

GENERAL AGREEMENT ON TARIFFS AND TRADE

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SUMMARY RECORD OF THE TWELFTH MEETING

Held at the Palais des Nations, Geneva,
on Saturday, 19 November 1960, at 2.30 p.m.

Chairman: Mr. BARBOSA DA SILVA (Brazil)

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1. European Economic Community (L/1372¹)

The CHAIRMAN recalled that discussion on this item had been begun at the previous meeting (SR.17/11).

Mr. RANGANATHAN (India), in reference to the increasing economic strength of the EEC, said that all contracting parties could take comfort if this strength encouraged the Member States to open their markets to imports from outside and to follow progressive trade policies which countries with weaker and more precariously balanced economies could not always afford to follow. The rapid economic expansion within the Community should enable its industries to face competition from third countries and should encourage them to develop on the basis of their inherent

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

strength and advantages. The Indian delegation welcomed the decision taken by the Community to provide for a more rapid reduction of duties in those Member States where the existing rates were higher than the level of the common tariff. At the same time, Mr. Ranganathan continued, his delegation had noted that the level of the common tariff would be maintained except where it was reduced through negotiation; this appeared to indicate that duties would continue to go up in the low-tariff countries, possibly at an even more rapid rate than before in view of the advancement of the date for the establishment of the common tariff. Countries like India had naturally had a higher level of trade with the low-tariff countries of the Community and the losses in these markets as a result of these tariff movements might be considerably greater than the gains achieved elsewhere. Further, in some of the Member States, there was still the problem of quantitative restrictions which were superimposed on tariff barriers. Mr. Ranganathan said that the Indian delegation shared the concern expressed by the representative of Ceylon (SR.17/11) regarding compensation for losses sustained, or which might be sustained by some contracting parties as a result of the association of overseas territories with the Community; they would look for a gesture from the Community in this connexion. A generous and constructive approach by the Community to the Article XXIV:6 negotiations was important.

In conclusion, Mr. Ranganathan said that his delegation were confident that the Member States were aware of the importance of reducing obstacles to the trade of less-developed countries, so as to enable these countries to adjust and widen their commercial and economic relations with the Community in a manner which would expand their export earnings. They therefore took an optimistic view insofar as further action by the Member States in this field was concerned.

Mr. CASTLE (New Zealand) said his delegation regretted that the representative of the Commission of the EEC had not said more about present thinking within the Community on the subject of the proposals for a common agricultural policy; this was, of course, a matter of great interest to all contracting parties. His delegation, like others, considered it most desirable that appropriate arrangements should be made for these proposals to be discussed in the GATT in the near future. In this connexion, Mr. Castle said his Government regretted that the absence of an answer to the agricultural problem was having an inhibiting effect on the Article XXIV:6 negotiations and was certain to have a similar effect on the 1961 round of negotiations. Unless there was a more forthcoming attitude as regards agriculture, there would seem to be little prospect of concluding the Article XXIV:6 negotiations or of there being a satisfactory outcome to the 1961 round of negotiations. In conclusion, Mr. Castle associated himself with the remarks made by the United States representative regarding the associated overseas territories and the activities of the Community in connexion with aid to the less-developed countries.

Mr. VALLADAO (Brazil), in reference to the proposals for a common agricultural policy within the EEC, appealed to the Community to take into account, in the formulation of this policy, the observations made by the GATT Sub-group C which was set up together with other sub-groups when the Rome Treaty was under consideration by the CONTRACTING PARTIES. At that time contracting parties had expressed concern about certain features, such as long-term contracts etc., which might evolve under a common agricultural policy.

Mr. Valladao associated himself with those representatives who had invited the Community to discuss its agricultural proposals within the GATT; such a gesture would at the same time be in the interests of the Community and of those contracting parties which might be affected by the proposals. In reference to the increase in trade exchanges between the Community and third countries, Mr. Valladao said that the statement of the representative of the Commission of the EEC had given no indication that trade in agricultural products had shared in this increase. Moreover, while reference had been made to the question of aid to less-developed countries and to certain Resolutions on this subject, the representative of the Commission had given no details in this connexion. It would be helpful to have further information on these points.

Mr. Valladao said that the sixth paragraph of the document (L/1372) containing the statement of the representative of the Commission related to a matter which was of great importance. The tariff reductions between the Community and the associated overseas territories, referred to in that paragraph, caused concern to many contracting parties and particularly to those which exported tropical products. This represented another disadvantage facing the exports of these countries and should be added to those, such as internal taxes for example, which already existed and to which no solution had yet been found in GATT. Mr. Valladao went on to say that the CONTRACTING PARTIES had taken a pragmatic, realistic attitude in their consideration of the Rome Treaty; contracting parties hoped that the Community would likewise take a realistic attitude. While the legal issues insofar as the relationship between the Rome Treaty and Article XXIV of the GATT had been put aside for the time being, many contracting parties continued to hold the view that, particularly as regards the association of the overseas territories with the Community, the arrangements made under the Treaty really represented an extension of preferences; as a result, the tariff concessions granted by the Member States to many contracting parties in the past had been impaired. A co-operative and understanding attitude was necessary on the part of the Community so as to permit the original balance and equilibrium to be restored.

Mr. SKAK-NIELSEN (Denmark) said that his delegation shared the disappointment of other delegations that the EEC had not yet been able to agree to submit its proposals for a common agricultural policy for discussion by the CONTRACTING PARTIES although he did understand that, for the moment, it might be difficult for the EEC to agree to such an examination. Having stressed the very great importance to Denmark of its agricultural export trade with the EEC, Mr. Skak-Nielsen said that the information so far available about the EEC's future agricultural policy had caused concern to his Government, because of the danger of damaging repercussions on the traditional agricultural exports of other countries which seemed to be entailed. In the view of the Danish delegation, it was vitally important that the agricultural policy of the EEC should be shaped in such a manner as to take due account of the interests of third countries and that it should accord with the declaration of the EEC Council of Ministers on 12 May 1960, to the effect that traditional trade should be maintained and if possible increased.

Mr. Skak-Nielsen went on to say that, particularly insofar as plans for substituting variable import levies for existing protective measures were concerned, there seemed to be a regrettable tendency on the part of the EEC towards freeing itself from its international commitments in this vital sector. Having referred to the serious consequences such a development could have for the whole network of GATT tariff bindings, Mr. Skak-Nielsen stressed the seriousness of the problem which would arise, not only for Denmark, but for the GATT itself if the Community, whose responsibility for the maintenance and further development of international co-operation in the trade field could hardly be overestimated, took no account of the interests of outside countries in the formulation of its policies in one sector of its economy. The Danish delegation would, therefore, hope that the EEC would recognize the appropriateness of seeking the views of the CONTRACTING PARTIES on its proposals for a common agricultural policy and that, in elaborating these proposals, the EEC would take full account of the need of its trading partners to maintain and develop their exports to the EEC.

Mr. KARIM (Indonesia), while welcoming the progress made by the EEC in the implementation of the Rome Treaty, expressed the concern of his delegation that, following the tariff reductions by the EEC in favour of the associated overseas territories, the preferences enjoyed by those territories had been increased and the gap between them and other less-developed countries, including Indonesia, had been widened. His delegation hoped that the current negotiations under Article XXI:6 would help to rectify this imbalance.

Mr. MENASE (Yugoslavia) said that the present discussion gave his delegation, which was not participating in the tariff negotiations, an opportunity to make some observations. Certain features of the EEC's commercial policy were of considerable interest to his Government. As regards the common external tariff, the important thing for Yugoslavia was the effect this would have on the particular products it traditionally exported to the Member States of the Community; tobacco was a good example. That was why his delegation supported the hopes expressed at the opening of the Tariff Conference that there would be a considerable reduction in the common tariff rates on particular products. Continuing, Mr. Menase said that it was, however, the EEC's proposals for the common agricultural policy which gave rise to even more concern; there seemed to be a definite possibility that these proposals would adversely affect traditional trade patterns. Nevertheless, Mr. Menase said, his delegation hoped that, as the EEC had declared on several occasions, the Member States would do their best to reduce the obstacles hindering international trade. In conclusion, Mr. Menase expressed the wish of his delegation that the CONTRACTING PARTIES would have the opportunity to consider the EEC's proposals for a common agricultural policy.

Mr. WARREN (Canada) said that often over the past few years Canadian delegations had expressed their understanding and sympathy for the objectives of the EEC. At the same time they had expressed their concern lest the economic and commercial policies of that important group of countries should be restrictive and possibly result in increased barriers to the trade of third countries, with consequential serious effects on international trade and on

relations generally. Mr. Warren then referred to the current negotiations with the EEC under Article XXIV:6 which, as the representative of Brazil had said, gave the opportunity to restore the balance and to give the impetus to a continued improvement in the atmosphere between the Community and its trading partners; it was of vital importance that the Article XXIV:6 negotiations should be crowned with success. To do so they must cover trade in agricultural products. Moreover, the negotiations really represented the test of the intentions of the Community in their commercial relations vis-a-vis the rest of the world and his delegation were confident that, given goodwill, the kind of results that were required could be secured. In references to agriculture generally, Mr. Warren repeated what he had said during the discussion on the programme for expansion of international trade, namely that there would be advantage both to the Community and to the CONTRACTING PARTIES if there was an opportunity for discussing the Community's proposals for a common agricultural policy before final decisions were taken by the Community. Continuing, Mr. Warren referred to the usefulness and importance of discussions within the GATT, not only on the EEC, but also on the EFTA and the LAFTA. These were extremely important trade groupings and such discussions would result in a greater understanding both on the part of these groupings and on the part of outside countries. To enable these discussions to be as meaningful and useful as they should be, it was important for the contracting parties to have all necessary information in good time, so that the CONTRACTING PARTIES' discussion could be addressed to points of real concern and importance. In this connexion, Mr. Warren enquired whether the CONTRACTING PARTIES were in fact receiving all the information publications etc. that were available and whether anything should be done to improve arrangements for the provision of such information.

Mr. PHILLIPS (Australia) said his comments would be confined to the question of the EEC's common agricultural policy. While expressing his delegation's understanding for the difficulties which the Community faced in endeavouring to co-ordinate six agricultural systems, Mr. Phillips said it was nevertheless to be regretted that it had not been possible for the Community to throw more light at this stage on the evolution of the common agricultural policy. The importance to agricultural exporters of removing the present feeling of uncertainty and the significance of this matter in connexion with both the current and the forthcoming tariff negotiations had already been stressed. The Australian delegation fully supported the suggestion made by the representative of the United States that the opportunity should be given for the CONTRACTING PARTIES to discuss the common agricultural policy while it was at the formative stage and before final decisions were taken by the EEC; they hoped the EEC would agree to do this.

Mr. CAROLA OLDINI (Chile) congratulated the Member States of the EEC on the success which was attending their efforts to establish the common market. However, while it was true that the internal tariff reductions within the Community had been extended to third countries, the fact that the alignment of national tariffs with the common external tariff was being accelerated put a somewhat different complexion on the situation; this question should be carefully studied so that third countries did not find themselves under the

necessity of taking measures themselves to protect their interests. In reference to the increase in imports by the EEC countries during the first part of 1960, Mr. Garcia Oldini said it was disquieting for the primary exporting countries that, during the past few months of 1960, there would appear to have been a reduction in purchases of primary commodities by the Community; it would be helpful if the representative of the Commission could provide information on the extent of this reduction. Countries like Chile were constantly concerned about falls in commodity prices; reference was made in the statement of the representative of the Commission that stocks had reached saturation point but there might also be other reasons which it would be useful to have information about.

In reference to the co-ordination by the EEC of the assistance, such as guarantees, financial credits etc., to be accorded by the Community to less-developed countries, Mr. Garcia Oldini said that, when the Rome Treaty had been under consideration by the CONTRACTING PARTIES, his delegation had had certain fears regarding the way, and the countries to which, this assistance would be directed. Because of the special responsibility which the Community said it had toward the associated overseas territories, there seemed to be the likelihood that the assistance to be given by the Community would be directed to those territories. His delegation hoped that things would in fact work out differently and that the Community would recognize, as the United States had done, that increased obligations towards the less-developed countries generally was a corollary to growing economic power.

Mr. LARRETA (Argentina) said that Argentina was closely interested in the question under discussion. International interdependence, in which the free exchange of goods played a fundamental part, was the principle that underlay the relations between the economies of the free world. The benefit a country derived from the adoption of a free economic policy and a policy of multilateral non-discrimination in trade depended essentially on reciprocity on the part of other countries. This was particularly important when the country concerned was in the difficult process of economic development; for such a country the relationship between exports and expansion could hardly be over-estimated. Argentina, Mr. Larreta continued, viewed with sympathy the creation of the EEC, but it feared lest the liberal aims of the Community should be frustrated by certain tendencies and by the possibility that restrictive practices should continue and even be institutionalized. In this connexion, Mr. Larreta said, his delegation warmly supported the suggestion of the United States representative that opportunity should be given for the CONTRACTING PARTIES to discuss the EEC's proposals for a common agricultural policy; he hoped this suggestion would be favourably received by the Community.

Mr. RIZI (Pakistan) referred to the need for the Community to show a generous attitude towards the less-developed countries by promoting imports of the simpler manufactured goods from these countries into the Community and by dispelling the fears in these countries' minds, particularly as regards the association of the overseas territories with the Community. In this connexion, Mr. Riza commented on the need for a clarification of the position of former dependant territories which were now sovereign States. If it could be indicated that such States were ineligible for the benefits accorded to dependent territories under the Treaty of Rome the anxieties in this regard being felt by some contracting parties would be removed.

Mr. Riza went on to refer to the fact that, even if the common external tariff of the Community were an arithmetical average of national tariffs, it should be remembered that the tariff could still adversely affect the trade of third countries, particularly in the case of their trade with Member States of the Community which at present had a low tariff. Finally, Mr. Riza commented on the Community's policy for affording aid to less-developed countries. With particular reference to Pakistan, Mr. Riza said his Government would be very interested to see what contribution the Community and its Technical Assistance Group would be prepared to make to Pakistan's second Five-Year Plan.

Mr. BA GALE (Burma) said his delegation hoped the EEC would pay full regard to the interests and concerns of the less-developed countries during the current Tariff Conference.

Sir Edgar COHEN (United Kingdom) said that, as had been brought out by the statements that had been made, it was necessary to draw a distinction between economic expansion which was the result of economic integration and economic expansion achieved through new methods of protection or control. In this connexion, Sir Edgar Cohen said, he thought that a very strong case had been made out during the discussion to persuade the Community to discuss frankly with the CONTRACTING PARTIES their proposals for a common agricultural policy. The United Kingdom, of course, was itself more concerned with the EEC's industrial tariff and it looked forward to securing mutually satisfactory concessions in the forthcoming tariff negotiations. Sir Edgar Cohen stressed the importance of the announcement made by Mr. Rey at the opening of the Tariff Conference concerning the extension of the 20 per cent reduction in the

common tariff to third countries and the hope that this reduction would be consolidated during the Conference as an opening step. However, Sir Edgar Cohen continued, it was most important, both in order to facilitate constructive negotiations, and to secure the right political and psychological climate in one's own country, to be assured that the common tariff was both correct and fair. While he would not doubt that the common tariff was in fact in conformity with the GATT rules it was necessary to satisfy, not only the experts who were conducting the negotiations, but also the various industrial interests in one's own country; for this reason, the examination of the common tariff under Article XXIV:5 was most important. The negotiations under Article XXIV:6 were equally important, and the successful completion of both these operations was an essential prerequisite to the successful outcome of the second phase of the Tariff Conference. In conclusion, Sir Edgar Cohen referred to the question of the association of the overseas territories with the Community. He again appealed to the Community to give serious consideration to the genuine difficulties which this association created for other less-developed countries, including dependent territories of the United Kingdom. The first essential was for the less-developed countries not to feel that, through the broadening of the preferential system in Europe, the chances of their holding their own in the markets of the Community would be reduced.

Mr. HIJZEN (Commission of the EEC) said he wished to make some general comments on certain points which had been mentioned by many speakers during the discussion. First, Mr. Hijzen referred to the question of tariff negotiations and, on this, he thought it appropriate not to go into too much detail as negotiations were actually in progress and it was, in any case, too early to draw conclusions. However, he had to confess to some concern at the fact that so many problems had been put forward as requiring solution within the framework of the Article XXIV:6 negotiations. He felt it necessary to point out that, as the Commission saw it, what was involved at present were renegotiations under Article XXIV:6 consequent upon the establishment of the common external tariff; Article XXIV:6 indicated the elements which had to be taken into account during these renegotiations. As the representative of the Community had said at the opening of the Tariff Conference, the Community was fully prepared to meet its obligations, but it was not prepared to go beyond that during renegotiations under Article XXIV:6. It was, in the Community's view, the second phase of the Tariff Conference which was the more important and which would give contracting parties the opportunity of demonstrating their desire to contribute to the elimination of trade barriers. The Community recognized that there could be problems, however, and was always ready, as its representative had said at the end of the consultations the Community had had with contracting parties concerning certain tropical products, to consider means of overcoming difficulties which arose if concrete damage were done to a contracting party's trade.

Mr. Hijzen then referred to the question of the association of the overseas territories with the Community. He said he did not wish to comment at this stage on the juridical position, which had been discussed at length when the Treaty of Rome had been under consideration by the CONTRACTING PARTIES. He wished to say, however, that both the Commission and the Community held the firm view that the association of the overseas territories with the Community in no way excluded the possibility of the Community moving forward in the field of aid to less-developed countries generally. The Community was fully aware of its responsibilities and kept these responsibilities in mind when making decisions. On agriculture, Mr. Hijzen said he had noted the statements that had been made during the discussion. He recalled that, on many occasions in the past, the Commission had said that its agricultural proposals would be conceived in a liberal manner. He could give an assurance that, when the time came to translate proposals into action, the Commission would implement the policy decided on in a liberal manner which would take full account of the interests of third countries. In reference to the suggestion that the CONTRACTING PARTIES should have the opportunity of discussing the proposals for a common agricultural policy before a firm decision on them was taken by the Community, Mr. Hijzen said that this suggestion raised certain problems. First there was a juridical problem, for he thought that at no time before in GATT's history had such a proposal been put to a contracting party. He would, however, report the request that had been made to his authorities in Brussels.

Continuing, Mr. Hijzen thanked representatives for the observations they had made about his earlier statement. While not being able to make a firm commitment in this connexion, he said he was sure the Commission would consider very sympathetically the possibility of making similar statements to the CONTRACTING PARTIES in future. As regards the enquiry made by the representative of Canada about other information, publications, etc. that might be available from the Community, Mr. Hijzen referred to some of the publications that were available and suggested that any contracting party wishing to know about, or receive publications, or any other information of this sort, should address itself to the Commission in Brussels. In conclusion, Mr. Hijzen commented on two particular questions which had arisen during the discussion. In connexion with the question raised by the representative of Chile concerning imports of primary commodities by the Community, Mr. Hijzen said that while he did not have the figures available for the moment, he thought it certain that there had not been a decrease in such imports over the past few months, although it might be that their increase was proportionately less than for imports into the Community as a whole. As regards the Group established by the Council of Ministers in connexion with aid to less-developed countries, Mr. Hijzen stressed that the task of the Group was not limited to the question of aid to the associated overseas territories alone.

The CHAIRMAN, having referred to the appreciation expressed by contracting parties for the statements made by the representative of the Commission of the EEC, said it was beneficial to have such a frank discussion on problems which had an important impact on world trade; this was particularly so in the case of those contracting parties which did not have representatives accredited either to the Community in Brussels or to the Government of Belgium. He thanked the representative of the Commission of the EEC for his efforts to give the CONTRACTING PARTIES the fullest possible information. In conclusion, the Chairman said that the established procedure for the inclusion of this item on the agenda of the CONTRACTING PARTIES would be followed for the eighteenth session.

2. Luxemburg import restrictions (L/1382)

The CHAIRMAN recalled that the Working Party on Agricultural Waivers had been requested (SR.17/4) to carry out the review provided for in paragraph (c) of the Decision of 3 December 1955. The Working Party had submitted its report in document L/1382.

Baron VON PLATEN (Sweden) presented the Working Party's report on behalf of Mr. Sward (Sweden), Chairman of the Working Party, who was unable to attend the meeting. Reading Mr. Sward's report, he said that, in its examination of developments during the five years since the waiver had been granted, the Working Party found that much had been done by the Government of Luxemburg to rationalize agriculture and to improve agricultural techniques. In particular, it was recognized that the price support policy in Luxemburg was not operated in such a way as to place the whole burden on consumption. Despite the fact that there had been some improvement in the agricultural sector, however, the Working Party reached the conclusion that Luxemburg was still confronted with serious agricultural problems. The Working Party did feel, however, that it could reasonably be expected that the Government of Luxemburg would be in a position to remove certain import restrictions in the near future. The pace of import liberalization had so far been slow, and greater efforts were needed if agriculture in Luxemburg was to become more economic and competitive. The representative of Luxemburg had not excluded the possibility of his Government considering further relaxation and removal of import restrictions in the next few years, but he did point out that this question was closely related to the establishment of the common agricultural policy of the EEC. Members of the Working Party expressed the view that one of the advantages of a common agricultural policy should be that it would help expedite the liberalization of imports of agricultural products.

There was considerable discussion in the Working Party concerning the timing of the next review. It was pointed out that a certain relationship existed between the Belgian and Luxemburg waivers and that the Belgian waiver was scheduled to expire at the end of 1962. Furthermore, the implementation of the common agricultural policy of the EEC might have a certain bearing on the date of the next review. In these circumstances, the Working Party came to the conclusion that a certain flexibility was desirable as regards the timing of the next review and agreed to recommend to the CONTRACTING PARTIES that the review should take place not later than by the end of 1965, or at an earlier date if so requested by a contracting party.

The report in document L/1382 was approved.

3. United States import restrictions (L/1371)

The CHAIRMAN recalled that the Working Party on Agricultural Waivers had been requested to examine the sixth annual report of the United States under the Decision of 5 March 1955. The report of the Working Party had been distributed in document L/1371.

Baron VON PLATEN (Sweden) presented the report of the Working Party on behalf of Mr. Sward (Sweden), Chairman of the Working Party, who was unable to attend the meeting. Reading Mr. Sward's report, and having referred to certain measures

taken by the United States Government, Baron von Platen said that the Working Party had expressed serious concern about the slow progress made in removing restrictions. In particular, some members of the Working Party had pointed to the small size of the quotas for certain dairy products and had requested that the quotas be reviewed so as to permit increased United States imports of butter and other dairy products under restriction. It was pointed out that quantitative restrictions not only deprived other countries of export possibilities, but also caused a diversion of trade to markets where access was easier. The Working Party felt that leadership by the United States in removing quantitative restrictions would encourage other countries to take similar action. While appreciating inter alia the steps taken by the United States to provide food for needy people abroad, the Working Party nevertheless felt that measures of this sort would not bring about a better balance as between supply and demand in the United States. There was concern lest the need for import restrictions would continue indefinitely and, in this connexion, the general view in the Working Party was that the price support policy was the principal contributing factor. The main concern expressed related to the situation in respect of wheat and dairy products. In conclusion, Baron von Platen said the attention of the CONTRACTING PARTIES was drawn particularly to the last paragraph of the Working Party's report.

The report in document L/1371 was approved.

Mr. ADAIR (United States) requested that document L/1371 should be considered as derestricted as from the close of the present session.

This was agreed.

4. Relations with Yugoslavia (L/1378)

The CHAIRMAN recalled that, at an earlier meeting (SR.17/4), a Working Party had been set up to conduct the first annual review under section (c) of the Declaration of 25 November 1959. The Working Party had submitted a report in document L/1378.

Mr. SKAK-NIELSEN (Denmark), Chairman of the Working Party, said that the Working Party's discussions had centred on three main questions. First, an examination had been carried out of the steps taken by the Yugoslav Government during the past year with a view to liberalizing foreign trade and simplifying its exchange system; among the important steps that had been taken were the introduction of the first part of a Yugoslav customs tariff, the gradual limitation of the use of import and export co-efficients in Yugoslavia's foreign trade and the policy of increasing the number of Yugoslav enterprises engaged in foreign trade. Secondly, there had been an extensive discussion in the Working Party of the Yugoslav Government's plans for a further far-reaching liberalization of Yugoslavia's trade and exchange system involving the introduction of a complete customs tariff, the abolition of multiple exchange rates, including the import and export co-efficients, and a progressively increasing multilateralization and liberalization of foreign trade. Thirdly, the Working Party had reviewed the import régime applied by the parties to the 1959 Declaration on Yugoslavia. Mr. Skak-Nielsen said the Working Party had been unanimous in judging that the steps taken or planned to be taken were very important and that they would lead

to the formation of a trading system under which Yugoslavia would be able to enter into closer co-operation with the CONTRACTING PARTIES. The Working Party welcomed the statements by the Yugoslav representative on the further steps his Government planned to take and called his attention to the understanding reached during the fourteenth session that Yugoslavia would submit such reports and notifications as contracting parties were required to submit under the provisions of the General Agreement.

Mr. VALLADAO (Brazil), having expressed the appreciation of his delegation for the way the representatives of Yugoslavia had responded to the questions put to them in the Working Party, said Brazil hoped that the present situation, as reflected in the report of the Working Party, would eventually lead to Yugoslavia becoming a full GATT member.

The report in document L/1378 was approved.

5. Balance-of-payments import restrictions

- (a) reports on consultations
- (b) annual report under Article XIV:1(g) (L/1375)
- (c) arrangements for consultations in 1961 (L/1376/Rev.1)

Mr. CASTLE (New Zealand), Chairman of the Committee on Balance-of-Payments Restrictions, said that, as far as the consultations with individual contracting parties were concerned, the Committee had conducted consultations with six contracting parties earlier in 1960 and the reports on these consultations had been approved by the CONTRACTING PARTIES at the sixteenth session. The Committee had met again on 17 October to conduct the remaining consultations, on which reports had now been distributed to contracting parties. Mr. Castle recalled that the Council had agreed that the consultation with Chile should be initiated at the present session but that it should not be completed until the next meeting of the Committee in 1961; the written statement supplied by the delegation of Chile should be regarded as the opening statement for Chile's consultation. Mr. Castle went on to say that, in the case of most of the individual reports the contracting party concerned had been urged to make further progress in the removal of restrictions and to reduce the incidence of the residual restrictions or otherwise lessen their undesirable effects.

Mr. Castle then referred to the proposed arrangements and procedures for the 1961 consultations which had been distributed in document L/1376/Rev.1. The experience of the Committee had showed, Mr. Castle said, that the consultations afforded an opportunity for full and exhaustive discussion and it was desirable to provide adequate time for the consultations. The Committee had, therefore, recommended that for the twelve consultations to be held next year at least five, and preferably six, weeks should be provided; this recommendation was reflected in the CONTRACTING PARTIES' programme of work for 1961.

Mr. Castle went on to say that the Committee had also drawn up the text of the eleventh annual report under paragraph 1(g) of Article XIV; this text had been circulated in document L/1375. Since the text had been finalized, the

delegation of Uruguay had advised that Uruguay no longer wished to invoke Article XII and it was therefore suggested that the necessary changes be made in the text to take account of this fact. In conclusion Mr. Castle expressed the thanks of the Committee to the International Monetary Fund for its co-operation and for the contribution that its representatives had made to the Committee's work.

The CHAIRMAN thanked Mr. Castle for the work done by the Committee on Balance-of-Payments Restrictions and the representatives of the IMF for their valuable contribution to the Committee's work.

Mr. ADAIR (United States) said that the results of the consultations had endorsed the findings of the report on discrimination that substantial progress had been made in reducing the range of restrictions maintained for balance-of-payments reasons and in reducing the discriminatory impact of such restrictions, particularly against goods from the dollar area. The United States wished to repeat, however, that continued efforts should be made towards the further reduction of quantitative restrictions, which increasingly tended to be concentrated in the agricultural sector. Further, it would urge those contracting parties whose balance-of-payments position had improved to the point where they could look forward, in the relatively near future, to giving up their resort to the GATT balance-of-payments provisions, to prepare for that time by progressively relaxing their restrictions at as rapid a rate as their circumstances allowed.

Mr. RIZA (Pakistan), having stressed the value of the frank discussions in the Committee, said that the balance-of-payments difficulties of the less-developed countries remained as chronic as in past years. Pakistan's balance-of-payments and foreign exchange position had strengthened during 1959-60, although the improvement was not maintained during the closing months of the year. Having referred to Pakistan's current account and private trade account surplus, Mr. Riza said that export earnings from two major primary commodities, raw jute and raw cotton, had however declined during the year. The figures he had given, Mr. Riza said, demonstrated that Pakistan had, under stable conditions, done its utmost to recover from its previous unhappy balance-of-payments position. However, there was a limit to the extent to which Pakistan could develop through its own resources. Mr. Riza mentioned Pakistan's second Five Year Plan to which, it was hoped, Pakistan's friends and well-wishers would render as much assistance as they could; in this connexion, Mr. Riza referred to the very reasonable terms for foreign capital investment which the Pakistan Government had announced.

Mr. WARREN (Canada) said his delegation would associate themselves with the observations made by the representative of the United States.

The following reports on consultations were approved: Japan (L/1347), Finland (L/1348), Norway (L/1349), New Zealand (L/1350), Ceylon (L/1352), Denmark (L/1353), Pakistan (L/1357) and Israel (L/1358).

In reference to the annual report under Article XIV:1(g), Mr. SWAMINATHAN (India) proposed that there should be added to the last sentence of paragraph 8 of document L/1375 the words: "Imports of semi-manufactured and manufactured products are also restricted, particularly from certain sources. This discrimination reduces the opportunities of some countries for increasing their earnings of foreign exchange."

Document L/1375, including the amendment proposed by the representative of India, was approved.

Document L/1376/Rev.1, containing the Working Party's proposals for consultations under Article XII:4(b) and XVIII:12(b) with six contracting parties in April and with six in October 1961, was approved.

6. Extension of the "hard-core" Decision (W.17/44)

The CHAIRMAN recalled that, at an earlier meeting (SR.17/8), it was agreed to extend the "hard-core" Decision for a further period of one year. A draft decision had been distributed in document W.17/44.

The CONTRACTING PARTIES, acting under Article XAV:5, adopted the draft decision in document W.17/44 by thirty votes in favour and none against.

7. French trading arrangements with Morocco (W.17/36)

The CHAIRMAN recalled that, at an earlier meeting (SR.17/4), it had been agreed to grant the Government of France a waiver from Article I. A draft decision had been distributed in document W.17/36.

The CONTRACTING PARTIES, acting under Article XXV:5 adopted the draft decision in document W.17/36 by thirty-one votes in favour and none against.

8. Italian customs treatment for imports of Somalian products (L/1379)

The CHAIRMAN recalled that, at an earlier meeting, (SR.17/2) a Working Party had been set up to examine a request from the Government of Italy for a waiver from article I in order to accord special customs treatment to imports of certain Somalian products. The Working Party's report was contained in document L/1379.

Mr. MATHUR (India), Chairman of the Working Party, said that the Working Party had been guided primarily by the need to facilitate the economic development of the Republic of Somalia. One of the means by which Italy proposed to extend economic aid to Somalia was by continuing to provide a market for the main Somali export products which had traditionally been admitted free of duty into Italy. While the Working Party unanimously agreed that assistance to Somalia in this form would be fully in conformity with the objectives and the spirit of the General Agreement, it had also kept in mind the guiding principles to be followed by the CONTRACTING PARTIES in considering applications for waivers from Part I of the GATT as reflected in the procedures adopted on 1 November 1956. The draft decision thus provided for a waiver period of five years, for a review at the end of that period and also for periodic reports when, in particular, the effects on Italy's imports from other contracting parties of the products covered by the waiver would receive special attention.

The CONTRACTING PARTIES, acting under Article XXV:5, adopted the draft decision in document L/1379 by thirty-one votes in favour and none against.

9. Continued application of schedules (W.17/40)

The CHAIRMAN said that the Executive Secretary had distributed in document W.17/40 a draft decision opening for acceptance a Declaration on the Continued Application of Schedules. The two drafts were essentially the same as those adopted by the CONTRACTING PARTIES in 1957. The purpose of the draft declaration was to make possible, for those contracting parties which had not yet accepted the Protocol Amending the Preamble and Parts II and III of the General Agreement, the application of the same situation as existed for countries covered by the revised provisions of Article XXVIII. The Chairman also drew attention to the fact that, as was the case in 1957, the draft decision also provided for the extension until 31 March 1961 of the time-limit for the conclusion of negotiations under Article XXVIII.

The CONTRACTING PARTIES, acting under Article XXV:5, adopted the draft decision in document W.17/40 by thirty-one votes in favour and none against and approved the opening of the Declaration for acceptance.

10. Article XXII consultation with Italy

The CHAIRMAN said that, in September 1960, a number of contracting parties had engaged in consultations with the Government of Italy under Article XXII in respect of import restrictions maintained by Italy.

The EXECUTIVE SECRETARY said that, at the sixteenth session, the Italian Government had expressed its readiness to enter into consultations, pursuant to the provisions of paragraph 1 of Article XXII, concerning the import restrictions retained by Italy after its emergence from balance-of-payments difficulties. The United States, shortly following the sixteenth session, initiated a consultation under the provisions of paragraph 1 of Article XXII. The Governments of Canada, Australia and New Zealand had claimed a substantial trade interest in a varying range of the products which were the subject of the consultation between Italy and the United States and, in accordance with the established procedures under paragraph 1 of Article XXII, participated in the consultation. The Executive Secretary said the parties concerned had invited him, as Executive Secretary, to preside over the consultations, which were carried out and completed in the period 19-21 September 1960. In the course of the consultations the Italian Government announced important measures of liberalization, whereupon the consultations were directed to a more restricted negative list of restrictions still maintained after these further liberalization measures. The views exchanged were reported by the participants to their governments and, at the conclusion of the consultations, the representative of Italy stated that the Italian Government was actively engaged in considering further measures to be taken with regard to the items on the new negative list and said that some indication of the future programme might be given by the Italian delegation at the seventeenth session. The Executive Secretary went on to say that, apart from these consultations under paragraph 1 of Article XXII, he understood that the Government of Japan had asked for consultations with Italy under that paragraph with respect to those restrictions maintained by the Italian Government exclusively relating to imports from Japan; these consultations had not yet begun however.

In conclusion, the Executive Secretary said he also understood that consultations with Italy had been requested by Israel under paragraph 1 of Article XXII and that these would be initiated in the near future.

Mr. PARBONI (Italy) said that, since the sixteenth session, his Government had taken steps to reduce quantitative restrictions and particularly those restrictions which were discriminatory. The liberalization measures affecting imports from the dollar area, which came into effect from 15 June 1960, represented a substantial step towards the gradual unification of the régime applied to imports from dollar area countries and that from countries within the area of the European Monetary Agreement. Having referred to liberalization measures taken by his Government in favour of imports from Brazil, Uruguay and Finland, Mr. Parboni described the significant measures taken by Italy with respect to imports from Japan. Out of 6,000 positions in the Italian tariff, about 5,400 had been liberalized as regards imports from Japan; a complementary liberalization list had been communicated on 25 October to the Japanese Embassy in Rome. Measures for increased liberalization for imports from Israel were also under study.

Mr. Parboni went on to refer to the consultations which Italy had had with certain contracting parties in September. The measures which he had announced at that time were in process of being implemented by his Government; in addition, in the very limited field of non-discriminatory restrictions, liberalization measures would be introduced. Further, there had been a significant increase in quotas for motor vehicles originating in the United States, Canada and the United Kingdom.

Having asked the CONTRACTING PARTIES to consider seriously the scope and extent of the liberalization measures already taken by Italy in favour of imports from the dollar area, Mr. Parboni went on to give an indication of future action envisaged by his Government in the direction of the progressive removal of residual restrictions still applied against imports from the dollar area. In conclusion, Mr. Parboni said he would recommend to his Government that the interested contracting parties should be informed, before the eighteenth session, of its programme and of the measures it envisaged in connexion with quantitative restrictions.

Mr. ADAIR (United States) said his Government felt that the consultations with Italy had been useful in enabling the United States and other contracting parties to express their concern about the restrictive measures which the Italian Government still maintained. Continuing, Mr. Adair said his delegation understood that, in introducing the latest measures of liberalization, to which the representative of Italy had referred, the Italian Government had endeavoured to meet, insofar as possible, the concerns expressed by the contracting parties which participated in the Article XXII:1 consultations. Mr. Adair said his delegation had noted with appreciation both the progress which had been made to date in this regard and the statement of the Italian representative that his Government was actively engaged in considering further liberalization measures. However, these measures had not been specified in any detail. Moreover, the United States Government was disturbed by the delays which had occurred in achieving the liberalization of these import restrictions which were imposed by the Italian Government without any justification under the GATT. The United States had tried under the circumstances to be patient. It had complied with the detailed procedures for consultations under paragraph 1 of Article XXII. These consultations were completed almost two months ago with the understanding that they would be followed by substantial liberalization. With the CONTRACTING PARTIES about to adjourn for six months, they were now informed that a decree providing for substantial industrial liberalization had been signed but that it still could not be promptly put into effect and that no date could be specified by which it would be made effective. In the agricultural sector, it appeared that restrictions would be continued on many items and, although there was an indication that some of these restrictions might be relaxed, this again was uncertain or vague. Further, many of the remaining restrictions were discriminatory.

Mr. Adair went on to say that it had been the intention of his delegation that, if effect could not be given to the new liberalization measures before the close of the present session, they should take a further step by requesting a full multilateral examination of what they considered to be a very unsatisfactory situation. However, because of the indications that substantial industrial liberalization might well be forthcoming in the near future and that relaxation in the agricultural sector was contemplated by the beginning of 1961, they were

prepared to delay a little longer, provided this did not prejudice their ability to obtain prompt multilateral consideration of the problem should satisfactory action not be taken soon by the Italian Government. What his delegation proposed, Mr. Adair said, was that the CONTRACTING PARTIES should now instruct the Chairman promptly to set up a Working Party to consider the matter if the United States should, at some time before the next meeting of the Council, request full multilateral examination of the Italian import restrictions. The terms of reference of such a working party, if it were set up, would be general in character and would be to consider the Italian residual import restrictions which had been the subject of consultations under paragraph 1 of Article XXII and promptly to report thereon as appropriate to the Council. If such a procedure for obtaining prompt action in the future was now established, the United States would defer any further resort to the General Agreement until it had had what it considered a reasonable opportunity to consider the timing and extent of such liberalization and relaxation of the Italian restrictions as might take place in the near future.

Mr. VALLADAO (Brazil) said that the extension to Brazil of liberalization measures affecting the dollar area was to be welcomed and should lead to increased trade between Brazil and Italy.

Mr. HAGUIWARA (Japan) said he supported the proposal of the representative of the United States that there should be an opportunity for multilateral consultations in the future should the need arise. Having drawn attention to the large number of discriminatory restrictions imposed by Italy which affected imports from Japan, Mr. Haguiwara said his Government welcomed the forthcoming bilateral consultations with Italy which, he hoped, would result in the discriminatory restrictions applied only against Japan being reduced to nil or nearly nil. While hoping for a satisfactory outcome to the consultations with Italy, Mr. Haguiwara said that Japan reserved its right in the meanwhile to have recourse to the consultations or other provisions of the GATT if necessary.

Mr. PHILLIPS (Australia) said his delegation welcomed the measures of liberalization already taken by the Italian Government and the indication now given by the representative of Italy that further action would be taken. However, given the strength of the Italian economy and balance of payments, it was to be regretted that the Italian Government had not found it possible to go further. Mr. Phillips went on to say that he wished to refer to one particular point, namely the list of items subject to State trading submitted by the Italian Government at the recent consultations. He wished to point out that the interpretative notes to Articles XI, XII and XIV made it clear that Article XI applied also to restrictions made effective through State trading and that, therefore, if items on the State-trading list were not to be subject to consultations this could only be because State-trading operations were not being used as a form of restriction. In the view of his delegation, Mr. Phillips said, this would only be the case if the difference between the domestic sale price of State-imported products and their landed cost was on the average no higher than the customs duty; in this connexion, reference should be made to paragraph 4 of Article II of the General Agreement and to Article 31 of the Havana Charter. Yet, Mr. Phillips said, figures in Committee II document COM.II/93 indicated, for example, that the mark-up in the case of wheat was, in fact, roughly double the rate of duty. For this reason his delegation

considered that, in any further examination of the remaining Italian restrictions, it would also be proper to pay attention to items on the State-trading list. In conclusion, Mr. Phillips said his delegation supported the proposal of the United States representative that provision should be made for a working party to meet if necessary, and agreed that such a working party should have terms of reference on the lines suggested by the United States representative.

Mr. HONKARANTA (Finland) said his delegation had noted with satisfaction the steps taken by the Italian Government to remove discrimination against imports from Finland.

Mr. WARREN (Canada) said that his delegation had looked for quicker progress in the removal of import restrictions by the Italian Government, although they welcomed the progress that had been made and would be studying carefully the new list of liberalization measures which were proposed. The fact remained, however, that a number of restrictions would still be maintained and his delegation therefore supported the proposal of the United States representative that provision should be made for a working party to meet if necessary.

Mr. PARBONI (Italy) said that, in view of the considerable progress made by the Italian Government in the removal of restrictions, he had expected contracting parties to have expressed more satisfaction with the present situation that they had done. He had taken note of the suggestion that provision should be made for a working party to meet on the request of the United States, but he could make no commitment in this connexion on behalf of his Government.

The CHAIRMAN said that, in the light of the discussion and of the suggestions which had been made, he would propose that, should the Government of the United States, prior to the next meeting of the Council of representatives, request the CONTRACTING PARTIES to review the Italian import restrictions which were no longer justified for balance-of-payments reasons, the Chairman should promptly appoint a Working Party, representative of the contracting parties, for this purpose. The Working Party would be instructed, on the basis of the request of the United States.

- (i) to consider the Italian import restrictions which were no longer justified for balance-of-payments reasons and which had been the subject of consultations under paragraph 1 of Article XXII, and
- (ii) promptly to report thereon, as appropriate, to the Council.

This was agreed.

11. Disposal of commodity surpluses

The CHAIRMAN recalled that, when this question had been under consideration at an earlier meeting (SR.17/6), the United States representative had said that he might wish to speak later in the session in order to reply to some points raised by the representative of the Federation of Rhodesia and Nyasaland during the discussion.

Mr. ADAIR (United States) said that, during the earlier plenary discussion (SR.17/6) on the subject of the disposal of commodity surpluses, the representative of Rhodesia and Nyasaland had referred to a recent sale of United States tobacco to France under Public Law 480 and had stated that the Federation had not been consulted on this or on other United States tobacco disposals under this authority. Since that time, the delegations of the Federation and of the United States had looked into the circumstances surrounding this sale and the question of consultations and, Mr. Adair said, he would like to advise the CONTRACTING PARTIES briefly of the outcome.

First, Mr. Adair went on, he would like to assure the CONTRACTING PARTIES that when the United States delegation submitted its written and oral reports to the present session, which spoke of the satisfactory system of consultations which the United States Government had evolved and of the use of the Title I authority solely for sales to countries in balance-of-payments difficulties, it did not know of the Federation's general dissatisfaction that it had not been consulted on tobacco disposals, nor of the French agreement signed a short time before. This agreement with France was a rare and special type of Title I agreement, undertaken for market development purposes. As the French delegate had reported during the earlier discussion (SR.17/6) there had been other agreements concluded for the same general purpose in the past. The object was to introduce into France a type of tobacco not generally known there. The beneficiaries of this market development project would include, not only the United States, but any other seller of this type of tobacco, which included, it was understood, the Federation of Rhodesia and Nyasaland.

As for the question of consultations, Mr. Adair continued, it had been established that certain misunderstandings and special circumstances had been responsible for the lack of consultation with the Federation. As the United States delegation felt that the CONTRACTING PARTIES should have some explanation of how this difficulty arose, and in the interest of averting possible future difficulties of the same type, they would like to explain again the principles which governed United States consultations on its Title I Public Law 480 sales. These were most recently reported to the CONTRACTING PARTIES in the 1958 debate on surplus disposals. There were three principles to be noted. First, the United States initiated consultations on a proposed Title I transaction with all countries which it found to have a genuine trade interest in the market for the commodity in the country concerned. Secondly, the United States consulted on its disposals of particular commodities with any country so requesting, without regard to the extent of their trade interest. Finally, the United States notified the FAO's sub-Committee on Surplus Disposal of the commodity composition of impending Title I agreements, as a means of

informing those countries which might have a minor or occasional trade interest and of permitting them to comment upon the proposed transactions. In the past two to three years, Mr. Adair continued, all United States sales of tobacco under Public Law 480 had been directed to countries which had not, and did not, figure as markets for Rhodesian tobacco. There had been no evidence of damage to the Federation's trade arising from United States disposals; the Federation's tobacco exports had been increasing and the outlook, as brought out in the Committee II consultation with the Federation, seemed to be favourable. For these reasons, the United States had not considered it necessary to consult with the Federation on its proposed sales to those countries. The Federation's approaches to the United States, to which it had referred, had been of an informal or general character rather than formal requests for consultations such as the United States had received in other instances; unfortunately therefore his Government did not take note of them as official requests. The Government of Rhodesia and Nyasaland had not until this year been a member of FAO and its Consultative Sub-Committee on Surplus Disposal, through which it would have received notifications of the commodity compositions of impending Title I agreements.

In conclusion, Mr. Adair said that the discussions his delegation had held with the Federation's representatives in the past few days had, he thought, satisfactorily resolved their differences on this matter. As for the future, his delegation had been able to assure the Federation's representatives that their government would be consulted in advance on future tobacco sales under Public Law 480, under the procedures regularly applied for Title I bilateral consultations.

The CHAIRMAN said that the representative of Rhodesia and Nyasaland had had to leave Geneva earlier that afternoon, but he was aware of the content of the statement that had just been made by the United States representative. Continuing, the Chairman said the representative of Rhodesia and Nyasaland had asked him to say on his behalf that he appreciated the generous remarks of the United States representative and that he welcomed the assurances of the United States Government concerning the conduct of future consultations with the Federation.

12. Chairmanship of ICCICA (W.17/47)

The CHAIRMAN said that, as was stated in document W.17/47, the renomination of Mr. L.K. Jha of India as the CONTRACTING PARTIES' nominee as Chairman of ICCICA for a second year was proposed by the Heads of Delegations.

It was agreed to renominate Mr. Jha for the ensuing year.

13. Election of Officers (W.17/46)

The CHAIRMAN said that, as was stated in document W.17/46, the Heads of delegations proposed that the present Chairman and the two Vice-Chairmen,

Mr. Haguiwara (Japan) and Mr. Van Oorschot (Netherlands), should continue in office until the close of the last ordinary session of the CONTRACTING PARTIES in 1961.

This was agreed.

The CHAIRMAN declared the seventeenth session closed at 6 p.m.