GENERAL AGREEMENT ON TARIFFS AND TRADE

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SR.16/10
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CONTRACTING PARTIES
Sixteenth Session

SUMMARY RECORD OF THE TENTH MEETING

Held at the Palais des Nations, Geneva,
on Friday 3 June 1960, at 2.30 p.m.

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

Subjects discussed:
1. Import restrictions retained after the end of balance-of-payments difficulties
2. Brazilian waiver - extension of time-limit
3. Financial and administrative questions
4. Article XXXV - Japan
5. Avoidance of market disruption
6. Article XX, sub-paragraph (j)
7. Rectifications and modifications of schedules
8. Article XXVIII negotiations - extension of time-limit
9. Consular formalities
10. French stamp tax
11. Paris economic meetings

1. Import restrictions retained after the end of balance-of-payments difficulties (W.16/13)

The CHAIRMAN said that the United States delegation had distributed a Note (W.16/13) on procedures for dealing with import restrictions remaining in force after contracting parties had emerged from balance-of-payments difficulties. While not putting forward specific proposals at the present session, the United States delegation hoped that other delegations would comment on the views put forward in their Note.

Mr. EDWARDS (United States) said he would confine his remarks to a few general observations additional to those contained in the United States' Note (W.16/13). Fundamentally, the General Agreement presupposed the intention of contracting parties to deal frankly and expeditiously with problems that arose under its provisions. Further, all contracting parties recognized that the Agreement was more than an instrument to be used for the benefit of national trade interests; in fact, the protection of the rights of any one contracting party was the concern of all contracting parties. In reference to the question of the retention of restrictions no longer justified on balance-of-payments grounds, Mr. Edwards said that this was a highly important question, not only for the United States, but also for each individual contracting party and for the

CONTRACTING PARTIES as a collective body. It was essential that the CONTRACTING PARTIES should fully use their influence to ensure first, that residual restrictions were minimized and avoided to the greatest extent possible and, secondly, that when they did exist they were dealt with effectively and expeditiously. It was difficult to contemplate a situation more damaging to the General Agreement and to the prestige of the CONTRACTING PARTIES, both nationally and internationally, than the maintenance of substantial areas of restrictions not authorized under the General Agreement. Turning to the question of discrimination Mr. Edwards said that residual restrictions, whether discriminatory or not, were of concern to the CONTRACTING PARTIES. He recalled that the CONTRACTING PARTIES had given special emphasis to the principle of non-discrimination in considering whether any relief should be provided, under the "hard-core" Decision or otherwise, for a contracting party seeking to retain quantitative restrictions under exceptional circumstances. His delegation considered that the CONTRACTING PARTIES should continue to give this emphasis.

Mr. SWAMINATHAN (India) said that, from the point of view of upholding the principles and prestige of the General Agreement, the elimination of residual restrictions by a contracting party when it emerged from balance-of-payments difficulties was a question of great importance. The situation assumed an even greater seriousness when such residual restrictions were of a discriminatory character. This question concerned not only the individual contracting parties which maintained the restrictions or which were affected by them; it concerned all contracting parties. His delegation therefore welcomed the initiative shown by the United States delegation in their Note and they hoped that an attempt would be made to establish procedures whereby a country emerging from balance-of-payments difficulties would notify the CONTRACTING PARTIES of its proposals and policy intentions regarding any restrictions that remained and that the CONTRACTING PARTIES would have the opportunity of discussing these proposals.

Mr. JARDINE (United Kingdom) said that there was much in the United States' Note and in the statement made by the representative of the United States with which the United Kingdom delegation agreed. It was right that the strict rules in the General Agreement about the use of quantitative restrictions should be adhered to: the unjustified maintenance of such restrictions by a contracting party harmed the trade of other contracting parties. For their part, the United Kingdom delegation were always ready to participate in the discussion of means for the reduction and eventual elimination of these restrictions. Mr. Jardine went on to say that, in the view of his delegation, the provisions of Article XXII, as supplemented by the procedures established by the CONTRACTING PARTIES, were important safeguards and, properly used, could do much to mitigate harm; there was no need for hesitation or embarrassment on the part of contracting parties with a substantial trade interest wishing to enter into consultations under these procedures. He drew attention to the fact, however, that the provisions of Article XXII did not apply only to residual restrictions maintained by a country emerging from balance-of-payments difficulties. He emphasized that import restrictions not covered by Articles XX or XXI could be harmful to trade whether they were maintained by countries emerging from balance-of-payments difficulties or by countries which had never had such difficulties and which, therefore, had never had the cover of Articles XII or XVIII. The procedures of Article XXII were of a general character and

were available for use in the event of any infringement of the General Agreement. In conclusion Mr. Jardine said that his delegation agreed with the hope expressed by the United States delegation that countries emerging from balance-of-payments difficulties would, as a matter of course, be ready to consult on their remaining restrictions; in this way a substantial impetus could be given to the dismantlement of this type of trade barrier.

Mr. KASTOFT (Denmark) recalled that, when the question was last discussed, his delegation had expressed the view that the "hard-core" waiver should not be prolonged for much longer; this was partly because the waiver had not fulfilled the results expected from it. He agreed with the opinion expressed in the United States' Note that it was reasonable to expect that a contracting party which retained or introduced restrictions when it was not in balance-of-payments difficulties should notify these restrictions to the CONTRACTING PARTIES. He took it, however, that the United States proposal in this connexion did not intend to draw a distinction between those countries emerging from balance-of-payments difficulties and those which had never had recourse to Article XII. The only justifiable distinction which could be made would be that between those countries which had balance-of-payments difficulties and those which did not. As regards the penultimate paragraph of the United States' Note, Mr. Kastoft said that his delegation felt it was wise that more ambitious proposals had not been put forward at the present session to deal with the problems referred to in the Note; one should wait and see whether these problems could not be satisfactorily dealt with through the existing procedures. He was not convinced that a purely legalistic approach would produce the best results. The real solution to the problems involved, which had their severest effect in the agricultural sector, lay in a concerted attack on all trade barriers so that a proper balance between rights and obligations, irrespective of the nature of the economic situation of individual contracting parties, could be achieved.

Mr. OORSCHOT (Netherlands) said that his country was one of those in the situation referred to in the United States' Note. As his delegation had stated several times in the past, contracting parties could feel confident that the Netherlands Government did its utmost to uphold the principles of the General Agreement. In the past it had dealt expeditiously and, it hoped, effectively with problems arising from the situation described in page 2 of the Note.

Mr. WARWICK SMITH (Australia) said that his Government had indicated its intention of providing a statement on its remaining import restrictions and on its proposed policy and procedures for dealing with these restrictions. He went on to say that problems had arisen in the past because of the absence of automatic procedures under which contracting parties should no longer invoke the balance-of-payments provisions of the General Agreement and should submit their residual restrictions for scrutiny by the CONTRACTING PARTIES. As additional contracting parties emerged from balance-of-payments difficulties these problems were likely to increase. This situation related to countries moving from Article XII but, as the representative of the United Kingdom had pointed out, there was a wider problem which should not be lost sight of; this concerned restrictions which were not residual restrictions being maintained during a reasonable period of grace after the end of a long period of balance-of-payments difficulties. They might be restrictions which were

possibly technically valid as, for example, under Article XIX, but they certainly did not conform with the intentions and spirit of the provisions of the General Agreement. However, he would direct his remarks to the type of restriction referred to in the United States' Note. The problem certainly went beyond that of the purely "hard-core" type of restriction. He would, further, agree with the representative of Denmark that the agricultural exporting countries were likely to be most affected by this type of trade barrier. In the view of the Australian delegation, the provisions of Article XXII, with one or two major exceptions, had not worked particularly well, while the provisions of Article XIIIhad only very rarely been invoked; in any case no one would wish to see the latter Article invoked too frequently. The Australian delegation endorsed the views set out in the United States' Note and would, in fact, be prepared to see action going beyond what was proposed in the Note. As a country in the process of moving from Article XII, Australia was conscious of the problems which arose when import restrictions had been maintained for a long period. There was, however, a distinction between countries just moving from Article XII, those which had never invoked the Article and those which had not operated under it for some time. Further, while a reasonable period of grace was necessary after import restrictions had been maintained for a long time, the question of the length of that period required careful examination. The essential consideration was the need for observance of the obligations which contracting parties accepted when they acceded to the General Agreement. The whole question of import restrictions covered a wide range of problems and the Australian delegation would suggest that the proposed Council, if its establishment were approved by the CONTRACTING PARTIES, should examine the problems involved.

Mr. GARCIA OLDINI (Chile) said that, generally speaking, the less-developed countries were permanently in balance-of-payments difficulties. While these countries tried to avoid using import restrictions they nevertheless had the right to use them. In the case of the industrialized countries the situation was different. In accordance with their obligations under the General Agreement they should eliminate their restrictions when their balance-of-payments difficulties ended. His delegation recognized that the complete removal of such restrictions could give rise to difficulties, but it should be possible to find a solution under the Decision of 5 March 1955. If this could not be done, the consultations procedure provided for in Article XXII could be used. His delegation considered that, with these two possible lines of action, the industrialized countries should find it possible to eliminate their restrictions when these were no longer justified for balance-of-payments reasons.

Mr. CASTLE (New Zealand) drew attention to the fact that what was involved were actual or potential breaches of the provisions of the General Agreement; to lay stress on the availability of the consultation procedures tended to undermine both these provisions and the Decision of 5 March 1955. The aim should be, not to seek means of mitigating possible damage, but to secure compliance with the provisions of the General Agreement. The main "hard-core" restrictions seemed to fall into two categories; first, there were those applied to agricultural products and secondly, those applied to a broad range of products of the kind being studied by the CONTRACTING PARTIES under the heading of market disruption. These two problems were being dealt with by Committees set up by the CONTRACTING PARTIES, and the New Zealand

delegation would not wish to see the work of these Committees undermined by waivers or similar expedients in respect of residual import restrictions granted as a result of consultations under Article XXII. As the restrictions concerned were being maintained in breach of the General Agreement, however, it was desirable that they should be notified to the CONTRACTING PARTIES and that procedures for dealing with them should be formulated. He agreed that the scope of the problem could not be easily delineated and that it would be advisable to see how the situation regarding restrictions developed and to reconsider the question at the seventeenth session.

Mr. RIZA (Pakistan) said that there should be no difference of opinion on the need for contracting parties to remove all restrictions on imports as soon as they were out of balance-of-payments difficulties. This was an obligation undertaken under the General Agreement. It was appreciated that it was not always possible for a contracting party to change from a regime of restrictions to complete liberalization of imports when it emerged from balance-of-payments difficulties and that there had to be a transitional period so as not to upset the national economy. If the contracting party concerned submitted to the CONTRACTING PARTIES its proposals for the removal, within a reasonable period, of the residual restrictions, the spirit of the General Agreement would have been fulfilled. The question was whether the existing provisions of Article XXII and XXIII supplemented by procedures established by the CONTRACTING PARTIES were adequate. His delegation would, however, still prefer that the system under which contracting parties voluntarily gave up import restrictions be given a trial for a further period; meanwhile they hoped that those contracting parties which had emerged, or were emerging, from balance-of-payments difficulties would give serious consideration to removing restrictions which could not be justified. A close watch should be kept on the situation and the question should be considered again at the seventeenth session.

Mr. SWARD (Sweden) said that his delegation considered that the existing GATT procedures were adequate to deal with the question of residual restrictions; they did, however, agree with the view expressed by the United States delegation that it was reasonable to expect the countries concerned to notify the CONTRACTING PARTIES of these restrictions and of their proposals for dealing with them. Mr. Sward said that the views expressed by the United Kingdom representative were, in general, the same as those of the Swedish delegation and he would, therefore, limit himself to endorsing what the United Kingdom representative had said. He would emphasize, however, that his delegation interpreted the suggestions made by the United States delegation as being applicable also to contracting parties which had not invoked Article XII.

Mr. GRANDY (Canada) said that this question was, of course, one of major importance. One of the difficulties was that the "hard-core" procedure had been little used; contracting parties were not notifying the CONTRACTING PARTIES of their residual restrictions and of the problems which arose in connexion with them before moving out of Article XII as they had been expected to do. There was, in fact, nothing in the United States' Note which suggested that the "hard-core" procedure was no longer a valid way of dealing with the problem. Mr. Grandy went on to say that effective action to deal with these residual restrictions was particularly important if the

impairment of tariff concessions was to be avoided. His delegation felt that it was certainly reasonable to expect contracting parties retaining restrictions formerly justified on balance-of-payments grounds to notify these restrictions to the CONTRACTING PARTIES, to indicate their plans and policy for dealing with them and to consult, if necessary, with other contracting parties. His delegation would be prepared, during the coming months, to see to what extent the procedures available under Articles XXII and XXIII were effective in dealing with the problems which arose. If these procedures proved to be ineffective, the need for alternative arrangements might have to be considered by the CONTRACTING PARTIES.

Mr. PHILIP (France) said that, in the short time available, his delegation had been unable to study the United States' Note in detail; his comments on the Note should not, therefore, be considered as committing the French Government. Everyone hoped that contracting parties maintaining residual restrictions would make every effort to remove them; he would agree with the United States delegation that it was reasonable to expect that such contracting parties should notify the CONTRACTING PARTIES of these restrictions and of their plans for dealing with them and that they should, if necessary, be prepared to enter into consultations with other contracting parties. The French delegation felt, however, that the existing procedures were adequate to deal with whatever difficulties might arise, particularly if they were supplemented by the suggestions concerning notification and consultation set out in the United States' Note. The situation could be kept under review during the coming months and it would then be possible to see whether any different action or procedures were necessary.

Mr. WIRASINHA (Ceylon) said his delegation agreed that procedures to ensure compliance with the relevant provisions of the General Agreement and with the "hard-core" Decision should be tightened up. He drew attention to the contract between the strictness of the panel procedures which, for example, Ceylon had to undergo in connexion with its applications under Article XVIII(c) and the ease with which contracting parties emerging from balance-of-payments difficulties continued to maintain residual restrictions which were unjustified under the General Agreement.

Mr. EDWARDS (United States) said that the discussion on this question had been very useful. His delegation would suggest that the question be further discussed at the seventeenth session.

In summing up the discussion, the CHAIRMAN observed that the Note presented by the United States delegation raised a number of questions of prime importance. It was recognized that the retention of quantitative restrictions not justified under the provisions of the GATT might cause impairment of benefits for contracting parties individually and was a matter of concern to the CONTRACTING PARTIES as a whole. Article XXII provided facilities for consultations concerning such restrictions and there were also the "hard-core" procedures for restrictions which had been applied under Article XII. Delegations had generally agreed that the full influence of the CONTRACTING PARTIES should be used to minimize the extent of restrictions retained after a country had renounced its resort to the balance-of-payments provisions and that the existing procedures of the CONTRACTING PARTIES should be applied effectively and expeditiously to any such restrictions. Delegates had appeared to accept the United States view that, in order to expedite action, a contracting party that emerged from balance-of-payments difficulties should promptly report any residual restrictions to the CONTRACTING PARTIES, should present its plans and policies for dealing with them and should stand ready to consult with other countries whose export interests were affected by the restrictions. The Chairman went on to say that, in accordance with the views expressed by several representatives, he would propose that this question be included on the agenda for the seventeenth session and that the proposed Council consider the matter when preparing for the session.

This was agreed.

2. Brazilian waiver - extension of time-limit (W.16/23)

The CHAIRMAN said that, as requested at the meeting of the CONTRACTING PARTIES on 2 June (SR.16/9) the Executive Secretary had prepared a draft decision extending until 3 August 1960 the time-limit in the waiver granted to Brazil in 1956 in connexion with the introduction of the new Brazilian customs tariff. The draft decision was contained in document W.16/23.

The draft decision was approved by thirty-one votes in favour and none against.

Mr. HARAN (Israel) pointed out that there were some delegations which were not entitled to vote. Their abstention from voting should not, therefore, be taken as an indication of their position in connexion with the matter which had just been considered.

3. Financial and administrative questions (L/1202, L/1210, L/1214)

The CHAIRMAN pointed out that the Executive Secretary had distributed certain documents (L/1202, L/1210, L/1214) dealing with financial and administrative matters which required attention before the close of the session.

The EXECUTIVE SECRETARY said that document L/1202 contained a report on the final budget position in 1959 and included certain proposals for covering expenditure involved under some headings of the 1959 budget; these proposals were contained in paragraph 6, page 2 of document L/1202.

The proposals were approved.

The EXECUTIVE SECRETARY then drew attention to document L/1210 and in particular to the recommendations contained in the following paragraphs of that document: paragraph 5 (concerning the classification of Geneva for the purpose of post adjustment), paragraph 13 (concerning a supplementary credit in connexion with increased salary scales for General Services staff) and paragraph 15 (concerning an alteration of the manning table).

The recommendations contained in paragraphs 5, 13 and 15 of document L/1210 were approved.

The CHAIRMAN, in reference to document L/1214, pointed out to those contracting parties which had not yet paid their contributions for 1959 or 1960 that delays in the receipt of contributions caused some difficulties for financial management.

4. Article XXXV - Japan

Mr. NASRUDDIN (Malaya) said that, earlier in 1960, Malaya and Japan had had trade talks which had led to the signing on 10 May 1960 of a commercial agreement between the two countries. When this agreement entered into force, Malaya would disinvoke Article XXXV against Japan. The two countries had long-standing trade ties and the new commercial agreement and the disinvoking of Article XXXV by Malaya would further strengthen these ties.

Mr. SWARD (Sweden) said that the continued invoking of Article XXXV against Japan by a number of contracting parties was regarded by Sweden as a matter of great concern. His delegation appealed to the contracting parties concerned to reconsider their position.

Mr. HAYUIWARA (Japan) stressed that the continued application of Article XXXV against Japan by fourteen contracting parties, which was a matter of vital concern to Japan, was also an unfortunate and flagrant deviation from the fundamental GATT principle of multilateral free trade without discrimination. The Japanese Government, for its part, was always

fully prepared to discuss with the contracting parties concerned the possible consequences which they feared might arise if they ceased to invoke Article XXXV. Following the fifteenth session, Japan had renewed its efforts to find with other contracting parties mutually satisfactory formulae for the removal of trade barriers in their trade with Japan, including their use of Article XXXV. As a result, Malaya had agreed to disinvoke Article XXXV when the new commercial agreement between the two countries came into force. Japan hoped that the recent conclusion of a trade agreement between Japan and Cuba would pave the way for the eventual termination of the application of Article XXXV to Japan by Cuba. Japan likewise hoped that a similar outcome would result from the current economic negotiations between Japan and Ghana.

Mr. Haguiwara then drew attention to the possibility of an increase in the number of contracting parties applying Article XXXV to Japan as more countries acceded to the GATT. He pointed out that, as most of the newly acceding countries were entitled to use Article XVIII, they had in fact no need to resort to Article XXXV. Nevertheless, there was the real possibility that, as new countries acceded, the number of contracting parties invoking Article XXXV against Japan would increase and this could cause difficulties for the proper administration and operation of the General Agreement. These difficulties could only be avoided if important contracting parties like the United Kingdom, France and Belgium, which had overseas territories, would now show leadership and give up their recourse to Article XXXV.

Mr. Haguiwara then went on to point to another difficulty which resulted from the use of Article XXXV against Japan by certain countries. This was that Japan would be unable, during the forthcoming GATT tariff conference, to enter into tariff negotiations with those countries; such a situation would have a limiting effect on the scope of the conference and was certainly not in the interests of world trade generally. Again this situation could be remedied by the speedy disinvoking of Article XXXV by important trading nations.

In view of the urgency of the matter, the CONTRACTING PARTIES might consider the advisability of undertaking a review of the operation of Article XXXV in accordance with the provisions of paragraph 2 of that Article. In conclusion, Mr. Haguiwara referred to the relationship between the question of the application of Article XXXV and that of the avoidance of market disruption. Most of the cases where Article XXXV was invoked against Japan were motivated by the fear of market disruption. The proposed study of the problems of market disruption could, at the same time, serve as a sort of review of the operation of Article XXXV. His Government hoped that resort to Article XXXV would be terminated as soon as adequate safeguard formulae with respect to the problem of market disruption had been found and adopted by the CONTRACTING PARTIES.

Mr. AYEH (Ghana) confirmed that commercial negotiations between Japan and Ghana were in progress and said it was hoped that a satisfactory solution would be found to the problem of the application of Article XXXV to Japan by Ghana.

Mr. TNANI (Tunisia) said that, although his Government had invoked Article XXXV against Japan, this did not prejudge the decision on this matter which his Government would take when Tunisia fully acceded to the GATT under Article XXXIII. He added that, in practice, Tunisia in no way discriminated against imports from Japan. Further, his Government did not exclude the possibility of discontinuing, in the very near future, the application of Article XXXV to Japan.

Mr. KASTOFT (Denmark) stressed that the application of Article XXXV to Japan by certain contracting parties did not only concern those contracting parties and Japan. The fact that the General Agreement was not being applied between Japan and a number of very important trading nations had an impact on the trade of other contracting parties and this could not be disregarded. For this reason, the Danish delegation felt justified in urging those contracting parties which were still invoking Article XXXV to reconsider seriously their position.

Mr. GRANDY (Canada) said that his delegation regarded the continued application of Article XXXV against Japan by a number of very important contracting parties as constituting a serious source of weakness in the world trade system and in the operation of the General Agreement. In the circumstances, Canada would be willing to support the proposal of the representative of Japan for a review under paragraph 2 of Article XXXV.

Mr. CHINLY (Cambodia) recalled that, at the fifteenth session, the representative of Cambodia had said that the question of the application of Article XXXV to Japan by Cambodia would be regulated during negotiations between the two countries in connexion with a new trade agreement. These negotiations had been completed and the new agreement had now been in force since February 1960. It was valid for one year and could be extended by an exchange of letters; during this period goods of each country would, on importation into the other, be liable to the lowest tariff rates. Thus, as long as the trade agreement remained in force, the application of Article XXXV to Japan by Cambodia would in fact be suspended. As for the definitive disinvocation of Article XXXV, Cambodia did not feel able to make a firm decision on this matter at the moment; as a less-developed country its policy must necessarily be one of caution. His Government therefore proposed to await the results of the trade agreement with Japan and to re-examine the question of the application of Article XXXV to Japan in the light of these results.

Mr. RIZA (Pakistan) said that the Pakistan delegation had, since the tenth session, expressed the view that the application of Article XXXV to Japan by certain countries raised very important problems for the CONTRACTING PARTIES. Pakistan welcomed the action which the Government of Malaya was taking and hoped that other countries would also find it possible, before the seventeenth session, to take steps to discontinue the invocation of Article XXXV against Japan.

Mr. EDWARDS (United States), while welcoming the statement by the representative of Malaya that his Government would shortly disinvoke Article XXXV against Japan, expressed the concern of his delegation at the fact that fourteen contracting parties still found it necessary to deny to Japan the full benefits of the General Agreement. The continuation of this situation weakened the operation of the General Agreement and should be remedied as soon as possible. The United States therefore urged the contracting parties concerned to continue their serious consideration of this question in a constructive and forward-looking manner. The direct discussions between Japan and a number of contracting parties about this matter were to be welcomed, as was the fact that nine of the fourteen countries invoking Article XXXV did in fact grant most-favoured-nation treatment to imports from Japan. It was recognized that the problems faced by the contracting parties involved were to some extent related to questions under consideration by the CONTRACTING PARTIES in connexion with other items on the agenda for this session. The United States delegation hoped that progress would be made in the consideration of these separate agenda items which had a bearing on the question now being discussed by the CONTRACTING PARTIES and in future discussions between Japan and those contracting parties still invoking Article XXXV. In conclusion, Mr. Edwards said that his delegation supported the proposal by the Japanese delegation that the CONTRACTING PARTIES should review Article XXXV under the provisions of paragraph 2 of that Article.

Mr. DUHR (Luxemburg), speaking on behalf of the Member States of the EEC, said that the question before the CONTRACTING PARTIES was a very complex one. Certain related studies were under way in the GATT, other studies were being undertaken in national administrations while certain Member States of the EEC were, at the present time, in direct contact with Japan on this question. It was to be hoped that these studies and contacts would have a satisfactory result and would enable a step forward to be taken.

Mr. SWAMINATHAN (India) said that, at the fifteenth session, India had announced its disinvocation of Article XXXV against Japan. At that session the leader of the Indian delegation had pointed out that the invocation of this Article by many contracting parties was a matter of concern, not only to Japan, but to the CONTRACTING PARTIES as a whole. He had further expressed the view that the problems which might arise were likely to be reduced as more countries ceased to have recourse to Article XXXV. India, even when invoking Article XXXV had, in fact, given most-favoured-nation treatment to imports from Japan and had found that no problem had arisen which could not have been dealt with

within the framework of the General Agreement. India felt that, where countries were invoking Article XXXV for economic reasons, the whole question should be examined and remedies found. In conclusion, Mr. Swaminathan said that his delegation supported the proposal of the representative of Japan that the operation of Article XXXV should be reviewed under paragraph 2 of that Article; if this could not be done at the present session it should be undertaken at the seventeenth session.

Mr. WIRASINHA (Ceylon) said that Ceylon, although it had always had an unfavourable trade balance with Japan, had at no time invoked Article XXXV. Ceylon held the view that its trading relations with countries which were not members of GATT would have been easier if, in fact, those countries had been GATT members; it was obviously desirable that the GATT rules should apply to the maximum amount of world trade. It was therefore illogical that, although Japan was a contracting party, certain countries should continue to invoke Article XXXV. His delegation would join with those who had appealed to those countries to reconsider their position.

Mr. IBSEN (Norway) said his delegation supported what had been said by the other Scandinavian delegations and would likewise appeal to those countries invoking Article XXXV against Japan to reconsider their position.

Mr. JARDINE (United Kingdom) recalled that, at the fifteenth session, the United Kingdom representative had drawn attention to the fact that most of the United Kingdom's dependent territories imported goods from Japan without restriction and that Japanese imports into the United Kingdom had shown a considerable increase. In fact, Japanese imports into the United Kingdom had doubled during the past four years and amounted to £43 million in 1959. Discussions were in progress for the review of quota arrangements between the two countries and it was the United Kingdom's hope that this review would make possible a further expansion of trade between them. Discussions were also continuing concerning a proposed commercial treaty between the United Kingdom and Japan and the problems which existed and which were reflected in the United Kingdom's invocation of Article XXXV were being studied in the context of the treaty negotiations.

Mr. VIDAL (Brazil) said there seemed to be a tendency to reach a solution to this problem through bilateral arrangements, whereas the underlying principle of GATT was essentially multilateral in character. His delegation would join with those who had appealed to the fourteen contracting parties concerned to cease their invocation of Article XXXV at the earliest possible opportunity.

Mr. HAGUIWARA (Japan) said he had been encouraged by the statements of many representatives. In connexion with his suggestion for a review of Article XXXV under paragraph 2 of that Article, Mr. Haguiwara said that the Japanese delegation might put forward concrete proposals at the seventeenth session.

The CHAIRMAN referred to the statements made by various representatives about the effects on their trade which resulted from the application of Article XXXV to Japan by certain contracting parties. He noted that Japan had attempted to deal with the existing situation through consultations with other contracting parties and that, in some cases, success had attended these efforts. He also drew attention to the suggestion of the Japanese representative that there should be a review of the operation of Article XXXV under paragraph 2 of that Article; the representative of Japan had asked that this item be retained on the agenda for the seventeenth session and had said that he might then request a review under paragraph 2 of Article XXXV.

5. Avoidance of market disruption - appointment of Working Party (W.16/21)

The CHAIRMAN recalled that, at their meeting on 31 May (SR.16/8) the CONTRACTING PARTIES had agreed that a Working Party should be appointed to meet intersessionally and to report to the seventeenth session.

The CONTRACTING PARTIES approved the following Decision establishing the Working Party; the Decision includes the Working Party's terms of reference:

"Desiring (1) to remove restrictions which prevent a further expansion of international trade, and (2) to mitigate the disruptive effects caused by a sharp increase in imports of a narrow range of commodities,

The CONTRACTING PARTIES

DECIDE to establish a Working Party to perform the following functions:

I

1. To consider the problems described in the report of the secretariat on "Restrictions and other measures relating to the problem of market disruption" (L/1164, 17 May 1960);

2. To suggest multilaterally acceptable solutions, consistent with the principles and objectives of the General Agreement, for those problems which, in the light of this consideration, appear to call for immediate action;

3. To submit their report to the seventeenth session.

II

The Working Party is also authorized to make appropriate arrangements for preparing a report on the various economic, social and commercial factors underlying the problems considered by the Working Party, and in particular the relevance to international trade of differences in the

costs of various factors of production and marketing, including labour costs. In preparing its report the Working Party is authorized to call on experts, both governmental and non-governmental, and to seek the co-operation of the International Labour Office. The Working Party should report on its arrangements to the seventeenth session."

The CONTRACTING PARTIES also approved the following composition of the Working Party:

Chairman: Mr. J.F. Grandy (Canada)

Members

Australia	Federal Republic of Germany	Pakistan
Austria	Greece	Sweden
Belgium	India	United Kingdom
Brazil	Italy	United States
Canada	Japan	Uruguay
France	Norway	

The Commission of the European Economic Community was invited to participate in the work of the Working Party.

6. Article XX - approval of decision (W.16/19)

The CHAIRMAN recalled that at their meeting on 24 May (SR.16/3) the CONTRACTING PARTIES had considered whether sub-paragraph (j) of Article XX need be retained and it had been agreed that no change should be made in this Article for a further period of five years. As requested, the Executive Secretary had distributed a draft decision for approval in document W.16/19.

The draft decision was approved by thirty-three votes in favour and none against.

7. Rectifications and modifications of schedules (L/1169, W.16/1, W.16/20)

The CHAIRMAN said that, at the fifteenth session, the CONTRACTING PARTIES had adopted a new procedure for dealing with the rectification and modification of schedules to the GATT. In future these changes would be dealt with by means of certification as provided for in the amendment of Article XXX.

The procedures proposed by the Executive Secretary in documents L/1169, W.16/1 and W.16/20 were approved.

8. Article XXVIII negotiations - extension of time-limit (W.16/18)

The CHAIRMAN drew attention to the note distributed by the Executive Secretary in document W.16/18. Several contracting parties which had given

notice in 1957 of their intention to renegotiate certain concessions in their schedules, under the provisions of Article XXVIII, had advised that these negotiations could not be completed within the present time-limit, i.e. by the end of the present session. They had asked that the time-limit be extended until the end of the seventeenth session.

The proposed extension of the time-limit until the end of the seventeenth session was approved.

9. Consular formalities

The CHAIRMAN said that this item had been included at the request of the French delegation.

Mr. PHILIP (France) said that the CONTRACTING PARTIES had given attention to the question of consular formalities for several years. Precise recommendations on this subject had been adopted by the CONTRACTING PARTIES in November 1952 and November 1957 but the effect of these recommendations had not been all that had been hoped for. In the view of the French delegation, the question of consular formalities should again be discussed by the CONTRACTING PARTIES and accordingly they would suggest that the item be included on the agenda for the seventeenth session.

The CHAIRMAN said that, as requested by the French delegation, the question of consular formalities would be included on the agenda for the seventeenth session. He went on to remind contracting parties applying consular formalities that, in accordance with the Recommendation of 7 November 1952, as amended on 30 November 1957, they should report before 1 September each year (and consequently before 1 September 1960) on the progress achieved towards compliance with the Recommendation of 1952 aiming at the abolition of such formalities. It would be appreciated if contracting parties applying consular formalities which had not altered their systems could confirm that the systems as described in the Fifth Supplement of the BISD, pages 110-114, were still in force.

10. French stamp tax

The CHAIRMAN recalled that, when this question had been discussed at previous sessions, the French delegation had recognized that the increase in the rate of the stamp tax (from 2 to 3 per cent of the customs receipts from import and export duties and taxes) was contrary to the provisions of the General Agreement. The French Government had announced its intention of reducing the rate of the tax but, in a report submitted in January 1959, it was stated that for 1959 the Government had had to maintain the tax at the rate of 3 per cent. When this report had been received at the fourteenth session, it had been agreed that the question should remain on the agenda and the French delegation was urged to do everything possible to secure action by the French Government in the budget for 1960.

Mr. PHILIP (France) said he was pleased to be able to inform the CONTRACTING PARTIES that the French Government had decided to propose to Parliament, when the next budget was before Parliament, a reduction in the rate of the stamp tax from 3 to 2 per cent. While not being able to make a firm commitment, as it did sometimes happen that items included in the budget were not accepted by Parliament, he could give a 90 per cent assurance, and certainly his firm hope, that this matter would be put right in the next budget, in other words with effect from 1 January 1961, and that it would no longer need to appear on the agenda of the CONTRACTING PARTIES.

Mr. EDWARDS (United States) said his delegation welcomed the statement of the representative of France that the French Parliament were being requested to reduce the stamp tax.

The CHAIRMAN said the contracting parties would hope that the French Parliament would approve the proposed reduction in the stamp tax and that the item need not appear again on the agenda of the CONTRACTING PARTIES.

11. Paris economic meetings

The EXECUTIVE SECRETARY made a brief statement in connexion with the CONTRACTING PARTIES' discussion on 2 June (SR.16/9) concerning the reorganization of the OEEC, during which he had reported to the CONTRACTING PARTIES a conversation he had had with the Chairman of the Working Party, established by the Committee of Twenty, which was to discuss the trade aspects of the question. The Chairman of the Working Party had again been in touch with him and had conveyed to him an invitation to participate in the work of the Working Party, either personally or through a representative. He had accepted this invitation. This information, he thought, would be of considerable interest to those contracting parties which, during the discussion on 2 June, had emphasized the importance of the GATT being represented at these Paris discussions.

The CHAIRMAN said that the statement just made by the Executive Secretary would be welcomed by all those contracting parties who had expressed the view that the GATT should keep in touch with the Paris discussions and would help to dispel some of the concern felt in regard to the developments which were taking place.

The meeting adjourned at 5.05 p.m.