

# GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

SR.16/11

23 June 1960

Limited Distribution

CONTRACTING PARTIES  
Sixteenth Session

Page 151

## SUMMARY RECORD OF THE ELEVENTH MEETING

Held at the Palais des Nations, Geneva, on  
Saturday, 4 June 1960 at 9.30 a.m.

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

- Subjects discussed:
1. Rhodesia and Nyasaland/South Africa Trade Agreement - report of Working Party
  2. Article XVIII - reports of Panel
  3. New Zealand waiver - approval of Decision
  4. Greek waiver - approval of Decision
  5. United States import restrictions on lead and zinc
  6. European Free Trade Association - report of Working Party
  7. Organization of CONTRACTING PARTIES
  8. Acceptance of the GATT under Article XXVI
  9. Programme of meetings
  10. Future sessions
  11. Accommodation for the secretariat
  12. Balance-of-payments import restrictions - reports on consultations
  13. Committee III - chairmanship
  14. Accession of Portugal and Spain
  15. Closing address by Chairman

1. Rhodesia and Nyasaland/South Africa Trade Agreement - report of Working Party (L/1225)

The CHAIRMAN drew attention to document L/1225 which contained the report of the Working Party appointed by the CONTRACTING PARTIES at their meeting on 20 May (SR.16/3) to examine the draft trade agreement between the Union of South Africa and the Federation of Rhodesia and Nyasaland.

Mr. SAVINI (Italy), Chairman of the Working Party, drew attention to the main problems to which the Working Party had addressed itself; these were set out in paragraph 3 of the Working Party's report (L/1225). Mr. Savini then referred to two particular points in the report: first, in paragraph 5 the Working Party had recommended that the contracting parties concerned should, for the reasons given in that paragraph, agree to conduct within the period ending 30 June 1960 any consultations on adjustments of margins of preference notified by the two Governments

in terms of the 1955 Decision, despite the sixty-day requirement provided for in that Decision; secondly, paragraphs 9 and 13 of the report dealt with the question of possible future increases in margins of preference, recorded by the Union to the Federation, which would result from increases in South African most-favoured-nation rates relating to certain products covered by the Agreement; to cover this situation the Working Party had recommended that a waiver from the provisions of paragraphs 1 and 4 of Article I of the General Agreement be granted to South Africa. A draft waiver was annexed to the report.

Mr. STEYN (South Africa) said he would like to make a few comments in order to clarify certain points which had not been brought out very explicitly in the report of the Working Party. First, the "annual review" provided for in the new Agreement was not intended to cover any additions to the commodity lists of the Agreement. If any changes should be made to the Agreement which affected the commodity lists, his Government would expect first to come to the CONTRACTING PARTIES for further approval. Secondly, should the CONTRACTING PARTIES approve the draft decision attached to the report of the Working Party he could give an undertaking that his Government would not increase the most-favoured-nation rate on leaf tobacco, as it would be permitted to do under the draft decision, in a manner which would result in an increase in the preferential margin in favour of the Federation, without first coming to the CONTRACTING PARTIES with a view to obtaining their final concurrence. Thirdly, the procedure elaborated by the Working Party regarding notification by his Government of an intention to raise any of the tariff items to be covered by the Decision made provision for prior notification by cable to the CONTRACTING PARTIES and to materially interested contracting parties. His Government would be prepared, when making these notifications, to indicate the level of the new rate which it was proposed to introduce in respect of the tariff items which might be involved. Finally, the draft agreement contained a tariff concession in favour of the Federation which amounted to a one-quarter reduction from the present most-favoured-nation rate. He wished to place on record that his delegation and the delegation of the Federation had agreed that this type of concession would, in the near future, be changed into a specific margin of preference. The margin would be converted into the new decimal currency to be introduced in South Africa and the conversion rate would ensure that there would be no change in so far as the margin of preference in favour of the Federation was concerned.

Mr. ADAIR (United States) said that his delegation was pleased that a solution to this question had finally been worked out and that the United States could now remove the reservation which it had made in the Working Party. His Government understood that the intention was that the new Trade Agreement and the proposed waiver would allow South Africa to grant duty-free or other preferential treatment on certain imports from the Federation so as to increase the consumption of such products in South Africa, without permitting the increased preference incidental to an increase in the most-favoured-nation rate under the waiver to affect adversely imports into South Africa of similar products from other contracting parties. It was the understanding of his delegation that the waiver and the Agreement would be administered in this manner.

Mr. KASTOFT (Denmark) said that the report and draft decision before the CONTRACTING PARTIES touched on one of the fundamental principles of the General Agreement. It was only with the greatest hesitation that his Government had instructed him to refrain from opposing a decision which allowed a deviation from the GATT provisions regarding preferences. His Government had taken particular account of the special circumstances surrounding the trade between South Africa and the Federation and of the fact that there was an overall reduction of preferences in the new Agreement as compared with the 1955 Agreement. Note had also been taken of the assurance given by the representative of South Africa in the Working Party that action was only likely to be taken in a strictly limited number of cases. Further, his Government had taken account of the fact that the duties on a number of products covered by the proposed waiver had been bound by South Africa and that action to increase the most-favoured-nation rate in these cases could not take place before the normal procedures laid down in the General Agreement had been complied with. In conclusion Mr. Kastoft said that his delegation subscribed to the recommendation concerning the time limit for the conclusion of consultations referred to in paragraph 5 of the report of the Working Party.

Mr. GRANDY (Canada) said that his delegation would be able to support the proposed decision on the clear understanding that neither the decision nor the report of the Working Party in any way affected the position of South Africa and the Federation under the General Agreement insofar as their obligations in regard to quantitative restrictions were concerned. In this connexion his delegation attached particular importance to paragraph 8 of the report of the Working Party.

Mr. TREU (Austria) said that his delegation could also support the adoption of the Working Party's report and of the draft decision. Preferences in the new Agreement had been narrowed down as compared with the old Agreement. In particular, the decision provided safeguards that the basic rights of contracting parties would be guaranteed.

The draft decision attached to the Working Party's report (L/1225) was approved by thirty-one votes in favour and none against.

The Working Party's report as a whole was approved.

## 2. Article XVIII - reports of Panel (L/1224, L/1228 and L/1231)

The CHAIRMAN said that, in accordance with its terms of reference, the Panel on Article XVIII had considered and reported on the requests from Ceylon for releases in respect of aluminium foil, asbestos cement products, and certain textile products. The Panel had also considered and reported on a request from Cuba for extension of a release. Finally, the Panel had carried out the second annual review under paragraph 6 of Article XVIII.

Mr. STEYN (South Africa), Chairman of the Panel, said that document L/1224 contained the Panel's report on the requests received from Ceylon. The Panel had recommended the granting of releases to Ceylon on aluminium foil and asbestos cement products. As regards Ceylon's notification regarding certain textile products, the Panel had recommended that Ceylon should first of all comply with the procedures for consultation laid down in paragraph 18

of Article XVIII after which it might re-submit its notification on the products in question to the CONTRACTING PARTIES for consideration; in this connexion Mr. Steyn drew attention to the Panel's recommendations in paragraph 13 of the report. Mr. Steyn went on to say that, as regards the releases recommended by the Panel in respect of aluminium foil and asbestos cement products, there had been some doubts in the Panel regarding the applicability of Article XVIII to these two cases but, having regard to the underlying philosophy of Article XVIII, the Panel felt that it was right that Ceylon should be given the benefit of the doubt.

Turning to the Panel's report in document L/1231 concerning Cuba's request for a further extension of the release granted to it on henequen and sisal, raw or manufactured, but not spinned, including scrap, Mr. Steyn said that the Panel, in the light of certain assurances given by the Cuban delegation, had recommended that the existing release, which had already been extended for a period of five years, should be extended for a further period of three years. The Panel had noted the Cuban delegation's assurance that any further protection of the domestic industry after the expiry of the period for which the extension of the release was now being requested, would be sought through the application of other measures consistent with the General Agreement. Mr. Steyn concluded his statement by drawing attention to document L/1228 which contained the annual review under paragraph 6 of Article XVIII carried out by the Panel.

The CONTRACTING PARTIES first considered the Panel's report (L/1224) on the requests from Ceylon.

Mr. ITAGAKI (Japan) said that Japan sympathized with Ceylon's efforts to increase its industrial development. Although the result might be some decrease in Japan's exports to Ceylon, his delegation was prepared to support the decision recommended by the Panel in connexion with aluminium foil and asbestos cement products. As for the textile products which had also been the subject of a request by Ceylon and in which Japan had a substantial interest, his delegation would hope to have consultations with the delegation of Ceylon with the aim of reaching an early and constructive solution.

Mr. MATHUR (India) said India likewise fully sympathized with Ceylon's efforts to promote its industrial development. His delegation had participated in the work of the Panel with the aim of ensuring, not that no damage would be done to India's trade by any measure Ceylon might take, but that whatever damage might be done would not be excessive or unwarranted in relation to the needs of Ceylon's industrial development. The draft decision was acceptable to his delegation.

The draft decision annexed to document L/1224 was approved.

The report as a whole, including the recommendations in paragraph 13 of the report, was approved.

Mr. WIRASINHA (Ceylon), having thanked the Panel for its work and the CONTRACTING PARTIES for the Decision just taken, said he wished to make certain observations about the existing Panel procedure in general which, it seemed to his delegation, was not conducive to the best and most effective use of Article XVIII C by the less-developed countries. Paragraph 16 of Article XVIII envisaged consultation, and due care must be taken to see that there was consultation in the full sense of the word; this, in the view of his delegation must include, for example, consultation with the country concerned when the Panel's report was being drafted. A further fact which tended to undermine the procedure and the principle of proper consultation was the inability, on occasions, of one or possibly more members of the Panel to be present throughout the Panel's deliberations. He would discuss with his Government whether it should propose that the CONTRACTING PARTIES should, in a subsequent session, consider the question of the Panel procedure as it was now operated.

The CONTRACTING PARTIES then considered the Panel's report (L/1231) on the request from Cuba.

The draft decision annexed to document L/1231 was approved.

The report as a whole was approved.

Mr. TREU (Austria) said that his delegation had not made its views known on the report and decision in document L/1231 solely because of the fact that Cuba still invoked Article XXV against Austria.

The CONTRACTING PARTIES finally considered the Panel's report (L/1228) on the review of Article XVIII:6.

The report was approved.

### 3. New Zealand waiver - approval of Decision (W.16/24)

The CHAIRMAN recalled that it had been agreed at an earlier meeting (SR.16/8) to grant New Zealand a waiver from Article II in connexion with the application by New Zealand of a new customs tariff. The Executive Secretary had distributed a draft decision in document W.16/24.

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

Mr. CASTLE (New Zealand), having thanked the CONTRACTING PARTIES for approving the Decision, said that his Government had asked him to raise certain points. As the new tariff would incorporate a change in the basis of valuation for duty, certain changes in rates of duty would be necessary to maintain incidence; these adjustments would involve no modifications contrary to Article II. If, however, any contracting party felt that, when the tariff was introduced, a concession had been impaired as a result of these adjustments, New Zealand would be fully prepared to consult. Secondly, in connexion with the question of notification referred to in paragraph 1 of the Decision, New Zealand would certainly give prior notice but the notice may be unavoidably short, as the new tariff may not be completed until shortly before it was due to be introduced in Parliament. Finally, as regards paragraph 2 of the Decision, his delegation hoped that negotiations in September 1960 would be regarded as convenient to the contracting parties concerned and as meeting the requirement of the phrase "promptly thereafter" in that paragraph.

4. Greek waiver - approval of Decision (W.16/25)

The CHAIRMAN recalled that it had been agreed at an earlier meeting (SR.16/9) to extend the time-limit in the Decision of 12 November 1959 until the end of the seventeenth session. A draft decision had been distributed by the Executive Secretary in document W.16/25.

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

Mr. TREU (Austria) said that, for reasons which he had then explained, Austria had felt it necessary to abstain when the vote was taken on the Decision of 12 November 1959 at the fifteenth session. Since then, all contracting parties had been fully informed by Greece of the significance and scope of the tariff reform. The reasons which had prompted Austria's observation at the fifteenth session had thus fallen away.

5. United States import restrictions on lead and zinc (W.16/26)

The CHAIRMAN said that Canada had asked for a further extension of the time-limit in paragraph 3(a) of Article XIX which was granted by the Decision of 20 November 1959. A draft decision to give effect to this had been distributed by the Executive Secretary in document W.16/26.

Mr. GRANDY (Canada) proposed that the final paragraph of the draft decision should be amended to read as follows: "The CONTRACTING PARTIES decide that the period prescribed in paragraph 3(a) of Article XIX shall be extended until ninety days after the completion of negotiations."

The draft decision, incorporating the amendment proposed by the Canadian delegation, was approved.

6. European Free Trade Association - report of the Working Party (L/1235)

The CHAIRMAN said that the report of the Working Party on the European Free Trade Association, set up by the CONTRACTING PARTIES at their meeting on 17 May (SR.16/1), had been distributed in document L/1235.

Mr. LACARTE (Uruguay), Chairman of the Working Party, said that the Working Party had carried out a study of the provisions of the Stockholm Convention in the light of the relevant provisions of the General Agreement. He went on to indicate the main questions covered by the Working Party's report and drew particular attention to the conclusions set out in paragraphs 59 and 60 of the report. From paragraph 60 it would be noted that the Working Party had recommended that the CONTRACTING PARTIES postpone any action in regard to the Convention and that the question should be included on the agenda for the seventeenth session.

Mr. SWARD (Sweden) said that his delegation had noted with satisfaction the many statements made, at the earlier discussion of this question by the CONTRACTING PARTIES (SR.16/1), to the effect that the Stockholm Convention deserved the support and approval of the CONTRACTING PARTIES. The representative of the United States had stated that the Convention as a

whole was in harmony with the spirit and broad objectives of GATT and the representative of Australia had said it was clear that the Member States did not wish to weaken GATT. His delegation felt that the discussions in the Working Party would have clarified many of the points about which contracting parties might have had doubts and would have removed many of the apprehensions which some contracting parties had had. It appeared from the Working Party's report that there were still one or two points, in particular the question of the removal of quantitative restrictions and the treatment of agricultural products, about which certain contracting parties were not satisfied. As regards quantitative restrictions, he hoped contracting parties would accept the assurance which the Member States had already given that the rules of the Convention were minimum provisions and it was not the intention to use those provisions to create a preferential area insofar as quantitative restrictions were concerned. Trade in agricultural products was a special problem, whether in the context of a regional arrangement or within the framework of GATT generally. Because of these special considerations, the Member States had not found it possible to deal with agricultural products in the same way as industrial goods; this certainly did not mean, however, that these products were excluded from the Member States' liberalization efforts or that they would be excluded from the aim of the Member States to work towards freeing world trade generally.

Mr. PHILIP (France), speaking on behalf of the Member States of the EEC, said that the report of the Working Party clearly brought out the problems which remained to be settled and indicated the various alternative courses which would be open to contracting parties after a more thorough study of the question. The report was of a preparatory nature, but it would greatly assist contracting parties in deciding on the position they should take at the seventeenth session and in enabling agreement to be reached at that time.

Mr. WARWICK SMITH (Australia) said that, when Australia made its appraisal of the European Free Trade Association's arrangements, it would welcome these arrangements insofar as they were found to meet the requirements of Article XXIV and to contribute to the attainment of the GATT objectives. Equally, where it was found that the apprehensions already expressed by his and other delegations were well-founded, they would look for responsive adjustments by the Member States. While the Working Party's report had clarified certain points which had not been clear before, there were still important differences of opinion on other points. Certain aspects of the Association's arrangements, while they could be accepted as leading to the formation of a free-trade area and as falling somewhere within Article XXIV, might not comply with paragraph 8 of that Article; the inclusion of non-contracting parties among the Member States was an example of this. In the case of certain other issues, there might be doubts as to whether they fell within Article XXIV at all. The most difficult of these issues was the question of quantitative restrictions and the question of bilateral agricultural agreements; the causes for Australia's disquiet on the second of those two questions had been clearly brought out in the report of the Working Party. As for quantitative restrictions, it was difficult to accept that a deterioration in the balance-of-payments position of a member of a free-trade area should or could be met by concentrating the use of remedial restrictions against non-Member countries; it was hard to believe that this

sort of action was contemplated when Article XXIV was drafted. Commenting on arrangements for trade in agricultural products in a free-trade area, Mr. Warwick Smith said that such arrangements had either to be on the basis of genuine free trade among the members or had to provide for normal most-favoured-nation trading with all contracting parties; in this connexion non-tariff measures might count for more than tariffs. This question was very important for a number of contracting parties. In concluding, Mr. Warwick Smith said that Australia had not yet taken a definitive position on the Association's proposals. He would say at this stage that in certain important respects the Convention did, in the view of his delegation, reflect a full recognition of the GATT principles. His delegation would, however, earnestly ask the Member States to re-examine their position in regard to their rules and prospective policies on import restrictions and on the nature and implications of the bilateral agricultural agreement.

Mr. GRANDY (Canada) said he wished to comment on two aspects of the Association's arrangements at this stage. First, as regards quantitative restrictions, while there was as yet no general agreement as to the rights and obligations of members of a free-trade area under Article XXIV in relation to the use of import restrictions, the Member States had indicated that it was their hope to avoid discrimination. However, the difficulties created for other contracting parties on this point of interpretation need not arise provided satisfactory assurances could be given by the Member States in relation to the actual application of quantitative restrictions. His delegation would strongly urge the Member States to give serious consideration to providing firm assurances that, in the use of any quantitative restrictions which might be permitted under the General Agreement, those would be applied in a fully non-discriminatory manner. A second point related to the bilateral agricultural agreements which had been concluded under Article 23 of the Convention. His delegation was disturbed by the discriminatory implications of certain of the provisions of these agreements, both in the field of quantitative restrictions and of tariffs. In addition, there was uncertainty as to the nature of any further bilateral agreements which might be concluded under this Article of the Convention. His delegation would again strongly urge the Member States to avoid discriminatory or preferential arrangements of this kind and to adjust the provisions of the existing bilateral agreements in order to bring them fully into line with the provisions of the General Agreement. As regards the consistency of the Stockholm Convention with Article XXIV of the General Agreement, it was the view of the Canadian delegation that on the basis of the present information available, in view of the uncertainties of the intentions of the Member States particularly in relation to the use of quantitative restrictions and the implications of the bilateral agreements on agriculture, it was not possible at this stage to decide on the most appropriate way for dealing with the Stockholm Convention under the GATT. If satisfactory assurances could be obtained on the two points he had referred to and the necessary adjustments made in the bilateral agricultural agreements to bring them into line with the GATT, it should be possible at the seventeenth session for the CONTRACTING PARTIES to decide on the most appropriate way of dealing with the Convention under the General Agreement.



Mr. KASTOFF (Denmark) said that, as was well-known, the main objective of his Government in its international trade policy was to obtain equal treatment for all goods, including agricultural goods, moving in international trade or, to put it more briefly, to obtain reciprocity. The success achieved so far had been very limited and he thought that all delegations would agree that, in this field, the GATT as well as other international organizations had by and large failed to attain their objectives. He thought too that all delegations, whether representing agricultural importing or exporting countries, were fully aware of the reasons why this unfortunate situation persisted; if this assumption were correct, it should be evident why agricultural products were not treated in the Convention in the same way as industrial goods and, secondly, why it had been necessary for Denmark, through the means of bilateral agreements, to seek what in the Convention was called "reasonable reciprocity". His Government was the first to regret that it had been impossible to provide for a more complete abolition of barriers to trade in agricultural products within the Association. It could not accept, however, in view of the state of affairs in the agricultural field, that the results obtained, which would lead to the complete abolition of certain barriers in individual Member States and to increased trade generally, could be considered on a purely theoretical or legalistic basis. For his Government, these agreements were a political necessity. They were an integral part of the Association's arrangements and his delegation, for their part, must insist that they be considered as such.

Sir Edgar COHEN (United Kingdom) said that his delegation hoped that, as suggested in the last paragraph of the Working Party's report, contracting parties would take advantage of the interval before the seventeenth session to examine the arguments put forward in the Working Party and that those contracting parties which might at the moment have some doubts would, as a result, have a better understanding of the point of view of the Member States as set out in the report. He would suggest that, in the meanwhile, judgment might be reserved on certain of the issues to which reference had been made, notably by the Australian and Canadian delegations. The Member States had made it clear that it was their intention and hope to follow non-discriminatory policies and he would have thought that their record as contracting parties would have persuaded other contracting parties to give full weight to the statements which the Member States had made in this respect. His delegation did not feel it would be reasonable to expect the Member States at this stage of the contracting parties' consideration of the Convention to enter into firm commitments, which, in their view, would mean giving up or modifying their rights under the terms of the Convention, in order to facilitate a judgment as to the GATT Articles or procedures under which the Convention should be considered by the CONTRACTING PARTIES. It would seem right that the very important questions concerned should be examined by the CONTRACTING PARTIES on their own intrinsic merit, and that the question of how the Convention should finally be dealt with by the CONTRACTING PARTIES should be considered separately. In the view of the Member States, the Convention represented a genuine step forward in the fulfilment of the policies and objectives envisaged in Article XXIV. Many of the problems which arose were unavoidable in any free-trade area or customs union and no doubt they would be found to arise when the CONTRACTING PARTIES came to examine other arrangements of this kind such as, for example, those proposed by the Member States of the Latin American Free Trade Area. In conclusion, Sir Edgar Cohen said he hoped that the discussion in the Working Party would have

permitted a fuller understanding, not only of the difficulties mentioned by some contracting parties, but also of the point of view of the Member States. The Member States had had the provisions of the General Agreement constantly in mind during their negotiation of the Convention and they would continue to have them in mind as they administered the Convention.

Mr. ADAIR (United States) said that the information contained in the Working Party's report regarding the numerous and complex issues involved would be of great assistance to his Government in its further consideration of the Stockholm Convention. Some of the issues as, for example, the fact that two of the Member States were not contracting parties to the GATT had, however, not been dealt with at any length in the report of the Working Party. This, he understood, was because the Working Party considered as an integral part of its report the documentation already available in the form of the questions submitted earlier by contracting parties and replied to by the Member States. On the question of non-GATT members participating in the Association, for example, the positions taken by contracting parties were clearly set out in document L/1167/Add.1. Generally speaking, and as was brought out in the Working Party's report, his delegation supported the comments made by the representative of Australia.

Mr. MATHUR (India) said that India's apprehensions in connexion with the Association was well-known; these related to the importance of liberal treatment in the free-trade area for semi-finished and finished goods, the question of non-discriminatory application of quantitative restrictions and the opening of new markets to replace the loss of trade resulting from the nullification of traditional advantages and the creation of new competition within the area. As for the question of the compatibility of the Association's arrangements with Article XXIV, the Member States were all countries with extensive trading relations and his delegation was confident that, without waiting for the further examination of the Convention by the CONTRACTING PARTIES, the Member States would pay early attention to the concerns which had been expressed by other contracting parties and that, in this connexion, they would take every possible step to ensure that their markets for imports from the developing countries continued to grow and expand.

The CHAIRMAN said that the views expressed in the Working Party and in the present meeting of the CONTRACTING PARTIES would permit a better understanding of the issues involved. He would propose that, as recommended by the Working Party in paragraph 60 of its report, this item should be included on the agenda for the seventeenth session.

This was agreed.

7. Organization of CONTRACTING PARTIES (L/1200, L/1216, W.16/5 and Corr.1)

The CHAIRMAN recalled that, at the fifteenth session, the CONTRACTING PARTIES had requested the Chairman and the two Vice-Chairmen, together with the outgoing officers and the Executive Secretary, to form a Special Group to study the working methods and organizational structure of the CONTRACTING PARTIES. The Group had been requested to present suggestions and proposals for consideration at the present session. The Group had submitted two reports (L/1200 and L/1216); these had not yet been discussed at plenary

meetings but they had been considered at two meetings of Heads of delegations. The reports dealt with three questions: (a) the establishment of a Council of the CONTRACTING PARTIES; (b) arrangements for sessions of the CONTRACTING PARTIES; (c) enlargement of the secretariat.

(a) The Council

The CHAIRMAN said that the Group had concluded that there was an urgent need for a Council of the CONTRACTING PARTIES capable of giving continuous and effective attention to the work of the GATT. This proposal had been endorsed by the Heads of delegations who had agreed in principle that the Council should be established at this session. Accordingly, the Executive Secretary had been requested to prepare a draft decision setting out terms of reference for the Council; this draft decision had been incorporated in a note which he had distributed in document W.16/15 and Corr.1.

The formal establishment of the Council, with the terms of reference as set out in document W.16/15<sup>1</sup>, was approved.

The proposals contained in the Note by the Chairman W.16/15, as amended by W.16/15/Corr.1, under the headings Composition of the Council, Specific Functions, and Procedural Matters, including the discontinuance of the Intersessional Committee, were approved.

Mr. HAGUIWARA (Japan), who had participated in meetings of the Group of Officers, said his delegation endorsed the recommendations of the Group. He wanted, however, to make a few remarks on the question of membership of the Council. In his view, it was important that membership should not be too large and that it should be well-balanced; in other words, the different geographical regions and types of economy should be fairly represented. The original proposals in documents L/1200 and L/1216 would have achieved this purpose. As the decision to set up the Council had only just been taken, however, there had not been time to carry out the consultations envisaged in those documents, and the procedures set out in document W.16/15/Corr.1 had had to be devised. If, as a result of this procedure, there proved to be an imbalance in the Council, he would hope that the CONTRACTING PARTIES would be able to review the situation at the seventeenth session.

Mr. EDWARDS (United States) said that the flexibility of GATT had again been demonstrated in the solution to this problem which had been found. Without establishing a new formal organization, the CONTRACTING PARTIES had worked out the means of giving their procedures an increased effectiveness. The Council which had been set up was, in effect, an extension of the CONTRACTING PARTIES which would enable work to go forward continuously. It would mean that urgent problems could be dealt with more promptly and that the growing volume of work could be handled more efficiently.

Mr. JARDINE (United Kingdom) said his delegation supported the proposals for the establishment of the Council and would look forward to playing a full part in its work.

---

<sup>1</sup>An amendment agreed by the CONTRACTING PARTIES is recorded in W.16/15/Corr.2

Mr. WARWICK SMITH (Australia) said that his delegation strongly supported the establishment of the Council, which would result in a much-needed strengthening of the CONTRACTING PARTIES' organizational arrangements.

Mr. GRANDY (Canada) said that, for many years, his Government had hoped that it might be possible to strengthen the organization of the CONTRACTING PARTIES. His delegation, therefore, very much welcomed the establishment of the Council.

Mr. VIDAL (Brazil) said that his delegation strongly supported the establishment of the Council.

Mr. SWAMINATHAN (India) said that his delegation, likewise, strongly supported the formation of the Council.

Mr. TREU (Austria) said that his delegation had already indicated Austria's desire to be a member of the Council.

Mr. TNANI (Tunisia) said he would like to reserve the right of Tunisia to participate in the work of the Council.

Mr. PSCOLKA (Czechoslovakia) said that his delegation's favourable attitude towards the establishment of the Council was demonstrated by its request to become a member of the Council.

Mr. RIZA (Pakistan) said that his delegation supported the establishment of the Council and was ready to participate in its work.

The CHAIRMAN announced that twenty-nine contracting parties<sup>1</sup> had indicated their readiness to accept the responsibilities of membership of the Council and eight of these had notified the names of their representatives; the Commission of the European Economic Community was invited to participate in the work of the Council.

(b) Sessions of the CONTRACTING PARTIES

The CHAIRMAN said that the Group's recommendations on arrangements for future sessions were contained in Section II of the second report (L/1216). It had been agreed by the Heads of delegations that arrangements should be made for two sessions in 1961 and that the question of reverting to one annual session thereafter should be considered at the eighteenth session. The Group had considered the desirability of holding occasional meetings at Ministerial level and had concluded that such meetings were undoubtedly desirable.

The Group's proposal regarding sessions of the CONTRACTING PARTIES and its recommendation that the Council should examine the question of the timing, agenda and arrangements for Ministerial meetings were approved.

---

<sup>1</sup>The contracting parties concerned are listed in document L/1243.

(c) Enlargement of the secretariat

The CHAIRMAN said that the Group's proposals concerning future staff requirements were contained in Section III of the second report (L/1216). The Group had recommended that the plan proposed by the Executive Secretary (annexed to the report) should be approved in principle, it being understood that recruitment would proceed over a period and in accordance with authority agreed by the CONTRACTING PARTIES from time to time.

These proposals were approved in principle.

Mr. ADAIR (United States) said he wished it to be clear that the CONTRACTING PARTIES were not actually approving the proposals regarding staff at this stage. These would be brought forward at the seventeenth session for approval in the normal way.

8. Acceptance of the GATT under Article XXVI

The EXECUTIVE SECRETARY said he would like to revert to a question which he had raised at three successive sessions of the CONTRACTING PARTIES, namely the question of the definitive application of the General Agreement. The CONTRACTING PARTIES had great responsibilities and the General Agreement had acquired increased status; it was therefore illogical that the Agreement should still be applied under the Protocol of Provisional Application. It might sometimes be argued that this was an academic question and it was true that, from a strictly legal point of view, the absence of such formal action did not in any way detract from the obligations of contracting parties. In international affairs, however, political considerations were often as important as legal ones and he had heard doubts expressed in some places as to the exact weight and significance of obligations under the General Agreement in view of the fact that the Agreement had not been "ratified". Psychologically and politically it was undesirable to allow the existing situation to continue and it would seem a logical step, after the decisions the CONTRACTING PARTIES had just taken to strengthen their organizational arrangements, for there to be early and collective action by contracting parties to deposit instruments of acceptance under Article XXVI. He would like to suggest that this item be included on the agenda for the seventeenth session.

The CHAIRMAN said that formal action of the type described by the Executive Secretary was important. As suggested by the Executive Secretary, he would propose that this question be included on the agenda for the seventeenth session.

This was agreed.

9. Programme of meetings (W.16/22 and L/1227)

The Chairman said that the Executive Secretary had distributed in document W.16/22 his proposals for meetings to be held during July/October. However, the Executive Secretary wished to suggest a change in this programme, namely to postpone from 29 August to 17 October the meeting of the Working Party on the Latin American Free Trade Area. This Working Party would then meet in the two weeks preceding the session. The Chairman went on to say that, in document L/1227, the Executive Secretary had reported that the revised programme of meetings would involve additional expenditure for which no appropriations had been included in the 1960 budget. The Executive Secretary therefore sought approval of the proposal in paragraph 3 of that document.

The EXECUTIVE SECRETARY explained that, as the spring session had been held rather later than usual, he had thought that a July meeting of the Council this year would probably be premature. This was why he had only proposed a meeting of the Council in the autumn. It was understood, however, that if urgent matters arose in the summer months it would be possible to convene the Council at relatively short notice, for example at the ten days' notice which had been the practice for urgent meetings of the Intersessional Committee.

Mr. WARWICK SMITH (Australia) said he was glad to hear that the Council could meet in July if circumstances seemed to warrant it.

The programme of meetings, as proposed, was approved.

The authority asked for by the Executive Secretary in paragraph 3 of document L/1227 was approved.

10. Future sessions (W.16/9)

The CHAIRMAN said that the date for the opening of the next session, to be held in Geneva, was 31 October 1960. He went on to say that, in document W.16/9, the Executive Secretary had proposed the dates for the two sessions to be held in 1961, namely 1 May and 30 October.

The dates proposed were approved.

11. Accommodation for secretariat - report of Group (L/1226)

The CHAIRMAN recalled that, on 31 May (SR.16/8) the CONTRACTING PARTIES had appointed a Group of governmental representatives in Geneva to consider with the Executive Secretary the problem of providing adequate accommodation for an enlarged secretariat. The Group had reviewed the problem with the Executive Secretary and the Deputy Director of the European Office of the United Nations and the results of their discussions were recorded in a Note by the Executive Secretary in document L/1226.

The EXECUTIVE SECRETARY said he wished to explain the basic reasons for the somewhat unsatisfactory recommendation contained in paragraph 9 of document L/1226. In the Note which he had submitted on this subject at the beginning of the session, he had pointed out that the alterations which might be made to the Villa le Bocage could only be justified on financial grounds if there were the assumption that, for a considerable period of time, the secretariat staff would not exceed an outside limit of 115. The experts with whom he had consulted considered that such an assumption could not safely be made and that it was, in any case, not desirable for the CONTRACTING PARTIES to accept such a limitation on their possible future needs. The somewhat unsatisfactory solution of constructing separate barracks in the grounds of the Villa le Bocage was therefore now being recommended. This solution should be considered as being a temporary one of relatively short duration. On the face of it, a permanent solution would appear to call for a new construction and in this connexion it would be desirable to make provision in any new building for adequate meeting space for the CONTRACTING PARTIES. The Executive Secretary concluded by saying that he proposed to make enquiries about the costs etc. of a new construction and to furnish a report on this question to the CONTRACTING PARTIES.

The recommendation in paragraph 9 of document L/1226 was approved.

12. Balance-of-payments import restrictions - reports on consultations (L/1191, L/1212, L/1213, L/1236, L/1237, and L/1238)

The CHAIRMAN said that the Committee on Balance-of-Payments Restrictions had concluded consultations with six contracting parties; the six reports on these consultations were contained in the following documents:

|              |                       |
|--------------|-----------------------|
| Austria      | L/1238, Add.1, Corr.1 |
| Brazil       | L/1213                |
| Greece       | L/1212                |
| India        | L/1236                |
| South Africa | L/1191                |
| Uruguay      | L/1237                |

Mr. CASTLE (New Zealand), Chairman of the Committee, said that, according to the time-table established at the fifteenth session, nine consultations should have been carried out in May. However, two countries, the United Kingdom and Malaya, had declared that they no longer applied restrictions for balance-of-payments reasons and one country had asked for a postponement of its consultations. As a result, consultations were held with six countries only and, in order to complete its work, the Committee had had to meet during the session. Consultations with five countries were due to take place in July and he would suggest

that the secretariat should draw up a fairly rigid time-table for these consultations. He urged the consulting countries to observe the dates which were fixed; if changes had to be made, serious inconvenience could be caused to members of the Committee, to representatives of the IMF and to representatives of other contracting parties. In conclusion, Mr. Castle said that as eleven or twelve contracting parties were due to consult in October, he would earnestly request any of the countries concerned to bring forward their consultations to July if this were at all possible. This would help to overcome the serious imbalance in the planning of the consultations which existed at present.

Mr. HARAN (Israel) said that the report on the review of import restrictions under Articles XII:4(b) and XVIII:12(b) adopted by the CONTRACTING PARTIES at their fourteenth session stated that "with the bulk of world trade now being conducted on a convertible currency basis, there is a unique opportunity for the world-wide system of non-discriminatory trade on a multilateral basis which the contracting parties sought when they created the General Agreement". Likewise, the IMF, in October 1959, recognized that the introduction of external convertibility removed the balance-of-payments justification for discrimination by members whose currency receipts were largely in externally convertible currencies. The reports on consultations now before the CONTRACTING PARTIES showed that there had been some progress; the fact that more countries were no longer having recourse to Article XII was particularly encouraging. Nevertheless, convertibility itself did not produce a reduction of trade restrictions; there was often a reluctance to eliminate discrimination long after the justification for it had disappeared. Greater stress should be placed on the discriminatory effects of import restrictions still being maintained by countries no longer in balance-of-payments difficulties; of particular importance in this connexion were the import regimes still being maintained by a number of OEEC countries. Israel's export trade has suffered as a result of those regimes, particularly in the case of those maintained by Austria, Italy and the Federal Republic of Germany. It was to be hoped that an early attempt would be made by these countries to rectify the present unsatisfactory situation. At a time when GATT was devoting major efforts to expand international trade in general and the trade of the underdeveloped and primary producing countries in particular, no effort should be spared to achieve the liberalization of import restrictions. It should be borne in mind that the maintenance of unfavourable measures might lead to counter-measures by the countries affected. Full use should be made of the present favourable opportunities for the reduction of discrimination in international trade.

Mr. MATHUR (India) expressed the appreciation of his delegation for the spirit of understanding in which the consultations had been conducted. India welcomed the opportunity of explaining its difficulties and its aims to the CONTRACTING PARTIES. It was glad to see that other contracting parties engaged in these consultations had been equally forthcoming, and that the consultations had provided an opportunity to invite attention to specific effects of their restrictions which were damaging to India's trade. In this connexion, his delegation had noted particularly the recommendation of the Committee to the Austrian Government that it should eliminate its discriminatory restrictions on imports from non-OEEC, non-dollar countries and proceed as rapidly as possible with the further liberalization of their imports from all sources. His delegation had noted the assurances of the Austrian representative that his Government would take early steps in this connexion. The Indian delegation



considered the work of the Committee to be of vital importance to the effective functioning of the General Agreement; this work, in their view, became more rather than less important as countries moved out of balance-of-payments difficulties and as the number of restrictions maintained by them became fewer.

Mr. PSCOLKA (Czechoslovakia) said that, as certain OEEC countries emerging from balance-of-payments difficulties gradually dismantled their restrictions they did not apply the rule of non-discrimination. They continued to apply residual restrictions discriminatorily, excluding certain contracting parties from the treatment accorded to others. As far as Czechoslovakia was concerned, it was willing to try and resolve the remaining difficulties through bilateral consultations under Article XXII; unfortunately, up to the present all contracting parties did not appear to be ready to consult in this way. In the light of statements made earlier in the session that it should not be a matter for hesitation or embarrassment to contracting parties wishing to enter into consultations under Article XXII, it was to be hoped that contracting parties would accept this line of thought and that consultations would take place with fruitful results. An evasive attitude towards fundamental obligations under Article XXII could hardly have a favourable effect on trade relations.

Mr. VIDAL (Brazil) stressed that, while Brazil's balance-of-payments difficulties were, of course, primarily due to its own economic situation, the considerations raised in the United States Note (W.16/13) which had been discussed at an earlier meeting of the CONTRACTING PARTIES was also important.

Mr. TRANOS (Greece) said that, if quantitative restrictions had been introduced by Greece, this was because of its balance-of-payments position and the increasing deterioration in its balance of trade. The Greek Government would certainly endeavour to reduce its restrictions when this was possible, but a necessary prerequisite was an increase in Greek exports.

Mr. TREU (Austria) said that his delegation would draw the attention of their Government to paragraphs 41 and 42 of the report on the Committee's consultation with Austria.

Mr. LACARTE (Uruguay) said that his delegation felt that the conclusions in the report on the consultation with Uruguay, which were contained in paragraphs 19 and 20, would be satisfactory both to the CONTRACTING PARTIES and to Uruguay.

Mr. CAMEJO-ARGUDIN (Cuba) said that his delegation reserved its position insofar as paragraph 15 of the report on the consultations with Austria (L/1238) was concerned. Cuba had had difficulties in attempting to improve its trade with Austria which recently had appeared to be hesitant in making the purchases of sugar which it had undertaken to make under bilateral agreements.

The CONTRACTING PARTIES then approved the individual reports as follows: Austria (L/1238 & Add.1 & Corr.1), Brazil (L/1213), Greece (L/1212), India (L/1236), South Africa (L/1191), Uruguay (L/1237).

13. Committee III - Chairmanship

The CHAIRMAN said that Mr. Warwick Smith had indicated that he would, unfortunately, be unable to continue as Chairman of Committee III. The Chairman proposed that Mr. J.P. Phillips (Australia) should be nominated as the new Chairman of Committee III.

This was agreed.

The meeting adjourned at 1.10 p.m. and reconvened at 2.30 p.m.

14. Accession of Portugal and Spain (W.16/27, W.16/28)

The CHAIRMAN said that, at an earlier meeting (SR.16/7) the CONTRACTING PARTIES had received requests from the Governments of Portugal and Spain for an opportunity to participate in tariff negotiations with a view to accession under the provisions of Article XXXIII. The CONTRACTING PARTIES had agreed to invite these two Governments to enter into negotiations, with a view to accession, commencing in January 1961. At this meeting the Chairman had said that he intended to consider what provisional arrangements might be made for Portugal and Spain pending their accession to the GATT. He had explored various possibilities with the representatives of Spain and Portugal. It had been felt that Portugal and Spain might be willing to consider the signature of a declaration for provisional accession, similar to those drawn up in the case of Israel and Tunisia. A text of a declaration had been drafted and the Governments of Portugal and Spain had expressed their readiness to sign such a declaration. In the course of consultations with other delegations, however, he had come to the conclusion that, in view of the short time available, it would be difficult for a number of delegations to give careful consideration to the text of such a declaration and to obtain the necessary instructions from their governments before the end of the session. He would, therefore, propose that the CONTRACTING PARTIES should not attempt at this session to take a decision in this connexion, but that they should continue the consultations which had been initiated in the hope that they could arrive promptly at a satisfactory solution. On the other hand, there appeared to be no reason why the CONTRACTING PARTIES should not, at this session, invite the Governments of Spain and Portugal, pending their full accession, to participate in the sessions of the CONTRACTING PARTIES and of their subsidiary bodies. Draft decisions to give effect to this had been distributed in documents W.16/27 and W.16/28.

Mr. SWAMINATHAN (India) said that, for reasons which he had explained at an earlier meeting, he would have to abstain from any vote in the case of Portugal. India might have to invoke Article XXXV in the event of Portuguese accession.

Mr. ADAIR (United States) said that, as his delegation had stated at an earlier meeting, they warmly welcomed the requests from Portugal and Spain. They would be happy to continue their participation in consultations working towards closer relations between Portugal and Spain and the CONTRACTING PARTIES pending their full accession.

Mr. SAVINI (Italy) said that Italy supported both of the draft decisions which had been circulated (W.16/27 and W.16/28).

The draft decisions (W.16/27 and W.16/28) were approved and the representatives of Portugal and Spain took their places at the table.

Mr. DE ALCAMBAR PEREIRA (Portugal), having thanked the CONTRACTING PARTIES for the decision which had just been taken, stated that Portugal wished to participate in the forthcoming tariff negotiations in respect of its European territories; for the moment it did not intend to negotiate in respect of the tariffs of its overseas provinces. It would be pleased to proceed with consultations that would lead to the solution of the problems which resulted from the special structure of Portugal, whose territories presented different stages of economic development which made it necessary for certain customs duties to be maintained in connexion with trade between the European and non-European provinces. Such duties were in process of elimination with a view to completing the fusion of the Portuguese markets.

Mr. GARCIA DE LLERA (Spain) said that the consultations which had taken place had been very useful. The wish to his Government was that these should continue and that they should result in a satisfactory conclusion at the earliest possible moment.

15. Closing address of the Chairman

Mr. BARBOSA DA SILVA (Brazil), in his closing address, reviewed the problems which had been considered by the CONTRACTING PARTIES during the session<sup>1</sup>.

The CHAIRMAN declared the sixteenth session closed at 3.30 p.m.

---

<sup>1</sup>The full text of Mr. Barbosa da Silva's statement is reproduced in Press Release GATT/502.