

GENERAL AGREEMENT ON TARIFFS AND TRADE

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SUMMARY RECORD OF THE FOURTH MEETING

Held at the Palais des Nations, Geneva,
on Tuesday, 9 March 1965 at 2.30 p.m.

Chairman: Mr. J. LACARTE (Uruguay)

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1. Equatorial Customs Union/Cameroon (L/2354)

The CHAIRMAN recalled that on 23 June 1959 the Governments of the Central African Republic, Chad, Congo (Brazzaville) and Gabon had signed a Convention creating the Equatorial Customs Union. On 23 June 1961, these countries and the Government of Cameroon had signed a Protocol of Agreement under which the customs union arrangements were extended to Cameroon. The five States had put into force a common external tariff on 1 July 1962. The Conventions establishing the Equatorial Customs Union and regulating the economic and customs regulations between the member States and Cameroon had been submitted to the CONTRACTING PARTIES in accordance with paragraph 7(a) of Article XXIV and had been examined by a working party which had reported to the twenty-first session of the CONTRACTING PARTIES. While reservations had been expressed on certain detailed aspects of the arrangements relating to the customs union (including the compatibility of the common tariff with paragraph 5(a) of Article XXIV, and the provisions regarding the right to treble the common tariff rates under certain conditions, all members of the working party had expressed their sympathy for the general objectives of the customs union arrangements. The member countries had explained that a new Treaty governing the relations between the customs union and the Cameroon was to be drawn up and that it would be communicated to the CONTRACTING PARTIES. In accordance with this undertaking, the text of the Treaty establishing a Central African Economic and Customs Union, signed at Brazzaville on 8 December 1964, had now been transmitted to the CONTRACTING PARTIES in document L/2354.

Mr. ANGUILE (Minister of State for National Economy, Planning and Mines, Gabon) said that the Treaty of 8 December 1964 establishing the Central African Economic and Customs Union had not modified the existing situation nor introduced any new elements. The common external tariff for the five countries was the same as that drawn up on 1 July 1962. With regard to other fiscal taxes and duties on imports, certain re-groupings with a view to unifying and simplifying them were envisaged, but the total charges would not be changed. However, as could be seen from the third part of the Treaty, co-operation between the five countries in the economic field had been considerably reinforced. This co-operation was based on the setting up of a procedure for allocating industrialization projects among the member States on the basis of a number of carefully worked out criteria, and on a provision guaranteeing access to markets of the Union for industries which reach a certain stage of development on condition that the taxes collected at the production stage on manufactured products would be allocated to the budget of the government where the products were actually consumed. Mr. Anguile hoped that the CONTRACTING PARTIES would consider with sympathy the efforts being made by the five countries to improve their economic development. He went on to indicate in a general context the views of his Government concerning the Kennedy Round of trade negotiations and the new Part IV of the GATT. (Mr. Anguile's full statement will be distributed).

Mr. BRESSON (Upper Volta) supported the statement made by Minister Anguile. He said that the Central African Economic and Customs Union was an example of regional arrangements which could be a basis for improving trade among less-developed countries by the creation of a common market. He added that this type of arrangement would help less-developed countries in co-ordinating their development programmes and would assist them in improving their standard of living.

Mr. PELEKA (Congo, Brazzaville) said that in developed countries international trade, a vital element in economic development, was based virtually on the exports of primary agricultural or mineral products. The exports of the African and Malagasy States were predominantly agricultural and marketing was most important since the success of the development plans of these countries often depended on it. All countries endeavoured to provide satisfactory incomes to agricultural producers and no country was prepared to sacrifice agriculture to the benefit of the industrial sector. In the free market, it was the consumer who dictated prices. However, there were distortions between the prices obtained by agricultural producers for their products and the prices they paid for equipment and imported goods. Mr. Peleka pointed out that agricultural productivity had increased with advances in technological progress without a corresponding increase in consumption, resulting in a downward pressure on prices. On the other hand, the development of countries producing capital goods were such that the prices for their products had increased. If the nature of trade were not modified, developing countries which were primary producers could not hope to effect real development policies. It was in the light of this situation that his delegation had always supported the creation of regional economic groupings, such as the Equatorial Customs Union, within the general framework of promoting international trade.

Mr. CHAUMET (France), speaking on behalf of the member States of the European Economic Community, recalled that the Community had participated in the Working Party which had examined the text submitted to the CONTRACTING PARTIES by the member States. The Community had appreciated the frank and constructive manner in which the members of the Working Party had approached this matter. The Community was pleased to learn that the Union between the five States was proceeding satisfactorily. It was convinced that the efforts by developing countries to join together on a regional basis would contribute considerably to their development through the division of labour, the avoidance of duplication and the efficient use of existing resources. These arrangements would furthermore be beneficial to third countries and would contribute to the expansion of international trade. Minister Anguile had made some suggestions regarding the orientation of the work of GATT. These suggestions were most interesting and should be given the attention they deserved.

The CHAIRMAN, in summing up, said that the new Treaty was essentially a re-formation of the arrangements provided for under the Conventions which were examined a year ago, and it appeared that there was no important difference of substance. The text of the new Treaty and the information provided by Minister Anguile had been furnished in accordance with the undertaking given at the twenty-first session that the parties to the Customs Union would keep the CONTRACTING PARTIES informed of future developments. No doubt the member States of the Customs Union would report on further developments at future sessions.

The comments made were noted.

2. United States/Canada Agreement on Automotive Products (L/2339)

The CHAIRMAN said that, at the request of the delegations of the United States and Canada, the Executive Secretary had circulated in document L/2339 the text of an Agreement concerning trade in automotive products, signed by the Governments of the United States and Canada, on 16 January 1965, and which would come into definitive effect after the necessary legislative action had been taken. As the text of the Agreement was technical and complicated, he felt that it would best serve the interests of the CONTRACTING PARTIES if the matter could be further elucidated before the substance of the matter was discussed. He therefore proposed that a working party be established to carry out this work of elucidation. The Chairman recalled that, when the question was introduced at the meeting of the Council on 28 January 1965, it was understood that the United States had intended to seek a waiver at the present session. He was informed, however, by the United States delegation, that they considered it premature to seek a waiver at this time. He did not think therefore that reference need be made to this aspect of the matter in the instructions which were given to a working party if one were established. He proposed that a working party be set up with the following terms of reference:

- "to examine the Canada/United States Agreement concerning automotive products (L/2339) and any aspects of that Agreement relative to the General Agreement, and report to the CONTRACTING PARTIES".

Mr. COLLYMORE (Jamaica) asked for clarification as to why a working party was being proposed considering that a waiver had not been requested. He also enquired what was the status of the text contained in document L/2339.

Mr. SCHLOSSER (Commission of the EEC) considered that the subject was sufficiently complex to justify the setting up of a working party. He said that the European Economic Community was in agreement with the terms of reference suggested.

The CHAIRMAN, replying to the enquiry from the delegate of Jamaica, said that as the United States was not asking for a waiver at this time, he had thought that it might be useful to have the opinion of the working party in the meantime. However, if there were other suggestions regarding procedure on this question it would be useful to hear them.

Mr. COLLYMORE (Jamaica) agreed that the subject was complex and that a great deal of substance was involved. However, he felt that as the matter also involved certain principles of the General Agreement it would be preferable to have some pronouncement made upon it rather than to leave the matter open as a kind of test case.

Mr. SWARUP (India) supported the statement by the delegate of Jamaica. He said that an examination of the Agreement made it very clear that departure from Article I was involved. He could not understand therefore why a waiver was not being sought at this stage. It was not very clear, from the terms of reference proposed for a working party to deal with this matter, whether the working party would discuss the very important question of principle involved. This was a case of a developed country wishing to depart from one of the basic rules of the General Agreement to achieve certain objectives. He recalled that certain other objectives had obliged less-developed countries to make a plea for preferences. He hoped that the manner in which this Agreement was submitted to the CONTRACTING PARTIES indicated some change of heart. If the CONTRACTING PARTIES were to take a favourable attitude towards this Agreement, it was expected that the much larger objective of the economic development of the less-developed countries would be given similar special treatment in due course.

The CHAIRMAN considered that the terms of reference he had indicated would cover the preoccupations expressed by the delegate for India, and implied by the delegate of Jamaica. The working party would examine any aspects of the Agreement relevant to the General Agreement and would report to the CONTRACTING PARTIES. He felt that this was a very broad mandate.

Mr. AWUY (Indonesia) asked whether the Agreement would be made effective before a finding had been made by the CONTRACTING PARTIES.

Mr. SWARUP (India) asked whether it was intended that the working party should present a report before the close of the session.

Mr. ONYIA (Nigeria) said that if a waiver had not been requested he could not envisage what the working party could report to the session. However, if the procedure suggested were agreed on, it would be useful to hear from the signatories to the Agreement whether they would delay the application of the Agreement until the CONTRACTING PARTIES had had an opportunity to examine all its implications.

The EXECUTIVE SECRETARY said that he felt some uneasiness at the apparent tendency to put pressure upon a contracting party to ask for a waiver of its obligations under the General Agreement. He had always hoped that a situation of this kind could be dealt with in a more constructive way. In this case, two countries having drawn up a draft agreement had taken the step of submitting it to the CONTRACTING PARTIES for an examination of its bearing on their rights and obligations under the General Agreement. Before urging them to take a step in one direction or another, it seemed to him to be the course of wisdom that the CONTRACTING PARTIES should examine the transaction in detail and draw up a report on it. It would then be for the countries concerned to decide what action they should take with respect to the General Agreement and to make proposals to the CONTRACTING PARTIES. It was a matter for congratulation that the two governments having made such an Agreement had asked the CONTRACTING PARTIES to examine it before they themselves decided how they would proceed.

Mr. COLLYMORE (Jamaica) thanked the Executive Secretary for his remarks. However, the note covering the document indicated that the Agreement "will come into definite effect after the necessary legislative action is taken". It seemed the CONTRACTING PARTIES were being asked to pronounce upon an agreement but were being told at the same time that the signatories were not asking for a waiver or for an examination of aspects which affected rights and obligations.

Mr. GILDEA (United Kingdom) said that the United Kingdom exported a large number of cars to the United States and Canada and were vitally interested in this issue. As the matter was complicated, both legally and technically, a small and effective working party should be set up to examine the matter in detail. He felt that there were several solutions which might be found other than a waiver. These were not yet clear, but a report from a working party would assist in clarifying the issue.

Mr. KHAN (Pakistan) enquired whether any communication had been received on this matter other than the information contained in document L/2339. From the document before the meeting it was not clear as to what had been requested by the United States and Canada.

The EXECUTIVE SECRETARY recalled that on 27 January he had circulated the text of the Agreement at the request of delegations of the United States and Canada. He had indicated his intention of including it in the agenda of the present session for consideration as necessary of any aspects which affected the rights and obligations of contracting parties under the General Agreement. This note indicated the basis on which the communication had been made and these considerations underlay the terms of reference which had been proposed for the working party. The only request before the CONTRACTING PARTIES was that they examine the Agreement as regards those aspects which bear upon their rights and obligations under the General Agreement.

Mr. AOKI (Japan) supported the establishment of a working party.

Replying to the delegate for India, the CHAIRMAN said that it was intended that the working party should be convened in the course of the present session. Whether a report was submitted before the end of the session would depend on the progress achieved by the working party. With regard to the question by the delegate for Indonesia as to whether the Agreement would be made effective before a finding had been made by the CONTRACTING PARTIES, the countries concerned would no doubt provide an answer to this question.

It was agreed to establish a working party with the following composition, and with the terms of reference proposed by the Chairman:

Chairman: Mr. N.V. SKAK-NIELSEN, (Denmark)

Membership:

Australia	Ghana	Nigeria
Brazil	India	Sweden
Cameroon	Jamaica	United Kingdom
Canada	Japan	United States
European Economic Community		

3. Relations with Poland (L/2276)

The CHAIRMAN recalled that the Declaration of 9 November 1959 provided for an annual review of the development of trade between Poland and other parties to the Declaration. The third annual review had been conducted by a Working Party in October and a report had been distributed in document L/2276. The report had been examined by the Council which had recommended its adoption by the CONTRACTING PARTIES.

Mr. KAUFMANN (Netherlands), Chairman of the Working Party, said that during 1963 Polish exports to contracting parties had increased by 5 per cent, while Polish imports from contracting parties decreased by about 0.7 per cent. Thus Poland's trade deficit with the contracting parties decreased to \$106 million c.i.f. or \$70 million f.o.b. During the review the representatives of certain countries, in particular Austria and Switzerland, had commented on the development of their trade with Poland. These comments could be found in paragraphs 6 to 8 of the report and in Addendum 1. With regard to representations and consultations on specific problems, the Working Party had noted that no specific problem of the kind envisaged in paragraphs A:2 or B:2 of the Declaration had been reported for attention by the CONTRACTING PARTIES; nor had there been reference to any representations or consultations for discussion under section (b) of this review. As to the publications of laws, regulations etc., by Poland, the Polish representative had reaffirmed that the requirements of paragraph A:3 of the Declaration had been fully met and the Working Party had noted that no question had been raised on this aspect of the review.

Mr. LACZKOWSKI (Poland) said that his Government had never considered the Declaration of 9 November 1959 as the last word on relations between Poland and the GATT and was aware of the necessity to develop these relations on a new basis. He would not go further into this aspect of the matter on the present occasion since there would be an opportunity for doing so in another body of the CONTRACTING PARTIES. Mr. Laczkowski said that trade between Poland and the rest of the world had amounted to \$4,169 million in 1964. The value of Poland's trade in this period with the GATT countries increased by 14.2 per cent compared with an increase of 11.2 per cent in Poland's overall trade with the outside world. Consequently, the share of GATT countries in Poland's total foreign trade increased from 44.7 per cent in 1963 to 45.9 per cent in 1964. Poland's trade with developing countries increased in 1964 by 26 per cent, which was much greater than the increase in Poland's total external trade. The share of developing countries in Poland's total foreign trade amounted to 7.8 per cent. Mr. Laczkowski referred to what seemed to him to be a paradoxical phenomenon. He said that Poland's trade with developing countries which were not members of GATT had developed more rapidly and encountered sometimes less obstacles than trade with developing countries which were members of GATT. This situation was borne out by the fact that Poland's total trade with all developing countries increased in 1964 by 26.7 per cent, while trade with developing countries, which were members of GATT, increased by only 19.7 per cent. His delegation wished to draw this development to the attention of certain countries. In this connexion there was a South American country which refused to accord most-favoured-nation treatment to Poland

in the customs field. A situation which was not encountered from countries which were not members of GATT. Mr. Laczkowski went on to say that there had been a relatively rapid development of trade between the United States and Poland. In 1964 this trade amounted to 4 per cent of Poland's total foreign trade. Trade with EFTA and EEC in 1964 amounted to 10.5 per cent and 9.5 per cent respectively of total foreign trade.

Mr. ONYIA (Nigeria) referred to Annex II, page 9, of document L/2276 and noted that the statistics relating to trade with Nigeria showed that Poland had suffered an adverse balance of trade with Nigeria in 1963. He said that many factors were responsible for this situation. His country was still not very experienced in dealing with the trading system involved.

The report was adopted.

4. Definitive application of the GATT (L/2375)

The CHAIRMAN said that the Executive Secretary had distributed a note in document L/2375 concerning acceptance of the General Agreement in accordance with the provisions of Article XXVI.

The EXECUTIVE SECRETARY said that the insertion of the item on the agenda on his initiative was intended only to remind the CONTRACTING PARTIES that this had been pending business for at least a decade. As this purpose had been served, he would not ask that it be retained as a proposal at the present session. As this was an important matter he felt that, when it was discussed by the CONTRACTING PARTIES, it should be on the basis of a proposal made by one or more of the contracting parties themselves. The proposal he had put forward in his name should therefore be regarded as being withdrawn. It was of course open to any contracting party to adopt the proposal and to place it before the CONTRACTING PARTIES in its own name.

Mr. EVANS (United States) said he assumed that any contracting party could re-open the question in the course of the present session.

Mr. SWARUP (India) said that the Executive Secretary's note on the subject had been circulated recently and such an important question needed careful consideration. He suggested that the matter be reverted to later in the session.

Mr. AWUY (Indonesia) suggested that the matter be postponed until the twenty-third session.

Mr. SCHNEBLI (Switzerland) asked if the proposal in document L/2375 were adopted what would be the legal situation for countries such as Switzerland which had acceded provisionally to the General Agreement.

The EXECUTIVE SECRETARY said that definitive application by contracting parties would not affect the legal situation of a country which had provisionally acceded, but if such a country moved to full accession the protocol for its accession should provide for definitive application of the GATT.

Mr. ONYIA (Nigeria) referred to the request by the Twelfth Inter-Sessional Committee in 1958 for governments to state whether they were in a position to accept the GATT definitively. He enquired whether there was a list of countries which had stated that they would accept the GATT definitively without reservations and of those which would accept it with reservations on mandatory legislation. If this information were circulated it would afford governments an opportunity to re-examine the matter and, possibly, to make suggestions concerning the reservations in the framework of the Kennedy Round.

Mr. CHAUMET (France), speaking on behalf of the member States of the EEC, said that the Community was prepared to look into the matter in a positive spirit.

The CHAIRMAN said that the secretariat would circulate the information requested by the delegation of Nigeria. The item would be discussed later in the session if any delegation so requested; otherwise it would appear on the agenda of the twenty-third session.

5. South Africa/Rhodesia trade relations (L/2376)

The CHAIRMAN said that the Governments of South Africa and Rhodesia had transmitted the text of a new trade agreement which was concluded on 30 November 1964. The text of the Agreement had been distributed in document L/2376. There was considerable GATT history in connexion with the trade relations between these two countries. In 1949 South Africa and Rhodesia had entered into arrangements for the formation of a customs union which was examined by the CONTRACTING PARTIES under Article XXIV. In 1953 the Federation of Rhodesia and Nyasaland was formed and in 1955 and 1960 the trade relations between the Federation and South Africa were given shape in successive commercial agreements. These agreements were examined in a Working Party. In 1960 the CONTRACTING PARTIES granted a limited waiver to South Africa authorizing preferential treatment subject to special conditions for products imported from the Federation. At the end of 1963 the Federation was dissolved and the new Agreement was intended to establish the trading relationships between South Africa and Rhodesia. The Agreement now before the CONTRACTING PARTIES should be examined with particular reference to the preferential margins authorized under Article I of the GATT. The Chairman suggested that, as delegations had not yet had an opportunity to study the Agreement carefully, it might be helpful if the examination of this complex matter could be carried out on the basis of a report from tariff experts. Perhaps the best way to proceed would be to re-establish the Working Party which had examined the 1960 Agreement.

The CHAIRMAN proposed that a working party be established with the following composition and terms of reference:

Chairman: Mr. L. RYDFORS (Sweden)

Membership:

Australia
Ceylon
Denmark
France

Netherlands
Peru
Rhodesia
South Africa

Switzerland
United Kingdom
United States

Terms of reference:

1. "To examine the Trade Agreement concluded by the Governments of South Africa and Rhodesia (L/2376) and to report with any appropriate recommendations."
2. "To review the operation of the Decision of 4 June 1960."

This was agreed.

The meeting adjourned at 5 p.m.