country in agreement with the importing country, put a certain control on its exports, could only be applied in those countries where there already existed difficulties, but it did not constitute a safeguard against those cases where a certain new disruption was caused by an exporting country which had to find new markets because old ones had been closed. The safeguard through a bilateral approach involved a rather complicated system taking care of all possibilities; therefore, it did not seem to be a very practical solution taking into account the number of countries and commodities involved. The Norwegian Government felt that the CONTRACTING PARTIES should try to find a true multilateral approach which could give a certain degree of stability and security to both importing and exporting countries. Before any such applicable solutions could be found, further studies and exchange of views needed to be carried out. This work was one of the more important issues which the CONTRACTING PARTIES would have to tackle through international co-operation in the years to come. To some extent it raised the whole problem of adapting the economies of the more industrialized countries to an increasing flow of industrial products from countries which were still in the early stages of economic development. Such an adaptation must take place gradually over a certain period of time if irreparable damage to important established industries was to be avoided. The finding of a solution which struck the balance between these two sets of considerations would certainly be one of the major tasks of the working party and the delegation of Norway supported the establishment of such a working party.

Mr. VON PLATEN (Sweden) wished to have some clarification as to the terms of reference proposed by the United States delegation. In subparagraph 1 therein it was stated that the working party was to consider the problems described in the secretariat's report. Under subparagraph 2 the working party was to suggest multilaterally acceptable solutions for those problems which, in the light of these considerations, appeared to call for immediate action. The Swedish delegation wished to have confirmation that this way of expression did imply that the working party was free to consider pertinent related problems which were not actually contained in the report prepared by the secretariat. Furthermore, the Swedish delegation questioned, as did the United Kingdom delegation, whether the term "multilaterally acceptable solutions" implied, or should imply, that such solutions meant that the burden of duties had to be shared by all countries multilaterally. As had been pointed out by the delegate of Norway, many of the difficulties that now confronted the CONTRACTING PARTIES were self-generated in that a certain number of countries applied restrictions because they were afraid of market disruptions, whereas those countries which wished to be liberal were faced with great difficulties because of the concentration of exports on certain markets. Therefore, it was of the greatest importance that the pressure be distributed equally between the potentially importing countries and the Swedish delegation would be highly interested in knowing whether its interpretation of the term "multilaterally acceptable solutions"

was correct. For these reasons, the Swedish delegation found that the problem of market disruption was very important and called for speedy solutions; it would give all possible support in the work which was going to be undertaken by the new study group.

Mr. RIZA (Pakistan) emphasized that so-called market disruption was a problem of adjusting the old patterns of trade and sources of supply of commodities. With fast developments taking place in the industrial evolution of the less-developed countries in Asia and elsewhere, there was an immediate need for the developed countries to adjust their plans and lines of production. As shown by the secretariat's report the problem pertained primarily to simple products. It would therefore be natural if the developed countries would concentrate on the production of the highly specialized items and leave the production of the less specialized items to the developing countries which were coming up in the field of industrial production. The old industrial revolution had taken place on the basis of division of labour; it appeared to the delegation of Pakistan that a new industrial revolution had to take place on the basis of division of products.

Competition formed an inherent part of a free economy and nothing should be done by way of restrictive measures that would hamper the growth of free enterprise and competition. In genuine cases of a new developing domestic industry measures of protection, which were already well recognized, could be employed. The problem would, however, be different in a totalitarian economy where the selling price might bear no normal relationship to the cost of production; in such cases the anti-dumping laws could well be invoked. It was the opinion of the Government of Pakistan that the best arrangement would be one of voluntary settlement between the affected contracting parties, such as those carried out by Japan or the United Kingdom. The voluntary arrangement between the United Kingdom industry and the cotton textile industries of India, Hong Kong and Pakistan was not so much an arrangement to restrict imports as one to divide the lines of production enabling the United Kingdom to concentrate on lines for which it was best suited. The work of Committee III for removing restrictions affecting the expansion of trade of the less-developed countries, consistent with the objectives of the General Agreement, was most important and the delegation of Pakistan hoped that the work of this committee would in no way be hampered or slowed down by the tasks of the proposed working party on market disruption.

Mr. VIDAL (Brazil) stated that his delegation supported the appointment of a working party on market disruption provided this would not interfere with the work of Committee III.

Mr. PSCOLKA (Czechoslovakia) said that the subject under discussion appeared for the first time on the GATT agenda. The problem called avoidance of market disruption represented only one side of one of the most important

questions for the development of world trade. The whole problem should be defined in a positive form, namely how to find ways and means for gradual expansion of the less-developed countries' participation in the international division of labour on the basis of equal treatment, while at the same time endeavouring to find possible ways of adapting the developed countries to other directions of industrial production and to make full use of the rising level of productive sources and methods of production in the less-developed countries. In this respect the report submitted by the secretariat did not fully take into account the need for further growth of the less-developed countries and particularly for removal of quantitative restrictions to their trade. In the opinion of his delegation the approach to this problem should be to seek ways for facilitating the necessary structural changes or adjustments in world trade in order to help the less-developed countries in solving the even more important problem of their industrialization. The Government of Czechoslovakia therefore maintained doubts as to the advisability of establishing a new working party; it felt that Committee III might well take care of all aspects of further desirable expansion of trade of the less-developed countries rather than to set up a new group for dealing with questions which seemed to be created more by apprehensions and hypothetical dangers than actual facts. As has been stressed by previous speakers the subject under discussion seemed to be limited to marginal cases and a narrow range of goods. If in practice difficult situations should arise then the procedures provided for under the General Agreement as well as bilateral negotiations and methods of voluntary agreements would be the best means of remedy.

Mr. GARCIA OLDINI (Chile) said that in his view the words used in the French text of the United States proposal (document W./16/10), saying that disruptive effects were caused by a sharp increase in imports, namely "accroissement brutal", were an exaggeration. It should not be lost sight of that the first point referred to in the text proposed by the United States delegation expressed the desire to remove restrictions which prevented a further expansion of international trade. It was to this point that, in the view of the Chilean delegation, attention should be drawn. The concern about disruptive effects on markets had been developing in line with the progressive elimination of quantitative restrictions for balance-of-payment reasons carried out under the pressure of the provisions of the General Agreement. There existed, however, no proof that such removal had resulted in cases of market disruption. The elimination of restrictions was likely to lead to the fear of market disruption and the desire to provide safeguards against such situations might run the risk of limiting the elimination of quantitative restrictions or might even result in the imposition of new restrictions. This would constitute the beginning of a vicious circle and the Chilean delegation hoped that the proposed working party would consider the problem from a very general angle and devote attention particularly to actual cases of market disruption and their causes. The Government of Chile

felt that possible action for coping with the problem of market disruption might constitute a serious danger of prejudice to the less-developed countries. As a result of the work carried out in Committee III the less-developed countries had positive hopes that the industrialized countries in directing their commercial policy would take into account the need of the former to increase their export earnings. It might well be that as a consequence of the studies undertaken in the field of market disruption the less-developed countries lost the benefits which they were entitled to expect as a result of the work of Committee III. The fears and concerns that safeguarding measures against market disruption might affect the progress made in the expansion of international trade related more to less-developed countries than to the industrialized countries; the Chilean Government hoped that the working party on market disruption would seriously consider this aspect of the problem. Furthermore the working party should also call upon the co-operation of the International Labour Office in examining the complex questions relating to wage levels. The social factors involved in this subject should not be lost sight of and it should be clearly laid down that the questions connected with the cost of manpower be studied without neglecting the effects of mechanization and automation in highly-developed countries. Mechanization and automation were two factors having a decisive impact on the establishment of prices and at the same time on the imports of the industrialized countries. The question of manpower cost was only one aspect of the problem and should in no way have priority; all aspects of industrialization had to be studied. An excessive automation which did not take into account an over-all harmony of the markets might well have graver consequences than the problems related to manpower costs.

Mr. MARTINS (Austria) said that his Government considered the avoidance of market disruption as one of the basic elements within economic co-operation. Therefore the Austrian Government would follow closely any effort which might be undertaken by the group the establishment of which had been proposed by the United States. At present, however, his delegation was not in a position to indicate whether it would be possible for the Austrian Government to be represented on this working party. The representative of Austria informed the meeting that his country's liberalization rate for imports from the United States and Canada had recently been brought from 40 per cent to 90 per cent, a fact which had not yet been taken into account in the information given in the secretariat's report. This correction and a few other amendments would be indicated to the secretariat.

The CHAIRMAN said that he understood from the sense of this long and interesting debate that full support was given to the proposal put forward by the United States delegation that a working party on market disruption should be set up. He suggested that the terms of reference and the composition of this working party should be presented to the CONTRACTING PARTIES at a later meeting and that in its preparation certain aspects expressed in the course of the present meeting would be taken into account.

2. Italian Import Restrictions

The CHAIRMAN recalled that at the fifteenth session the Government of Italy had undertaken to submit a report not later than the present session of measures taken and the programme proposed for the progressive elimination of the remaining import restrictions in accordance with the procedures and provisions of the General Agreement. In January 1960 the Italian Government had notified the CONTRACTING PARTIES (L/1136) that certain imports would be liberalized for the dollar area, and a detailed list of the products affected was subsequently circulated in document L/1136/Add.1 which also contained the products remaining under restriction; an additional list of liberalized dollar imports had been supplied by the Italian Government and was circulated to the delegations to the present session.

Mr. PARBONI (Italy) informed the meeting that the Italian Government did not intend to avail itself any longer of the provisions of Article XII. Before giving more details of Italy's programme for gradual relaxations of quantitative restrictions still in force, the Italian delegate recalled the situation which existed in Italy in November 1959 in the field of trade liberalization. The rate of liberalization in respect of OEEC countries, based on the year 1948, was then and continued to be 98.4 per cent. In other words, practically all imports from OEEC countries were freed of quantitative restrictions except a very limited number of products. The same level of liberalization applied to the countries of the sterling area and in general to all countries with whom foreign exchange settlements were operated under the European Monetary Agreement. The rate of liberalization in respect of the United States and Canada, based on the year 1953, was 71 per cent in November 1959. The liberalization list with respect to products originating in the United States and Canada also applied to a certain number of countries which were contracting parties to the General Agreement, namely Chile, Cuba, the Dominican Republic, Haiti, and Peru.

The representative of Italy emphasized that Italy was extending - and had been extending for many years - the benefit of practically complete liberalization to the countries of the area governed by the European Monetary Agreement which meant most of the contracting parties to GATT. For that reason the Italian Government, after the fifteenth session, had decided to concentrate its efforts on a progressive elimination of the discrimination between the liberalization measures in regard to the dollar area and those applying to the area of the European Monetary Agreement. In this connexion the action taken by the Italian Government was in line with the statement made by the International Monetary Fund of 7 October 1959, to the effect that Italy was in a position to progress towards elimination of restrictions and more particularly of existing discrimination. The measures alluded to in the aforementioned statement had been implemented as follows: under Ministerial Decree of 22 December 1959 the Italian Government extended the list of products which could be imported free of restriction from the dollar area; the products covered by this decision were contained in document L/1136/Add.1. Further liberalization measures on imports from the dollar area were prepared recently. The number of products affected by these measures was considerable and the relevant Decree had recently been signed by the Minister of Foreign Trade. The Decree was to enter into force in the middle of June 1960 and a confidential copy had been distributed to the Heads of

delegations to the present session. With the liberalization measures implemented last December and with the additional measures just announced - the entering into force of which had been delayed by the Ministerial crisis - Italy was now much nearer to the elimination of its residual quantitative restrictions. A further step towards liberalization of imports from the dollar area was expected to be decreed in a not-too-distant future. Some progress towards a gradual reduction of quantitative import restrictions applying to Japan would be made shortly. A large number of products originating in Japan which were subject to import licensing would be freed in the course of June 1960; at the same date measures of trade liberalization in respect of Brazil would be enacted.

The representative of Italy recalled that at the fifteenth session the Italian delegation had stated that there were two alternatives open to Italy for eliminating the remaining discriminations: one was to bring the level of dollar liberalization up to the level of liberalization applying to the countries parties to the European Monetary Agreement and the other to bring the level of liberalization in respect of the latter countries down to that applying to countries of the dollar area. The measures announced in the preceding statement clearly indicated that the Government of Italy was determined to abide by the former of these two alternatives, and this notwithstanding the fact that the programmes scheduled to be carried out shortly were likely to have an adverse effect on the Italian balance-of-payments situation.

In concluding, the representative of Italy assured the CONTRACTING PARTIES that his Government was prepared to enter into consultations with contracting parties having a substantial interest in specific products which were still placed under quantitative restrictions. Such consultations would be conducted in conformity with the procedure adopted by the CONTRACTING PARTIES on 10 November 1958. A negative list enumerating all products still subject to quantitative restrictions would be distributed by the Italian delegation as soon as the Decree referred to above was issued.

Mr. VIDAL (Brazil) expressed his Government's appreciation of the liberalization measures which the Italian Government intended to implement in regard to Brazilian products. The Brazilian Government also was prepared to enter into consultation with the Italian Government along the lines indicated by the representative of Italy.

Mr. ADAIR (United States) expressed his Government's hope that the liberalization measures under consideration by the Italian Government might soon be realized. His delegation was pleased to hear the offer of the Italian delegation to consult with countries substantially interested in the matter of Italian import restrictions under the established procedures of the General Agreement. This offer and the undertaking to transmit a negative list of residual restrictions indicated Italy's earnest desire to fulfill its obligations under the General Agreement. However, his delegation was disappointed to find that progress which it had envisaged at the fifteenth session had not materialized. Italy had then not been consulted by the Balance-of-Payments Committee on the basis of the findings of the International Monetary Fund to the effect that Italy's balance-of-payments situation was no longer justifying the maintenance of quantitative restrictions for balance-of-payments reasons; and this notwithstanding the existence of a very large

number of discriminatory restrictions against the goods of a number of contracting parties, and a substantial number of non-discriminatory restrictions against the products of all contracting parties. Furthermore the representative of the United States pointed out that the usual methods for the measurement of degrees of liberalization were almost worthless under present conditions. These percentages masked varying degrees of restriction since imports of certain categories of goods could be completely excluded to the advantage of domestic producers without reducing the rate of liberalization. The Italian Government had announced at the fifteenth session that while no new liberalization measures could be taken at that time measures would be adopted to carry out substantial liberalization before the present session.

Although the delegation of the United States recognized the severe and unforeseen difficulties which Italy had experienced in the intervening period it had nevertheless to stress that the only liberalization so far carried out was that decreed on 22 December 1959 which left roughly one third of Italy's statistical classifications under restriction from the dollar area and even more for some contracting parties. In fact at that same time forty-four items which had been liberalized were placed again under discriminatory restriction with no justification whatever. Moreover, the proposed second dollar liberalization to which the representative of Italy had referred was not to be implemented before the end of the present session. The delegation of the United States sincerely hoped that there would be no delay beyond the now anticipated date of mid-June. The delegation of the United States had made a careful examination of the list circulated by the Italian delegation and was gratified that it contained some important industrial items. It was, however, concerned that the new liberalization would not help agricultural trade very much and would still leave a substantial area of restrictions in industrial products as well. Nor was there any tangible evidence of progress with respect to the trade of contracting parties outside the dollar area concerning the remaining non-discriminatory restrictions or concerning restrictions against countries outside both the European Monetary Agreement and the dollar area. For these reasons the United States delegation wished to suggest that Italy should issue the promised comprehensive negative list within the next few weeks and that countries interested in this matter should notify the secretariat promptly of their intention to consult under Article XXII. The United States Government for its part wished to enter into such consultations and suggested that the countries participating should report to the seventeenth session.

Mr. HAGUIWARA (Japan) congratulated the Italian Government on its decision to disinvoke resort to Articles XII and XIV of the General Agreement. However, as stated by the representative of Italy, the Italian Government would continue applying different rates of liberalization with respect to different monetary areas, a fact which the delegation of Japan could not accept. This different treatment was illustrated by the fact that the level of liberalization granted to imports originating in the area of the European Monetary Agreement had reached 98 per cent and that the imports originating in the dollar area would in the near future attain the same level, whereas the liberalization applied to countries outside those areas, such as Japan, was much more limited. A rough calculation revealed that the level of liberalization with respect to Japanese products was below 20 per cent. The delegation of Japan certainly appreciated that the Government of Italy intended

to publish within the next few weeks a new list of liberalization for Japanese products but the crucial point was to know to what level the new measures would bring the degree of liberalization; moreover, it could not be seen why a separate list for Japanese products only should be in operation. For these reasons the Government of Japan was unable to consider the matter in question without the Italian authorities having submitted to the CONTRACTING PARTIES a reasonable basis for discussion. The delegation of Japan sincerely hoped that the Italian Government would make efforts for submitting as soon as possible a programme for a complete and overall liberalization set up on a non-discriminatory basis and applicable to all contracting parties including Japan. Only then would the CONTRACTING PARTIES be in a position to proceed to a detailed study of the Italian programme of liberalization measures; such an examination should be carried out once the Italian negative list had been transmitted and on the basis of consultations grouping all contracting parties having a substantial interest in the matter.

Mr. TAYLOR (New Zealand) said that his delegation's appreciation of the progress being made by the Italian Government was somewhat tempered by the fact that the Italian programme for liberalization measures did not go as far as New Zealand had hoped. The New Zealand Government wished to take part in the planned consultations.

Mr. GRANDY (Canada) expressed his delegation's concern to see the degree of discrimination which still remained against countries neither in the dollar area nor in the area of the European Monetary Agreement. The Canadian delegation was a little disappointed at the lack of progress on the part of Italy in the removal of restrictions against the dollar zone and also against other countries, and it would be glad to participate in the consultations proposed by the Government of Italy.

Mr. CAREY (United Kingdom) said that his delegation welcomed the step undertaken by the Government of Italy directed towards removing dollar discrimination on a number of products. Although the United Kingdom delegation appreciated that the Italian Government in common with some other governments might face some difficulties with respect to restrictions on particular products, it wished nevertheless to join with other delegations who had urged the Italian Government to proceed as quickly as possible towards the elimination of the remaining restrictions regardless of whether such were discriminatory or non-discriminatory. The negative list which the Italian Government intended to provide should facilitate consultations under the approved procedures of the General Agreement.

Mr. PARBONI (Italy) assured the CONTRACTING PARTIES that his Government would respect all its obligations under the General Agreement. The liberalization programme presented at this meeting to the CONTRACTING PARTIES comprised measures which had already been implemented and others which were about to enter into force within the next fortnight. Certain consequential measures would be adopted as soon as possible. With respect to the residual restrictions the Italian delegation wished to repeat its readiness to enter into corresponding consultations pursuant to the provisions of Article XXII.

The CHAIRMAN invited delegations wishing to initiate consultations with the Italian Government under the procedures established on 10 November 1958 to communicate to the Executive Secretary for the information of all contracting parties; any other contracting party sharing a substantial trade interest in any of the products in question should, within the appropriate time set forth in the relevant procedures, advise the consulting countries and the Executive Secretary of its desire to join in the consultations.

3. German Import Restrictions

The CHAIRMAN recalled that, in Section D of Annex A to the Decision of 30 May 1959, the Federal Republic of Germany undertook to report to the fifteenth session on action taken with a view to the removal of the restrictions of the products listed in that Section. The Federal Republic had been unable to make this report at the fifteenth session but had given an assurance that the required report would be submitted to the CONTRACTING PARTIES at the present session.

Mr. KLEIN (Federal Republic of Germany) informed the meeting that the Federal Republic, pursuant to the Decision of the CONTRACTING PARTIES of 30 May 1959 and to the results of the discussions held at the fifteenth session, had made further efforts to eliminate the import restrictions still existing in the industrial sector. The Government of the Federal Republic had continued its consultations with India and Japan, and had initiated consultations with Pakistan, on the items contained in Section D. These consultations had taken place in a very friendly atmosphere and his Government was most grateful to the participating countries for the comprehension they had shown. Although it had not been possible to solve all outstanding problems and to meet all requests, his delegation believed that the results obtained should be regarded as a further substantial progress towards liberalization of German imports. The Federal Republic decided to take the following measures in respect of all contracting parties to which the measures of liberalization taken hitherto were applicable:

- (a) The industrial products and a number of agricultural products, which, under the earlier liberalization programme, were to be liberalized not later than 31 December 1960, would be liberalized as from 1 July 1960. The items affected by this decision were listed in a document submitted to the delegations at the present meeting.
- (b) Apart from these products the Federal Republic would carry out a programme for liberalization at various later dates for the other items contained in that document. In respect of all these products global quotas would be opened which were to be increased annually until complete liberalization would be achieved.
- (c) The very small number of remaining import restrictions in the industrial sector applied to products the full liberalization of which still confronted the Federal Republic with exceptionally great difficulties. Nevertheless the Federal Government continued to

consider the liberalization of such items in accordance with the Decision of the CONTRACTING PARTIES of 30 May 1959. The Federal Government, however, regretted that it was not able to indicate a definite date of liberalization, but it intended to introduce a system of issuing current licences for the items involved, and this system would be administered in so liberal a manner as to meet the interests of the contracting parties concerned. The Government of the Federal Republic was prepared at any time to have consultations similar to those held with Japan, India and Pakistan with the interested contracting parties on the administration of this licensing system and on the experience and problems involved.

Mr. HAGUIWARA (Japan) expressed his Government's appreciation of the efforts made by the Government of the Federal Republic to liberalize imports in compliance with the Decision taken by the CONTRACTING PARTIES at their fourteenth session. The delegation of Japan regretted that the delegation of the Federal Republic was unable to indicate a definite date for liberalizing industrial items in which Japan was particularly interested. However it was confident that the Federal Republic would not spare any effort to expedite the liberalization of these items as well as to advance the target date set out in its liberalization programme.

Mr. SWAMINATHAN (India) expressed his Government's appreciation of the results achieved in the course of their consultations; it was, however, a matter for regret that the Federal Republic was not yet in a position to liberalize completely the items still subject to restrictions. Nevertheless the Indian Government had received some satisfaction and it hoped that in the months to come the consultations were going to afford even more satisfaction thus ultimately leading to a position which would see the Government of the Federal Republic in full compliance with the terms of the General Agreement. The Indian delegation would look forward to an advance of the dates of liberalization, to an increase in global or other quotas and, finally, to the complete elimination of all restrictions.

Mr. RIZA (Pakistan) expressed the appreciation of his Government for the manner in which the German import restrictions were being eliminated. His Government hoped that in due course it should also come to some arrangement about certain items on which consultations had just commenced.

Mr. ADAIR (United States) welcomed the statement put forward by the delegation of the Federal Republic to the effect that it had been able to move faster in the elimination of its remaining import restrictions. The speeding up of liberalization of some products and the establishment of global quotas for other products were particularly gratifying. However, there remained a list of important items for which no final liberalization

date had been set. The United States delegation hoped that, in the continuing consideration which the Federal Republic had promised to give to liberalizing these items, the importance of a lead from the Federal Republic would be kept in mind. As a major trading country in a strong financial and economic position the Federal Republic had a special responsibility to remove promptly its remaining restrictions. The United States delegation wished to urge the Federal Republic to consider seriously the advance of the liberalization dates announced today together with the fixing of an early firm date for the remaining items.

Mr. SVEC (Czechoslovakia) stated that the Government of Czechoslovakia had entered into consultations under Article XXXII with the delegation of the Federal Republic with respect to the restrictions still applied in a discriminatory way by the Federal Republic.

Mr. GRANDY (Canada) supported the remarks made by the representative of the United States. In particular the Canadian delegation wished to see some action by the Government of the Federal Republic on the products listed in Annex B to the Decision of 30 May 1959 in accordance with paragraph 2(b) of that Decision.

Mr. TAYLOR (New Zealand) welcomed the speeding up of the liberalization with respect to certain products and hoped that this would be the forerunner of even more favourable reports from the Government of the Federal Republic at the seventeenth session.

The CHAIRMAN stated that the views expressed would be recorded and pointed out that in accordance with paragraph 3 of the Decision of 30 May 1959 the Federal Republic would, at the seventeenth session, report on the progress achieved in the relaxation or elimination of the restrictions maintained on the products listed in Annexes A to E and on consultations with contracting parties regarding the application of the Decision.

4. New Zealand Request for a Waiver (L/1211)

The CHAIRMAN recalled that at the twelfth session the Government of New Zealand had been granted a waiver from the provisions of Article II of the General Agreement in order to enable it to give effect to a revised tariff prior to negotiations for the modification of concessions. This waiver had lapsed at the end of the fifteenth session. However, the New Zealand Government had not been in a position to make use of the authority granted to it during the period of validity of the waiver. It had consequently submitted in document L/1211 a request for a new waiver on substantially similar lines.

Mr. TAYLOR (New Zealand) said that he did not need to stress to contracting parties the difficulties inherent in the introduction of a new tariff, particularly when it involved, as it did in the case of the New

Zealand tariff, a complete change of nomenclature to conform with an international tariff classification, and a new basis of valuation for duty. Adjustments for maintaining the incidence of duties in the light of the new basis for valuation and certain other adjustments would be required. In addition to the amendments necessitated by the introduction of a new tariff, there were other tariff changes which the Government of New Zealand felt could not be left until next year. It proposed to adjust several items this year on the basis of the existing tariff. In document L/1211 it was stated that eight items which were bound in Schedule XIII would be involved. However, later information from his Government indicated that eight items were under consideration but that no decision had yet been taken as to whether all of them would be made subject to adjustment. The New Zealand delegation hoped that the CONTRACTING PARTIES would agree that, as New Zealand had made no changes at all in its tariff schedule for several years and only minor ones in the period since Torquay, it was not unreasonable for New Zealand to ask for the comprehension of the CONTRACTING PARTIES in making a small number of adjustments.

Mr. Taylor explained that the intention of his Government was to adjust duties on these items during the parliamentary session of June-October 1960 and that the new rates would come into force overnight by a Resolution of the Committee of Ways and Means. This Resolution, under the New Zealand parliamentary procedures, had to be subsequently ratified in the same parliamentary session. The New Zealand Government would negotiate on all eight (or less) items affected during the forthcoming renegotiations under Article XXVIII. It was in this respect that the waiver now requested differed from that which the CONTRACTING PARTIES had granted in 1957. In all other respects the waiver before the present meeting was the same, although admittedly for a slightly longer term - that was, until the end of 1961 - and the conditions previously imposed would again be met by the New Zealand Government.

The second and major step of the New Zealand tariff revision would not be complete until mid-1961, which would again leave no time for prior negotiation of a whole new tariff if that tariff were to be introduced as intended in the 1961 parliamentary session. The need for a tariff reform, already urgent in 1957, was now even more pressing, and for this reason the Government of New Zealand was most anxious that the operation should be carried out as soon as possible. The New Zealand Government would undertake, as it did previously, to give all contracting parties affected prior notification of the modifications or withdrawals of any concessions in Schedule XIII, and it would negotiate promptly with any contracting party which considered that the compensation, which would be built into the tariff, was inadequate. The circumstances were exceptional and the delegation of New Zealand hoped that the CONTRACTING PARTIES would appreciate that if this had not been the case New Zealand would not be approaching them with this application. As indicated in the relevant

document, the Government of New Zealand intended to comply with the spirit and intent of Article XXVIII in all respects, even if the procedure proposed by it was somewhat at variance with the strictly legal requirements of that Article.

Mr. ADAIR (United States) stated that his delegation would be willing to approve the New Zealand request for a waiver for the purpose stated if the termination date were not later than the end of 1960. The CONTRACTING PARTIES could then, in the course of the seventeenth session, review the operation of the waiver with a view to considering its extension to cover the period of the principal tariff revision planned by the Government of New Zealand for 1961. This procedure would be consistent with other actions by the CONTRACTING PARTIES in recent years in which waivers involving tariff action of this kind had been granted or extended from one session to the next.

The CHAIRMAN said there appeared to be agreement in principle by the CONTRACTING PARTIES to the request made by the representative of New Zealand. The secretariat would prepare a draft waiver in consultation with interested delegations, and this would be submitted to the CONTRACTING PARTIES at a later meeting in the present session.

5. Accommodation for Secretariat (Spec(60)115)

The CHAIRMAN drew attention to the important questions concerning the adequacy of the present accommodation for the secretariat and ways and means of meeting the needs of the future, which had been raised in a note by the Executive Secretary. The Chairman proposed that a special group be appointed to consider this question and to report to the CONTRACTING PARTIES before the close of the present session. He suggested that this group should be composed of contracting parties whose representatives in Geneva had special knowledge of local conditions, namely: Belgium, Canada, France, the Federal Republic of Germany, Ghana, Sweden, the United Kingdom and the United States.

This was agreed.

The meeting adjourned at 5.30 p.m.