GENERAL AGREEMENT ON TARIFFS AND TRADE

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Intersessional Committee

SUMMARY RECORD OF THE MEETINGS

Held at the Palais des Nations and the
Bâtiment Electoral, Geneva,
on 14 April - 2 May 1958

Chairman: Mr. L.K. JHA (India)

Subjects discussed:

1. Adoption of Agenda
2. German Import Restrictions
3. Administrative Questions
4. Arrangements for Thirteenth Session
5. Panels for Conciliation
6. United States Action under Article XIX
7. Italian Discrimination against Imported Agricultural Machinery
8. French Assistance to Exports of Wheat and Flour
9. European Coal and Steel Community
10. European Economic Community
11. European Free-Trade Area
12. Article XXVIII Negotiations
13. New Zealand Consultations under Articles XII and XIV
14. Request by Denmark for Authority to enter into Renegotiations
15. Definitive Application of the Agreement
16. Next Meeting of the Committee

1. Adoption of Agenda

The CHAIRMAN introduced the Agenda as distributed in IC/W/69 for approval.

The Agenda was adopted.

2. German Import Restrictions

The CHAIRMAN recalled the developments since the consultation with the Federal Republic of Germany on import restrictions under Article XII in June 1957 (L/644). The consultation had brought out that, consequent upon the findings of the IMF, the Federal Republic's restrictions no longer fell under Article XII. At the Twelfth Session, after discussion, both in Plenary Meetings and in a Working Party, of the problems raised by the declared intention of the Federal Government to continue to apply import restrictions on a range of items, the CONTRACTING PARTIES had decided to postpone consideration of further action until the present meeting with a view to allowing time for reflection. As requested by certain delegations at the Twelfth Session, the German Government had sent to each of them a Note Verbale setting out its current position. This Note Verbale had been circulated to all Contracting Parties for their information (L/799).

The representative of the Federal Republic of Germany[1] stated that after the completion of the liberalization programme which his Government had announced at the Twelfth Session, import restrictions would only apply to items which, on the basis of 1956 figures, constituted 18 per cent of German imports. Of this amount 11 per cent concerned commodities covered by the Marketing Laws; the other 7 per cent related partly to industrial goods (2 per cent) and partly also to agricultural and food products (5 per cent). His Government had transmitted to the secretariat a document setting out the legal basis of the standpoint it had adopted on the Marketing Laws (L/807). While acknowledging that the maintenance of quantitative restrictions on the commodities not covered by these laws would not be in harmony with the provisions of the General Agreement, his Government hoped that the CONTRACTING PARTIES would understand and take into account the difficult problems with which the Federal Republic was confronted at present. The German representative drew particular attention to the fact that owing to the structure of the trade relations of the Federal Republic with Western Europe, it carried a considerable responsibility for maintaining sound and stable economic conditions in that area. His Government, therefore, entertained serious doubts as to the appropriateness of liberalization measures which would aggravate the present surplus position of the Federal Republic with the EPU countries and endanger the still existing stability of the European economy which was of considerable importance to the maintenance of a high level of international trade. It did not appear appropriate to have recourse to the waiver provisions of the General Agreement to deal with the residual restrictions not covered by the Marketing Laws, for these procedures only afforded temporary remedies, whereas the nature of the current problems, whether they would be transient or more or less permanent, could not at present

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[1] The full text of the statement has been reproduced in document L/818.

be assessed. The Federal Government was fully prepared to enter into consultations with those contracting parties who believed that their interests were impaired by the continued application of these restrictions. The attitude of the Federal Government, however, should not be understood to prejudice any of its rights and obligations arising from the establishment of a customs union as provided by Article XXIV - particularly paragraphs 5 and 8.

In the ensuing discussion, in which the representatives of Australia, Brazil, Canada, Ceylon, Czechoslovakia, Ghana, India, Japan, New Zealand, Norway, Pakistan, the Federation of Rhodesia and Nyasaland, the Union of South Africa, the United Kingdom and the United States participated, the general view was expressed that it was a cause of profound disappointment that in spite of the representations which had been made at the Twelfth Session, the German Government had confirmed its intention to maintain import restrictions which were no longer covered by Article XII and had rejected the use of special procedures provided for such cases. The attitude of the Federal Government was all the more surprising in view of the liberal trade policies which it had so far followed and which had contributed to the impressive recovery of the German economy. The problem which arose from the continued application by the Federal Republic of import restrictions was not only technical; nor was it merely a question of determining the extent of the damage caused to other contracting parties, important as this might be for some countries: a fundamental principle was at issue, the disregard of which would undermine the very structure of the General Agreement and threaten the free multilateral trading system which the CONTRACTING PARTIES had endeavoured to establish. Should a major trading country like the Federal Republic ignore the rule of law in international trade, the world might risk a return to the grave economic difficulties of the 1930's. If the immediate removal of some of the remaining restrictions presented intractable difficulties, the Federal Government should avail itself of the "hard core" waiver provisions, which it had played a considerable part in working out at the Review Session, or should have recourse to the general provisions of Article XXV. Bilateral negotiations with contracting parties who believed that their rights under the General Agreement were being impaired presented no satisfactory solution. Indeed, the Federal Republic's breach of the Agreement affected all contracting parties in principle and most in practice and therefore required joint action. Many representatives considered that in any case, there was nothing in the General Agreement which might justify the continued discriminatory application of the remaining restrictions.

The representative of Sweden, however, for reasons which his delegation had already expounded at the Twelfth Session, considered that the CONTRACTING PARTIES should not, at this stage, pass final judgement on the issue. The Federal Republic should progressively relax its remaining restrictions and until the CONTRACTING PARTIES could take definitive decisions, individual contracting parties affected by the maintenance of the restrictions could have recourse to bilateral consultation procedures with a view to alleviating the harmful effects of the restrictive measures. As regards the Marketing Laws,

the Swedish delegation did not consider it advisable that the examination should go beyond the question whether the Federal Government had the formal and literal right to maintain these laws. The representative of Denmark said that the maintenance of restrictions on items which were not covered by the Marketing Laws was not justified under any GATT provision. Moreover, he considered the contention of the Federal Government that it was under no legal obligation progressively to liberalize trade in the agricultural products subject to the Marketing Laws hardly acceptable. A mere formal reconciliation of the present situation with the GATT provisions by means of a waiver was not likely to lead to substantial progress. He stated that the issue should not be considered solely from a legal point of view or in isolation. When the CONTRACTING PARTIES would be informed of the results of the present efforts to find a general solution to the European agricultural problems they would then be in a better position to work out their future policy on trade in agricultural products. A broader solution of the problems in this field should not be prejudiced by any definite and conclusive action concerning the German restrictions on agricultural products. The representative of France was of the opinion that, unless the CONTRACTING PARTIES satisfied themselves with expedients, the granting of ad hoc waivers provided no answer to widespread and persistent problems such as those occurring in the agricultural field.

In the light of this discussion the Committee decided to revive the Working Party on German Import Restrictions, set up at the Twelfth Session and to entrust it with the special task of examining the contention of the German Government that by virtue of paragraph 1(a)(ii) of the Torquay Protocol Germany's obligations under the General Agreement did not prevent the application of restrictions pursuant to the Marketing Laws. Nicaragua replaced the Dominican Republic as a member of the Working Party.

The Working Party held several meetings and submitted its Report (IC/W/72) on 2 May. After the Chairman of the Working Party, Mr. Cozzi, had presented the Report, the representative of the United States introduced a draft Recommendation for consideration by the Committee.(See L/817).

In the discussion of these two documents in which many representatives participated, the representative of the Federal Republic of Germany reiterated that the Marketing Laws imposed on his Government the obligation of applying import restrictions. The Working Party had not arrived at a clear legal decision on the mandatory character of the Laws in this respect and he regretted, therefore, that the Committee had to take a decision on the basis of a report which seemed to contain contradictions on this important legal issue. The German Parliament had accepted the revised Agreement on the clearly expressed condition that it would be entitled to restrict imports under the Marketing Laws. If the CONTRACTING PARTIES considered that the import restrictions were not justified, the German Government

would have to duly inform its Parliament. At this juncture it was not possible to foresee the possible consequences of this situation. The Federal Republic had already declared that it was prepared to submit to the procedure provided for in Article XXIII and there was consequently no need to make recommendations to the CONTRACTING PARTIES to that effect. The Recommendation did not appear to contribute to a continued friendly co-operation between the Federal Republic and the contracting parties.

Representatives of other contracting parties, some of whom noted that their countries maintained the most friendly relations with the Federal Republic, considered that contracting parties would be failing in their duty if they did not express a firm opinion on a matter of principle which affected so vitally the integrity and authority of the General Agreement. The question of the German import restrictions had been under examination since June 1957; at the Twelfth Session consideration of further action had been postponed to this meeting of the Intersessional Committee and it seemed therefore appropriate to vote on the Recommendation. In their view, if the Federal Republic of Germany experienced serious difficulties in removing the remaining restrictions it should have resort to the procedures provided for in the General Agreement. The representative of the United Kingdom pointed out that his Government had never attempted to press the Federal Republic of Germany to change policies which it judged essential, but only to use agreed procedures to reconcile these policies with its international obligations under the General Agreement.

The representative of the Netherlands shared the view of the German delegation that the Report of the Working Party was contradictory on an important issue. While the Working Party had refrained from passing a final judgement on the mandatory character of the Marketing Laws, it had nonetheless concluded that the Federal Republic was no longer entitled to maintain import restrictions on the items covered by these Laws. As regards the Recommendation, the third recital, which read: "Noting that there is no justification under other Articles of the Agreement for Germany's remaining import restrictions or for their discriminatory application" seemed to prejudice legal issues of interpretation of the provisions of Article XXIV. Because of the danger involved in precipitate action the draft Recommendation should not at this stage be put to a vote. The representatives of France and Italy associated themselves with the views of the representative of the Netherlands and endorsed the proposal not to proceed to a vote, particularly at this stage when the CONTRACTING PARTIES were attempting to work out procedures to deal with the problems relating to the Rome Treaty.

The representative of Brazil, while not accepting the contention of the Federal Republic, proposed that the German Government be given an opportunity to study the Report so that the question could be reconsidered at the Thirteenth Session. The representative of Sweden stated that whereas his delegation could agree to the proposed Recommendation insofar as it concerned import restrictions not covered by the Marketing Laws, it was of the opinion that these Laws and consequently the import restrictions pursuant thereto were covered by the language of the Torquay Protocol. This was a formal standpoint based on a question of principle which could not be altered by the fact, however regrettable, that the full scope of the reservation may not have been clear at the time of Germany's accession. He trusted that there would be clearer understanding of any reservations on the definitive application of the Revised Agreement. As the basic legal difference between import restrictions under these Laws and the other remaining restrictions was not clearly set out in the Recommendation his delegation was unable to approve it. In the opinion of the representative of Chile the import restrictions under reference were causing serious damage to the trade of certain contracting parties, including Chile, and were nullifying and impairing the reasonable expectation of contracting parties as to the benefits to follow from tariff concessions negotiated with the Federal Republic. This situation called for appropriate solutions under the General Agreement. His Government, however, interpreted the provisional application clause in the Torquay Protocol in a way different from that set out in the Working Party Report. Moreover, it did not believe that the CONTRACTING PARTIES could contest the mandatory character of legislation which the country concerned had presented as having this character. Consequently, his delegation could not approve either of the two documents.

The representative of Denmark considered that the draft Recommendation represented an expression of basic principles of special importance since it dealt with the otherwise neglected question of trade in agricultural products. As regards the legal status of the Marketing Laws, the Recommendation merely set out the position which a majority of the contracting parties had taken after a careful examination in a Working Party. The views of the Danish delegation were recorded in the Working Party Report. However, a statement of views on the principles involved constituted only one step towards a final solution of the problem. The Danish delegation was convinced that there was an urgent need for a new and broader approach to the agricultural problems. In supporting the Recommendation, it took into consideration the fact that any further action was left for the CONTRACTING PARTIES at a later stage. His delegation could not, however, associate itself with the last paragraph of the Recommendation which was premature in view of the assurances given by the German delegation to enter into consultations with contracting parties concerning any harmful effects of the restrictive measures in question.

The representative of the United States pointed out that the Recommendation should not be considered as prejudicing any views which had been expressed concerning the meaning of the provisions of Article XXIV dealing with quantitative restrictions. In reply to a hypothetical question put to him by the representative of the Netherlands, the representative of the United States stated that if the Marketing Laws did in fact require the Federal Government to impose quantitative restrictions the Federal Republic would be entitled under the Torquay Protocol to impose such restrictions, but in a non-discriminatory fashion.

The Committee adopted the Report of the Working Party (IC/W/2).

By a roll-call vote the Committee approved the Recommendation in L/817 with twenty-one votes in favour (Australia, Canada, Ceylon, Czechoslovakia, Denmark, Dominican Republic, Ghana, India, Indonesia, Japan, Federation of Malaya, Nicaragua, Norway, New Zealand, Pakistan, Peru, Federation of Rhodesia and Nyasaland, Turkey, Union of South Africa, United Kingdom, United States), six against (Belgium, France, Federal Republic of Germany, Italy, Luxemburg and the Netherlands) and six abstentions (Austria, Brazil, Chile, Finland, Greece and Sweden).

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3. Administrative Questions

The Committee considered the proposals put forward by the Executive Secretary in his confidential note of 17 April 1958 based upon the recommendations formulated by the Review Board on the grading of posts in the Manning Table for 1958.

The Committee approved the recommendations of the Executive Secretary and authorized him to put into effect the proposed changes in the Manning Table for 1958 and in the appropriations for Established Posts (L/756 - Part II, Section 1(i)), and to make any necessary drawing from the Working Capital Fund as may be required to cover this additional expenditure which has been estimated at $4,450.

As a result of the decision on grading of posts, the Executive Secretary informed the Committee that he would not pursue the Scheme referred to in paragraphs 42 and 43 of the Report of the Budget Working Party (L/756) but follow the Recommendations of the General Assembly of the United Nations based upon the report of the Salary Review Committee.

It was then recalled that at the Twelfth Session the Executive Secretary had entered a reservation on giving effect to what the CONTRACTING PARTIES had agreed to in respect to his own and the Deputy Executive Secretary's position (SR.12/20). Consequent to the above decisions the circumstances that gave rise to their reservation no longer obtained and the CHAIRMAN therefore requested that the reservation be withdrawn. The Executive Secretary acceded to this request.

The Committee expressed its thanks to the Review Board for the excellent work done in connexion with the review of the posts of professional officers in the Manning Table for 1958 and noted that a further report relating to paragraphs (c), (d) and (e) of the terms of reference will be submitted at a later date.

It also took note of the Estimates of Expenditure for 1958 (L/808) submitted by the Executive Secretary and concurred in the proposals therein.

4. Arrangements for the Thirteenth Session

(a) Invitation by Japan (L/801)

The CHAIRMAN recalled that during the Twelfth Session the Japanese Government had extended an invitation to the CONTRACTING PARTIES to hold their Thirteenth Session in Tokyo. After informal discussion at the Heads of delegation level, however, the leader of the Japanese delegation had authorized him to announce that the Japanese Government did not now wish to press its invitation although it might wish to extend a similar invitation for the locale

of the Fourteenth Session. This decision had been taken in deference to the desire of many delegations that the Thirteenth Session be held, as usual, in Geneva in view of the fact that the main item for discussion would be the Treaties of Rome.

On behalf of the Committee the Chairman thanked the representative of Japan for the kind invitation that had been extended by his Government to the CONTRACTING PARTIES. He added that the Deputy Executive Secretary had visited Japan to discuss with the Japanese Government the facilities they were prepared to make available and had returned fully satisfied with the arrangements proposed (L/801).

(b) Other Arrangements

The CHAIRMAN stated that the Committee need not consider the Agenda for the Thirteenth Session nor examine the adequacy of available documentation until its statutory meeting for that purpose in September. In the meantime, however, members might give some thought as to the desirability of having another meeting at a Ministerial level at the Thirteenth Session. An appropriate item to which Ministers could address themselves would be the Report of the Panel of Experts established by the CONTRACTING PARTIES to study certain trends in international trade. The Chairman suggested that the Committee revert to this question at its next meeting.

5. Nomination of Panels

The CHAIRMAN drew attention to the disputes and differences on the Agenda which had been referred to the Committee for consideration. Should the Committee decide to establish panels to examine any of these matters it might be appropriate to adopt procedural arrangements designed to meet certain practical difficulties that had been experienced in the past with regard to the availability of members when meetings of a panel are deferred to give time for further bilateral discussion. He also proposed that in future such panels should be called "panels for conciliation" instead of "panels on complaints".

In order to meet the problems referred to by the Chairman, the Committee agreed to the following procedures for the nomination of panels for conciliation during the period prior to the Thirteenth Session:

(1) The Intersessional Committee, when seized of a matter arising under Article XXIII, may, upon the request of the applicant contracting party, establish a panel to enquire into, and report on, the matter.

(2) If however, it is desired that the convening of the panel shall be deferred to some unspecified future date, in order to afford a further opportunity for bilateral consultation, the Intersessional Committee shall designate the panel but it shall be understood that the Chairman of the CONTRACTING PARTIES may appoint substitutes, if necessary, for any member or members of the panel who may not be available at the time when the need to convene it arises.

6. United States Action Under Article XIX

The CHAIRMAN referred to the discussion on this item that had taken place at the Twelfth Session. The Danish and Swedish delegations had drawn attention (L/758) to the action taken by the United States Government (L/757) in withdrawing, through the invocation of Article XIX, a concession granted to them at Annecy in 1949, by raising the customs duty on spring clothes pins from 10 to 20 cents per gross. The representatives of Denmark and Sweden had argued that in the opinion of their Governments the action taken by the United States was not justified under Article XIX. They maintained that no circumstances had been brought forward which would meet the requirements of that Article that the domestic industry was being seriously injured or threatened as the result of increased imports. They indicated, however, that they were prepared to discuss the matter further with the United States but, if there were no satisfactory result they might ask the Intersessional Committee to examine the matter. Sweden now referred the question to the Committee.

The representatives of Denmark and Sweden reported to the Committee that the consultations that had been conducted by their Embassies with the State Department in Washington had thus far yielded no positive results. Furthermore, no facts had been brought forward in these discussions to refute the arguments they had advanced at the Twelfth Session. The United States Government, however, had stated its willingness to continue the consultations and in view thereof, and also of the fact that the matter was to be reviewed by the United States Tariff Commission later in the year, the Danish and Swedish delegations did not wish to have the Committee take up the item at this stage. They reserved their right, however, subject to the outcome of the consultations, to refer the matter back to the CONTRACTING PARTIES at their Thirteenth Session.

The representative of the United States appreciated the attitude of the Danish and Swedish delegations and confirmed that bilateral discussions would continue in Washington. He pointed out that the recommendations of the United States Tariff Commission in this case had been approved by the President of the United States and was considered to be fully in accord with the obligations of the United States under Article XIX of the General Agreement. The United States representative also reviewed the record of escape clause cases in the United States, pointing out that since the escape clause procedure was adopted the Tariff Commission had received eighty-seven applications for tariff relief. The Commission had decided against action in thirty cases and recommended action in twenty-four cases. In only nine, however, had the President concurred with the findings of the Tariff Commission and invoked the escape clause.

The Committee agreed to postpone consideration of this item and noted the reservations of the Danish and Swedish delegations of their intention to submit this question to the Thirteenth Session should they find this necessary.

7. Italian Discrimination against Imported Agricultural Machinery

The CHAIRMAN recalled that at the Twelfth Session the United Kingdom delegation submitted a complaint (L/649) to the effect that under a Law of 25 July 1952 the Italian Government granted loans on special favourable terms to Italian farmers for the purchase of tractors and other agricultural machinery of domestic, but not of foreign, origin. The United Kingdom Government considered that this involved an element of discrimination contrary to Article III of the General Agreement. It was agreed that bilateral discussions between the two Governments would be continued but that if no agreement was reached the question could be referred to the Intersessional Committee; at the same time the United Kingdom delegation reserved the right to request that this matter be examined by a Panel should no progress be made in the interim period. The Government of the United Kingdom has now reported that no agreement had been reached in discussions with the Italian Government and accordingly the matter had been referred to the Committee.

The representative of the United Kingdom stated that it would be appropriate to refer this question to a Panel forthwith since not only had the dispute proved impossible to resolve bilaterally but it also raised a question of interpretation of the General Agreement. The Italian Government had neither refuted nor expressed agreement with the contention of the United Kingdom that the Law ran counter to Article III.

The representative of Denmark supported the United Kingdom request.

The representative of Italy agreed that various aspects of the complaint were related to the interpretation of Article III; that explained why no positive results had emerged from the bilateral consultations that had been held. In the circumstances, therefore, his delegation was prepared to have the matter referred to a Panel. For administrative reasons, however, he requested that such consideration by the Panel be deferred until the second half of June.

The Committee agreed to refer the matter to a Panel for Conciliation which would take due account of the request of the Italian representative with regard to the timing of its examination. The following Panel was appointed:

Messrs. O. Benes (Czechoslovakia)
J. Cappelen (Norway)
J. Hoogwater (Kingdom of the Netherlands)
H.H. Warren (Canada)

The Panel would elect its own Chairman.

8. French Assistance to Exports of Wheat and Flour

This item was proposed by the Government of Australia whose representative presented the following case to the Committee. Since 1953 France had applied export subsidies on wheat and flour in such a manner as to secure, inconsistent with the provisions of Article XVI, more than an equitable share of world trade in these products. The marked increase in French wheat and flour exports that had resulted therefrom had been detrimental to other traditional exporters, principally Australia. The subsidization had already caused serious prejudice to Australia in her traditional markets and had led to a distortion in the pattern of trade. If the French Government continued its present flour export policy Australia might well be forced out of its traditional export markets, particularly in South East Asia, in spite of the natural advantages she enjoyed geographically and through her low-cost production of wheat. Bilateral consultations with the French Government that had been held since April 1956 under Article XXII had enabled the Australian Government to confirm the facts of the situation, but the French Government had not been prepared to modify its export subsidy policy. The Australian Government, therefore, wished to refer this matter to the Committee for consideration in accordance with the provisions of paragraph 2 of Article XXIII. As regards procedures the Australian representative proposed that the Committee refer the matter forthwith to a Panel. The proposal to refer the matter to a Panel was supported by the representatives of Canada, Denmark and New Zealand.

The representative of France stated that his Government had always held the opinion that the subsidies it granted were in conformity with the provisions of Article XVI:3, but he concurred with the request that the matter be referred to a Panel. This, however, would not preclude the continuation of consultations with a view to finding a solution in conformity with the procedures of Article XXII:1. In conclusion, he expressed his surprise at the fact that this matter had been referred to the Committee without the authorities of his Government being duly informed, and while consultations were being carried out under Article XXII.

The Committee agreed to refer the question to a Panel with the following membership:

Messrs. T. Swaminathan (India)
R. Arents (Belgium)
F. Gundelach (Denmark)

The Panel appointed Mr. Swaminathan (India) as Chairman. After hearing statements from the parties concerned, it agreed to adjourn its hearings in order to enable the parties to consider the possibility of resuming bilateral discussions.

9. European Coal and Steel Community Waiver

The CHAIRMAN referred to paragraph 7 of the Waiver embodied in the Decision of 10 November 1952 which provided that during the transitional period "the Governments of the Member States will submit an annual report to the CONTRACTING PARTIES on the measures taken by them towards the full application of the Treaty". In accordance with these provisions the Member States had submitted five annual reports and these had been examined by working parties at the last five sessions of the GATT. The transitional period came to an end on 10 February 1958 and, as agreed at the Twelfth Session, the Member States had submitted a sixth report describing the situation as at the end of the transitional period.

The report was divided into two sections. The main report (L/804 and Add.1) included a statement on the harmonization of the external duties, which had been in force as from 10 February 1958, and a comparison of the duties now applied with the legal or conventional duties in force before the establishment of the Common Market. The second section of the report (L/804, Add. 2 and 3) constituted a supplementary statement on production, trade and prices, similar to those transmitted to recent Sessions of the CONTRACTING PARTIES.

The representative of the Member States, in presenting the sixth and last report, pointed out that during the transitional period the provisions of the Treaty establishing the ECSC and of the Convention containing the Transitional Provisions had been rigidly adhered to. The time limits laid down for the various operations such as the reduction or abolition of internal duties and the harmonization of external tariffs had sometimes been shortened as was permissible under the Treaty and Convention, but they had never been extended. The implementation of the harmonized customs tariffs of the Member States had resulted in important tariff reductions for the three Member States which were the major importers of the Community. The overall tariff incidence had thus been reduced to a much lower level than that which would have resulted from commitments normally undertaken under the General Agreement. The Member States wished to thank the CONTRACTING PARTIES for having given them the opportunity to take an initiative, the results of which had been in conformity with the spirit of the General Agreement and had furthered the realization of its objectives. It had enabled them to carry out an experiment which had proved an extremely useful one within the framework of international economic co-operation.

(a) Harmonization of Tariffs

The representative of Sweden referred to a reservation entered by his delegation when the waiver was granted concerning adequate compensation by the Member States in cases where the waiver involved economic sacrifices for other contracting parties and stressed that, moreover, when agreeing to the waiver, the Swedish delegation had had no reason to expect, and had not expected, the discrimination in favour of the Member States to be as considerable as that with which they were now confronted as a result of the

interpretation by the Six of the harmonization of the tariff levels. Thus far the Common Market had operated during a period of high economic activity and was yet to be tested in adverse economic conditions; accordingly, his delegation wished to have the possibility to submit at a later stage more detailed conclusions of the impacts of the ECSC on the Swedish economy.

The representative of Norway referred to tariff negotiations his Government had entered into with the Benelux countries in 1947 in which ferromanganese had been bound duty-free to Norway. When the ECSC was created Norway was requested to forego this concession and did so voluntarily on the understanding that the duties on this product would be harmonized at least to the same extent as the common tariff on other products. It was noted that the duties on this item had been harmonized in such a way as to result in a tariff rate applied by Italy which, although reduced from its previous level, was still considerably higher than the rate applied by some other Member States. If the CONTRACTING PARTIES accepted in this case that the concept of harmonization had been applied by the Community it might lead to the establishment of a disconcerting precedent. There had not been sufficient time to study the full effects of the harmonization and his delegation therefore proposed that all aspects of the new tariff be referred to the Thirteenth Session.

The representative of Czechoslovakia stated that certain tendencies in the operation of the Common Market which aimed at a protectionist and exclusive market should be checked by the High Authority. His delegation proposed therefore that the CONTRACTING PARTIES continue their surveillance over the operation of the ECSC.

The representative of Austria held the view that the so-called "principle of geographical protection", used as a basis for establishing tariffs on goods originating in third countries, was not compatible with the terms of the waiver granted by the CONTRACTING PARTIES. He further pointed out that the Member States had interpreted the undertaking to "harmonize" their external tariffs in the sense that harmonization did not require them to establish a uniform tariff. The Austrian delegation held the opinion that such an obligation meant that Member States were required to apply finally a uniform tariff equal to the Benelux tariff plus two points. It considered that the term "harmonization" was used not to exclude the adoption of uniform tariffs but to allow for temporary divergences such as those envisaged for a limited period under paragraphs 6 and 7 of the Transitional Provisions - and which had been accepted in view of the magnitude of the task that had been undertaken and of the unforeseeable effects which it might have on the economies of the Member States. With a view to avoiding any prejudical effects the establishment of the ECSC might have on its traditional export markets for iron and steel products, notably Italy, the Austrian Government had held consultations with the High Authority and the Member States in January 1958. At these consultations the Austrian Government had expressed its concern at the introduction of customs duties which could on the basis of the principle of "geographical protection" prove to be excessive. These consultations,

however, were not successful. The Austrian delegation, therefore, was obliged to stress that the application in Italy of a tariff level considerably higher than the Benelux level could seriously prejudice Austria's export opportunities in that market. Accordingly, the representative of Austria expressed the hope that the High Authority would bear this in mind when determining its policy in the future. As its Government would need sufficient time for material to be prepared showing the consequences the harmonization would have on the Austrian economy, the Austrian delegation reserved the right accorded under the terms of Article XXIII to return in due course to the problems referred to either at the Thirteenth Session or later.

In reply to the request of several members for further reports and other information in the future the representative of the High Authority stated that, although under no obligation to do so, it would notify the CONTRACTING PARTIES after two years confirming the expiration of the special protective measures provided for in Sections 15 to 29 of the Convention. The ECSC was prepared to discuss with the CONTRACTING PARTIES any problems of an economic nature that might arise as a result of the operation of the Common Market, and the machinery provided for in Article XXII of the General Agreement could always be resorted to by those contracting parties which considered themselves affected.

The representative of the High Authority then referred to the points of a legal nature that had been raised by the Austrian representative concerning the compatibility of the harmonized tariffs with the waiver and pointed out that the terms of the waiver itself foresaw that external tariffs would not be uniform but would be "harmonized". While the Treaty establishing the ECSC did not expressly define the concept of harmonization it was implicitly defined in Section 15 of the Treaty, the purpose of which was to establish provisional procedures for avoiding disturbances in the Common Market due to differences in tariff levels. When the CONTRACTING PARTIES took up this terminology in granting the waiver they implicitly accepted the High Authority's definition of it. The only obligation assumed under the waiver was to arrive at a general incidence in tariffs lower than that which existed at the time the Treaty entered into force. This had been accomplished, and by way of example he cited the case of steel where the average of the tariffs of the Member States before the establishment of the Common Market was 14.7 per cent. This had now been reduced to 7.2 per cent and would be reduced further to 6.9 per cent when the protective provisions were removed in two years' time. The Italian tariff, although a subject of controversy, had in fact been reduced thirteen points for the principal finished products and the actual rates being applied in Italy were less than half those applicable when the Common Market was established. In view of these facts, therefore, the representative of the High Authority could not subscribe to the legal arguments advanced by the Austrian delegation.

In conclusion, the representative to the High Authority recalled that at the Twelfth Session, when discussing the compatibility of the harmonization measures envisaged by the Community with the Decision of 10 November 1952,

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only the delegations of Austria and Sweden had expressed concern about the legality of the proposed measures with regard to the commitments undertaken by the Community. He observed that, following consultations with the Community under Article XXII, the Swedish delegation no longer contested the legal point of view concerning the harmonization of tariffs on steel in force on 10 February 1958, and noted also that the statement by the representative of Austria attached less importance to the legal problems than to the economic aspects of the Agreement. He therefore concluded that legally the CONTRACTING PARTIES recognized the view of the Community that the Six Member States and the High Authority had fully observed the obligation which they had undertaken vis-à-vis the CONTRACTING PARTIES to harmonize the duties on steel at the end of the transitional period.

(b) Production, Trade and Prices (L/804/Add.2 and 3)

The representative of Denmark re-affirmed his Government's concern at the relationship between export prices and prices within the Community. In recent months, however, the gap between these two prices had narrowed and therefore his delegation would not request a detailed examination of the price data supplied by the ECSC. In conclusion he expressed appreciation at the readiness of the ECSC to discuss with the CONTRACTING PARTIES any problems of an economic nature that might arise in this field as a result of the operation of the Common Market.

(c) General Observations

At the conclusion of the discussion several members extended their congratulations to the Six Member States on the attainment of a full common market in coal and steel. In paying tribute to the appreciable accomplishments of the Community during the transitional period over the past five years, they pointed to the fact that trade in coal and steel had increased substantially both within the Community and with third countries and stated that these achievements augured well for the future. They recorded their satisfaction with the consultations held at the five previous GATT sessions and expressed their confidence that the spirit of co-operation that had prevailed between the Member States and the CONTRACTING PARTIES would be maintained in the future. Indeed, such fruitful collaboration would become especially important since the operation of the High Authority would now take on an added significance in view of the broader movement towards European economic integration. It was hoped, therefore, that any commercial problems which arose from the operation of the Common Market could be settled equitably in accordance with the spirit and objectives of the General Agreement.

The Committee took note of the Sixth and final Report of the Member States.

10. European Economic Community

As instructed by the CONTRACTING PARTIES the Committee continued the examination of the relevant provisions of the Treaty establishing the European Economic Community, pursuant to Article XXIV:7, in the light of the Twelfth

Session Reports on tariffs, the use of quantitative restrictions, trade in agricultural products and the association of overseas countries and territories; it also considered what means could be developed to establish effective and continuing co-operation between the CONTRACTING PARTIES and the EEC. The Committee furthermore had before it the Report of the Working Party appointed by the Committee to study the problems which the association of overseas territories raised for the trade of other contracting parties to the General Agreement (L/805/Rev.1 and Addenda).

The Committee heard a statement from the representative of the European Economic Community in which he outlined the progress made in setting up the basic institutions of the Community since the entry into force of the Treaty on 1 January 1958.

The following is a brief summary of the views and proposals put forward in the discussion in which most members participated[1]:

Common External Tariff

Members expressed the view that if the objectives of the Community and of the GATT were to be attained the common external tariff should be as low as possible. In order to assist contracting parties in their analysis of the common tariff and to enable them to consider proposed procedures for the negotiations envisaged in Article XXIV:6 the EEC was requested to provide the common external tariff and the following explanatory material as soon as possible, and in any case by 1 July 1959:

(1) a "key" permitting cross-reference and comparison of rates and commodity descriptions in the common tariff and of related statistical classifications with those in the previous individual tariffs and trade statistics of the Member States;

(2) an indication of all changes in rates, commodity descriptions and statistical classifications;

(3) an indication of how the common tariff rates are derived from the previous tariff rates;

(4) an exact description of the products upon which concessions have been made in the individual GATT schedules of the Six;

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[1] The views of the Six Member States and the EEC, however, are set out in the statement by Baron Snoy et d'Oppuers, appended hereto.

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(5) an indication of the country or countries with which concessions were initially negotiated and of the principal suppliers, with the amounts of trade involved.

Quantitative Restrictions

Many members held the general view that until such time as the financial and economic relations of the Member States were fully integrated, so as to constitute in effect one unit for balance-of-payments purposes, the maintenance or imposition of quantitative restrictions must be justified in accordance with basic GATT rules and on an individual country basis.

Agricultural Provisions of the Treaty of Rome

Members pointed out that it was essential that in the formulation of a common agricultural policy the Community should take due account of the importance of preserving both traditional trade patterns and the GATT objective of expanding multilateral trade. Such regard for the trade interests of third countries, exporters of agricultural products, took on added significance in view of the tendencies for excessive short-term fluctuations in prices of primary products and widespread resort to agricultural protectionism that have become so pronounced in recent years. Accordingly, a number of members expressed the desire for the immediate provision of some appropriate machinery which would enable the CONTRACTING PARTIES to follow and consider together with the Six the measures to be taken in the course of establishing the common agricultural policy and organization and the relationship of these measures with the provisions of the General Agreement.

It was further observed that effective channels of communication could be established with the Community in the agricultural field within the framework of usual GATT methods and procedures. Such communication would consist of normal collaboration and continuing exchanges of information and views on matters of common concern among trading partners.

Attention was drawn to a conference of Member States to be convened at Stresa in July 1958 in accordance with Article 43(1) of the Treaty of Rome with the aim of comparing their agricultural policies. Some members considered it would be useful if, when this conference had ended, the Six, using the normal machinery of the CONTRACTING PARTIES, could provide information on that conference. It would also be desirable to afford contracting parties some means of commenting on the information received.

The Association of the Overseas Territories to the European Common Market

Some members considered that the Working Party's Report to the Committee established the fact that the arrangements proposed would clearly prejudice the trade interests of many under-developed countries which were dependent for their economic development on the export of only a few tropical or semi-tropical products. It was inequitable that the economic development of the

overseas territories should be artificially promoted at the expense of the aspirations of other under-developed countries and there could be serious political consequences in some adjacent areas. These members proposed, therefore, that some procedures be set up which provided for multilateral consultations between the Six and producing countries which considered that their trade would be affected with a view to discussing the value and extent of any measures that could be taken to alleviate any resulting damage to their trade; each commodity could be dealt with separately and some co-ordinating machinery should be established to supervise the discussions.

Most members recognized the importance of this question to contracting parties in the process of economic development, and considered that where problems were shown to exist realistic solutions should be sought within a multilateral framework and that any arrangements reached should be consistent with the GATT rule of non-discrimination. The object of any such arrangements should be to prevent any significant dimunition of third countries' present export trade to the Six as a result of the association of the overseas territories. They should also provide a reasonable opportunity for third countries to share in any increased demand resulting from the establishment of the Common Market. These members considered that traditional GATT principles and methods of procedure, in particular the provisions for consultations under Article XXII, were flexible enough to deal effectively with the problem.

Several members proposed that the Working Party on the Association of the Overseas Territories should continue its work as recommended in paragraphs 7 and 9 of its report including an examination of the effects of the association on the import trade of the A.O.T's.

Statement by the representative of the EEC

The representative of the European Economic Community then made a statement which summarized the Community's point of view in reply to certain points that had been raised. The full text of this statement is appended hereto.

Conclusions

There was general agreement on the following conclusions, but it was noted that the Six Member States of the European Economic Community could not give their concurrence until after reference to the Council of Ministers. The representative of the EEC undertook to communicate the views of the Council to the Executive Secretary by the end of May. It was agreed that if the conclusions proved unacceptable to the Council, the CONTRACTING PARTIES would be confronted with a new situation which would require early consideration:

1. The Committee noted with satisfaction that the rapid progress towards the establishment of the institutions described in the statement by the representative of the Six would facilitate early and close co-operation between the CONTRACTING PARTIES.

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2. The Committee noted the reports of the sub-groups established at the Twelfth Session, as well as the reports of the Working Party which had been carrying out an examination of the possible effects of the provisions of the Rome Treaty relating to the association of the overseas territories with the EEC. The Committee also heard a series of statements by members of the Committee relating to these various matters and a similar statement from the representative of the Community.

3. In the light of these statements and reports, the Intersessional Committee:

(a) Felt that it would be more fruitful if attention could be directed to specific and practical problems, leaving aside for the time being questions of law and debates about the compatibility of the Rome Treaty with Article XXIV of the General Agreement.

(b) Noted that the normal procedure of the General Agreement and the techniques and traditions of the CONTRACTING PARTIES in applying them, were well adapted to the handling of such problems.

(c) Suggested that in the first instance the procedures of Article XXII would be the most appropriate for this purpose. This Article enables any contracting party or contracting parties to seek consultation with other contracting parties on any matter affecting the operation of the General Agreement. Moreover, under this Article it is the obligation of contracting parties to afford adequate opportunity for such consultations.

(d) Felt that the procedures of paragraph 1 of Article XXII were adequate to deal with questions affecting more than one contracting party, and that for such questions it would be perfectly consistent with the terms of the Article, and would facilitate the attainment of results consistent with the basic principles and objectives of the General Agreement, for the countries concerned to arrange for joint consultations in which all contracting parties which consider that they have a substantial trade interest in the matter might join, and also for the outcome of the consultations to be communicated to the CONTRACTING PARTIES. The Committee therefore recommends that in such cases it will be appropriate to adopt the procedures indicated in the annex below.

(e) Pointed out that the normal procedures of Article XXII were of general applicability and could, therefore, be invoked by those contracting parties whose most immediate concern related to the various matters covered by the terms of reference of

the Working Party on Associated Overseas Territories. If these matters were to be handled in this way, it would be possible to suspend the activities of the Working Party for the time being, after the completion of the reports on commodities which have already been discussed by it.

4. During the Committee's discussion, a number of contracting parties expressed the desire for close contact with the Community regarding the working-out of the agricultural policy of the Community. The representatives of the EEC pointed out that the working-out of this policy would be a lengthy process and that the work of the Ministerial Conference at Stresa would be confined to comparing the agricultural policies of the Member States and in particular to establishing a balance sheet of their requirements and resources. The Committee recognized that the working-out of the agricultural policy would be a matter of years. The Committee took note of this statement, but assumed that the Community would furnish to the CONTRACTING PARTIES from time to time such information as the Six Member States would have furnished initially to comply with paragraph 7 of Article XXIV if the agricultural policy were developed and set out in the Rome Treaty itself.

5. Members of the Committee and the representatives of the Community reaffirmed the views they had expressed at the Twelfth Session concerning the maintenance or imposition of quantitative restrictions for balance-of-payments reasons. As regards the common tariff, the Committee noted with satisfaction the statement by the representative of the Community to the effect that the latter will endeavour to supply within the envisaged time-limit the common external tariff and the fullest possible documentary material regarding this tariff.

6. The Committee welcomed the spirit of co-operation and understanding which had prevailed in these discussions, which they felt would greatly facilitate the discussion when the CONTRACTING PARTIES resume their examination of the Rome Treaty pursuant to Article XXIV.

Annex on Procedures

The contracting parties interested in possible consultations under Article XXII on questions affecting the interests of a number of contracting parties, as a matter of convenience and in order to facilitate the observance of the basic principles and objectives of the General Agreement, agree on the following procedures:

(a) any contracting party seeking such a consultation under Article XXII shall at the same time so inform the CONTRACTING PARTIES;

(b) any other contracting party asserting a substantial trade interest in the matter, shall advise the consulting countries of its desire to be joined in the consultation;

(c) such contracting party shall be joined in the consultation providing the consulting countries agree that the claim of substantial interest is well founded;

(d) if the claim to be joined in the consultation is not accepted, the contracting party concerned shall be free to refer its claim to the CONTRACTING PARTIES;

(e) at the close of the consultation, the consulting countries shall advise the CONTRACTING PARTIES of the outcome;

(f) the Executive Secretary shall provide such assistance in these consultations as the parties may request.

11. European Free Trade Area Proposals

The CHAIRMAN recalled that it was agreed at the Twelfth Session that it would be desirable for the CONTRACTING PARTIES to be kept informed of developments in the negotiations proceeding in Paris. The Committee was requested to maintain contact with the OEEC in this connexion and to report to the CONTRACTING PARTIES at the Thirteenth Session.

Mr. OUIN, on behalf of the Secretary-General of the OEEC, informed the Committee of the present status of the proposals. The negotiations were being conducted by an Inter-governmental Committee at Ministerial level, under the Chairmanship of Mr. Maudling (United Kingdom), which was established pursuant to the OEEC Resolution of 17 October 1957 (L/745). These negotiations which were of a complex nature were as yet far from completion; accordingly the Committee could not be supplied with information of a definitive character. It was intended to introduce the free-trade area parallel to the European Common Market and therefore the Treaty of Rome was being used as a basis for the negotiations. Mr. Ouin then described certain principles and problems that had emerged from discussions on such questions as quantitative restrictions, the elimination of tariffs, agriculture and he referred to a study being undertaken by OEEC experts with a view to solving the difficult problems of definition of origin.

In conclusion, Mr. Ouin, stated that the OEEC would keep the CONTRACTING PARTIES informed of subsequent developments in the negotiations and he expressed the hope that at the Thirteenth Session information of a more detailed and definitive nature could be submitted to the CONTRACTING PARTIES.[1]

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[1] The full text of Mr. Ouin's statement has been reproduced in document L/812.

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12. Article XXVIII Negotiations

The EXECUTIVE SECRETARY stated that it had been brought to his attention that a number of negotiations currently being conducted under Article XXVIII, under the authority of paragraph 4 of the Decision of 28 November 1957 on the Continued Application of Schedules, might by reason of their complexity not be completed by 30 June 1958, the time-limit fixed by the Intersessional Committee at its meeting of 14 February 1958 (L/795).

The representative of the United States proposed a six month extension of the time-limit. The Chairman, however, considered that the most practical solution would be to extend the date to the close of the Thirteenth Session. This view was supported by the representatives of Canada and the United Kingdom.

The Committee then agreed that the final date for completion of Article XXVIII negotiations be extended to the end of the Thirteenth Session. The question of any further extension could be examined by the CONTRACTING PARTIES in the light of circumstances then obtaining.

13. New Zealand - Consultations under Articles XII and XIV

The New Zealand delegation informed the Committee that New Zealand, having initiated a consultation under Article XIV:1(g) on the discriminatory application of restrictions, wished that this be carried out at the same time as the consultation under Article XII to be held on 21 April.

The Committee agreed to this proposal.

14. Request by Denmark for Authority to Re-negotiate certain Items in Schedule XXII. (SECRET/96 and Add.1)

The CHAIRMAN stated that under paragraph 4 of Article XXVIII the CONTRACTING PARTIES might, at any time, in special circumstances, authorize a contracting party to enter into negotiations for the modification or the withdrawal of concessions subject to the procedures and conditions set forth in that paragraph. Under the intersessional procedures of the CONTRACTING PARTIES the Committee has been empowered to examine such applications and the Government of Denmark had requested in document SECRET/96, authority to re-negotiate certain items initially negotiated at Annecy and Torquay with Australia, Canada and the United States.

The representative of Denmark presented his Government's request and stated that authority for the withdrawal of the concessions under reference was sought in connexion with proposed legislation shortly to be submitted to the Danish Parliament aimed at providing the Danish farming industry with certain guarantees against any fall in prices of home-grown grain. In considering the Danish request the Committee should bear in mind the serious fall in agricultural export prices and revenue which had gravely affected agricultural incomes. The request for authority to re-negotiate was, however, motivated by specific difficulties envisaged in the forthcoming crop year. The fall in incomes referred to above together with further increases in cost of production, which had recently taken place, might result in a situation where farmers would market a substantial part of their harvest already at the beginning of the crop year thereby bringing about a further major fall in prices. Under these circumstances the Danish Government had felt constrained to introduce temporary legislation in order to avoid uncontrollable falls in domestic agricultural incomes. The contemplated measures included the introduction of duties on imported grain for fodder amounting to the difference between the c.i.f. price and a fixed price.

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The representatives of Australia, Canada and the United States with whom the concessions were initially negotiated, stated that they were prepared to re-negotiate these items with Denmark.

The Committee, in the light of the facts set out in SECRET/96 and Add.1 and after having heard the statement by the representative of Denmark, agreed that special circumstances existed in the sense of Article XXVIII:4 and decided to authorize the Government of Denmark to re-negotiate the items requested.

The Chairman then enquired whether any contracting party considered that it had a "principal supplying interest" or a "substantial interest" in the items concerned.

The representative of France claimed a "principal supplying interest" in respect of one item and a "substantial interest" in respect of another. The representative of the United States claimed a "principal supplying interest" in respect of an item that had not been initially negotiated with it.

The representative of Denmark recognized these claims and accordingly they were deemed to be determinations by the CONTRACTING PARTIES pursuant to paragraph 1 of Article XXVIII.[1]

15. Definitive Application of the Agreement

The CHAIRMAN referred to a suggestion put forward by the representative of Sweden during the debate on German import restrictions to the effect that, in the interest of obtaining a general clarification of the obligations of all contracting parties, governments be invited to submit details of laws for which they might wish to enter a reservation when they accepted the General Agreement definitively under Article XXVI. In this connexion the Chairman recalled that an invitation in this sense was made to contracting parties at the Ninth Session and that thirteen contracting parties had responded to that invitation. The information received from these thirteen governments was distributed in documents L/309 and Add.1-2.

It was understood that some governments had obtained authority to accept the agreement under Article XXVI, but had not yet done so. The Chairman suggested, therefore, that a move toward definitive acceptance might be started if these governments were to deposit their instruments of acceptance with the Executive Secretary in accordance with paragraph 6 of Article XXVI. He pointed out that such acceptances would be valid even though accompanied by reservation of legislation inconsistent with Part II within the terms of the Resolution of 7 March 1955.

The Chairman further suggested that contracting parties which did not respond to the invitation of the Ninth Session and were not yet in a position to accept the agreement under Article XXVI should now submit details of their

[1] The representative of Denmark has subsequently informed the Executive Secretary that the statistics contained in document SECRET/96/Add.1 show total imports of grain, whereas authority to re-negotiate was only requested insofar as fodder grain was concerned (see SECRET/96/Add.1/Corr.1).

legislation as defined in the Resolution. If such details were received before the meeting of the Committee in September it would facilitate the review of this question at that meeting.

16. Next Meeting of the Committee

The Committee agreed that unless circumstances required it to convene at an earlier date the next meeting of the Committee would be held during the week commencing 22 September 1958.

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Appendix

Statement by Baron Snoy et d Oppuers during the discussion on Item 10 "European Economic Community".

I have listened most attentively to the speeches made by representatives around this table and although it is not possible for me to reply to all the remarks and all the questions which have been raised, I can assure you that I shall make a very full report to the institutions of the Community. Since the Twelfth Session we have adopted a system which simplifies our work by dividing it under four main headings. On this basis, I should like to give you a brief summary of the Community's point of view after the statements which we have already heard.

As far as the common tariff is concerned, I do not believe that we are faced with insuperable difficulties. After the Sub-Group had examined the problem it became apparent that it had not been possible, at least for the time being, to find solutions to a certain number of problems. I would mention in particular problems raised by the application of the provisions of paragraphs 4, 5 and 6 of Article XXIV of the General Agreement, in respect of which the Community must reaffirm the views already expressed by the Six, as recorded in the report of Sub-Group A established by the CONTRACTING PARTIES at the Twelfth Session.

I should like, however, to meet a wish which has been expressed by the United States and other delegations. I can assure you that the Community will make every effort to supply in good time the fullest possible documentation regarding the common external tariff, so that the CONTRACTING PARTIES may make objective determinations, on the basis of the factual data thus made available to them, as to whether the tariff is consistent with the provisions of Article XXIV.

As regards quantitative restrictions, the United States delegation as well as certain other delegations who have taken the same position, have urged that the balance-of-payments difficulties of individual Member States should not be used by the other Member States to justify the imposition of matching quotas. I feel that this request involves theoretical and legal considerations and I am sure you will appreciate that in this respect the Six are not in a position to modify the views which they maintained throughout the Twelfth Session. In this connexion, I should like to add that, to my mind, the CONTRACTING PARTIES have not taken sufficient account of those provisions of the Treaty which govern monetary and financial co-operation between the Six.

But if we all agree to leave aside, for the time being, the legal questions on which we held conflicting views, I have no doubt that we can find some practical basis for agreement, for which the report of the Sub-Group which considered the problem of quantitative restrictions during the Twelfth Session has already cleared the ground. The Sub-Group noted that the

provisions of the Rome Treaty "imposed on the Members of the Community no obligation to take action which would be inconsistent with the General Agreement", whatever scope and interpretation is to attach to Article XXIV of the GATT, and that "any particular problems that might arise in the actual application of import restrictions by the individual members of the Community would be examined in the consultations under the provisions of the General Agreement". I believe that there we have the basis for a practical solution which, if administered in a spirit of co-operation and mutual understanding, should give satisfaction to all concerned.

I will now turn to the question of agriculture. I believe that the studies which have been undertaken in this organization have shown everyone that the problems relating to agriculture, within the framework of the Community, are essentially of a fluctuating nature. The formulation of a common agricultural policy, which is the very key to the solution sought under the Treaty, is a long-term undertaking and the Australian representative, referring to the Stresa Conference, which is to be held in July rightly understood that this was only one first step in the first stage of the formulation of a common policy; this first step consists in gathering the factual data relating to the individual agricultural policies of the Six and to prepare a statement of their resources and needs to serve as a basis for the gradual formulation of a common policy. I would wish to draw your attention to the fact that the authors of the Treaty, especially as far as Article 43 is concerned, have shown a full sense of realism in providing considerable time-limits. As you can see in that Article, the Commission in taking account of the work of the conference provided for in paragraph 1 shall, after consulting the Economic and Social Committee and within a period of two years, make proposals for the putting into effect of the common agricultural policy. The authors of the Treaty were not very optimistic in this respect. The same paragraph provides that the Council, acting during the first two stages (at least eight years) by means of a unanimous vote and subsequently by means of a qualified majority vote on a proposal by the Commission and after the Assembly has been consulted, shall issue regulations or directives or take decisions concerning the common agricultural policy.

As the Australian delegation rightly understood, it will obviously take us a long time to formulate, in a durable manner, all the elements of a common agricultural policy and this process will necessarily be a slow and continuing one. I even doubt that it can ever be completed. In these circumstances you are justified in asking us to find practical procedures to meet any difficulties which might arise. I shall revert later to the elements of a consultation procedure which could be agreed to, but I should like first to turn to the fourth main heading of our work, which concerns the association of the overseas countries and territories.

This set of provisions which is an integral part of the Rome Treaty reflects, as we have already stated, our special responsibility towards the overseas countries and territories with whom, as is well known, we have special relations. Under the chairmanship of Mr. Hagen, this question has been the subject of a lengthy study which, unfortunately, has not yet been completed.

At the beginning of this meeting I said how grateful the Community is to Mr. Hagen for his patience and conciliatory spirit which have been highly commended already. During the discussion, some delegations have invoked the results of the study conducted by the Working Party on the Association of Overseas Countries and Territories in order to draw certain conclusions. After listening to them, however, I am afraid that they have not taken account of all the results of the Working Party's study, because in most cases discussions in the Working Party resulted unfortunately in the mere juxtaposition of two different and sometimes irreconcilable viewpoints and in fact, at the present juncture, the study by the Working Party should be considered as a collection of conflicting evidence. I share your conviction that there is much to be done before this question is settled, and here too we shall probably have to seek a practical way out of our difficulties.

In this connexion, Mr. Chairman, I believe that the spirit which has developed around this table today has tended towards seeking a practical solution, and I am in a position to state that the Community agrees with this approach. If for the time being we cease confronting legal arguments, which it has not yet been possible to reconcile, it is certainly within the spirit of the Organization of which we are members to seek practical and constructive solutions. In this respect, I believe that we should find a solution within the framework of the General Agreement, and on behalf of the Community I should like to support the statement by the United States delegation, that:

> "We do not envisage a new kind of machinery, established primarily or exclusively for this purpose. Rather, we have in mind the normal procedures for exchanging information and views along lines which are in keeping with the best traditions of the GATT."

This frame of mind is entirely in keeping with our own feeling. It would indeed be against the long-term interests of GATT to try to solve our present difficulties regarding co-operation and consultation through any special procedure, and I will give you three arguments to convince you. If, as we agree with you, it is desirable to cease considering legal arguments for the time being and dismiss both parties non-suited, and if instead we were to follow a procedure instituted especially for the particular case of one of the parties as if the outcome of the legal discussion had been unfavourable to that party, then we would be acting inconsistently. I therefore feel that it would not be permissible to ask the Six to agree to a consultation procedure established for their particular case only. But it would certainly be desirable to exploit methodically all the possibilities which the General Agreement offers, the more so that you are all convinced, as we have been since the beginning of the discussion, that the Common Market Treaty allows for considerable flexibility and that it vests its institutions with responsibility for framing its future policy, in the same way as the governmental institutions are responsible in each individual country. What I have said with respect to agriculture is true in every case: for many decades to come, the Community will be engaged in the task of solving problems of international trade.

This being so, would it be politic not to entrust the study of all such problems to the GATT institutions but instead to set up special machinery for that purpose? Lastly, and to my mind this is the third argument, it is in the

interest of all of us, at the present juncture, to strengthen the GATT. It is in our interest to do so because we are faced with difficulties arising from a certain world recession. We are in danger when the recession seems to favour bilateralism and in this regard I share the view expressed by the Indian representative. We are all aware of the advantages which we have reaped from our multilateral procedures which must be maintained.

I should like to revert to a suggestion put forward by Mr. Garcia Oldini and subsequently taken up by other representatives. Article XXII of the General Agreement provides a bilateral procedure as a first stage and a multilateral procedure a second stage. Full use has not yet been made of these procedures. In certain cases where injury had been caused, Article XXII has been resorted to in order to remedy such injury, but there is nothing in the wording of this Article which prevents us from invoking and applying it where serious injury is threatened.

Why not then turn to Article XXII in order to find a solution to these consultation problems which are before us? I should like to put this idea to you, as it seems to me important for the future of the GATT. In my first statement yesterday, I said that the text of the Treaty itself provides a statement of intention which is amplified in a formal declaration signed by the Six countries when the Treaty was signed. This common declaration relates to the development of international organizations and co-operation within such organizations in order to solve the problems raised by international trade. I do not believe that you can seriously consider that our intentions are different from those which have been stated. You should, therefore, take them as the expression of a permanent and lasting desire on the part of the Community. As I said yesterday, this conforms to the interests of the Community and to the way in which it has to identify and construe them. I therefore believe that you will find the Community to be a protagonist which is fully convinced of the advantages to be gained from multilateralism in solving problems of international trade.

I am aware, of the fact which the South African representative emphasized, that part of the problem which confronts us today, and which is causing concern to some delegations, does not stem from the features of the Treaty, or from the legal issue which the Treaty might raise, but above all from the size of the economic entity which has been established. In this connexion, the South African representative pointed out that the position of small countries might, in certain cases, seem weaker and more limited, as far as the major issues are concerned, than that of the great powers. We fully sympathize and are prepared to recognize that, within GATT and at international level, the great trading nations have responsibilities which are considerably greater than those of countries whose interests are more limited. We are prepared to assume such responsibilities.

It has also been said - and I will conclude with this point - that the problem of primary commodities is of vital importance to economically under-developed countries. We certainly are of the same opinion and I know that we would support the idea that this problem should be dealt with, and that it should be dealt with on a multilateral basis. The Community has no objection whatever to this problem being dealt with in the framework of the General Agreement.

I believe that I have given you essential information concerning the position of the Community in regard to the problems which we are discussing today. I am sorry if I have spoken too long, and it is my hope that, if we are all imbued with the same practical spirit and anxious to find solutions to our problems on a pragmatic and constructive basis, we can in common evolve methods which, in the long run, will prove to have been of fundamental importance for the future of GATT.