

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

SR.22/9
6 April 1965

Limited Distribution

CONTRACTING PARTIES
Twenty-Second Session

Page 103

SUMMARY RECORD OF THE NINTH MEETING

Held at the Palais des Nations, Geneva,
on Tuesday 23 March 1965, at 4.30 p.m.

Chairman: Mr. J. LACARTE (Uruguay)

	<u>Page</u>
<u>Subjects discussed:</u>	
1. United Kingdom temporary import charges	103
2. Presentation to Ambassador Garcia Oldini	106
3. Change of title "Executive Secretary" to "Director-General"	107
4. European Economic Community: Agreement of Association with Turkey	108

1. United Kingdom temporary import charges (L/2385)

The CHAIRMAN recalled that in October 1964 the United Kingdom had imposed temporary charges on imports. On receipt of details of the measures, the Council had appointed a Working Party which had begun consultations early in December and had submitted a report which had been considered by the Council at its meeting on 17 December. The Council had instructed the Working Party to resume the consultation early in the new year. The Working Party had continued its consultation with the Government of the United Kingdom during the current session and a report had been distributed in L/2385.

The DEPUTY EXECUTIVE SECRETARY, in his capacity as Chairman of the Working Party, presented the Working Party's report. He noted that it had been clear to the Working Party that the United Kingdom's balance-of-payments difficulties still persisted and were, for some time, likely to continue. Although the effects of the charges on the balance of payments were by no means clear, some improvement in the situation seemed to have occurred. Members of the Working Party had welcomed the United Kingdom's decision to reduce the import charges by 5 per cent and had expressed the hope that the remaining 10 per cent could be eliminated shortly. The representative of the United Kingdom had reiterated his Government's unreserved intention that the import charges should be strictly temporary and should be removed as quickly as possible. The report had dealt with the question

of developments in the principle components of the United Kingdom's balance of payments and prospects for the immediate future. However, cognizance had had to be taken of the fact that the whole economic situation of the United Kingdom, including the sort of factors referred to by members of the Working Party, was under review and that the budget was in the course of preparation. In these circumstances it had been difficult for the Working Party to have a conclusive discussion. Nevertheless it would be apparent from the report that members of the Working Party attached particular importance to measures in the budget aimed at restraining internal demand and freeing resources for exports.

As regards the effects of the charges, it would be recalled that, when the Council had adopted the first report of the Working Party on 18 December, it had expressed the hope that, in any modification of the charges, consideration would be given by the United Kingdom to the trading interests of the less-developed contracting parties. At the recent meeting of the Working Party, the less-developed countries had clarified and thus limited their request, urging that the United Kingdom should at least abolish the charges on products, including those which had social implications, of which the less-developed countries were the principal suppliers to the United Kingdom. It would be noted from paragraph 17 of the report that the representative of the United States could not associate himself with the views expressed by the Working Party in this connexion. Mention had also been made in the report of the question of export rebates. Finally, the Working Party had recommended to the CONTRACTING PARTIES that it might appropriately resume its consultation with the United Kingdom some time after the budget had been presented in order to take into account further developments in the situation and that, in the meantime, the Working Party's present report should be considered as interim.

Mr. COLLYMORE (Jamaica) said it was regrettable that the United States representative in the Working Party had not been able to associate himself with the views expressed by the Working Party concerning relief from the charges for items of which the less-developed countries were principal suppliers. He considered that the position of the United States, in this connexion, had relevance for the discussion in the CONTRACTING PARTIES on the agreement between the United States and Canada on automotive products. It was important, in this connexion, to bear in mind that the new Part IV of the General Agreement envisaged that less-developed countries were in an unfavourable position and would need certain special help from time to time, and it was difficult for him to understand why the United States had found it necessary to take the stand it had in connexion with special consideration for developing countries in relation to the reduction of the United Kingdom's charges. It would seem that, as a result of the stand taken by the United States, if it wanted to, there was nothing that the United Kingdom could do in this respect. In conclusion, he enquired about the reasons why the United States Government had adopted this attitude.

Mr. LALL (India) expressed his gratitude to the Working Party for having placed the issue, as it concerned the developing countries, in its appropriate perspective. His delegation recognized that the United Kingdom representative could not commit his Government to any specific course of action and was satisfied with the statement that the United Kingdom Government would consider the views expressed in the Working Party. His delegation would also hope that the United States would consider the views of the Working Party and make it possible for the United Kingdom to give consideration to them in meaningful terms.

Mr. MAHMOOD (Pakistan) hoped that the United Kingdom would be able to act in accordance with the consensus that had emerged during the meeting of the Working Party on the request of the less-developed countries and that the United States would be able to reconsider its position so as to assist the United Kingdom to fulfil its moral responsibility to the developing countries.

Mr. SUZUKI (Japan) supported the adoption of the report of the Working Party and stressed the importance of paragraph 22 of the report.

Mr. EVANS (United States), at the request of the Chairman, reiterated the reasons why the United States could not associate itself with the views expressed by the Working Party concerning treatment for products of which less-developed countries were the principal suppliers to the United Kingdom. The United States Government had been gratified that when the United Kingdom adopted the list of products to be exempted from the charges it had been able, in the interest of its balance of payments, to include in that list many products in which less-developed countries were particularly interested. Since the introduction of the charges the United Kingdom had been under great pressure from other trading partners to provide special treatment for them in the application of the charges. If a general reduction, or elimination, of the charges, which was desired by all, were to be delayed by the granting of special consideration to particular trading partners, then everyone would be worse off. It was the honest belief of the United States that the most satisfactory means of proceeding would be for the United Kingdom to make its decision concerning the removal of the charges primarily on the basis of what was in the interest of curing the balance-of-payments situation. The United States did not want to see a departure from that principle, much as they regretted the effect of the charges on products exported by less-developed countries. There were, in fact, however, few products where it would be possible for the United Kingdom to remove the charges, on the basis of developing countries being principal suppliers, without benefiting other contracting parties which also supplied. To the United States the important objective was to get rid of the charges as quickly as possible and, in its view, this could best be achieved in the manner he had suggested and which the United Kingdom had hitherto followed.

Mr. COLLYMORE (Jamaica) drew attention to paragraph 17 of the report where it was stated that "the Working Party noted that the request by the less-developed countries for special consideration of products of which they were principal suppliers to the United Kingdom, including products having social implications, had now been clarified and thus limited". The point, made by the representative of the United States, that the removal of charges on products of which developing countries were principal suppliers would defeat the whole purpose of the charges, would seem invalid since the request of the developing countries was limited.

The CHAIRMAN noted that in paragraph 22 of the report it was recommended that the consultation should be resumed after the presentation of its budget by the United Kingdom Government and that therefore its present report should be considered as interim.

On this understanding, the report of the Working Party (L/2395) was adopted.

2. Presentation to Ambassador Garcia Oldini

The CHAIRMAN observed that Ambassador Garcia Oldini of Chile, who was a former Chairman of the CONTRACTING PARTIES and had been connected with the GATT from its early days, was now leaving Geneva to take up another important post in his Government. In view of the unavoidable absence of Ambassador Oldini, the CONTRACTING PARTIES would request his successor Ambassador Valenzuela to convey to him the proceedings of the CONTRACTING PARTIES on this matter.

The EXECUTIVE SECRETARY recalled that Ambassador Oldini had held many posts in the CONTRACTING PARTIES including that of Chairman and had contributed in an almost unique degree in building up the GATT to its present position. From the very outset of discussions within the GATT in 1947, he had defended the position of his country and more broadly that of less-developed countries in a dynamic, sometimes passionate, and always sincere and constructive manner. He had been impressed throughout his acquaintance with Ambassador Oldini at the very deep humanity which underlay his activities in the GATT. He was certain that all contracting parties would wish to join with him in expressing regret that his appointment elsewhere would deprive the CONTRACTING PARTIES of his constructive participation in their future work. The contribution of Ambassador Oldini on the technical level had been of the greatest importance. Moreover he had revealed in his statements, whether in the French or Spanish language, a very deep culture and had introduced elegance into otherwise somewhat arid debates. Garcia Oldini had thus left his mark on the CONTRACTING PARTIES in both form and style. It would be appropriate, the Executive Secretary considered, for those involved in the work of the GATT to mark their appreciation of all that Ambassador Oldini had meant to the organization, whilst at the same time taking out a little reinsurance that he would not altogether forget the work in which he had participated in the GATT, by presenting him with a bound set of the documents of the General Agreement.

The CHAIRMAN read from the first volume, the following inscribed appreciation:

"TO MR. FERNANDO GARCIA OLDINI"

These volumes are presented as a token of appreciation of the long and much valued collaboration of Mr. Garcia Oldini in the work of the contracting parties to the General Agreement on Tariffs and Trade. Through his wisdom and understanding he has made a lasting contribution to international relations between member governments, particularly in regard to their problems of development. The Executive Secretary and his secretariat join with representatives of governments in offering these volumes to Mr. Garcia Oldini."

Mr. VALENZUELA (Chile) thanked the Chairman and the Executive Secretary, on behalf of Ambassador Oldini and the Chilean Government, for their statements and for the gift. It was a moving occasion for him to make his initial statement in the CONTRACTING PARTIES on such a matter. Ambassador Oldini had always been associated, by the diplomatic service of Chile and indeed by the Chilean public at large, with the principles and practices of the General Agreement. Ambassador Oldini would be leaving for another post where he would have the opportunity of displaying the admirable qualities he had manifested in the GATT.

3. Change of title "Executive Secretary" to "Director-General" (W.22/12)

The CHAIRMAN said that at a meeting of Heads of Delegations the change of the title of Executive Secretary to that of Director-General had been approved. The text of a Decision relating to this matter had been circulated in W.22/12 and was now proposed for adoption.

The Decision (W.22/12) was adopted.

Mr. BRESSON (Upper Volta) expressed his pleasure at being called upon to convey the great appreciation of representatives of contracting parties for the skill and intelligence of the Director-General. The task of the Director-General in reconciling the legal provisions of the General Agreement with the evolution of world trading patterns was extremely complex and required considerable intelligence. It also required diplomacy of a very high calibre. The CONTRACTING PARTIES had on several occasions indicated their satisfaction at the work of the Director-General and the Decision they had adopted was an endorsement of their appreciation in this regard. He was sure that he was speaking for all delegations in urging the Director-General to continue to assist the CONTRACTING PARTIES in their task.

The CHAIRMAN said that he had known the Director-General for nearly twenty years and he had always admired his intelligence, his capacity to work, tenacity and complete devotion to the General Agreement. There would no doubt be other occasions on which to express appreciation of his important work. His intelligence and personality had contributed greatly to making GATT what it was and he was certain that he spoke on behalf of all contracting parties in expressing appreciation of the physical and mental strains borne by the Director-General in his difficult task. The Director-General provided constant guidance and inspiration to the secretariat and to delegations. In conferring the title of Director-General, the CONTRACTING PARTIES were, in a positive manner, displaying their gratitude to Mr. Wyndham White.

The DIRECTOR-GENERAL said that he was deeply conscious of the honour conferred by the CONTRACTING PARTIES and was most grateful for the statements that had been made. Success in an office such as his depended very much on luck and perhaps judgment in the choice of collaborators, in which he had been most fortunate. He accepted the tribute paid by the CONTRACTING PARTIES as being as much for his colleagues as for himself and as a recognition of the transformation of the GATT from its early days in difficult circumstances to being one of the most important international institutions.

4. European Economic Community: Agreement of Association with Turkey
(L/2265 and Addendum 1)

The CHAIRMAN recalled that at their twenty-first session the CONTRACTING PARTIES had had before them the text of the Agreement, creating an Association between the Community and Turkey, which had been submitted by the Community and the Government of Turkey in a communication that had said that "the Association Agreement provides for the progressive establishment, in three successive stages, of a customs union between the European Economic Community and Turkey". The CONTRACTING PARTIES had agreed that governments should have an opportunity of posing questions concerning the provisions and implementation of the Agreement and that the Council should then establish a Working Party to examine the Agreement in the light of the relevant provisions of the GATT. The Working Party had met in September and its report had been distributed in document L/2265 and Addendum 1.

Mr. SAKELLAROPOULO (Canada), the Chairman of the Working Party, in presenting the report, drew attention to some of its main features. The principle subject of discussion had been the provisions of the Agreement relating to the preparatory and transitional stages. The representatives of the Community and of Turkey maintained that the Agreement, taken as a whole, constituted an "interim agreement leading to the formation of a customs union" in the sense of paragraph 5(a) of Article XXIV and that, in accordance with

paragraph 5(c), it contained a plan and schedule for the formation of a customs union "within a reasonable length of time". Two members of the Working Party, on the other hand, had taken the view that the Agreement did not provide a precise plan and schedule; that the preparatory and transitional stages were of uncertain duration and might be extended over too long a period; and that, further, there was no certainty that the customs union would be consummated. Other members of the Working Party had considered that they needed more time before giving their opinion; while some had preferred to wait for the session of the CONTRACTING PARTIES before making observations. In these circumstances, the Working Party had restricted its report to a recording of the information, clarifications and arguments put forward. The Working Party had recommended that the Agreement be considered by the CONTRACTING PARTIES in the light of the report.

Mr. EMRE (Turkey) said that the aim of the Ankara Agreement was to facilitate the accession of Turkey to the Community, notably by the institution of a customs union. It was inspired by the principle of paragraph 4 of Article XXIV in which the CONTRACTING PARTIES recognized the desirability of increasing freedom of trade by developing closer economic integration. The Ankara Agreement provided for a continuous and harmonious strengthening of commercial and economic relations between the parties, taking into account the need for the rapid development of the Turkish economy. The signatories to the Ankara Agreement had, in formulating its text, taken into account a number of factors, including Turkey's Five-Year Development Plan.

Despite impressive achievements in the industrial field, Turkey remained a predominantly agricultural country, with 80 per cent of the population earning their livelihood from the land. Turkey's per caput income was very low and a population growth of 3 per cent per annum was coupled with large-scale unemployment and under-employment. It was against this background that Article 2 of the Agreement had to be viewed. In terms of this Article, Turkey would initially strengthen and develop its economy with the assistance of the Community and later would progressively assume the obligations deriving from membership of the customs union. It was, he suggested, reasonable in the circumstances to make such provisions.

The Turkish Government considered the Ankara Agreement a vital element in its economic development. It was also the Turkish Government's view that the accelerated growth of its economy, which would result from the Association, would benefit third countries by providing expanded trade opportunities. In this connexion, it might be recalled that the Agreement did not anticipate any increase in the Common External Tariff. On the contrary,

the adoption by Turkey of the Common External Tariff would substantially reduce duties on goods entering Turkey from third countries. Turkey was convinced that the objectives of the Ankara Agreement could be achieved in harmony with those of the General Agreement and would be pleased to provide all relevant information and to communicate to the CONTRACTING PARTIES, as soon as possible, further details of the plan and schedule for the customs union in accordance with the provisions of paragraph 7 of Article XXIV.

Mr. CHAUMET (France), speaking on behalf of the member States of the European Economic Community, expressed satisfaction at the understanding spirit which had prevailed in the Working Party. He stressed that the Community attached great importance to the Agreement and wished to make it possible for Turkey to eventually become a full member of the Community. The Ankara Agreement would accelerate Turkish development and thus benefit the trade of third countries. He considered that the views of the Community on this question would be borne out by events. The Community was convinced that the Ankara Agreement conformed to the principles of the General Agreement. The Association would be strengthened as rapidly as possible so as to bring about the speedy achievement of the customs union. As in the past, the Community was willing to provide all information in accordance with the provisions of Article XXIV, paragraph 7, and, in particular, would submit to the CONTRACTING PARTIES the Additional Protocol mentioned in the report.

Mr. BRESSON (Upper Volta) said that his delegation had listened to the views expressed both in the Working Party and in the CONTRACTING PARTIES, and he suggested that the CONTRACTING PARTIES take note that the parties to the Agreement had agreed to supply additional information to enable a further examination of the Agreement when necessary and desirable.

Mr. EVANS (United States) expressed his appreciation for the information supplied and noted that the CONTRACTING PARTIES were to be provided with further information including, in particular, the Additional Protocol which would contain the plan and schedule and would facilitate a closer examination of the Agreement. He suggested that, in these circumstances, the CONTRACTING PARTIES should take no action but keep the matter under review in the light of new information to be provided. He hoped that the Community and Turkey would move as rapidly as possible in completing their plan and schedule.

Mr. FELEKA (Congo (Brazzaville)) said that his delegation had followed this matter closely and had noted that difficulties had arisen over the applicability of the provisions of Article XXIV. It was now necessary to take into account changes in world trading conditions and modify the General Agreement to bring it into line with reality. The General Agreement provided, in Article XXIV, for the departure from the most-favoured-nation rule under certain conditions. The Ankara Agreement complied with the spirit of Article XXIV and it would be most unfortunate if the CONTRACTING PARTIES were to decide that it was incompatible with the terms of the Article.

Mr. CHELLI (Tunisia) said that his delegation considered that it would not be possible to reach conclusions on the compatibility of the Ankara Agreement with Article XXIV on the basis of existing information. A further examination of the Agreement should await the provision of further information. The CONTRACTING PARTIES should therefore merely take note of the Ankara Agreement.

Mr. LALL (India) said that, in time, Article XXIV might become applicable to the Ankara Agreement but, on the basis of information that had been supplied, it was quite clear to the Indian Government that the terms of Article XXIV were not at present attracted. It would be undesirable for the CONTRACTING PARTIES, in order to find solutions for practical problems, to overlook the provisions of the General Agreement itself. He would, therefore, urge contracting parties to take seriously their responsibilities under the GATT.

The Ankara Agreement had many desirable features: the Community had not sought reciprocity for benefits accorded to Turkey; Turkey was not raising further barriers against third countries; Turkey would receive preferential treatment in the Community; and both Turkey and the Community had expressed willingness to consult with third countries. The Indian delegation would be willing to join with others to see to what extent the substantive part of the Agreement could be covered by the CONTRACTING PARTIES having recourse to Article XXV. It was his feeling that nearly all the substantive part of the Agreement could be so covered. Such a recourse to Article XXV would not prevent Turkey and the Community from developing their relations to a stage where Article XXIV would apply. He could see no reason why a legal course should not be adopted in this instance particularly when contracting parties, seeking to apply Article XXIV to the Agreement, were not themselves completely sure that the Article was applicable.¹

Sir EDGAR COHEN (United Kingdom) said that he agreed with many of the points made by the representative of India. The Ankara Agreement had many desirable features. It was however a new type of arrangement and had not been envisaged in the drafting of the General Agreement. Perhaps for that reason, the provisions of Article XXIV would not seem appropriate. The report had not provided any clear guidance whether the provisions of Article XXIV were relevant in this context. To amend the GATT to cover the Agreement would seem a drastic remedy. Although he would be prepared to consider any request from the Community and Turkey for recourse to Article XXV, a Decision agreed under this Article might, in time, prove as inappropriate for the Ankara Agreement as Article XXIV itself. The whole subject required further study. It would be advisable, he

¹The full text of Mr. Lall's statement has been distributed in L/2412.

suggested, to resume examination of the Agreement so as to appraise the difficulties that had emerged and to obtain a clearer picture of the Agreement's implications, in particular, those relating to the compatibility issue. The Working Party could, on the basis of information made available, and the considerations raised in the discussion, provide guidance to contracting parties. Illustrating the need for guidance, he pointed out that, although the Agreement itself did not provide for the erection of further barriers against the trade of third countries by Turkey, she was at present negotiating under Article XXVIII for a revision of her Schedule in order to obtain more protection for her industries. The United Kingdom stood ready to negotiate under Article XXVIII in this connexion. However, on the basis of existing information, it could not be determined whether the increased duties which Turkey was contemplating would represent additional protection to Turkish industry or, at a later date, additional preferences to the member States of the Community in the Turkish market. How would Article XXIV apply in all this? It was the first time in the GATT that such a situation had arisen. It would be appropriate, he suggested, for the Working Party to attempt to clarify such issues and to look at the practical implications and not merely at the legal issues. An examination of this type by the Working Party would be of considerable help to the United Kingdom.

Mr. BOSCH (Uruguay) said that, whilst his country sympathized with the endeavours of Turkey to promote its development, the slow erosion of the GATT was of considerable concern to Uruguay. So far Article XXIV had been applied flexibly in accordance with the different situations presented. As regional integration arrangements were to become more numerous a more precise definition of their requirements was needed and perhaps it would be desirable to limit the areas of application of Article XXIV in order to safeguard the General Agreement. Uruguay wished this flexibility and fluidity of Article XXIV to be maintained but he suggested that the scope of the Article should be redefined before any judgment of the Ankara Agreement was made.

Mr. DO LAGO (Brazil) said that his country was greatly interested in the Ankara Agreement and was most sympathetic of the efforts of other less-developed countries to improve their standards of living. The Ankara Agreement had not been sufficiently clarified and he would support the proposal that the matter should be referred back to the Working Party for further clarification.

Mr. HIJZEN (Commission of the European Economic Community), speaking on behalf of the Community, said that the Community and Turkey had provided all available data and had given a full explanation of the contents of the Ankara Agreement. They continued in their willingness to provide information as it became available. There were, inevitably, differences of views, but he was uncertain as to why it should be necessary for the Working Party to renew its work at this stage. Although clearly there could be a case for resumption when further information was available, the Working Party would seem to have concluded its work for the present. As in previous cases, the Community was willing to discuss any difficulties with contracting parties.

Sir EDGAR COHEN (United Kingdom) said he was suggesting that the Working Party should meet again in order to identify and interpret the legal rights and obligations of contracting parties under Article XXIV and other Articles in the light of this new type of arrangement. The United Kingdom had some doubts concerning the nature of rights and obligations arising from the request by the Turkish Government for renegotiations under Article XXVIII. The Working Party was the most appropriate body to undertake such work.

Mr. HIJZEN (Commission of the European Economic Community), speaking on behalf of the Community, considered that it would be difficult for the Working Party to embrace in its discussion points raised by the representative of the United Kingdom on Article XXVIII. The Community just did not know what would eventually emerge as regards the Turkish tariff increases and preferences for the Community. He reiterated the willingness of the Community to continue discussions on the basis of the Additional Protocol when it was available, but he could not see the purpose of a study of elements which did not yet exist.

Mr. EMRE (Turkey) recognized that a difficulty had arisen concerning Turkey's renegotiation under Article XXVIII with the United Kingdom. The raising of protection for industries was necessary for Turkey's development. Turkey had been willing to provide compensation to those States affected including the United Kingdom. The United Kingdom's statement would be referred to the Turkish Government and taken into consideration, but he considered that the Article XXVIII renegotiation was a separate matter from that presently before the CONTRACTING PARTIES. In Turkey's view the Working Party had completed its task.

At the suggestion of the CHAIRMAN, Sir EDGAR COHEN (United Kingdom) and Mr. EMRE (Turkey) agreed that their delegations would consult, on the matter, under Article XXII:1 and report to the CONTRACTING PARTIES on the result of the consultation at the next meeting.

The meeting adjourned at 7.15 p.m.