

# GENERAL AGREEMENT ON TARIFFS AND TRADE

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CONTRACTING PARTIES  
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## SUMMARY RECORD OF THE EIGHTH MEETING

Held at the Palais des Nations, Geneva,  
on Tuesday, 23 March 1965 at 10 a.m.

Chairman: Mr. J. LACARTE (Uruguay)

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### 1. Executive Secretary's report on the Kennedy Round (L/2405)

The Executive Secretary, as Chairman of the Trade Negotiations Committee, presented a report on progress in the negotiations since the twenty-first session. He said there had been considerable and gratifying progress in organizing the negotiations. The most outstanding event had been the tabling, on 16 November 1964, of the exceptions lists which marked the inauguration of negotiations in the industrial field. The obverse of the exceptions lists was, of course, the offer of a 50 per cent reduction of industrial tariffs over a very large segment of the trade of the countries involved. This action represented the most impressive and substantial prospect of tariff reduction which had ever been undertaken. Another significant advance had been the recent agreement, in the Trade Negotiations Committee, on procedures as regards agricultural products. In terms of the new procedures for agriculture, substantive negotiations would shortly commence on trade in cereals on the basis of elements, which had already been defined, and of specific negotiating proposals, to be tabled by interested governments in the course of the following month. As from the middle of September, negotiations would proceed, again on the basis of specific proposals, on other agricultural commodities. Thus arrangements had now been completed which would ensure that the negotiations would cover the whole field of international trade. The third major advance had been the adoption of rules, by the

Trade Negotiations Committee, to govern the participation of less-developed countries; and the way was therefore open to those countries to participate fully in the negotiations. This was, of course, important because all contracting parties entering into the negotiations had set as one of their major objectives the improvement of export prospects for, and therefore of export earnings of, the less-developed countries, a matter which had long been a major preoccupation of the GATT.

Dr. BENES (Czechoslovakia) recalled that Czechoslovakia had, on 16 November, presented an offer. His Government therefore interpreted the decision of the Trade Negotiations Committee as meaning that Czechoslovakia was a participant in the Kennedy Round as from the date of the offer.

The EXECUTIVE SECRETARY, in his capacity as Chairman of the Trade Negotiations Committee, stated that the understanding of the representative of Czechoslovakia corresponded to that of his own.

The report of the Executive Secretary was noted.

## 2. Latin American Free Trade Area (L/2399)

Mr. BOSCH (Uruguay), speaking on behalf of those members of the Latin American Free-Trade Association, which were contracting parties to the GATT, supplied information concerning the activities of the Association for the year 1964.<sup>1</sup> During the period LAFTA had done a great deal of work in the broadening and strengthening of the integration process. The member States had laid down detailed directives and had established a programme for translating into action the integration objectives set forth in the Montevideo Treaty with a view to the formation of an economic union between the member countries. To this end the Association had continued its activities aimed at the creation of a free-trade area between Latin American countries, in conformity with the provisions of the Montevideo Treaty and Article XXIV of GATT. The programme for the reduction, on intra-trade, of customs duties and import restrictions by LAFTA countries had continued and to date approximately 8,600 concessions had been granted. The other process contributing to the implementation of the liberalization programme was the negotiation of the first Common Schedule in which were listed products on which they undertook, by collective decision, to eliminate all charges and other restrictions in intra-area trade before the end of the twelve-year transitional period. They had also agreed to initiate a programme for co-ordination of economic policies and the harmonization of the foreign trade regulating machinery of the member countries. The need for such programmes to supplement and strengthen the liberalization programme had become increasingly apparent because of the diversity, within the area of the Association, of commercial policies towards third countries. It had therefore been decided that, in the field of foreign trade, common guidelines and systems for the application

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<sup>1</sup>The full text of the statement has been distributed in document L/2399.

of a joint commercial policy would be adopted. For this purpose, necessary measures would be taken to ensure the fullest possible equalization of charges and restrictions applied on imports from third countries. The principle that all member States should share the benefits of integration had been affirmed and guidelines had been established to this end in both the industrial and agricultural fields.

Mr. EVANS (United States) thanked the members of the Association and their spokesman for the very informative report. The United States had supported the creation of a free-trade area in Latin America, right from its outset, and continued to do so. The tremendous amount of work undertaken in 1964 was encouraging. It was to be hoped that the establishment of a complete free-trade area would be achieved with the shortest possible delay both in the economic interests of the members of the Association and in accordance with the provisions of the General Agreement. Mr. Evans noted that in paragraph 4 on page 4 of L/2399, mention had been made of "the growing complexity of the negotiating machinery.", and enquired whether consideration was being given to more automatic mechanism in order to achieve faster liberalization of intra-trade. He noted, too, from paragraph 4 on page 5 that measures would be taken "to ensure the fullest possible equalization of charges and restrictions applied on imports from third countries", and asked whether, in this connexion, any study or plan had been made on the possibility of converting the Association from a free-trade area into a customs union.

Mr. CHAUMET (France) speaking on behalf of the member States of the Community, expressed the keen interest of the Community in the regional integration movement in Latin America. The Community regarded such integration movements as an important means of overcoming the difficulties facing developing countries and welcomed the progress that had been achieved by the LAFTA countries.

Mr. DONOVAN (Australia) thanked the representative of Uruguay for the comprehensive information contained in his statement. Australia considered that regional integration movements such as LAFTA were of considerable assistance in enabling developing countries to accelerate their development. He noted, in paragraph 4 on page 2 of L/2399, that concessions on agricultural commodities, and products derived from the industrial processing of such commodities, accounted for nearly 30 per cent of the concessions negotiated by the member States of the Association as regards their intra-trade. He observed that under the original Montevideo Treaty, provision had been made for the retention of restrictions to protect domestic agriculture in the individual countries and that, in the previous LAFTA statement, no mention had been made of liberalization in respect of agricultural

products. He enquired whether the concessions negotiated on agricultural commodities could be interpreted as meaning that the provisions of the Montevideo Treaty concerning agricultural restrictions were no longer in force and whether, therefore, liberalization of all agricultural products was possible. He also asked, in this connexion, what percentage of total agricultural production of the member States of the Association was covered by the concessions so far negotiated. Referring to the complementarity agreements mentioned on pages 6 and 7 of L/2399, Mr. Donovan enquired whether details of these agreements could be made available since they would doubtless be of use in assisting other countries embarking on regional integration.

Mr. BOSCH (Uruguay) thanked the representatives who had spoken for their kind sentiments as regards the Association. He suggested that the answers to the two queries raised by the United States could be obtained from Resolution 75, drawn up at the October/December 1963 meeting, and which he would transmit to the United States delegation.

Mr. Bosch stated, as regards the points raised by the representative of Australia, that the clause on agriculture in the Montevideo Treaty had not been used to the extent permissible and thus it had been possible to introduce a degree of liberalization of intra-trade in respect of agricultural products. He undertook to supply information on the percentage of total agricultural production of the member States covered by the concessions negotiated and to provide details of the complementarity agreements negotiated.

The information supplied by the members of LAFTA, contracting parties to GATT, (L/2399) was noted.

### 3. Uruguayan import surcharges (W.22/11)

The CHAIRMAN recalled that, at an earlier meeting, the CONTRACTING PARTIES had considered a request from the Government of Uruguay for an extension of the waiver of 8 May 1961 permitting the maintenance of certain import surcharges on items specified in the Uruguayan Schedule, but also taking account of the recent changes in the surcharges. It had been agreed to grant a waiver until the end of the year and to refer the request for a further prolongation to the Committee on balance-of-payments restrictions, and also to authorize the Council to deal with the request on the basis of the recommendations by that Committee. The draft decision prepared by the Executive Secretary had been distributed in document W.22/11.

The decision was adopted by thirty-nine votes in favour and none against. Nine contracting parties recorded abstention.

4. Arab Common Market (L/2366)

The CHAIRMAN said that the Executive Secretary had circulated, in document L/2366, a communication from the delegation of the United Arab Republic, in which, pursuant to the provisions of Article XXIV of the General Agreement, texts were submitted of an "Agreement for Economic Unity among Arab League States" and of certain decisions and recommendations of the Council on Arab Economic Unity establishing the Arab Common Market. He recalled that in examining regional arrangements previously, under the provisions of Article XXIV, the CONTRACTING PARTIES had adopted a two phase procedure. First, questions had been submitted by individual contracting parties and replies had then been given by the participants of the regional arrangements in question. Secondly, a substantive consideration of the arrangements, usually initiated in a working party, had taken place on the basis of the elucidation obtained through the question and answer procedure. Regional arrangements notified were often complicated and difficult to understand for third countries and some elucidation was normally necessary before substantive discussion could usefully be held. The question and answer procedure had, however, inevitably delayed substantive consideration of the arrangements notified. He therefore suggested that it might speed up the elucidation process if, prior to, or possibly even in place of, the question and answer procedure, the secretariat, on receiving the text of an arrangement, should prepare and circulate, as soon as possible, a description of the arrangement with particular reference to those elements which would be of interest to the CONTRACTING PARTIES in relation to the provisions of Article XXIV. The parties to the arrangement would no doubt give the secretariat any necessary assistance in preparing this descriptive and analytical material with the minimum possible delay. He would hope that, if this procedure were followed, there would be less delay in the consideration of new arrangements by the CONTRACTING PARTIES.

If it were generally felt that this procedure had merit, the secretariat could be asked, in the case of the Arab Common Market, to circulate a paper analyzing the texts which had been submitted. It might be that some contracting parties would still wish to submit questions and it could presumably be left to the secretariat, in the normal way, to circulate a note asking for any such questions to be submitted by an appropriate date in the near future. Once the questions and answers to them had been circulated, the matter could then be proposed, be placed on the agenda of the Council for consideration of what further action might be necessary.

The proposed procedure would be a departure only in the sense of enabling a more rapid consideration of arrangements, such as that of the Arab Common Market. It was generally recognized that the question and answer system was time-consuming. The suggested procedure would maintain the question and answer system but would have the added advantage of providing interested parties with descriptive and analytical material somewhat earlier than before.

In a discussion of the procedure proposed by the Chairman a number of representatives gave it their support, but several others expressed doubts as to the desirability of modifying the procedure which had been followed on past occasions when the CONTRACTING PARTIES had been called upon to examine arrangements for customs unions or free-trade areas. Since the proposal did not have unanimous support the Chairman withdrew it.

Mr. ABOU-GABAL (United Arab Republic) said that the text of the Agreement establishing the Arab Common Market had been drawn up in accordance with the provisions of the Agreement on Economic Unity among the member States of the Arab League. The text was being submitted now to the CONTRACTING PARTIES in compliance with Article XXIV. The main objectives of the Common Market were clearly stated in the preamble to the Decision establishing it. These objectives were: the achievement of social progress and economic prosperity for the members of the Arab Common Market; the establishment of economic unity on the sound foundations of continuous and harmonious economic development; the achievement of economic integration among participants and the attainment of the most favourable environment for their resources; and the raising of living standards and improvement of working conditions. The GATT had taken cognizance of the fact that regional co-operation represented an important means towards the economic development of less-developed countries. For the sake of elucidation we would point out that Tables (A), (B) and (C) referred to in Articles 10 and 11 of the Decision establishing the Common Market were the same as those embodied in the Annexes of the Convention for Facilitating Trade between States of the Arab League. The latter Convention, which had been reproduced in document L/1816/Add.3, had been discussed in a Working Party established to examine the request of the United Arab Republic for accession to the General Agreement.

The Working Party had concluded that "the preferential arrangements under the Arab League Convention should be dealt with under the provisions of paragraph 3 of Article I of the General Agreement". In order to realize economic unity, the member States of the Arab League, in their Agreement on Economic Unity, had indicated broadly that their countries should be considered as a unified customs region. The means of achieving this unified market would be decided upon in due course by the Council of Economic Unity which is responsible for carrying out all duties and powers specified in this Agreement and its Appendices. The provisions of the Agreement on Economic Unity now submitted for examination were those relating to the establishment of the Common Market. The United Arab Republic stood ready to provide any information sought in this connexion.

Dr. WAHBI AL-KARAGHOLI (Observer from Iraq) said that he was sure that the text of the Arab Common Market would receive the serious attention it deserved. His country, which was a member of the Common Market, believed that it would achieve social progress and economic prosperity for its members and, at the same time, would attain the aims of the Agreement on Economic Unity among member States of the Arab League.

Mr. DURRAH (Kuwait) stated that the members of the Arab League attached great importance to economic unity between Arab States and to the Arab Common Market.

The CHAIRMAN suggested that contracting parties wishing to pose questions concerning the provisions or implementation of the Agreement should submit these to the secretariat not later than 6 May 1965, and that when replies to the questions had been received the Council should appoint a working party to examine the Agreement in the light of the relevant provisions of the GATT.

This was agreed.

5. European Economic Community: information furnished by the Community  
(L/2394 and L/2400)

Mr. TADIC (Yugoslavia) said that the attention which had been given to the information supplied by the Community on 15 March was symptomatic of the important rôle of the Community in world trade and of the considerable influence of its policies on the economies of other countries. He noted that the industrial imports of the Community had more than doubled in the period 1958-1963 but that, although percentage figures were not available, it seemed clear that the rate of increase in agricultural imports was much less. The Community was a most important trading partner of Yugoslavia, taking some 30 per cent of her total exports. However, 70 per cent of Yugoslavia's exports to the Community comprised agricultural products. It could be deduced from the fact that the industrial imports into the European Economic Community were increasing at a faster rate than those of agricultural products that the growth in the Community's market was primarily benefiting those countries exporting mainly industrial goods, which did not include Yugoslavia. The agricultural policy of the Community was a cause of concern to Yugoslavia. About 60 per cent of Yugoslavia's agricultural exports were subject to the levy system and this introduced an element of uncertainty as to export prospects.

Yugoslavia could not agree with the opinion of the representative of the Community that the best guarantee for the exports of third countries was the continuing economic expansion of the Community. A guarantee could not lie in the prosperity of the Community countries alone but would depend on the trade and economic policies of the Community towards its partners. On the basis of preliminary figures for the first eleven months of 1964, it would seem that Yugoslavia's exports to the Community amounted to no more than 65 per cent of the value of its imports from the Six Member States. Yugoslavia would not be concerned at the increase in the volume of its imports from the Community were this to be accompanied by a growth in its exports to the Six. It was to be hoped that it would be possible to find mutually acceptable solutions to the problems concerning Yugoslavia's trade with the Community and its economic problems in general.

Mr. IALL (India) said that his delegation had carefully noted the information supplied by the Community. The information on trade statistics was, he observed, the same as that included in the previous report and was the most up to date available to indicate the evolution of the Community's trade. The Indian attitude towards the trends in the Community's external commerce remained as before. Within the overall growth of the Community's trade there were certain sectors which had stagnated. He suggested that steps should be taken to ascertain the reason why the stagnation had occurred and to see whether some growth in the imports of the items affected could be achieved. India had had a number of bilateral contacts with the Community on this point, which he hoped would continue and lead to positive action. He was pleased to note that the Community had undertaken to take into account the concerns expressed by third countries as regards its trading policies. It had to be borne in mind that India's inability to increase her exports to the Community resulted in her having to reduce her imports from the Community. The progressive harmonization of the tariffs of the Community was having a harmful effect on India's exports to the extent that customs duties were being raised in those countries which, in the past, had been substantial markets for Indian produce. He hoped that, in evolving policy in the future, the Community would give specific attention to those areas where, to date, there had been no appreciable growth in imports from third countries.

Mr. HIJZEN (Commission for the European Economic Community) speaking on behalf of the member States of the Community, in replying to the points raised by the representative of Yugoslavia, noted that there had already been considerable discussion in the CONTRACTING PARTIES on the common agricultural policy of the Community. The representative of Yugoslavia had referred to the fact that Yugoslavia's exports to the Six amounted to only 65 per cent of her imports from the Community. He would suggest that it would be appropriate, in this connexion, to consider the overall balance-of-payments position and to take account of such items as tourism which made an important contribution to Yugoslavia's foreign exchange position. Moreover, many of Yugoslavia's imports from the Community were covered by credits from Community countries. He would not suggest that the trends in the trade between the Community and Yugoslavia were entirely satisfactory but they would not seem as adverse to Yugoslavia as the representative had indicated.

On the points raised by the representative of India, Mr. Hijzen stated that trade trends depended on a number of factors. The Community would continue to discuss and exchange views on the possibility of facilitating India's exports to the Community which he recognized were essential. He was pleased to note the confidence which Mr. Lall had expressed in the value of the bilateral contacts which had been made. This channel of communication had already shown that there were prospects for concrete results and he looked forward to further contacts.

The CONTRACTING PARTIES took note of the information furnished by the Community (L/2394) and by the Government of Greece (L/2400).

The meeting adjourned at 12.45 p.m.