

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

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Seventeenth Session

Page 160/161.

SUMMARY RECORD OF THE ELEVENTH MEETING

Held at the Palais des Nations, Geneva,
on Saturday, 19 November, at 9.30 a.m.

Chairman: Mr. BARROSA DA SILVA (Brazil)

	<u>Page</u>
<u>Subjects discussed:</u>	
1. Programme of meetings for 1961	160/161
2. Rhodesia and Nyasaland tariff	160/161
3. Brazilian tariff negotiations	162
4. German import restrictions	162
5. Article XXIV:5(a) - examination of EEC common tariff	165
6. Belgian import restrictions	166
7. Subsidies - action under Article XVI:4	166
8. Peruvian import charges	170
9. Avoidance of market disruption	170
10. Turkish tariff reform	177
11. European Economic Community	178

1. Programme of meetings for 1961 (W.17/39)

In the light of the discussion at an earlier meeting (SR.17/9), it was agreed that there should be two sessions of the CONTRACTING PARTIES in 1961. Consequential changes in regard to meetings of the Council, together with certain other changes which had been suggested, were made to the programme contained in document W.17/39.¹

2. Rhodesia and Nyasaland tariff (W.17/42, W.17/43)

The CHAIRMAN referred to the discussion on this item which had taken place at the previous meeting (SR.17/10).

The CONTRACTING PARTIES, acting under Article XXV:5, adopted the draft decisions in documents W.17/42 and W.17/43 by thirty-two votes in favour and none against.

¹The agreed programme of meetings for 1961 has been distributed in document L/1386.

3. Brazilian tariff negotiations (W.17/32 and Corr.1)

The CHAIRMAN recalled that, at the meeting of the Council in September, the steps taken by the Government of Brazil to bring into effect the results of the negotiations for a new Brazilian Schedule were considered. As recorded in the minutes of the Council meeting (C/M/1), it was agreed to recommend "that the concessions which had not been applied should be regarded as having been withdrawn from the new Schedule III, pursuant to paragraph 1 of Article XXVIII, and that renegotiations under Article XXVIII should proceed as rapidly as possible". The Council requested the Executive Secretary to prepare a draft decision giving effect to this recommendation for consideration at the present session. The draft decision had been distributed in document W.17/32.

Mr. BOUGAS (Brazil) pointed out that the negotiated concessions which it had not been possible for Brazil to put into force represented only 10 per cent of the trade covered by all the items which had been negotiated. He said that his Government had taken the initiative in proposing further negotiations in order to find a satisfactory way of restoring the balance. Since 17 October a Brazilian delegation had been in Geneva for this purpose, and preliminary discussions had begun; it should be possible to complete the negotiations by 31 December 1960. In conclusion, Mr. Bougas said that his delegation were prepared to accept the draft decision in document W.17/32.

Mr. ADAIR (United States) said that his delegation fully supported the draft decision in document W.17/32.

The CONTRACTING PARTIES, acting under Article XXV:5, adopted the draft decision by thirty-four votes in favour and none against.

4. German import restrictions (L/1380)

The CHAIRMAN recalled that, at an earlier meeting (SR.17/3), the CONTRACTING PARTIES had appointed a Working Party to conduct the consultation with the Federal Republic of Germany under paragraph 3 of the Decision of 13 May 1959. He said that Mr. Weitnauer (Switzerland), Chairman of the Working Party, had unfortunately been unable to attend the present meeting and had asked him to present the Working Party's report in document L/1380.

Mr. KLEIN (Federal Republic of Germany) said that his Government would give serious consideration to the Working Party's report and to the views expressed by contracting parties, and would continue to keep under permanent review the restrictions still maintained with the aim of further liberalizing products subject to quotas whenever this was possible. Having referred to the stability of the German internal market and to the constant increase in imports, Mr. Klein made some comments on his Government's commercial policy. He referred to the great economic and legal difficulties in the agricultural sector; some of these difficulties dated back to the system which existed when the Federal Republic came into being. While this system had been relaxed to a very great extent, Mr. Klein said, developments in the agricultural sector in the Federal Republic were influenced by the fact that agricultural problems were general in the world and were inter-related. The Haberler Report and the studies undertaken so far

in Committee II gave a detailed analysis of this situation. With very rare exceptions there was no country where agriculture was completely subject to the forces of the international market, while it could be said that the rules of GATT in this field were almost ineffective and were not applied in the greater part of the world. While existing agricultural régimes might differ in their legal and technical implementation, they were all motivated by the same basic considerations. Having described some of the reasons underlying agricultural policies generally in the world, Mr. Klein said that the present policy of the Federal Republic did ensure interested third countries as a whole a fair and considerable share in the German market, although, it was true, this share might fluctuate somewhat from year to year, depending on the results of the harvest of individual products. There was, however, a clear tendency towards an increased share of the market and it could not be assumed that this share would be larger if imports were completely free from controls. Mr. Klein went on to stress that this general problem should be regarded realistically and not on purely theoretical grounds. His Government certainly did not question the principles and rules of GATT, which constituted the basis on which trade in the free world was conducted, but it did consider that some adjustment in the rules of GATT to take account of the special situation in the agricultural field and the development of new and pragmatic ways of applying these rules were necessary. Committee II had only started its analysis of these problems and was ready to draw the first conclusions. In the view of his delegation, Committee II should remain a permanent GATT body for many years. Within the framework of general solutions, the Committee would certainly be able to propose measures benefiting exports of agricultural products from the less-developed countries.

Continuing, Mr. Klein pointed out that the Federal Republic's economy was being progressively integrated into the common market of the EEC; a common agricultural policy for the whole area of the Community was being developed through the combined efforts of the six EEC countries. When considering the future opportunities in the market of the Federal Republic, which was the largest market for agricultural products within the EEC, contracting parties should not overlook considerations which gave cause for optimism and confidence. The Federal Republic depended to a very large extent on its exports; these obliged it to import as much as possible. The Federal Government was continuously making efforts to keep imports in a sound relation to exports and, at the same time, it wished to maintain its traditional trade both as regards exports and imports. The Federal Government would do its utmost to continue this policy which, Mr. Klein added, the provisions of the Rome Treaty permitted it to pursue.

Mr. PHILLIPS (Australia) said that he had mentioned at an earlier meeting (SR.17/3) the current bilateral discussions between Australia and the Federal Republic concerning the question of access for Australian products to the German market in terms of paragraph 2 of the Decision of 13 May 1959. These discussions had not progressed sufficiently to enable Australia to judge whether access for the year 1960-61 would be reasonable. He would, therefore, like to restate that Australia reserved the right, as recorded in paragraph 22 of the Working Party's report, to raise this matter in the Council after its discussions with the Federal Republic were completed, should this appear to be desirable.

Mr. SWAMINATHAN (India) expressed the strong view of his delegation that there should be a firm date for the liberalization of the industrial items in Section D of Annex A of the Decision; this would be advantageous both for the Federal Government and for the GATT. In reference to his comments at an earlier meeting (SR.17/3) to the serious imbalance in trade between India and the Federal Republic, Mr. Swaminathan said that any steps taken by the Federal Republic to liberalize imports from countries like India would greatly contribute to their ability to finance the large purchases which they were making, not only from the Federal Republic, but from other countries as well.

Mr. LACARTE (Uruguay) said that, as he had explained at an earlier meeting (SR.17/3), his Government was also having bilateral discussions with the Government of the Federal Republic. His delegation had made the same reservation as the one to which the representative of Australia had just referred. He would hope however that, in the light of the encouraging statement just made by the representative of the Federal Republic, satisfactory progress would be made in the discussions between Uruguay and the Federal Republic.

Mr. WARREN (Canada) said that his delegation welcomed the assurance given by the representative of the Federal Republic that his Government would constantly try to improve conditions for access to its market and examine the possibility of the further relaxation and elimination of restrictions. Continuing, Mr. Warren said that his delegation could not accept the contention that the general difficulties in the agricultural sector constituted, as it were, a justification for not bringing trade in agricultural products more into line with the GATT provisions. Further, the fact that the issues had been joined in Committee II should not be taken as an excuse, either in the context of existing policies or in the context of policies which might be developed within a regional framework, for not making progress in a liberal direction.

Mr. CASTLE (New Zealand), in connexion with the observations made by the representative of India, said that New Zealand would like to see a firm date for liberalization in the agricultural as well as in the industrial sector. The view expressed by the representative of the Federal Republic that Committee II should be placed on a permanent footing was an interesting one, but his delegation, like the delegation of Canada, would stress that the work being done by Committee II should not be used as an excuse for the maintenance of restrictions on agricultural products.

Mr. ADAIR (United States) said that, while noting with satisfaction the liberalization measures taken by the Federal Republic during the past year, his delegation continued to be disappointed at the Federal Republic's failure to make progress in connexion with the liberalization of agricultural products. In welcoming the assurance of the representative of the Federal Republic that his Government would keep the situation under constant review, Mr. Adair said his delegation would strongly urge the Federal Republic to take speedy action to alleviate the difficulties which confronted exporters of agricultural products in the German market.

Mr. RIZA (Pakistan) supported the proposal that a firm date should be established for the removal of all German import restrictions; this date should be in the near future.

The report in document L/1360 was approved.

3. Article XXIV:5(a) - examination of EEC common tariff (L/1377)

The CHAIRMAN recalled that the discussion on this item had been begun at the previous meeting (SR.17/10). He went on to point out that the discussion on item 2 of the agenda for the present session, namely, the programme for expansion of trade, had afforded contracting parties an opportunity to address themselves to all three elements of the programme, including the tariff negotiations. It had been agreed, however, that one particular question, namely the procedures for the examination of the common external tariff of the EEC, should be discussed at a later stage and, in this connexion, suggestions of a purely procedural character had now been put forward in document L/1377. The present discussion, therefore, should be limited to the question of how the examination of the common tariff under Article XXIV:5(a) should be handled. As far as the question of the timing of the Tariff Conference was concerned, a subject to which reference was made during the previous meeting (SR.17/10), it should be borne in mind that the Tariff Negotiations Committee was the competent body; the Committee was scheduled to meet in two days' time to discuss its programme of future work. The present item, the Chairman pointed out, was concerned only with the examination of the common tariff pursuant to Article XXIV:5(a). This was not linked with the tariff negotiations and the suggestion that the examination should be carried out by the Tariff Negotiations Committee was merely one of convenience. If contracting parties wished to discuss the tariff negotiations he would suggest that discussion on item 2 of the agenda be reopened.

Mr. HIJZEN (Commission of the EEC) said that the Commission supported the proposal contained in document L/1377, whereby the examination of the common tariff of the EEC under Article XXIV:5(a) would be entrusted to the Tariff Negotiations Committee. As regards the date for the examination, Mr. Hijzen continued, the Tariff Negotiations Committee should take due account of the views expressed by Committee I, to which reference was made in paragraph 1 of document L/1377.

Mr. DARAMOLA (Nigeria) said he accepted the Chairman's ruling, but would emphasize the point he had made during his previous statement (SR.17/10), namely, that the examination of the EEC common tariff should be undertaken as soon as possible. His delegation still felt, however, that this examination need not be deferred until the completion of the Article XXIV:6 negotiations. In conclusion, Mr. Daramola said his delegation would still like an assurance that the Article XXIV:6 negotiations would be completed before the Dillon negotiations began.

The EXECUTIVE SECRETARY, speaking as Chairman of the Tariff Negotiations Committee, said, in reply to the point raised by the representative of Nigeria, that his understanding was that the Tariff Negotiations Committee was at present proceeding under the assumption that the 1961 negotiations for new concessions would take place after the conclusion of the negotiations under Article XXIV:6. He had heard of nothing which would upset this assumption. It was his intention to convene a meeting of the Committee in two days' time to examine the question of the progress of the negotiations and the time-table.

The proposals by the Chairman in document L/1377 were agreed.

6. Belgian import restrictions (L/1383)

The CHAIRMAN recalled that the Working Party on Agricultural Waivers had been instructed to examine the fifth annual report (L/1340) submitted by the Government of Belgium.

Mr. SWARD (Sweden), Chairman of the Working Party, said that, while appreciating the liberalization measures which the Belgian Government had introduced earlier in 1960, members of the Working Party nevertheless felt that the progress made had been neither as rapid nor as extensive as had been hoped for, and that the number of items still subject to restrictions was large. In this connexion, serious concern was also expressed in regard to the variable import levies which the Belgian Government had imposed on certain liberalized products; these levies, the Working Party feared, could have the effect of nullifying or impairing the benefits of the liberalization which had taken place. The Belgian representative was not prepared to enter into discussion on the question of the variable import levies; this question, in the view of his delegation, fell outside the terms of reference of the Working Party, while the question of agricultural protection was, in any case, already under discussion in Committee II. The Working Party expressed the hope that the Belgian Government would provide an early opportunity for an examination of this question in the light of trade figures as they became available. Mr. Sward went on to describe other questions which had been discussed by the Working Party, and which were referred to in the Working Party's report, including the question of seasonally liberalized imports, fishery products, dairy and livestock products, foal and foal meat, and potatoes.

In conclusion, Mr. Sward said that the Working Party had noted with disappointment that, although the waiver was due to expire at the end of 1962, the Belgian Government had so far not found it possible to submit a detailed programme of import liberalization; general concern had been expressed about this in the Working Party.

Mr. DE SMET (Belgium) assured the CONTRACTING PARTIES that the report of the Working Party would be carefully considered by the Belgian authorities. He emphasized that his Government was conscious of the need to achieve its aim of stabilizing domestic agricultural incomes without prejudicing the interests of third countries. It would continue to liberalize imports as quickly as possible with the aim of removing all restrictions by the time the waiver expired.

The report in document L/1383 was approved.

7. Subsidies - action under Article XVI:4 (L/1381)

The CHAIRMAN said that the Working Party on Subsidies, which had been requested to consider the steps which should be taken by the CONTRACTING PARTIES to implement the provisions of Article XVI:4, had submitted its report, with draft declarations annexed, in document L/1381.

Mr. HARTOGH (Netherlands), Chairman of the Working Party, said that the Working Party was of the view that more effective action under paragraph 4 of Article XVI should be taken by the CONTRACTING PARTIES. Recognizing the possibility that not all contracting parties would be in a position to put paragraph 4 of Article XVI into effect, the Working Party considered that a declaration, drafted on the basis of an earlier proposal by the French Government (L/1260), would be the best possible way of enabling a number of industrial countries in Europe and North America to accept the paragraph. In reference to the countries which were unable, for various reasons, to accept for the time being a declaration giving effect to paragraph 4 of Article XVI, Mr. Hartogh said that some of these countries had indicated their preference for a declaration which would extend the standstill provisions of the paragraph in such a way that the standstill would apply only to those subsidies actually applied on the date of the new declaration; most of these countries indicated their readiness to examine the possibility of taking early action with a view to also becoming parties to the declaration giving effect to the provisions of paragraph 4. Other members of the Working Party, however, stressing the voluntary character of both declarations, indicated that at the present time it was not possible for their governments to prohibit subsidies or to accept a standstill.

Mr. Hartogh said the Working Party considered that both a draft declaration giving effect to paragraph 4 of Article XVI, and a draft declaration extending the standstill provisions, should be submitted for consideration by the CONTRACTING PARTIES. These draft declarations were contained in Annexes A and B of the Working Party's report.

Mr. HAGUIWARA (Japan) said that the Working Party's report again demonstrated that the CONTRACTING PARTIES were able to deal successfully with important and difficult problems in international trade. He was confident that his Government would be able to accept the declaration in Annex B of the Working Party's report and that it would be prepared to examine the possibility of taking early action with a view to becoming a party to the declaration in Annex A of the report.

Mr. ADAIR (United States) said that if the CONTRACTING PARTIES approved the Working Party's report, and if the so-called key countries all signed the declaration in Annex A of the report, the first worldwide step would have been taken towards a complete and final renunciation by major trading countries of the use of export subsidies having the effect defined in Article XVI:4. For its part, the United States intended to proceed promptly to obtain the necessary authority to sign the declaration in Annex A, subject to the United States normal interpretation regarding the scope of subsidies on primary products. His delegation not only expected the other key countries to sign promptly, but hoped that additional countries would also see their way clear to do so. They would welcome statements from contracting parties to this effect and hoped that countries unable to accept Annex A would accept the new standstill in Annex B. In the long run, obligations which were widely reciprocal would prove more stable and beneficial.

Mr. SKAK-NIELSEN (Denmark) said the fact that, as his delegation had stated in the Working Party discussions, Denmark supported the draft declarations in Annexes A and B of the Working Party's report, should not be taken as meaning

that Denmark was satisfied with the present situation. In particular, as the Danish representative had said at an earlier meeting, Denmark could not consider the situation satisfactory as long as there was the existing imbalance between the rules governing primary commodities and those governing manufactured goods.

Mr. TREU (Austria) said his delegation were convinced that general acceptance of the declarations in Annexes A and B of the Working Party's report would represent a further step forward toward a freer world economy. It was true that acceptance of the Working Party's report would, in the matter of subsidies, create three groups of contracting parties with different obligations and that this would run counter to the GATT concept of reciprocal rights and obligations. His delegation, however, recognized that this reciprocity of obligations was not yet attainable, given the present stage of evolution of the world economy and the differing level of economic development among countries. Nevertheless, for a country like Austria, which had reached a relatively high level of economic development and was yet not a rich country, this state of affairs could have serious consequences; it was, therefore, obliged to be very cautious. While it seemed that the declaration in Annex B of the Working Party's report more closely corresponded to the present stage of Austria's economic development, his delegation had been able to inform the Working Party that Austria was willing to be included among the key countries which would sign Annex A, if the other signatories would accept a reservation on the part of Austria to take into account certain features of Austrian legislation. The text of this reservation would be distributed to contracting parties later; it would be transitory and limited in scope and would enable Austria to sign the declaration in Annex A.

Mr. Treu went on to say that his delegation hoped that countries outside Europe with a sufficient level of economic development would sign the declaration in Annex A at once, and that other countries outside Europe would do so as soon as their economic development permitted. Meanwhile, the imbalance in obligations between the three groups of contracting parties would continue; this, in the view of the Austrian delegation, made a solution within the framework of GATT to the problem of dumping increasingly urgent.

Mr. MATHUR (India), in reference to the concerns of countries like India which did not feel able to sign either declaration, said that his Government had always considered that if certain countries wished to enter into an arrangement whereby certain practices, such as subsidies, were excluded from their export trade, they should have full freedom to do so. Further, whether a country did or did not sign one of the declarations, it was under an obligation to avoid acting in a manner which frustrated the GATT objectives. Therefore his delegation had been anxious to ensure that an undertaking between a group of contracting parties to regard certain practices as subsidies in the context of their export trade should not acquire the force of an interpretation by the CONTRACTING PARTIES of the term "subsidies". In conclusion, Mr. Mathur pointed out that, while India might not at the present time be in a position to sign either declaration, it was also not in a position to institute or maintain most of the practices which the signatories of the declaration in Annex A intended to exclude from their export trade.

Mr. PARBONI (Italy) said that his Government still considered, as it did at the Review Session, that the GATT rules relating to export subsidies were unbalanced. Nevertheless, although his delegation had not received final instructions, he thought the Italian Government would sign the declaration in Annex A of the Working Party's report. Mr. Parboni said that it would be the hope and wish of his Government that the maximum number of contracting parties possible would sign the declaration in Annex A, so as to achieve uniform application of the provisions of Article XVI:4.

Mr. PHILIP (France), having thanked the CONTRACTING PARTIES for the favourable reception given to his Government's proposal, said that he, like the representative of Austria, regretted the creation of three groups of contracting parties in the matter of subsidies, although it was normal and equitable that the concept of reciprocity should be adapted to take account of the capacity of individual countries to accept obligations. He, however, also hoped that this situation would not last long, as it was obvious that a division of contracting parties into three groups, on what amounted to a geographical basis, was undesirable. However, Mr. Philip said, a step forward had been taken and it was the hope of his delegation that the declaration in Annex A would enter into force as soon as possible.

Mr. RIZA (Pakistan) said that, given the differences in levels of economic development, it was inevitable that the contracting parties should be divided into three groups in this matter. While Pakistan would be unable to sign either declaration, this did not necessarily mean that it intended to grant subsidies. In conclusion, Mr. Riza referred to what was stated in the Working Party's report concerning the interpretation of the term "subsidies". His delegation, like others, reserved their position in respect of this interpretation.

Mr. PHILLIPS (Australia) said that the situation in regard to the two declarations posed a problem insofar as Australia was concerned. Australia's concern about export subsidies did not relate to the industrial field and the prohibition now proposed would not assist Australia directly. Nevertheless, the proposal did go some way in attacking the vexed question of export subsidies and, from Australia's point of view, it was therefore a question of whether some progress was better than no progress. The main reason which Australia would have for contemplating the signature of the declaration in Annex A would be that the implementation of the declaration would tend to increase GATT's influence, which was a major objective. His Government would certainly examine the possibility of signing the declaration in Annex A although, at this stage, he was not authorized to commit the Government.

Mr. CASTLE (New Zealand) said that the position of his delegation was similar to that of the Australian delegation. Any action which his Government might take to support the prohibition now proposed would not change New Zealand's fundamental position, namely that the prohibition would only highlight the different treatment accorded to agricultural as compared with industrial products, a distinction which New Zealand would like to see removed. His delegation would certainly hope that the CONTRACTING PARTIES would look upon the two declarations now under discussion as being only a first step toward the ultimate goal of eliminating all export subsidies.

Mr. LACARTE (Uruguay) said the views of his delegation were similar to those put forward by the representatives of Australia and New Zealand.

Mr. DE SMET (Belgium) said that his delegation were pleased that a solution to this question had been found. Belgium was prepared to sign the declaration in Annex A of the Working Party's report at once.

In reply to a question by Mr. HARTOGH (Netherlands), the Executive Secretary confirmed that the text of any reservation attached by the Government of Austria to its signature of the declaration in Annex A would be referred for acceptance to other signatories.

The CONTRACTING PARTIES agreed that the declaration in Annex A of the Working Party's report should be opened for signature.

The CONTRACTING PARTIES agreed that the declaration in Annex B of the Working Party's report should be opened for signature.

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

8. Peruvian import charges (W.17/41)

The CHAIRMAN recalled that it had been agreed at an earlier meeting (SR.17/9) to extend by one year the waiver granted to the Government of Peru under the Decision of 21 November 1958. A draft decision had been distributed in document W.17/41.

The CONTRACTING PARTIES, acting under Article XXV:5, adopted the draft decision by thirty-three votes in favour and none against.

9. Avoidance of market disruption (L/1374)

The CHAIRMAN said that the Working Party on Avoidance of Market Disruption, which was appointed at the sixteenth session, met in September 1960 and during the present session and had submitted a report in document L/1374.

Mr. GRANDY (Canada), Chairman of the Working Party, said that at its September meeting the Working Party reviewed document L/1164 which the secretariat had prepared on the basis of information provided by contracting parties. It analysed the nature of the problems described in that document and also reviewed the preparations the secretariat had made in collaboration with the ILO for the study referred to in Part II of the Working Party's terms of reference. Early in the present session, Mr. Grandy continued, there had been a number of informal meetings to try to determine whether there might now be a basis for agreement on a multilateral solution; this was not found to be feasible at the present time. When the Working Party met, however, it was anxious that the CONTRACTING PARTIES should make some progress at this time and should continue to keep the problem under active review. The Working Party therefore examined proposals put forward by the Executive Secretary which had been distributed in document W.17/19; the main part of these proposals had been reproduced in Annex II of the Working Party's report. It would be noted that the proposals were still put forward as

those of the Executive Secretary rather than of the Working Party itself, which meant that contracting parties which were represented in the Working Party were not necessarily committed to support the proposals during the present meeting of the CONTRACTING PARTIES. This course was followed to enable the representatives concerned to consult their governments if necessary before the present meeting. In conclusion, Mr. Grandy said that he thought that the Working Party generally would wish him to commend the proposals to the CONTRACTING PARTIES.

The EXECUTIVE SECRETARY said that the success or failure of the proposed procedures and method of dealing with this problem would obviously depend to a large extent on the spirit in which contracting parties individually approached the problem. He himself had the feeling that there existed in most of the countries concerned a genuine desire to bring about a more satisfactory situation and to apply constructive solutions to the problem; he felt, therefore, that the foremost consideration in the proposed arrangement was the one contained in paragraph 5(iii) of the Working Party's report.

Mr. DE BESCHE (Sweden) said that, at an early stage in the discussions on this problem, his delegation had proposed a solution based on the principle that the multilateral approach was preferable to a unilateral or bilateral approach; their proposal had aimed to achieve a progressive elimination of the restrictions now in force through an automatically working elimination plan, in which countries invoking Article XXXV against Japan could also take part. As a corollary to the elimination plan there would be escape clause arrangements which would form the framework for mutual consultations. However, Mr. de Besche continued, the proposals which the Executive Secretary had put forward were acceptable to his delegation. They were prepared to give these proposals a trial, although they only represented a modest step forward and his delegation were not convinced that they would result in a gradual, continuous improvement in the situation. In conclusion, Mr. de Besche said that his delegation would like to suggest that a test case should be submitted to the consultation procedures set out in the Executive Secretary's proposals, perhaps taking for this purpose one commodity which was causing, or threatened to cause, market disruption. This would enable the efficacy of the procedures to be tried out.

Mr. RANGANATHAN (India) stressed the great importance to several contracting parties, particularly exporters and potential exporters of cotton manufactures; of the problem under discussion. It had been made clear in the Working Party's report that the main reason for taking cognizance of a situation which had defied a clear and generally acceptable definition, and for dealing with it in the manner proposed, stemmed from political and psychological factors and pressures. Frankly, Mr. Ranganathan continued, his delegation were not happy that this item had come up at all; it continued to be their view that any short-term impact arising out of the kind of situation envisaged could be dealt with under the ordinary provisions of the GATT. Other contracting parties, however, held a different view. After a lot of informal and formal discussions between contracting parties during the best part of three sessions, it had become clear that only a fresh approach would be generally acceptable. His delegation would be willing, although with reluctance, to subscribe to the solution proposed in the Working Party's report subject, of course, to further examination by the Indian Government. It had to be emphasized, however, that the proposals under consideration represented an experimental, tentative and flexible procedure capable of adjustment in the light of experience.

Mr. Ranganathan went on to say that his delegation would particularly emphasize that the mandate given to the proposed Committee on Avoidance of Market Disruption was to seek constructive and not restrictive solutions. The aim throughout would have to be the orderly expansion of international trade through the provision of improved trading opportunities. It would not be fruitful, at the present stage, to try to anticipate the form or content of any multilateral solution which might emerge in any particular case. While not attempting to suggest criteria to guide the Committee or the CONTRACTING PARTIES his delegation would, however, draw attention to the fact that, in finding solutions either to the short-term or the long-term problem, a clear distinction should be drawn between normal competition and what might be called "real" market disruption. His delegation had in another connexion spoken of the appeal of the President of the Renault Company to the American automobile industry (SR.17/7, page 77); there was need to be very careful not to create precedents which would generate and accentuate political and psychological pressures in other sectors and in other fields. In conclusion, Mr. Ranganathan said that his delegation would urge that the study referred to in Annex III of the Working Party's report should proceed with as much speed as possible.

Mr. ADAIR (United States) said that his delegation supported the adoption of the report in document L/1374 and the recommendations on the programme of study annexed to the report. Mr. Adair went on to say that the discussion on item 30 of the CONTRACTING PARTIES' agenda, namely the application of Article XXV to Japan, had highlighted the problem under consideration; during that discussion the representative of Australia had indicated that the development of adequate safeguards against market disruption could in fact be accompanied by an increase in trade. On the other hand, the failure to develop such safeguards and the absence of co-ordinated efforts to dissipate unjustified apprehensions might be followed by the continuance or even the intensification of trade restrictions. Finally, the maintenance of restrictions by some contracting parties exposed others to strong pressure to do likewise. The Working Party had recognized the existence of the problem and had submitted the outline of the study programme which would enable the secretariats of the GATT and the ILO to study the social and commercial factors underlying this problem; his delegation would urge that this important study be carried forward with all reasonable speed.

In conclusion, Mr. Adair said that the recommendations of the Executive Secretary, which called for voluntary consultations and procedures facilitated and assisted by the proposed Committee on Avoidance of Market Disruption provided, in the view of his delegation, a practical way for the CONTRACTING PARTIES to assist in the solution of the problems in this field.

Mr. TREU (Austria) said that he was in agreement with most of the statement made by the representative of Sweden. His delegation supported the adoption of the Working Party's report and the three annexes attached to it.

Mr. GARCIA OLDINI (Chile), having referred to the difficulty of defining or interpreting the type of situation under consideration and of seeing clearly how the proposals now put forward would be applied, said that his delegation felt there were reasons for disquiet. The Working Party itself had recognized the social, political, and psychological implications which were involved.

It was also a matter for concern that the pressure and speed of work during the session had not enabled the CONTRACTING PARTIES to give this important problem the profound study which it merited. He would request that the study of this question be deferred to enable representatives to have time to reflect on the problem and to consult with their governments.

Mr. PHILLIPS (Australia) said that his delegation had had in mind the need for an arrangement which would achieve three basic objectives. First, the arrangement should provide legitimate safeguards for cases of market disruption. Secondly, it should hold out the prospect of the liberalization of imports by those contracting parties at present restricting imports through the use of quantitative restrictions which, in turn, threw an added burden on those whose markets were open. Thirdly, there needed to be recognition of the fact that exporters had a rôle to play in the avoidance of market disruption situations. The proposals now before the CONTRACTING PARTIES fell a good way short of these objectives, although the procedures proposed in the Working Party's report recognized that there was a problem and that GATT would continue to work towards an agreed multilateral solution. As for the proposed procedures, his delegation felt that there were two real dangers. First, as market disruption situations were more likely to occur in liberalized markets than elsewhere, undue prominence could be given to these cases. Secondly, there were real doubts as to whether countries which avoided exposing themselves to competition from certain sources would be called into consultation as often as they should be; this would clearly depend on how the procedures were operated in practice and his delegation felt that the proposed Committee should, in keeping the situation under review, bear this point in mind.

In reference to paragraph (d) of Annex II, Mr. Phillips said it was the view of his delegation that the paragraph as it stood was unbalanced in the sense that it confined itself to pointing out that, in some cases, measures taken unilaterally or through a bilateral agreement tended to cause difficulties in other markets and create problems for other contracting parties. While not denying that this could occur, Mr. Phillips continued, he felt it was fair to say that it was equally true that such measures might be the reasonable and sensible way of dealing with the problem in some other cases without causing difficulties for third countries. While not wishing to open up the question again by suggesting an amendment to the paragraph, he would be satisfied if his views were set out in the record of the meeting.

Mr. PARBONI (Italy) said that the continued application of Article XXXV to one contracting party by many other contracting parties, and the fact that no satisfactory solution to the problem of market disruption had been found, seriously concerned the Italian Government, particularly at a time when it was in the process of eliminating quantitative restrictions. What was needed was a multilateral solution providing adequate safeguards for importing countries. His delegation, however, would support the procedures proposed in the Working Party's report, which, they hoped, would only be considered as a first step toward the solution of this problem.

Mr. GRANDY (Canada) said that his delegation, like others, were disappointed that it had not proved feasible at the present time to find a multilateral solution to the problems under discussion; they would expect the proposed Committee at some time in the future, when circumstances and attitudes were more propitious, to revert to the question of multilateral solutions in the light of experience gained in the consultation procedures. These procedures, in the view of his delegation, would only be worthwhile if the importing contracting parties which were dealing with these problems outside the GATT co-operated fully in the consultations and in the work of the Committee. His delegation were prepared to accept the proposals in the Working Party's report, but only on the understanding that these represented an experimental step and that the procedures were regarded as tentative and flexible.

Mr. RIZA (Pakistan) said that the complexities and different interpretations in regard to the problem under discussion were clearly brought out in the report of the Working Party. His Government, of course, had not yet had an opportunity to study the report and he was not, therefore, in a position to give their views on it. Mr. Riza said that, if there was question of amending the wording in Annex II of the Working Party's report, the fact that the problem under discussion was being considered in the context of "a sharp increase in imports over a brief period of time and in a narrow range of commodities" should not be lost sight of. In conclusion, Mr. Riza suggested that, as had been agreed in the Working Party, the understandings contained in paragraph 7 of the Working Party's report should be agreed as a part of Annex II.

Mr. RYSKA (Czechoslovakia) said his Government's attitude to the question of exports from the less-developed countries had been explained on earlier occasions. In reference to paragraph 7 of the Working Party's report, Mr. Ryska said it was his delegation's understanding that the part of the paragraph which read: "the reference in paragraph (iv) to 'governmental intervention' has the effect, inter alia, of excluding problems arising out of exports from countries with centrally planned economies" was a recognition of the fact that the behaviour of State monopolies in the sphere of foreign trade was covered by the existing rules and procedures of the GATT.

Mr. HAGUIWARA (Japan), having expressed his delegation's support for the proposals contained in the report of the Working Party, said he had to stress again that the discrimination against Japan, either through invocation of Article XXXV or through measures contrary to the GATT, was deplorable both as regards the letter and the spirit of the GATT. In some cases Japan had been obliged to take measures to limit or control its exports of particular commodities in order to avoid the imposition of discriminatory restrictions by importing countries; in this connexion, Mr. Haguiwara urged all contracting parties to read the information provided by his Government in Annex C of document L/1164. Mr. Haguiwara went on to say that the prevailing discrimination should be subjected to a review which should have two objectives. First, the review should determine whether or not the scope and degree of a particular discriminatory measure might be warranted in order to prevent or remedy a so-called market disruption situation. Secondly, as a result of such a review, recommendations should be made urging the removal of unnecessary or excessive import restrictions maintained under the pretext of market disruption. This kind of approach was

clearly in line with the objective of expanding world trade as set forth in the terms of reference of the Working Party on the Avoidance of Market Disruption. Moreover, such an approach would also be useful in the context of the question of the application of Article XXXV to Japan, as it might indicate whether denying to Japan the benefit of all the provisions of the GATT was justified or not as a safeguard against so-called market disruption. In cases of certain specific situations which might rarely occur and where the existing GATT provisions were found to be inadequate, Japan was willing to consider certain measures aiming at the particular source of supply which was causing difficulties. What was very important, however, was to devise a mechanism to prevent the abuse of these special measures; in other words, the contracting party concerned should establish appropriate machinery whereby these exceptional measures were placed under constant survey and review. In referring to "specific situations", Mr. Haguiwara said, his delegation meant a combination of the four main elements of so-called market disruption which were set out in Annex II of document L/1374. In this connexion he would make it clear that low wage levels were not the only aspect of the problem as was often claimed by certain countries. In conclusion, Mr. Haguiwara strongly urged the CONTRACTING PARTIES to make the sort of empirical approach to this problem that he had just described.

Mr. KYDIS (Greece) said that his delegation accepted the conclusions in the Working Party's report and annexes as a first step in the right direction. He had one reservation, however, which was that there were certain triangular practices in international trade which were discussed in the Working Party and which, in the view of his delegation, qualified for the description of market disruption; sub-paragraph (iv) of paragraph (b) of Annex II applied also to them.

Mr. CASTLE (New Zealand) said it had been the strong hope of his Government that the Working Party would have been able to suggest, at the present session, multilaterally acceptable solutions as mentioned in its terms of reference; his Government very much regretted that this had not proved possible. Furthermore, in view of the shortness of time since the report had been prepared, it had not been possible for his Government to make a full study of the present proposals and to evaluate their implications. For these reasons, his delegation would have preferred to see the report referred to the next Council meeting. Mr. Castle went on to say that his delegation hoped that the proposed Committee on Market Disruption would pay very close attention to the point mentioned in sub-paragraph (v) of paragraph 7 of the Working Party's report. They would also hope that the Committee would regard this as a matter of urgency and that it would prove possible to formulate multilaterally acceptable solutions before the next session. In conclusion, Mr. Castle said that, in view of the importance which his Government attached to this question, it may wish later to seek membership of the Committee.

The EXECUTIVE SECRETARY said he wished to comment on the important point raised by the representative of Chile. It was true that there had been heavy pressure of work at the present session. However, the Executive Secretary went on, it was extremely important from the broad political point of view that the CONTRACTING PARTIES should demonstrate to the outside world that they were giving to this question the urgent and constructive attention which it required. He felt personally that there would be very serious political and psychological

reactions if, after this question had been on the agenda of the CONTRACTING PARTIES continuously for a year, the present session ended with the question merely being postponed to a later session or referred to a Committee. He thought that the political pressures in this matter were such that the CONTRACTING PARTIES would be failing seriously in their duty if they were not able to report a measure of progress. That, indeed, was why the Working Party, which submitted these proposals to a careful examination, had felt it desirable to leave the maximum amount of time to enable these proposals to be examined before they were considered in final form. It followed that the proposals remained open for reconsideration and modification and one of the important tasks of the Committee which it was proposed to set up would be to review the procedures, taking into account any comments, or suggestions for modification, which might be made by members of the Committee or by other contracting parties after a more lengthy examination of the proposals in national capitals. He did not himself think, however, that the fact that the proposals had been put forward in this form should inhibit the CONTRACTING PARTIES from at least making what was only a modest step forward, but what might very well be the starting point for a successful and constructive settlement of this question through the medium of the GATT.

Mr. GARCIA OLDINI (Chile) said that he appreciated that there were political pressures. His understanding was that what was proposed was by way of an experiment which would be reviewed by the CONTRACTING PARTIES in the light of experience.

The EXECUTIVE SECRETARY said that the understanding of the representative of Chile was the correct one; at some stage, this item should re-appear on the agenda of the CONTRACTING PARTIES.

Mr. GARCIA OLDINI (Chile) said he was obliged to reserve the position of his delegation. He hoped it would be possible to withdraw this reservation after further consideration of the question by his Government.

The CHAIRMAN, in submitting the Working Party's report for approval, said that account should be taken of the various amendments¹ agreed during the course of the discussion and also of the proposal by the representative of Pakistan.

Annex II² of the report was approved.

The report as a whole was approved including the establishment of the Committee on Avoidance of Market Disruption with Mr. Grandy (Canada) as Chairman until the next meeting of the Council.

¹The agreed amendments have since been distributed in document L/1374/Corr.1

²The text of Annex II has since been distributed in document L/1397.

10. Turkish tariff reform (W.17/29)

The CHAIRMAN recalled that, at an earlier meeting (SR.17/4), it had been agreed to grant Turkey a waiver from Article II to permit permit rates of duty arising from the reform of the Turkish tariff to be put into effect in advance of negotiations under the GATT. A draft decision had been distributed in document W.17/29.

The CONTRACTING PARTIES, acting under Article XXV:5, adopted the draft decision by thirty-three votes in favour and none against.

11. European Economic Community (L/1372)

The CHAIRMAN recalled that, at an earlier meeting (SR.17/8), the representative of the Commission of the EEC had made a statement; this had been distributed in document L/1372.¹

Mr. PERERA (Ceylon) said that his Government continued to be concerned about the question of the preferential treatment given to the associated overseas territories under the Treaty of Rome. While it had always been assumed that the EEC would meet the legitimate concerns of other contracting parties in this connexion, it was still not known when, or to what extent, the contracting parties concerned would be compensated. His delegation hoped that the Article XXIV:6 negotiations with the EEC would take into account these practical considerations. There were only two or three products in which Ceylon was mainly interested and his delegation hoped and felt that its concern would be met by the EEC during the Article XXIV:6 negotiations.

Mr. ADAIR (United States) said that his delegation welcomed the initiative of the EEC in having this item included on the agenda. He went on to say that his Government's strong support for the successful development of the EEC was a matter of record. It believed that the integration of the Member States of the Community within a liberal trade pattern was consistent with the GATT objective of expanding trade throughout the free world. It had noted and welcomed evidence of an outward-looking trade policy on the part of the Community, having in mind particularly the offer to make a 20 per cent reduction in the common external tariff, on a reciprocal basis in the tariff negotiations. His Government, Mr. Adair said, continued to expect that the EEC would be receptive to the resolution of specific commodity problems, especially those relating to tropical products, through practical, non-discriminatory measures taking into account the legitimate trade interests of third countries. In mind particularly were certain less-developed countries, including some which were not contracting parties to GATT, which were apprehensive about the special position in the Community held by the associated overseas territories. His Government hoped that some of these commodity problems could be accommodated during the GATT Tariff Negotiations Conference and through the ad hoc committee set up by the Council of Ministers of the EEC on 13 October 1959, to study the general problem of the action to be taken by the Community in favour of countries in the process of economic development. His delegation would be interested in more information regarding the work of this committee. Also of interest were the other actions the Community was taking to assist less-developed countries pursuant to the Council decisions and the resolution of the Parliamentary Assembly mentioned in the statement of the Commission's representative.

Mr. Adair said he had referred previously, in his remarks on the GATT programme for the expansion of trade, to the great importance his Government attached to the development by the EEC of a common agricultural policy which would be in harmony with the GATT objective of the expansion of international

¹This document was subsequently replaced by document L/1372/Rev.1

trade. He had referred to the importance of this policy in relation to the Tariff Negotiations Conference and to the work of the GATT Committees on the expansion of trade, and had suggested that the representatives of the EEC offer to discuss in the GATT at an early date the Commission's proposals for a common agricultural policy. His delegation appreciated that, as the representative of the Commission had said, it would be unrealistic to expect final decisions on these complicated matters to be taken in the near future. It was, nevertheless, the firm view of his delegation that these proposals should be discussed in the GATT before they became established EEC policy. His delegation were, therefore, disappointed that the EEC had not responded affirmatively to the suggestion they had put forward, and it urged the Community to reconsider the possibility of a discussion within the GATT of its common agricultural policy.

Mr. Adair went on to say that his delegation believed that the development within the GATT framework of regional markets of such scope as the EEC, the EFTA, and the LAFTA were matters of basic interest to the CONTRACTING PARTIES. They therefore trusted that contracting parties members of these regional arrangements would adopt the practice of supplying timely information regarding their development, their application and their trade effects. As this was done, the CONTRACTING PARTIES might have an informed discussion of these matters; misconceptions and misapprehensions might be dispelled and a just appraisal of significant developments might be made. His delegation therefore expressed again their appreciation to the Community for its latest progress report and reiterated their interest in the development of a liberal, trade-creating European Economic Community.

The CHAIRMAN said that the discussion on this item would be resumed at the afternoon meeting.

The meeting adjourned at 12.50 p.m.