

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

SR.9/40

9 March 1955

Limited Distribution

CONTRACTING PARTIES

Ninth Session

SUMMARY RECORD OF THE FORTIETH MEETING

Held at the Palais des Nations, Geneva
on Wednesday, 2 March 1955, at 10.30 a.m.

Chairman: H.E. Mr. L. Dana WILGRESS (Canada)

- Subjects discussed:
1. Report of Review Working Party I on
Quantitative Restrictions
Part I - Balance-of-Payments Restrictions
 2. Report of Review Working Party II on
Plans for Tariff Reduction
 3. Balance-of-Payment Import Restrictions
Fifth Annual Report under Article XIV:1(g)
Draft submitted by Working Party 4
 4. Report by Review Working Party II on Methods
of Valuation and Nationality of Goods
 5. United States duty on Dried Figs
 6. United States Export Subsidy on Oranges
 7. Turkish Import Taxes and Export Bonuses
 8. German Discrimination in Coal Imports
 9. Status of Protocols
 10. Application by Cuba and Ceylon under
Article XVIII
Report by Working Party I
 11. Re-appointment of the Intersessional Committee

1. Report of Review Working Party I (L/332/Rev.1)

Mr. JHA, Vice Chairman of Review Working Party I, introduced the report in the absence of Mr. Suetens, the Chairman. The discussion in the Working Party had shown a wide range of views and the bases of the agreement which had been reached were set out in the report. There had been general agreement in the Working Party that the application of Article XII should be confined to the more developed countries. The changes in the Article were not extensive and the criteria remained the same. The only new concept was that it was desirable to adopt measures which would expand rather than contract trade. The main changes in the Article would be found in the consultations provisions which were made more regular and thorough. Mr. Jha drew attention, in particular, to paragraph 34 of the report, which suggested that the Executive Secretary be

invited to consider improved arrangements for the competent and speedy conduct of consultations and put forward concrete proposals for consideration at the Tenth Session. Few changes had been proposed to Articles XIII and XIV. A number of proposals had been put forward relating to obstacles to imports in other countries as a factor contributing to a country's balance-of-payments difficulties; to the possibility of a scarce currency situation arising after convertibility, and the effect of such a situation; and to ensuring that discrimination practised through bilateral agreements be limited to the extent justifiable on currency grounds. There was also a proposal that the rule of non-discrimination should not be applicable in cases of customs unions and such regional arrangements as the Organization for European Economic Co-operation.

The CHAIRMAN thanked the Vice Chairman of the Working Party and, through him, its Chairman and the members.

The report of the Working Party was then considered paragraph by paragraph. Comments on specific paragraphs are noted below.

Mr. CRAWFORD (Australia), referring to paragraphs 14 to 23 stated that the subject of scarce currency was one to which his Government attached great importance. A footnote on page 13 of the report indicated that his delegation had proposed an amendment to paragraph 5 of Article XII and that their position, as well as that of other delegations, was reserved in respect of that paragraph. The reasons for the amendment were set out in document L/325. The contingency for which his Government felt that explicit provision should be made in the revised General Agreement was that, after full convertibility of sterling and other major currencies had been restored, some large commercially important country might develop a persistent surplus in its balance of payments with the rest of the world and thus place a strain on international reserves of other countries and bring about a general scarcity of the currency of the particular country concerned. Australia felt that, if such a situation should arise, there should be a reserve power to release contracting parties temporarily from the general rule of non-discrimination contained in Article XIII, and that the ultimate authority to give such release should reside with the CONTRACTING PARTIES themselves. Moreover, before such release was given the CONTRACTING PARTIES should be required to consult with the International Monetary Fund as to the nature and causes of the disequilibrium, alternative measures that might be available etc. The Australian amendment to Article XII:5 was designed to cover these principles.

Australia did not suggest that in all scarce currency situations the remedy lay in the suspension of the non-discrimination rule, and it might well lie in the adoption of appropriate internal measures by the contracting parties in difficulty. What was most feared by many was a recurrence of deflation in persistent creditor areas, this fear being still widespread despite the heartening experience of the postwar years. Australia did not suggest, however, that was the only situation that might arise and the Australian amendment did not attempt to prejudge causes or prescribe particular remedies in advance. The object was to provide opportunity for consultation both within

the GATT and between the GATT and the IMF as a result of which appropriate action could be taken by the contracting parties both severally and collectively. The basic aim was to prevent a concentration of pressures on any of the major currencies of the world which, for lack of consultation and common sense application of GATT and Fund rules, might produce an unnecessarily severe contraction of international trade.

This subject was often discussed as if the only possible scarce currency situation would be one in which the United States dollar became scarce, although, obviously there could be other scarce currency situations, and Australia felt the same general considerations should apply to them. There was no question of singling out any particular currency or country. Australia's aim had been to provide sensible rules providing for consultation and remedial measures in any situation of general unbalance in international trade and payments that might arise. Such rules should be explicit.

The discussions which had taken place on the amendment to Article XII:5 had, however, made clear that the existing GATT provisions went considerably further towards meeting the Australian viewpoint than appeared at first sight, and that the adoption of an amendment containing more explicit provisions would bring about a most serious division among the contracting parties.

Australia had found, however, there was general support for including a passage in the Working Party report which would describe the types of situation which might develop, make appropriate references to the IMF and GATT provisions which could be invoked to provide for consultation and action to meet such situation and refer to the desirability of continuous consultation between the GATT and the Fund to ensure that measures were concerted to avoid the development of a situation of general unbalance. Paragraphs 14 to 23 of the Working Party report contained this text. When the matter was discussed in the Working Party the Australian delegation was still under instructions to maintain the amendment to paragraph 5 of Article XII which appeared in document W.9/132 and he had, therefore, had to enter a specific reservation in relation to that amendment. A number of other delegations were in a similar position (viz. the footnote of page 13 of the report). He was now able to state that, although the Australian basic position was unchanged and they would have preferred more explicit provisions in the text itself, the Australian delegation felt that the passage in the Working Party report placed permanently on record the recognition by the CONTRACTING PARTIES of the need for consultation and joint action within the GATT and between the GATT and the Fund should scarce currency situations arise in the future, and the fact that existing IMF and GATT articles already contained provision for such consultation and joint action, including in appropriate circumstances, provision for the temporary release of contracting parties from the rule of non-discrimination.

Accordingly, subject to the adoption of this passage of the Working Party report by the CONTRACTING PARTIES and subject to retention in the Agreement of the existing text of paragraph 5 of Article XII, the Australian Government was prepared to withdraw the amendment contained in document W.9/132.

Mr. COHEN (United Kingdom) declared that the general position of the United Kingdom had throughout the discussions been similar to that of Australia. The position maintained by the United Kingdom was that there should be appropriate provisions in the General Agreement to help deal with problems which would arise in the event of a disequilibrium in world trade associated with a general scarcity of any major currency. While these provisions should look first and foremost to constructive action undertaken by the CONTRACTING PARTIES to meet such a situation, they must include, where appropriate and as a last resort, the possibility of release from specific GATT obligations, should the rigid observance of such obligations be intensifying the disequilibrium.

The United Kingdom delegation wished to see certain GATT provisions made more clear and explicit. Nevertheless, paragraphs 14 to 23 of the Working Party report made it clear that the General Agreement already embodied powers whereby the CONTRACTING PARTIES, acting in conjunction with the IMF could deal with the situation envisaged.

The chief requirement of action to deal with a scarce currency situation was that it should be taken in time. The United Kingdom delegation attached importance to the possibility of action by the IMF, since that body had experts studying the development of the world's financial situation and was, in effect, in continuous session and could focus attention on a problem of that kind as it developed. That in itself, when the cause of disequilibrium was deflation in the country whose currency was in danger of becoming scarce might lead to corrective action by that country. Where, however, the scarcity developed, the Fund had powers to authorize discriminatory exchange restrictions if this were an appropriate remedy, and contracting parties to the General Agreement would be able in such cases to apply quantitative restrictions having an equivalent effect. It was not suggested that all scarce currency situations could be remedied by action of this kind, since such a situation could arise through inflation elsewhere.

Moreover, as stated in paragraph 22 of the report, additional possibilities had always existed under the Article XXIII procedures to cover certain situations relevant to this problem. For example, if a contracting party could establish that pressure on its international reserves was resulting from the situation in some individual country, it could raise the matter with a view to consultations or to reference to the CONTRACTING PARTIES, or if need be, to obtain a release from specific obligations. The United Kingdom delegation felt that the CONTRACTING PARTIES would grant such a release if a case were established and if that were the only effective way left open to prevent a general downward spiral of world trade.

Accordingly, if this part of the Working Party report were endorsed by the CONTRACTING PARTIES, and provided that paragraph 5 of the existing text of Article XII were retained, the United Kingdom delegation would be able to withdraw its reservation on the question. They, therefore, supported the recommendations made by Working Party I.

Mr. IBSEN (Norway) said that during the Working Party discussions the Norwegian delegation had strongly supported the proposals for including a scarce currency clause in the Agreement and had put forward (W.9/112) a proposal for the insertion of a new article aimed at securing the right for a contracting party to take action to safeguard its economy against inflationary or deflationary pressures from abroad. This proposal, referred to in paragraph 14 of the report, should not be considered as an alternative to the proposed scarce currency clause. The main features of the Norwegian proposal were the right for the CONTRACTING PARTIES in certain circumstances to decide that a contracting party pursuing an inflationary policy should not be permitted to initiate import restrictions under Article XII and the right for a member or members, with the consent of the CONTRACTING PARTIES and as a last resort, to discriminate against a persistent creditor country which pursued a deflationary policy, in order to safeguard the external and internal economic position of the country concerned against the possible effects of such a policy.

In introducing these proposals the Norwegian delegation felt that the new Article conformed to the general philosophy held by the majority of the contracting parties as to what rules should guide them in a world where convertibility was in force. It had frequently been stressed that convertibility was not an end in itself but an instrument for increasing productivity and division of labour between countries as a basis for raising production and trade and the standard of living. Norway did not wish a multilateral trade and payments system which could operate only at the cost of a decline in employment and economic activity. In the modern world a convertible system could work satisfactorily only if all countries were willing to adapt their internal economic policies to each other's in pursuit of agreed objectives of the General Agreement. Any deviation from these objectives in the economic policies pursued by a country participating in the convertible system might well cause difficulties to other countries and also endanger the whole system.

During the discussions assurances had been given that governments were determined to prevent deflation and widespread unemployment, but as there was no guarantee that such situations might not arise, it had been felt that such assurances should find their expression in specific provisions to the effect that remedial action could be taken before a cumulative contraction of production and trade developed.

It was clear, however, that some countries could not accept specific provisions dealing with scarce currencies and deflationary or inflationary pressures from abroad. Mr. Ibsen had noted that, in the opinion of the Australian and United Kingdom delegates, it was possible to provide for consultations and, where necessary, to take appropriate remedial action by invoking various existing provisions in the Agreement. He referred also to paragraphs 27 to 32 of the report of Working Party IV (L/327) where a proposal of the New Zealand delegation, closely related to their own, had been dealt with and a conclusion arrived at along these lines. The Norwegian Government could accept the solution as proposed by Working Parties I and IV and was willing to withdraw the proposal set out in document W.9/112, provided that

paragraph 5 of Article XII was maintained in the Agreement. Only future developments could show whether an invocation of the existing articles would suffice to deal with these matters, and the Norwegian Government reserved the right to revert to their proposal at a later session should they consider it necessary.

Mr. BELFRAGE (Sweden) remarked that the Swedish delegation had already explained the Swedish Government's views on the scarce currency clause in the Working Party.

It was generally recognized in the Agreement that contracting parties should pay due regard to the need for maintaining or restoring equilibrium in their balance of payments. Deviation from an equilibrium could, of course, be in two directions; a country could experience an adverse trend in its balance of payments, or it could develop a persistent creditor position.

The present provisions covered fairly well the problems raised by an adverse trend in the balance of payments due mainly to internal factors. The new consultation procedures were designed to assure adequate opportunities for a useful discussion of those problems by the Organization. It seemed, however, to be a source of weakness that those provisions did not apply with equal force to payments difficulties occasioned by policies followed by a persistent creditor country. Although no formal rules had been laid down in the new provisions to remedy the effects of external factors on a country's balance of payments, the report showed a fair amount of agreement on the importance of that problem. It was also important to note that the report drew the attention of the CONTRACTING PARTIES to the facilities existing in the General Agreement enabling them to deal with situations of this type. The Swedish delegation had supported proposals to cover this particular situation submitted by the Australian, Norwegian and United Kingdom delegations and regretted that it had not been possible to agree to formal provisions in the General Agreement which would have provided for the closest possible cooperation between the IMF and the CONTRACTING PARTIES in event of such situations arising, while leaving to the CONTRACTING PARTIES the right to authorize deviations from the general rules laid down in the Agreement without having to await the findings of the Fund that a general scarcity of a particular currency was developing.

In conclusion, Mr. Belfrage said that the Swedish delegation was in general agreement with the statements made by the Australian, Norwegian and United Kingdom delegates on the matter. Like them, they were prepared to accept the report in the light of the remarks which he had just made.

Mr. BROWN (United States) said that this subject had been much discussed in the Working Party, which had emphasized the integral connexion between fiscal and monetary policies pursued by governments and international trade, and the fact that inflation and deflation were equally the enemies of general financial stability and sound economic conditions. Unemployment and depression in the 1930's had led to the rapid growth of quantitative restrictions and competitive exchange depreciation and other beggar-my-neighbour policies. The

postwar inflationary situation in many countries had led to the entrenchment of direct trade controls and a situation in which large scale discrimination with its attendant diseconomies and distortions was unavoidable.

The United States Government was committed in policy and practice to the maintenance of a high and stable level of employment. They were fully conscious of the dangers which accompanied inflationary pressures. In these respects the policies of most governments accorded and if contracting parties continued to adhere to such policies they would have every reason to look forward to a steadily expanding volume of mutually beneficial world trade.

The proposed statement in the Working Party report made clear that both the GATT and Fund instruments contained provisions under which countries whose economies and trade might be adversely affected by a scarce currency situation could obtain relief. The statement also recognized that the responsibility for a possible state of world disequilibrium might rest with either surplus or deficit countries. Accordingly his delegation was prepared to accept the proposed statement and agreed to the retention of paragraph 5 in Article XII as proposed by the Australian and United Kingdom delegations.

Paragraphs 14 to 23 were approved and the square brackets round paragraph 5 on page 13 were removed.

Dr. NAUDE (Union of South Africa) referring to paragraph 29, said that his delegation had hoped to see a strengthening of the rules of Articles XII to XIV, particularly of Article XIV, but they had appreciated the reasons for which some countries found difficulties with such a course. The proposed provisions showed some slight improvement over the existing ones but would not come into effect, of course, for some years. He feared that in the interval there would be stresses on governments to extend still further the protective measures under the balance-of-payments rules of the GATT and to protect their exports. Great discipline in this field would be required of all contracting parties. Dr. Naudé referred to the debate shortly before Christmas (SR.9/26) when he had stated that, during discussion on the South African proposals for stricter provisions to limit the scope of discrimination practised for balance-of-payments reasons, it had been suggested to him that it was unrealistic of his Government to think that this type of discrimination could be materially reduced. He had asked at that time what had become of the objective of multilateral non-discriminatory trading and stated that a country like his own, which tried to conform to the principles of the Agreement, was being regularly invited by leading contracting parties to violate the principles which all had undertaken, and being told that unless they were prepared to resort to bilateralism which would discriminate in favour of those contracting parties, they could not claim an opportunity of competing on their markets. His delegation had noted paragraph 29 with regret in the light of these statements. They found it difficult to understand that other contracting parties were unable to meet in any way their views. His Government regarded this so seriously that it might well influence their final appraisal of the results of the Review.

Mr. GOERTZ (Austria) agreed with the report of the Working Party and did not object to paragraphs 30 to 33. They wished to be associated with the countries listed in paragraph 32 and sympathized with the United States' position as stated in paragraph 31.

In adopting paragraph 34 it was noted that the Executive Secretary should consult informally with the Intersessional Committee on the matter of improved procedures for consultations.

The CONTRACTING PARTIES approved the report of Working Party I subject to the comments and reservations noted.

2. Report of Review Working Party II on plans for tariff reductions (G/89)

Mr. SEIDENFADEN (Denmark) introduced the report which recommended the establishment of a special Working Party to study plans and procedures for the reduction of tariffs and terms of reference for the Working Party. Paragraph 3 of the report reflected the considerable discussion as to whether this task should be assigned to the Intersessional Committee. It had finally been decided to propose a separate Working Party, but that it should not be composed only of technical experts.

Mr. MACHADO (Brazil) wondered if it should not be recommended that the new rules for negotiations be applied forthwith.

Mr. VARGAS GOMEZ (Cuba) referred to the first sentence of paragraph 2 in which it was stated that some members had stated that it would "probably" not be possible for them to join in any automatic plan for the reduction of tariffs. He noted that for a great many countries this was a certainty rather than a probability.

The CONTRACTING PARTIES approved the report of the Working Party and the CHAIRMAN announced that he would propose its composition at a later meeting.

3. Balance-of-Payments Import Restrictions -
Fifth Annual Report under Article XIV:1(g)
Draft submitted by Working Party 4 (L/331)

The CHAIRMAN, in the absence of Mr. Koht (Norway), Chairman of the Working Party, presented the report of the Working Party.

The CONTRACTING PARTIES approved the Fifth Annual Report under Article XIV:1(g). The CHAIRMAN announced that the report would be de-restricted.

4. Methods of Valuation and Nationality of Goods -
Report by Review Working Party II (G/90)

Mr. SEIDENFADEN (Denmark), Chairman of the Working Party, introduced the report. The Technical Group on Customs Administration had been instructed to prepare factual studies of the replies to the secretariat questionnaire on methods of valuation for customs purposes and to examine the comments of governments on the draft definition of origin. The Working Party referred the report on the former (W.9/152 and Corr.1) to the CONTRACTING PARTIES as a source of reference and basis for further studies. The second report of the technical group (W.9/125 and Corr.1) showed that the draft definition of origin could not be accepted in its present form. The Working Party, being almost evenly divided on the issue of whether to undertake a further study of the question, had decided to put forward no recommendation to the CONTRACTING PARTIES.

Mr. DONNE (France) said that the report of the Working Party referred to the CONTRACTING PARTIES the decision as to whether the studies seeking a common definition of origin should be continued or not. The French delegation was strongly in favour of continuing this work and felt that the elaboration of a common definition of uniform and universal application was desirable. In certain countries different customs duties were applied according to whether the products imported originated in countries with which they had most-favoured-nation agreements or not. Hence the necessity to fix criteria for the definition of origin. This was particularly important for the members of the Organization for European Economic Co-operation, since the liberation of intra-European trade was applicable only to merchandise whose origin and provenance was a member country. A clearer picture of this trade and better comparison of statistics could only be obtained if the real origin of imported goods were taken into account. The work of the Technical Group and the replies to the questionnaire clearly showed that a majority favoured the drawing up of a common definition of origin. Twenty of the twenty-eight countries who had replied either accepted the definition or indicated they were ready to accept it with certain clarifications or amendments. The French delegation therefore proposed that this useful work continue to be studied by the Intersessional Committee and at the Tenth Session.

Mr. MACHADO (Brazil), Mr. GOLICZ (Austria), Mr. HAGEMANN (Federal Republic of Germany), and Mr. ANZILOTTI (Italy) supported the French proposal.

Mr. BELFRAGE (Sweden) saw no useful purpose in trying to reach a common definition of origin at this stage. If any new proposals on this subject were introduced the matter could be taken up again.

Dr. NAUDE (Union of South Africa) said that his Government attached importance to the view of the International Chamber of Commerce that it was not yet time to try to obtain a standard definition of origin (W.9/125) but would not object to further studies in this field. In regard to valuation for customs purposes he also had no objection to further studies but thought it was important to start the studies without preconceptions.

Mr. SANDERS (United Kingdom) thought the matter could not be usefully pursued. Difficulties in reaching a common definition had emerged in the studies over the past three years and the International Chamber of Commerce now had doubts about the advisability of continuing these studies. In the circumstances he proposed that no action be taken at the present time.

Mr. PRESS (New Zealand) agreed with the United Kingdom representative and was convinced that on the present basis there was no possibility of agreement. If any new proposals were made the matter could of course be taken up again.

The CONTRACTING PARTIES decided, by a vote of fifteen in favour to thirteen against, to continue the study of a draft definition of origin and to place this subject on the Agenda of the Tenth Session.

The report of the Working Party was approved and it was agreed that the two reports of the Technical Group (W.9/125 and 152) be de-restricted.

5. United States duty on Dried Figs (SR.9/22)

The CHAIRMAN referred to the previous discussion of this matter at the twenty-second meeting of the present Session.

Mr. BROWN (United States) reported that his delegation had been in consultation with the countries concerned. They had reached an agreement with Greece whereby his Government had offered compensation satisfactory to the Greek Government. Turkey had, at the Eighth Session, withdrawn certain compensatory concessions in its Schedule and the United States delegation had been in touch with them with a view to the possibility of negotiating some more satisfactory solution. These negotiations would take place concurrently with the Article XXVIII negotiations. Similar negotiations would be undertaken with the Government of Italy and it was hoped to reach a successful solution.

Mr. HADJI VASSILIOU (Greece) said that his delegation had undertaken conversations with the United States delegation on the basis of proposals by the latter contained in document L/284. An agreement had been reached on 11 February by which Greece had accepted, with compensations, the temporary increase of import duties on dried figs by the United States. His delegation, therefore, felt that the matter could be removed from the agenda if the other delegations concerned were in agreement.

Mr. HAYTA (Turkey) said that, insofar as his delegation was concerned, the matter could be removed from the agenda and he hoped that the negotiations about to take place would reach a satisfactory conclusion.

Mr. ANZILOTTI (Italy) associated himself with the remarks of the Turkish representative and expected a solution to be reached in the forthcoming negotiations.

The CHAIRMAN said that, in the light of statements by the representatives of the United States, Greece, Turkey and Italy, this matter could be considered disposed of.

6. United States Export Subsidy on Oranges (SR.9/6)

The CHAIRMAN referred to the previous discussion of this matter at the Sixth meeting of the present Session.

Mr. ANZILOTTI (Italy) said that his delegation had entered into conversations with the United States delegation and had prepared a detailed memorandum, on the basis of information obtained during December and January, which had been submitted to the United States delegation. In the meantime he had been informed that the question was being taken up by the Italian Embassy in Washington, to whom the delegation's memorandum had also been sent. In the circumstances he thought it would be advisable to give time for the negotiations in Washington to be carried on. This was a question of great importance to his delegation and, if it were not possible to reach a solution, the matter should be referred to the Intersessional Committee or to the Tenth Session.

Mr. BROWN (United States) concurred with the statement by the Italian delegate and agreed that if no successful conclusion were reached the matter might be reverted to by the CONTRACTING PARTIES.

Dr. NAUDE (Union of South Africa) recalled that his Government was also interested in this item and also intended to take the matter up in Washington. He would therefore agree to the suggestion of the Italian delegate.

The CONTRACTING PARTIES noted that the Italian and South African delegations reserved the right to revert to this matter at the Tenth Session if no satisfactory adjustment had been made before then.

7. Turkish Import Taxes and Export Bonuses (SR.9/7)

The CHAIRMAN referred to the earlier discussion of this matter at the seventh meeting of the Session, at which time it had been referred to the Panel on Complaints. The Italian and Turkish delegations subsequently agreed that this would not be necessary.

Mr. ANZILOTTI (Italy) said that the Italian and Turkish delegations had discussed the matter and clarified the substance of the question. During these consultations the Turkish delegation had affirmed that the measures, of a temporary character, were the result of the improvement of the situation of Turkish external trade. Both delegations agreed that the problem raised by Italy was closely linked to certain questions being discussed during the Review and would be solved within this framework. They considered that the matter could be removed from the agenda.

Mr. HAYTA (Turkey) associated himself with the remarks of the Italian representative and said that as a result of consultations between the two delegations the matter might be removed from the agenda.

The CONTRACTING PARTIES noted that this item was disposed of.

8. German Discrimination in Coal Imports (L/242)

Mr. BROWN (United States) said that consultations had taken place with the German delegation which were not yet completed and there did not seem to be any possibility of reaching a solution before the end of the present Session. This was a matter of great importance to his Government and he would request that it be retained on the Agenda for the Tenth Session. The United States would continue their consultations with the Federal Republic in the meantime.

Mr. HAGEMANN (Federal Republic of Germany) confirmed the fact that consultations had taken place between his delegation and that of the United States. Although no solution had yet been reached the German Government hoped that it would be possible to settle the matter. He wished to observe that imports of coal from the United States into Germany constituted for the Federal Republic a serious economic problem. He supported the proposal of the United States representative that, without prejudging the legal point of view, adopted by the two parties, the matter be retained on the Agenda for the Tenth Session. They would continue their consultations in the meantime in the hope of reaching a settlement.

The CONTRACTING PARTIES noted the statements of the delegates of the United States and Germany and agreed to retain the item on the Agenda for the Tenth Session.

9. Status of Protocols (L/252/Add.1)

Mr. ALVARO MUNOZ (Chile) said that his Government hoped to be able to sign the Second and Third Protocols of Rectifications and Modifications shortly.

Mr. LARRABURE (Peru) was unable to give the CONTRACTING PARTIES any specific information on this subject from his Government but hoped to have a reply soon.

The CHAIRMAN emphasized the importance of obtaining signatures by Chile, Nicaragua and Peru of the Second and Third Protocols of Rectifications and Modifications since, failing these signatures, the Protocols could not enter into force.

10. Application by Cuba and Ceylon under Article XVIII
Report by Working Party 1 (L/333)

Mr. GOERTZ (Austria), Chairman of the Working Party, introduced the report. He referred to the three interim reports presented by the Working Party in respect of the application by Ceylon. Since these reports Ceylon had withdrawn its applications in respect of cotton banians and ready-made shirts. Ceylon had reached agreement with the contracting parties concerned on plywood chests and glassware and the Working Party recommended that the release granted to Ceylon in respect of these items be extended as set out in paragraph 9 of the report. They also recommended that the release in respect of cotton sarongs be extended (see paragraph 14). The Working Party recommended the extension of the release granted to Cuba (paragraph 18). Finally, the Working Party made certain recommendations for improvements and simplifications in the procedures under the Article in the event of any future applications before the amended Article XVIII came into force.

The representatives of the United States and the United Kingdom confirmed the agreement of their Governments with Ceylon in respect of plywood chests and glassware.

The CONTRACTING PARTIES approved the Report of the Working Party, and specifically approved the recommendations embodied in paragraphs 9 and 14 on the extension of the releases granted to Ceylon, and the recommendation in paragraph 18 on the extension of the release granted to Cuba. They also adopted the recommendations in paragraph 19 concerning the procedures for handling similar requests at future sessions.

The representatives of Cuba and Ceylon thanked the CONTRACTING PARTIES for the releases granted.

11. Re-appointment of the Intersessional Committee

The CHAIRMAN referred to Item 21 of the agenda - Renewal of Arrangements for Intersessional Administration of the Agreement. This entailed a decision on the re-appointment of the Intersessional Committee with terms of reference as modified in accordance with the recommendations of Review Working Party IV. In view of the fact that it was proposed that the Executive Committee of the proposed Organization should include sixteen members he suggested that the

~~SECRET~~

membership of the Intersessional Committee be raised to ~~sixteen~~ and the rules for intersessional procedures be amended accordingly. In the past, appointment of members of the Committee had been by nomination of the Chairman. He proposed that contracting parties now be asked to vote for the election on the basis of lists prepared by themselves. Japan would be eligible for election. The Chairman described the procedure for the election and stated that each contracting party should base its vote upon the criteria set out in paragraph 12 on page 200 of volume II of Basic Instruments and Selected Documents. The first sixteen members to be elected by a vote of not less than a simple majority of the contracting parties would constitute the Intersessional Committee. The results of the ballot would be submitted to the CONTRACTING PARTIES so that they might be satisfied that the criteria for the composition of the Committee had in fact been followed as a result of the voting. The voting would take place at a subsequent meeting.

The meeting adjourned at 12.40 p.m.