

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

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SUMMARY RECORD OF THE EIGHTH MEETING

Held at the Palais des Nations, Geneva,
on Wednesday, 16 November 1960, at 2.30 p.m.

Chairman: Mr. TORU HAGUIWARA (Japan)

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1. Elimination of import restrictions (C/M/1 Item 6, W.17/17, L/1363)
 - (a) procedures and consultations
 - (b) review of "hard-core" Decision

The CHAIRMAN recalled that procedures for dealing with the removal of quantitative restrictions were discussed at the sixteenth session and that a year ago, when the "hard-core" Decision was renewed for another twelve months, it was decided to review the provisions of paragraph A:1 of that Decision at the present session. These questions were discussed at the meeting of the Council in September and the conclusion reached by the Council read as follows:

"While it could not at this stage recommend to the CONTRACTING PARTIES that there should be no further extension of the "hard-core" Decision, the Council suggested that the CONTRACTING PARTIES examine at their seventeenth session, in connexion with their consideration of the question of residual restrictions, the appropriateness of the "hard-core" Decision in present circumstances." (C/M/1, page 6)

The EXECUTIVE SECRETARY said that, at the time of the discussions in Paris in connexion with the reorganization of the OEEC, attention had been drawn to the need, should the existing OEEC procedures not be maintained, for adequate safeguards in the event of a possible deterioration in the present favourable economic situation leading to the reintroduction of import restrictions. During these

discussions, he had drawn attention to the provisions of Article XII:4(a) of the GATT which, if properly applied, would provide the necessary safeguard. The Executive Secretary referred to the statement on this subject which he had made to the Council at its meeting in September (C/M/1, item 6) in which he had suggested that contracting parties should affirm their intention of complying strictly with the provisions of Article XII:4(a) and that the CONTRACTING PARTIES should establish procedures which would enable them to carry out the responsibilities devolving upon them under these provisions.

The Executive Secretary then commented on his proposals in document W.17/17. In reference to paragraph 4 of Part I of that document, he said that, on reflection, he felt that further consideration might be given to the possibility of the Council itself taking the initiative in asking a contracting party to consult under Article XII:4(a) or XVIII:12(a), without making such an invitation dependent on a request from another contracting party affected by the restrictions in question. This would reflect the intention that the relevant provisions of these Articles should be considered as offering the opportunity for mutually advantageous consultations and that they should not be considered as a complaints procedure. Commenting on paragraph 5 of Part I of document W.17/17, the Executive Secretary said he felt it was appropriate for the Council to carry out any consultations initiated under these provisions at times when the CONTRACTING PARTIES were not in session. The manner in which it carried out this responsibility would be for the Council to determine; it might decide to convene the Committee on Balance of Payments to conduct the actual consultation or it might, for example, establish a working party. In reference to the consultations between the CONTRACTING PARTIES and the IMF, as provided for in Article XV, the Executive Secretary said he thought it would be helpful if, when contracting parties, including those which were not members of the Fund, informed the CONTRACTING PARTIES of trade measures they were contemplating because of balance-of-payments difficulties, they would concurrently inform the Fund of these measures.

The Executive Secretary then referred to Part II of document W.17/17 and, in particular, to the question of the relationship between bilateral consultations under Article XII and the subsequent invocation of Article XIII. He said that, in his view, there was no doubt that consultations under Article XII:1 satisfied the requirements of Article XIII:2. In connexion with Article XII generally the Executive Secretary stressed that the Article did not represent a complaints procedure; it was a facility afforded to contracting parties with problems on which they would like to consult. It was important to bear this in mind in connexion with the suggestion that contracting parties maintaining residual restrictions should notify these and hold themselves ready to enter into consultations with affected contracting parties under Article XII:1.

Mr. HEBBARD (International Monetary Fund) said that he had been authorized to state to the CONTRACTING PARTIES that the Fund was prepared, in cases such as those envisaged in Part I of the Executive Secretary's note (W.17/17), to analyse the country's situation as expeditiously as circumstances permitted, and to consult with the CONTRACTING PARTIES immediately upon having arrived

at a conclusion, so as to expedite the consideration of the CONTRACTING PARTIES. Expeditious action by the Fund would, of course, depend on the prompt receipt of relevant information from the country concerned and, on this point, the suggestion just made by the Executive Secretary seemed to be a good one. In connexion with this matter generally, Mr. Hebbard drew the attention of the CONTRACTING PARTIES to paragraph 4 of the Fund's decision of 1 June 1960, which dealt with matters related to the transition from Article XIV to Article VIII of the Fund Agreement. This paragraph indicated the desire of the Fund to continue to co-operate with the CONTRACTING PARTIES in matters of this kind. The relevant sentences of that paragraph were as follows:

"Fund members which are contracting parties to the GATT and which impose import restrictions for balance-of-payments reasons will facilitate the work of the Fund by continuing to send information concerning such restrictions to the Fund. This will enable the Fund and the member to join in an examination of the balance-of-payments situation in order to assist the Fund in its collaboration with the GATT ... "

Mr. ADAIR (United States) said that there were three distinct problems to discuss under this heading and that he would like to address himself to each in turn. Part I of document W.17/17 dealt with the question of new or intensified import restrictions applied for balance-of-payments reasons under Article XII or Article XVIII:B. His delegation fully concurred in the view expressed at the Council meeting in September that the CONTRACTING PARTIES should take steps to deal with such restrictions quickly and effectively. It seemed appropriate that the Council, which could be convened at short notice, should be given the authority for ensuring that action with respect to those restrictions was in fact quick and effective. His delegation therefore supported the general lines of Part I of document W.17/17, taking note of the remarks the Executive Secretary had just made concerning the Council's authority to delegate the actual carrying out of a consultation, in appropriate circumstances and where undue delay would not result, to another body such as the Committee on Balance-of-Payments Restrictions and taking note also of the Executive Secretary's remarks concerning the amendment of paragraph 4 of document W.17/17, with which his delegation agreed.

Turning to Part II of document W.17/17 and to the question of residual restrictions Mr. Adair said that, since the end of the sixteenth session, a number of additional contracting parties had given up their resort to the balance-of-payments exceptions of the General Agreement. The improvement in the external financial position of these countries which this reflected was, of course, to be welcomed. Nevertheless, the United States Government continued to be greatly concerned by the fact that some of these countries, as well as some of those which had emerged from balance-of-payments difficulties earlier, had retained restrictions on a range of imports which was in many cases quite extensive. The maintenance of substantial areas of restrictions not authorized by the General Agreement had the effect of impairing the rights of other contracting parties and tended to undermine the contractual structure and prestige of the Agreement itself. Mr. Adair went on to say that, during the discussion of this problem of residual restrictions at the sixteenth session, there appeared to be general agreement that the full influence of the

CONTRACTING PARTIES should be used to minimize the extent of the problem and that, furthermore, it was reasonable to expect countries to report promptly to the CONTRACTING PARTIES any residual restrictions, to present their plans and policies for dealing with such restrictions, and to stand ready to consult with countries whose export interests were affected by the restrictions. His delegation thought that the Council's decision, since put into effect by the secretariat, to invite countries to submit lists of restrictions which they were applying contrary to the provisions of the General Agreement or without having obtained authorization was a step in the right direction. They believed that Part II of the Executive Secretary's paper was also useful and merited the endorsement of the CONTRACTING PARTIES. This part of the paper formalized the Council's invitation to notify restrictions and re-emphasized the availability of procedures to which an injured party could have recourse. His delegation were willing to give these procedures a chance to prove themselves. In the future they intended to avail themselves of the opportunities provided by these procedures to the fullest extent that circumstances required. He wished to emphasize, however, that the United States continued to be of the firm view that contracting parties retaining restrictions had a special responsibility for taking unilateral action to deal with their residual restrictions and to bring their systems into conformity with their obligations under the General Agreement, and that such action should be taken without waiting for bilateral approaches from countries which found that their trade interests had been affected adversely by the retention of restrictions. For this reason, Mr. Adair continued, he thought it appropriate to call attention again to the consensus of the sixteenth session that contracting parties retaining residual restrictions should inform the CONTRACTING PARTIES promptly of their plans and policies for dealing with them. In this connexion he would like to refer to the statement of the Australian representative at the sixteenth session that his Government intended to provide the CONTRACTING PARTIES, at the present session, with information on Australia's plans for dealing with its residual restrictions. Although it was understood that it was not possible as yet for Australia to make a full and precise statement, his delegation would welcome an indication of whether such a statement might be expected by, for example, March of next year. He hoped that the delegates of other countries which had a substantial range of residual restrictions would also be able to inform the CONTRACTING PARTIES of plans and prospects for eliminating such restrictions. Mr. Adair said he would like to stress again that, although consultation and complaint procedures were available and although the United States intended to take full advantage of these procedures, contracting parties applying unauthorized residual restrictions had a clear responsibility to take immediate steps to eliminate them. His delegation strongly urged them to do so.

In reference to the question of the "hard-core" Decision of 5 March 1955 Mr. Adair said that his Government was in favour of a further extension of this Decision and therefore proposed that the CONTRACTING PARTIES extend the time-limit for applications under the Decision on present terms for one year to 31 December 1961.

Summing up, Mr. Adair said that first, the United States endorsed Part I of document W.17/17; secondly, it endorsed Part II of the document but urged that contracting parties take special note of the consensus of the CONTRACTING PARTIES that it was reasonable to expect countries to report promptly on their plans and policies for dealing with residual restrictions, and thirdly, the United States proposed an additional one-year extension of the "hard-core" Decision.

Mr. WARREN (Canada) said that, for two reasons, he could speak more briefly than on previous occasions when this item had been under discussion. First, considerable progress had been made in the elimination of import restrictions and discrimination by contracting parties following the improvement in their payments position and, secondly, the representative of the United States had already covered much of the ground that he had intended to cover. Mr. Warren went on to say that, like the delegation of the United States, his delegation supported the extension of the "hard-core" Decision for a further period of twelve months; if this were, in fact, agreed by the CONTRACTING PARTIES a modification of paragraph 10 of document W.17/17 would be necessary.

Turning to document W.17/17, Mr. Warren said that his delegation supported Part I of this document. While it was to be hoped that the present favourable payments position of countries would continue, it was most important that the CONTRACTING PARTIES should declare themselves ready to deal with the situations envisaged in Article XXII:4(a). His delegation also agreed that paragraph 4 of document W.17/17 should be amended so as to permit the Council to invite a contracting party to consult on the Council's own initiative. Mr. Warren went on to say that his delegation would, however, give priority to Part II of document W.17/17 which concerned the continued maintenance of restrictions by contracting parties which had emerged from balance-of-payments difficulties. In this connexion Mr. Warren said he supported what the United States representative had said concerning the responsibility of contracting parties to take unilateral action, first, to eliminate as quickly as possible their residual restrictions and, secondly, to notify the CONTRACTING PARTIES of these restrictions and of their plans and programmes for dealing with them. While he would agree that there was a lot to be said for consultations under Article XXII in connexion with residual restrictions, the first need was for the restrictions themselves to be eliminated. Further, it was also necessary to guard against any suggestion that, because there were procedures for consultation under the GATT, this meant that the problem of residual restrictions had been solved. On the contrary, these restrictions, which were in conflict with the GATT, continued to be a feature of world trade and to frustrate the tariff concessions which had been negotiated by contracting parties. His delegation hoped that the Council would keep under review the problem of residual import restrictions maintained by countries which had emerged from balance-of-payments difficulties. If, after examination, it was found that there was still a substantial area of restrictions being maintained inconsistently with the General Agreement, the Council and the CONTRACTING PARTIES should address themselves again to the generality of the problem.

Mr. GOLAN (Israel), while welcoming the procedures suggested in document W.17/17, said that, in the view of his delegation, special attention should be paid to the question of the discriminatory application of restrictions. This discrimination was not only contrary to the GATT but was detrimental to the interests of other contracting parties. It would therefore seem to his delegation that when discrimination was, as it were, superimposed on restrictions which were themselves contrary to the provisions of the GATT, there was a case for the procedures envisaged in document W.17/17 to be implemented even more quickly.

Mr. PHILLIPS (Australia) said that the field of import restrictions no longer justified by specific provisions of the GATT seemed to be the only field in which extensive breaches of the GATT were occurring. The matter clearly required special treatment. Pending formulation of more specific procedures for dealing with this problem, resort to the GATT consultation procedures might go some way towards reducing the impact of residual restrictions on the trade of contracting parties, but he would like to emphasize that, in the view of his delegation, this represented a palliative rather than a full solution. In this connexion he would emphasize the considerable stress which his Government put upon the responsibility which devolved upon individual contracting parties maintaining import restrictions not justified under the GATT to move speedily to rectify their position. Further, it continued to be the view of his Government that a move in this direction by the contracting parties concerned should not be dependent upon complaints being lodged against them within the GATT.

Mr. Phillips then outlined the progress made by Australia in the field of liberalization. Having referred to the statement of the Australian Minister for Trade in February 1960, in which he announced the virtual abolition of import restrictions (GATT Press Release 486), Mr. Phillips said that, since the date of the Minister's statement, another major step forward was the removal, on 1 October 1960, of the final element of licensing discrimination against goods of dollar origin; this was achieved when the last item subject to discrimination, namely motor vehicles, was exempted from licensing. This measure also served further to reduce the already small proportion of imports subject to licensing. Mr. Phillips went on to say that he regretted it had not been possible for Australia to carry out its intention, expressed at the sixteenth session, of making a complete statement at the present session concerning all remaining import restrictions and the Government's policy and procedural proposals in relation to them. It was only eight months since import licensing had been virtually removed and the alternative arrangements which still had to be made by the Government had proved more time-consuming than had been originally envisaged. In reference to the enquiry on this subject by the representative of the United States, Mr. Phillips said he believed he could confidently say that his Government hoped and expected to be able to provide the contracting parties in the near future with information concerning its plans and intentions in regard to the removal of the few remaining restrictions; his Government would, in fact, do its best to make such a statement before 1 March 1961. Mr. Phillips went on to say that his delegation hoped that similar action would be taken by those other contracting parties which, during 1960, had ceased to have resort to balance-of-payments justification for their remaining import restrictions.

Commenting on document W.17/17, Mr. Phillips said that his delegation had no comments to make on Part I of that document, except to endorse the views of the Executive Secretary when he introduced the document at the beginning of the discussion. As regards Part II of the document, his delegation felt that, as presented, it by no means fully met the very considerable problem with which it sought to deal. The proposals contained in it, insofar as they could be regarded as an initial approach to the development of procedures through which the CONTRACTING PARTIES could get to grips with the problem, were welcome insofar as they went. Nevertheless, the Australian delegation could not regard Part II as more than an interim approach to the problem, pending the development of procedures more appropriate to the seriousness with which this question should be regarded by the CONTRACTING PARTIES. As an illustration of the Australian delegation's general approach to this question, Mr. Phillips said they had always considered that it would greatly facilitate any consultations which might be held under the procedures and any further examination of the question by the CONTRACTING PARTIES, if contracting parties applying restrictions not justified or otherwise approved under the provisions of the GATT were to inform the CONTRACTING PARTIES within a reasonable time, which should be short, of their plans and policies for dealing with them. The Australian delegation was, therefore, most strongly of the view that the procedures set out in Part II of document W.17/17 should be regarded solely as an interim arrangement, pending a further examination by the Council as to how best to proceed further in the matter. His delegation would suggest that the Council should be requested to review over the next twelve months the procedures which the CONTRACTING PARTIES might adopt and to report to the CONTRACTING PARTIES at a subsequent session. They would further suggest that, at that session, the present proposals should be reviewed by the CONTRACTING PARTIES in the light of the Council's report. Mr. Phillips went on to say that, in the circumstances, it would seem appropriate to delete paragraph 10 of document W.17/17; there seemed to be little virtue in the reference to the "hard-core" Decision contained therein. If, as his delegation hoped, the Decision was further extended at the present session, some confusion would arise if the paragraph were retained.

In conclusion Mr. Phillips said that his delegation strongly supported the view already put forward by other representatives that the "hard-core" Decision should be extended for a further period of twelve months until 31 December 1961.

Mr. SWAMINATHAN (India) said that, when this item was discussed at the sixteenth session, his delegation had emphasized the great importance attached by the Government of India to the elimination of quantitative restrictions which were originally imposed on balance-of-payments grounds, but which were now being continued even though the countries applying them had moved out of balance-of-payments difficulties. His delegation had pointed out that these restrictions tended in practice to be of a discriminatory character and that, in a number of instances, they constituted serious obstacles to the exports of less-developed countries like India. During recent months as many as seven contracting parties had notified that balance of payments was no longer the reason for the quantitative restrictions still maintained by them. There were other countries which still formally invoked balance-of-payments justification for their restrictions, but which had been applying such restrictions in a manner which was clearly not contemplated by the GATT provisions on discrimination,

Mr. Swaminathan said his delegation welcomed the decision taken by the Council that countries applying restrictions which were not justified under any provision of the GATT should promptly notify them to the CONTRACTING PARTIES. While also welcoming the clarification given to the question of procedures in document W.17/17, Mr. Swaminathan went on to say, however, that his delegation could not emphasize too strongly their view that this was a matter in which further progress could only be made if the individual contracting parties concerned acted with a full awareness of their obligations under the GATT and if the CONTRACTING PARTIES continued to regard the maintenance of quantitative restrictions not justified under GATT provisions as a matter of common concern to all. In this connexion his delegation had noted that several countries had already notified lists of items on which they continued to maintain restrictions without cover of the GATT; it was disappointing, however, that at least one major country had not yet indicated its plans regarding the removal of a large number of restrictions which it continued to maintain on imports from sources outside the OEEC and dollar areas, even though the balance-of-payments provisions of the GATT no longer applied in its case. Mr. Swaminathan said that Indian exports had long suffered from severe quantitative restrictions imposed by at least one important contracting party. In the happier circumstances in which that contracting party found itself today, an early move towards the elimination of these restrictions would be greatly welcomed. These observations applied with equal force to other countries to which Article XIII would still apply but which, nevertheless, were not entitled to be discriminatory in their application of quantitative restrictions. In these cases it was to be hoped that speedy relief could be obtained without having to go through the detailed procedures for consultations under Articles XXII and XXIII which had been spelt out in document W.17/17.

In conclusion, Mr. Swaminathan said that his delegation also endorsed the suggestion that there should be a further extension of the "hard-core" Decision for one year.

Mr. DE BESCHE (Sweden), in connexion with his Government's notification to the CONTRACTING PARTIES on 16 June 1960 that it no longer claimed balance-of-payments justification under Article XII for the maintenance of import restrictions, said that Sweden still maintained a few such restrictions. He explained the reasons for these residual restrictions and went on to say that his Government had under continuous review the possibility of removing them. He added that his Government was, of course, prepared to consult with any contracting party which felt it was adversely affected by any of the restrictions.

In reference to document W.17/17, Mr. de Besche said that his delegation felt that the questionnaire which had been circulated to contracting parties in connexion with the restrictions which they maintained contrary to the provisions of the GATT, and without having obtained authorization from the CONTRACTING PARTIES, might have the effect of only the minimum number of restrictions being reported, in view of the fact that contracting parties themselves were required to decide whether or not the restrictions were contrary to the GATT. It was natural that contracting parties would be cautious in making this differentiation. It would seem more satisfactory if all

restrictions were reported, including those which the contracting parties concerned considered to be consistent with the GATT. This information would be very useful both to small countries like Sweden and in connexion with the work of the CONTRACTING PARTIES in this field. As for the suggestions in document W.17/17, Mr. de Bosche said that his delegation could support the proposed procedures, on the understanding that they were considered to be subject to adaptation in the light of special situations and that they could be modified in due course if necessary.

Mr. PHILIP (France), having expressed his delegation's support for the proposals in document W.17/17, said he would like to describe briefly the present position of his Government insofar as the process of liberalization was concerned. Having explained the difficulties of France after the war, and the need which arose for it to abandon, in 1957, certain liberalization measures which it had introduced earlier, Mr. Philip said that, since the beginning of 1959 France had again been following the road of liberalization. He described the progressive liberalization measures introduced by France from 1 January 1959, and said that on 24 September 1960, the liberalization figure had reached 92.5 per cent insofar as imports from OEEC countries were concerned. On the same date, the figure for liberalization of dollar imports reached 94 per cent as compared with 40 per cent on 1 January 1959. While the situation had not developed with equal speed in the case of imports from other contracting parties and from the rest of the world, nevertheless a series of liberalization measures had been introduced by his Government on 13 January 1959 and on 23 February 1960. On the other hand, on 24 October 1959 and on 25 September 1960, his Government had introduced liberalization measures benefiting contracting parties only. As a result of this, 85 per cent of French imports had been liberalized without any discrimination in the sense of Article XIII. Concurrently with its disinvocation of Article XII, his Government was studying the present position with a view to reducing the remaining restrictions and a first step in this direction was envisaged for the beginning of 1961; this would be followed by a second step three or four months later. If, at the end of this process of liberalization, a negative list of residual restrictions remained and when such a list had been established, his Government would submit it to the secretariat so that it could be examined by the CONTRACTING PARTIES.

Mr. RYSKA (Czechoslovakia) said that his delegation considered that the question of residual import restrictions and their discriminatory application was a matter of substance and not one of procedure. Starting from a position where they concealed the unjustified use of restrictions on the grounds of balance-of-payments difficulties, some countries had now reached the position where they were openly at variance with their obligations under the GATT. In particular, their discriminatory policies had no legal justification under the GATT. In the view of the Czechoslovak delegation, the application of discriminatory import restrictions was a major obstacle to the normal development of international economic relations.

Mr. Ryska then turned to the contribution which Czechoslovakia was making to the development of international trade. He referred to the volume of trading opportunities which the Czechoslovak economy was creating through planned, uninterrupted and rapid expansion. The vast increase in production and

consumption meant that increased quantities of imported goods could be absorbed. Import requirements, as expressed in Czechoslovak planning, offered the country's trading partners more assured opportunities. The aim of achieving the maximum benefit from the world division of labour and from international trade was an integral part of Czechoslovakia's economic thinking. Mr. Ryska said that apart from the fact that any form of discrimination was a disturbing element in relations between States, the uncertainty which arose in trade and the fact that countries' opportunities in foreign markets were reflected in a greater import demand were practical reasons which called for the rejection of the use of discriminatory measures. Trade had to develop in conditions of long-term perspectives, stability and mutual confidence; a prerequisite for this was the removal of discrimination and the granting of most-favoured-nation treatment. In considering trade between countries with different economic systems, the common denominator was the principle of equality and mutual advantage. The discrimination against Czechoslovak exports was a serious challenge to its trade and his Government would have to take adequate measures. Czechoslovakia's problem was to ensure that the opportunities in its market were not exploited unfairly by the unrestricted activities of those contracting parties which would not comply with their obligations under the GATT.

In conclusion, Mr. Ryska said that, in the view of his delegation, new procedures would hardly change the attitude of countries not willing to adhere to their international obligations. In fact, to establish new procedures as was now suggested, might give to residual restrictions and their discriminatory application a character of exclusivity and thus an appearance of legitimacy. His delegation would, therefore, prefer a full and more effective use of existing procedures under the General Agreement.

Mr. RIZA (Pakistan) said that restrictions maintained for balance-of-payments reasons were understandable. They were maintained mostly by the less-developed countries whose foreign exchange earnings depended on the export of primary commodities, the prices of which, as was well known, were liable to fluctuations. The extent of import restrictions would therefore vary from time to time depending on the balance-of-payments position of these countries. The position of countries no longer in balance-of-payments difficulties was, however, different. It was these residual restrictions which were objectionable from the point of view of the principles of GATT. His delegation had consistently pressed for the early removal of restrictions of this sort, both as a point of principle and as a practical measure to increase export possibilities, particularly for the less-developed countries. His delegation agreed that the proposals in document W.17/17 were a step in the right direction, and, in view of the importance of the subject, they would suggest that the progress made under the new procedures under Part II of that document be reviewed after one year's experience of their operation.

In conclusion, Mr. Riza referred to the "hard-core" Decision. He said that, in principle, his delegation would be opposed to allowing the Decision and the exception which it represented to continue indefinitely, in view of the weakening effect this would have on the GATT rules. In view of the general improvement that had taken place in the international payments situation, and

the fact that many contracting parties had in the last few months declared that they were no longer in balance-of-payments difficulties, there was no longer any need for the extension of the "hard-core" waiver. His delegation would not, however, wish to oppose the extension if it were the wish of the contracting parties to have such an extension for one year.

Mr. HARTOGH (Netherlands) said that the procedures proposed in document W.17/17 were acceptable to his delegation. In reference to the information on restrictions still maintained which had been submitted by his Government to the secretariat, Mr. Hartogh said that this information represented the position as it would be on 1 January 1961. Continuing, Mr. Hartogh recalled that, during the meeting of the Council in September, the representative of the Netherlands had proposed that information should be supplied by contracting parties not only about the restrictions that were maintained contrary to the GATT but also about those which in the opinion of the contracting parties concerned were in conformity with the provisions of GATT. The representative of Sweden had just made a proposal in the same terms and he would hope that other contracting parties would also feel able to reconsider their position on this point.

Mr. LACARTE (Uruguay) said that, generally speaking, his delegation supported the proposals in document W.17/17 which were a step in the right direction. In stressing the particular significance of Part II of document W.17/17, Mr. Lacarte said that what was involved was non-compliance with obligations under the GATT; this situation could work to the detriment of the current tariff conference, both as regards the negotiations at present proceeding with the EEC and those which were due to start at the beginning of 1961. Commenting that Uruguay had itself undertaken considerable measures of liberalization, Mr. Lacarte said that Uruguay, in the tariff negotiations, would have to look carefully at whatever concessions it was offered in the light of possible existing restrictions which would affect the value of those concessions. He went on to say that he hoped that those contracting parties which had not submitted their lists of restrictions to the secretariat would do so as soon as possible. Further, he would support the suggestion put forward by the representatives of Sweden and the Netherlands that all restrictions should be notified.

In conclusion, Mr. Lacarte said that his delegation were prepared, although with some reluctance, to agree to the extension of the "hard-core" Decision for a further period of one year.

Mr. DE SMET (Belgium) said that his delegation entirely supported the proposals contained in document W.17/17. As for the "hard-core" Decision, his delegation were of the view that it was not necessary to extend again the Decision which had already been extended four times. However, as it appeared from the discussion that the majority of contracting parties which had spoken were in favour of an extension, his delegation would not oppose the wish of the majority.

The CHAIRMAN, at the close of the discussion, said that the proposals in document W.17/17 had received general acceptance by contracting parties. The assurance of the representative of the IMF that the Fund would be ready to consult with the CONTRACTING PARTIES speedily, when requested, was also welcomed.

In reference to the suggestions that had been made regarding the amendment of document W.17/17, the Chairman said that, in the light of these suggestions he would propose that paragraph 10 of the document be deleted and that, in paragraph 4, the words "on the initiative of a contracting party affected by the restrictions" should also be deleted. The Chairman also proposed, in connexion with paragraph 7 of document W.17/17 and in view of the comments on this point made by certain representatives, that the extent and scope of the notifications which contracting parties were invited to communicate to the Executive Secretary should be considered more closely by the Council. The Council should also review, in the light of experience, the procedures set out in Part II of document W.17/17 which should be considered, at this stage, as an arrangement of an interim character; the Council should report its views to the CONTRACTING PARTIES at the nineteenth session.

Finally, the Chairman proposed, in the light of the discussion, that the "hard-core" Decision should be extended for a further year and that the Executive Secretary should submit a draft decision for consideration at a later meeting.

The proposals made by the Chairman were agreed.

2. Provisional accession of Switzerland

The CHAIRMAN recalled that, under paragraph 1(c) of the Declaration of 22 November 1958, which entered into force on 1 January 1960, the Government of Switzerland was required to consult with the CONTRACTING PARTIES with a view to finding solutions, compatible with the basic principles of the General Agreement, to the problems dealt with in Switzerland's reservation concerning the application of the provisions of Article XI. It was agreed in May that the first consultation would be initiated at the present session.

Mr. WEITNAUER (Switzerland) made a statement in connexion with Switzerland's first consultation under paragraph 1(c) of the Declaration of 22 November 1958. The full text of Mr. Weitnauer's statement has been distributed in document L/1384.

The CHAIRMAN proposed that the consultation with Switzerland should be conducted by the Council at a time to be decided upon in consultation with the Government of Switzerland. This arrangement would enable a more detailed discussion of this matter to take place.

This was agreed.

The Chairman said that, at the sixteenth session, the closing date for acceptance of the Declaration on the Provisional Accession of Switzerland was extended until the end of the present session. He understood that a further extension was desired. Accordingly, he enquired whether the interested parties agreed that the Executive Secretary be authorized to receive acceptances up to the end of the eighteenth session.

It was so agreed.

3. Paris economic meetings (L/1280)

The CHAIRMAN recalled that, at the second meeting (SR.17/2), discussion on this item had been postponed at the request of several delegations.

The EXECUTIVE SECRETARY said that document L/1280 contained a full analysis of issues which had arisen during the Paris meetings which were of concern to the CONTRACTING PARTIES. For that reason he had not thought it necessary to supplement the report in that document. The Executive Secretary went on to say that he was sure the CONTRACTING PARTIES would wish him to express, on their behalf, appreciation of the facilities for following and participating in the meetings which had been accorded to him and his colleagues. In conclusion the Executive Secretary stressed the great importance which was attached by delegations participating in the Paris meetings to the question of close liaison on trade matters between the future organization and the CONTRACTING PARTIES.

Mr. OLDINI (Chile) said that, on the basis of available information, he still had difficulty in seeing the justification for the OECD, which, it would appear, would only tend to duplicate the activities of the GATT. Apart from the question of trying to bring closer together the EEC and the EFTA, which in itself might give rise to certain apprehensions on the part of contracting parties, the OECD would be seeking solutions to problems which were already under consideration in the GATT. Moreover, insofar as the question of liaison between the OECD and the GATT was concerned, such liaison was normally more fruitful when it was a question of co-ordinating the work of two bodies dealing with different problems. He went on to say that this uncertainty and inability to see clearly the purpose of the OECD accounted for the concern which his delegation, like those of other less-developed countries, had about recent developments. The OECD would group very powerful industrialized countries and there was always the danger that this group would confront the GATT with a co-ordinated line of action. In this way they might tend to predetermine the actions of the CONTRACTING PARTIES, possibly to the disadvantage of the less-developed countries whose actions could not be co-ordinated in the same way. It might be that these concerns were due to the fact that it was difficult to see clearly how the functions of the OECD would develop and it was conceivable that they would dissipate when the situation did, in fact, become clear. Mr. Oldini said he had doubts whether this would be so however.

Mr. RANGANATHAN (India), having referred to the concerns and apprehensions expressed by a number of contracting parties, including India, at the sixteenth session, said that the Executive Secretary's report in document L/1280 was important from the point of view of the CONTRACTING PARTIES. The Executive Secretary had done well to point out that the new proposals for the functions of OECD in the trade field which were being developed in the Working Party went considerably beyond the limited proposals of the Group of Four Experts and that, if the new proposals were implemented, the concern of contracting parties not members of the OECD would be a good deal greater. The Executive Secretary had also done well to point out that several problems to which the OEEC had been directing its attention, and which might be taken over by the OECD, were easily capable of treatment by the CONTRACTING PARTIES within the rules of GATT. There was cause for some satisfaction that the Working Party, in its recommendations to the main Conference, had recommended that the trade objective of the OECD should contribute to the attainment of the objectives of other international organizations and should not jeopardize their competence. Further, the conference convened at Ministerial level had decided, in connexion with the trade objective of the OECD, that the aims of the new organization should be to promote policies designed, inter alia, "to contribute to the expansion of world trade on a multilateral non-discriminatory basis in accordance with international obligations". Commenting on the question of expanding the traditional trade between the EEC and EFTA, referred to on page 6 of document L/1280, Mr. Ranganathan said that it was evident that the Committee on Trade Problems, while respecting the rules of GATT, would give first priority to expanding trade between the EEC and the EFTA countries. Moreover, in this situation, the other countries represented on the OECD would have the opportunity of safeguarding their own interests whereas non-member countries would not.

Having pointed out that the countries which would be members of the OECD would account for about 80 per cent of the total trade of the contracting parties, Mr. Ranganathan said it was understandable that countries not members of the OECD should be apprehensive lest certain courses of action, decided upon during deliberations in the OECD, might exert an intolerable pressure on the other contracting parties who were economically and commercially weaker. This was not to say that other contracting parties thought there would necessarily be such a prejudgment or attempt by the member countries of OECD to impose their point of view on other contracting parties, for the climate on the whole was one of general liberalization, except in the case of certain quantitative restrictions which were being maintained without adequate justification. In the view of the Indian delegation, the functions given to the Committee on Trade Problems should be limited and should possibly be residual and temporary successor functions derived from the OEEC. Continuing, Mr. Ranganathan said his delegation welcomed the idea of close co-operation between the OECD and the GATT. In conclusion he said that he hoped that, before the functions of the OECD in the trade field were finally defined, it would be possible, not only for the Executive Secretary, but also for the important, influential contracting parties who were prospective members of the new organization, to persuade the OECD to take into account the views and apprehensions expressed by other contracting parties.

Mr. CASTLE (New Zealand) said that the GATT was the organization in which trade problems should be discussed. AS at the sixteenth session, his delegation continued to doubt the necessity generally for the creation of a new economic organization in Europe and, in particular, they were concerned about the functions that might be given to the organization in the trade field. There were, for example, the proposals for confrontation among the members of the organization which would aim at reducing any damaging effects the trade policies of individual members might have on the trade of other members. There would surely be a tendency, if a member country's general economic and balance-of-payments position required the maintenance of import restrictions, for the burden of these to fall on outside countries. Continuing, Mr. Castle said that, if the new organization did come into being, the closest co-operation with the GATT was very important. It would be desirable for the Executive Secretary, or his representative, to be present when decisions were made so that all contracting parties could be kept informed. Secondly, it was the view of his delegation that outside countries should be given the opportunity of expressing their views to the OECD whenever matters of direct interest to them were being discussed. AS the OECD was still in the process of developing, this item should remain on the agenda of the CONTRACTING PARTIES.

Mr. PHILLIPS (Australia) said that Australia had no objection to the concept of consultation between countries, either on a bilateral, regional or some other basis. A great deal of progress had been made in trade matters through the use of consultative machinery. Moreover, it was understandable that countries in Europe had become accustomed to working together in a regional body over the past decade. Continuing, Mr. Phillips said it might therefore be asked why his delegation had expressed concern about the proposed trade activities of OECD. In the first place they considered that, in the light of changed trading conditions, and particularly in view of the external convertibility of currencies and the decreased justification for quantitative restrictions on balance-of-payment grounds, the time had come to concentrate on making the GATT fully effective. The proposal to set up new machinery within the OECD, if it were to have any real function in the trade field, would have implications wider than the possibility of duplicating the work and functions of the GATT. Mr. Phillips referred to the Ministerial Resolution on Trade adopted in July which, he said, clearly envisaged two functions, namely confrontation and the examination of trade problems, which could vitally affect non-members. As his delegation understood the position it was intended that all member countries would be confronted on their trade policies and practices. There was, therefore, the prospect that in practice things would be discussed, and perhaps even decided, which could impinge upon the obligations that the prospective members of OECD had towards other members of the GATT. In the case of the examination of specific trade problems likewise it was very doubtful whether, in the circumstances surrounding world trade at the present time, there were very many such problems which were confined to the interests of the member countries of OECD,

especially in view of the fact that those countries accounted for such a preponderant proportion of world trade. In connexion with the current examination by the Preparatory Committee of what "acts" of the OEEC should be carried forward into the OECD, Mr. Phillips said it was the view of his delegation that it would be better for countries to rely upon the negotiated provisions of the GATT in the trade field and to operate fully under them.

In conclusion, Mr. Phillips said that the argument sometimes advanced that the member countries of OECD would not act in a manner inconsistent with the GATT, begged the question. As was known from over ten years' experience of the operation of the GATT, the major issues were not always those involving inconsistency with the GATT but those which arose out of the different policies pursued by individual contracting parties. If the member countries of the OECD were to co-ordinate their trade policies within that organization, and presumably this was the implication of trade confrontation, it would mean that these countries would in effect be having a private GATT session. There would inevitably, so it seemed to his delegation, be a danger, no matter how well intentioned these countries were, of acting as a steering group for the GATT. This kind of system was not, in the view of his delegation, in the long-term interests of multilateral trade, especially at a time when trade problems had such world-wide implications.

Mr. SATO (Japan) said that, like other delegations, his delegation had expressed its concern at the sixteenth session about the prospect of a very powerful economic group, namely the OECD, being established outside the GATT. Despite the assurances given by the prospective members of the OECD and the participation of the Executive Secretary in the Paris meetings, his delegation's anxieties were not completely allayed. Before the final steps were taken to constitute the OECD, his delegation wished to reiterate their firm view that all trade matters should be dealt with first and foremost by the GATT. He hoped that every possible step would be taken to ensure that account was taken of the views which had been expressed by contracting parties before the OECD took final form. In conclusion, Mr. Sato said it was the view of his delegation that this item should appear on the agenda for the next meeting of the Council.

Mr. RYSKA (Czechoslovakia) said that, in the view of his delegation, closed economic groupings were likely to have harmful consequences in the trade field. The future shape of OECD and GATT would depend primarily on the scope and nature of their respective activities. It seemed to his delegation that there could be two possible alternative results, both of them regrettable. First, the powerful OECD group could lead to a weakening of GATT. Secondly, the conflict of interests within GATT might become accentuated. In any case it was the weaker Members of GATT which were likely to suffer as a result of this development; this was particularly unfortunate when newly independent countries were looking to the GATT to make a positive contribution to their economic development. There was a tendency to think of a new approach to the needs of individual countries on the basis of equality, non-discrimination

and mutual advantage, although this concept did not appear so far to have been received with understanding by the creators of the OECD. Nevertheless, wide economic co-operation was sooner or later inevitable, and it was most desirable that GATT should adopt a positive attitude towards the problems involved.

Mr. TOWNLEY (Rhodesia and Nyasaland) said that, both at the sixteenth session and at the meeting of the Council in September, his delegation had expressed concern in connexion with the proposed OECD. He simply wished to restate this concern which, as was evident from earlier statements made in the discussion, continued to be shared by other contracting parties.

Mr. TNANI (Tunisia) said that, to the extent that the competence of the OECD was limited to economic co-operation among its members and to the co-ordination of the aid given by the members to less-developed countries, there would not appear to be any objections to the new organization from GATT's point of view. However, this situation was changed by the intention to give the OECD a certain competence in the trade field. Commenting on the proposal to abandon the Code of Liberalization, Mr. Tnani referred to the liberalization measures which OEEC members had accorded to one another without likewise extending the benefits of these measures to other contracting parties to the GATT. Tunisia had suffered in some cases from this discrimination, which was contrary to the obligations of the countries concerned under the GATT. It would be satisfactory if the prospective member countries of the OECD could give contracting parties some assurances on this aspect for the future. Secondly, his delegation doubted whether it was opportune for the OECD to have competence in the trade field. The potential member countries were predominant in world trade and the result might be a weakening of GATT just at a time when requests for accession to GATT were increasing; this could only work to the disadvantage both of the member countries of OECD and of third countries.

Mr. VALLADAO (Brazil) said that this question was of great importance both to present and future contracting parties to GATT. Over recent years economic trends had been developing which, unless properly controlled and orientated, could have damaging effects on the interests of contracting parties and on the objectives of GATT. His delegation had drawn attention to this possibility when the Rome Treaty was first under discussion by the CONTRACTING PARTIES. At that time, while wishing the Member States of the EEC every success in their undertaking, his delegation had deemed it necessary to point to the possible adverse effects this powerful association of States could have on the interests of the less strong GATT Members, who looked to the GATT as a medium for the protection of their interests and the promotion of their economic development. Nevertheless, he did not wish to be pessimistic. He felt sure that the potential member countries of the OECD, in their future deliberations, would bear in mind the points of view which had been expressed on this subject by contracting parties. In conclusion, Mr. Valladao said it was essential that the CONTRACTING PARTIES should keep in close touch with developments in Paris so that, as the representative of Chile had said, the implications and significance of these developments could be more clearly understood.

Mr. HARTOCH (Netherlands) said that he wished, on behalf of the Member States of the EEC, to make certain observations. First, he could assure contracting parties that the concerns they had expressed at the sixteenth session had been given the weight they deserved during the negotiations in Paris. Secondly, it could surely not be said that the objective of the OECD in the trade field "to contribute to the expansion of world trade on a multilateral, non-discriminatory basis in accordance with international obligations", was one which should give rise to anxiety. As long as obligations accepted under the GATT were respected, and there should be no doubt on this score insofar as the prospective member countries of OECD were concerned, regional groupings could effectively help to promote the basic GATT principles. The decision to dispense with the Code of Liberalization surely indicated the preference of the countries concerned for rules of universal application. The confrontation of the commercial policies and practices of member countries of the OECD would also, in fact, contribute to a strict observance of international obligations. The new organization, moreover, would contribute both to the economic development of the western world and, through the co-ordination of the aid the member countries accorded to the less-developed countries, to the increasing economic advancement of these countries.

Mr. RIZA (Pakistan) said it was apparent that the OECD would become a fait accompli. From the point of view of those contracting parties which would not be members, it was most important that there should be the closest collaboration between the new organization and the GATT. At the moment this was being done through the Executive Secretary, but it seemed to his delegation that it would be necessary, at some stage, to set up a combined Committee of the two organizations to ensure close liaison and collaboration in the interests of all the countries concerned and particularly of those GATT Members which were less-developed countries. Pakistan, like other contracting parties, was anxious to develop its trade with Europe, the United States and Canada; GATT was the only forum where there could take place frank and fruitful discussions between countries with greatly divergent levels of economic development and from very different geographical regions. It was, therefore, of great importance that GATT should continue to be the forum where international trade problems were dealt with. A further point was the need to strengthen the GATT organization and to make it even more effective, so as to reinforce the position of the CONTRACTING PARTIES in face of the other organizations which were coming into existence and which were dealing with trade problems.

Mr. KRUNIC (Yugoslavia) said that, because of the importance of its trade relations with the prospective member countries of OECD and in view of the fact that Yugoslavia had observer status in the OEEC, the question under discussion was of particular interest to his delegation. It was important that the form and direction of the new organization's work should both contribute to the expansion of world trade and offer scope for a wide collaboration with other countries. The concerns of the less-developed countries were fully understandable and, if these concerns proved in the event to have been justified, undesirable consequences would result for international trade. His delegation hoped, therefore, that the countries which would make up the OECD would take full account of the views that had been expressed by contracting parties and that they would make continuing and practical efforts to remove the concern felt by these countries.

Mr. ADAIR (United States) said that his delegation had taken very careful note of the statements which had been made on this item and contracting parties could be assured that the views that had been expressed would be given very careful consideration. Since the sixteenth session, considerable progress had been made in the negotiations to reconstitute the OEEC as the OECD and, although the Preparatory Committee had not yet completed its report, the policies and general structure agreed by Ministers in July 1960 should, in the view of his delegation, have allayed many of the anxieties expressed by some of the contracting parties at the sixteenth session that the work of the GATT would be weakened or duplicated. At their July meeting, the Ministers agreed that the introduction to the Convention should state clearly that the members of OECD were determined to pursue their purposes in a manner which was consistent with their obligations in other international organizations or institutions in which they participated or under agreements to which they were parties. Secondly, the Ministers agreed that one of the three aims of the organization would be to contribute to the expansion of world trade on a multilateral, non-discriminatory basis in accordance with international obligations. Thirdly, the Ministers agreed to establish a trade committee which would have as an essential feature confrontations on general trade policies and practices similar to those on economic policy directed towards stability and growth. Fourthly, it was agreed to discontinue the Code of Liberalization. Mr. Adair went on to say that, since the OECD had first been under consideration in January 1960, three of the four OEEC members which were not contracting parties had this year applied for accession to GATT; this was further evidence of recognition of the primary importance of GATT in the trade field. It seemed to him that the trade functions of the OECD should be considered as providing another instrument for obtaining the common overall objective which all contracting parties were striving to achieve. In reaching this common objective, there should be close co-operation between the two organizations; in this connexion the need for close liaison with the GATT and for the Executive Secretary or his representative to attend meetings of the trade committee had already been stressed. It was the belief of the United States Government that these policies and intentions when put into practice would make possible a fruitful co-operation with the GATT which would be mutually beneficial to both organizations. Further details could not be discussed at the moment as the Preparatory Committee which was in the process of revising the report of the Sub-Committee on Trade had not yet completed its report.

In conclusion, Mr. Adair said he wished to state again, as he had done at the sixteenth session, that it was established United States policy to support at all times the primacy of GATT in the trade field, that the United States wished to place more rather than less emphasis on the GATT and that the United States was continuing to study means to strengthen the GATT. His Government was also looking forward to future membership in the OECD as a means of strengthening international economic co-operation in the broad field of national economic policy, and in increasing and improving the flow of development assistance to the less-developed countries as the major industrialized countries of the free world faced the new responsibilities and the new challenges confronting them.

Mr. DARAMOLA (Nigeria) said his Government would regret the emergence of any regional organization which might have the effect of weakening GATT. Expressing the hope that the member countries of OECD would take into account the concerns expressed by contracting parties, Mr. Daramola said that his delegation supported the proposal that this item should be included on the agenda for the next meeting of the Council.

Mr. DE BESCHE (Sweden) said that his delegation were surprised that the information in the documents before contracting parties, and the statements now made by the representatives of the United States and of the Netherlands, had not done more to allay the concern felt by some contracting parties. As his delegation had said at the sixteenth session, the prospective member countries of OECD were fully aware of their obligations towards third countries. The new organization should be considered as complementary to the GATT and would give the effectiveness of GATT further impetus. One of the functions of the OECD would be to achieve the highest sustainable economic growth in the member countries; this could only be to the advantage of the trade of countries in the process of development. In conclusion, Mr. de Bosche stressed the great importance which Sweden attached to GATT and supported the idea of very close liaison between GATT and the OECD.

Sir EDGAR COHEN (United Kingdom) said that, like the representative of Sweden, he was surprised that the concerns and apprehensions expressed by some contracting parties at the sixteenth session had not been allayed as a result of the report submitted by the Executive Secretary in document L/1280. The countries participating in the Paris discussions had been more than conscious of their GATT obligations and this pre-occupation was fully reflected in the proposals which had come out of the discussions. He was certain that the sort of difficulties and dangers to which some contracting parties had referred would not materialize. In this connexion Sir Edgar Cohen drew attention to the considerations which would apply in the confrontation of trade policies and policies of OECD member countries (L/1280, page 5, sub-paragraph (a)); this, surely, should remove any fear that these countries intended to promote trade among themselves at the expense of third countries. Moreover, as was stated on page 4 of document L/1280, an overriding objective of the OECD would be "to contribute to the expansion of world trade on a multilateral non-discriminatory basis in accordance with international obligations". Commenting on the reference by the representative of India to the question of expanding trade between the EEC and EFTA, Sir Edgar Cohen pointed out that paragraph 5 on page 8 of document L/1280 was the relevant paragraph insofar as the Committee on Trade Problems was concerned; the comments on this question on page 6 of that document related to a Declaration of Intention by the EEC Council.

Sir Edgar Cohen went on to say that, bearing in mind the success of the co-operative efforts of the OEEC countries since 1948, it was natural that these countries should wish to continue these efforts and so contribute to the expansion of international trade. It was illogical to fear that these countries, which had always supported the objective of liberal trading should suddenly form a group which would undermine the GATT and come to GATT meetings with pre-determined lines of action. Sir Edgar Cohen said he was confident that the new organization would make a positive and constructive contribution to the aims and objectives which everyone, both in the OECD and in the GATT, was trying to further.

Mr. WARREN (Canada) having said that the views which had been expressed by contracting parties would be carefully considered by the Canadian Government, expressed the hope that contracting parties, for their part, would likewise carefully consider what had been said by representatives of the prospective member countries of OECD. Mr. Warren said that Canada, whose support for the GATT was well known, considered that both the OECD and the GATT had an important role to play. His delegation supported the idea of close and effective liaison between the two organizations.

The CHAIRMAN, at the close of the discussion, proposed:

- (a) that the Executive Secretary should communicate the record of the discussion on this item to the Secretary-General of the OEEC, with the request that it be brought to the attention of the forthcoming Ministerial meeting in Paris;
- (b) that contracting parties should bring to the attention of their governments the views expressed during the discussion;
- (c) that the Executive Secretary or his representative should continue to participate in the relevant Paris meetings and that he should submit a report to the next session of the Council;
- (d) that this item be included on the agenda for the next session of the Council and of the CONTRACTING PARTIES.

This was agreed.

4. European Economic Community

The CHAIRMAN recalled that this item had been included on the agenda at the request of the Member States of the Community so as to enable them to give information on developments since the sixteenth session.

Mr. HIJZEN (Commission of the EEC) made a statement outlining recent developments in the policies and activities of the Community. The full text of Mr. Hijzen's statement has been distributed in document L/1372/Rev.1.

The Chairman, at the conclusion of Mr. Hijzen's statement, said that the discussion on this item would be resumed at a later meeting.

The meeting adjourned at 6.15 p.m.