

GENERAL AGREEMENT ON TARIFFS AND TRADE

CONTRACTING PARTIES
Eighteenth Session
15-19 May 1961

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SUMMARY RECORD OF THE SECOND MEETING

Held at the Palais des Nations, Geneva,
on Tuesday, 16 May 1961, at 11 a.m.

Chairman: Mr. W.P.H. VAN OORSCHOT (Netherlands)

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1. Impact of commodity problems upon international trade

The CHAIRMAN said that, at the nineteenth session, the CONTRACTING PARTIES would again review the trends and developments in international commodity trade and the Working Party on Commodities would meet to prepare for the review. One of the documents which provided the basis for the review each year was the report furnished by the CONTRACTING PARTIES' nominee as Chairman of ICCICA. Mr. Jha, the present Chairman, had been unable to attend the seventeenth session and the item had been included in the agenda for the present session in order to afford Mr. Jha the opportunity to present a report.

Mr. JHA (India), Chairman of ICCICA, said he wished to express his appreciation for the way in which the CONTRACTING PARTIES had received his written report (L/1329) at the seventeenth session. He had noted particularly from the summary records of the discussion the CONTRACTING PARTIES' agreement with the emphasis on the promotion of liberal trade policies, the use of existing machinery for dealing with commodity problems, and also the emphasis on the continuation of the commodity-by-commodity approach to problems which arose in international commodity trade. While such intergovernmental consultation did not always lead to formal arrangements,

it did provide a most useful means of studying specific problems and co-ordinating action between governments. Mr. Jha mentioned several commodities on which intergovernmental discussions had taken place through study groups or other less formal meetings.

Mr. Jha went on to describe some of the more important developments in the commodity field. His observations are contained in the full text of his statement which is reproduced in document L/1483.

At the end of his statement Mr. Jha informed the CONTRACTING PARTIES that it would not be possible for him to continue as Chairman of ICCICA after his present term of office expired in November.

The CHAIRMAN thanked Mr. Jha on behalf of the CONTRACTING PARTIES for his valuable work as Chairman of ICCICA and expressed their regret that he would not be available for a further period of office. He said that the question of the nomination of the Chairman of ICCICA for the ensuing year would be on the agenda for the nineteenth session.

2. Paris economic meetings

The CHAIRMAN recalled that this question had been discussed at the sixteenth and seventeenth session of the CONTRACTING PARTIES and that, at the latter session, the CONTRACTING PARTIES had agreed that the Council would continue to follow developments and that the item would be included on the agenda of the present session of the CONTRACTING PARTIES. When this matter was considered in the Council in February (C/M/4), the Executive Secretary had been requested to consult with the Secretary-General of the OECD on the question of when and how the proposed activities of the OECD in the trade field and the relationship between the OECD and GATT could best be discussed. The Chairman said that the Executive Secretary intended to undertake this consultation at an appropriate time and to report in due course to the CONTRACTING PARTIES. He mentioned that the OECD would not come into being until the autumn of this year, and it might be expected that the CONTRACTING PARTIES would have before them a report from the Executive Secretary on this matter when they assembled for the nineteenth session.

The EXECUTIVE SECRETARY informed the CONTRACTING PARTIES that he had been in touch with Mr. Kristensen, Secretary-General of the OECD, and that they had agreed to hold preliminary consultations in June or early in July. He felt, therefore, that it would be possible to have a report at least on this first exchange of views in time for the nineteenth session of the CONTRACTING PARTIES.

Mr. RIZA (Pakistan) recalled that, in the Council in February, a suggestion had been made that it might be appropriate to invite the Secretary-General of the OECD to attend a session of the CONTRACTING PARTIES. He asked if it were likely that Mr. Kristensen would be invited to attend the next session.

The EXECUTIVE SECRETARY replied that this was a question he hoped to discuss with Mr. Kristensen.

3. Turkish schedule (L/1478)

The CHAIRMAN recalled that, at the seventeenth session, the CONTRACTING PARTIES granted Turkey a waiver from the provisions of Article II authorizing the Turkish Government, subject to certain conditions, to apply its revised customs tariff and thereafter to enter into renegotiations under Article XXVII for the modification of concessions in its GATT schedule. The renegotiations were to be completed by the end of this session, but the Government of Turkey had requested an extension of this time limit.

Mr. KAYRA (Turkey) said that, following the granting of the waiver, Turkey had put into effect the new customs tariff. The necessary notifications had been made to the CONTRACTING PARTIES in due time. The new list of concessions, modifications, statistical data, etc., had all been distributed and Turkey had made known its desire to enter into renegotiations at the earliest possible moment. Since early in April, the Turkish delegation had been in contact with other delegations in an attempt to speed up matters but, for various reasons, it appeared to be difficult for other contracting parties to respond. It was obvious that renegotiations could not be completed within the prescribed time limit and Turkey was therefore requesting an extension until the end of the nineteenth session. It was, however, Turkey's earnest hope that the renegotiations would be completed well before the end of the proposed new time limit. Since 1960 Turkey had been engaged on the second stage of its stabilization programme and what was essential was stability in the economic sector. It was therefore Turkey's hope that the renegotiations would be completed within the next three months.

Mr. HADRABA (United States) said his delegation wished to support the Turkish proposal for an extension of the time limit for completing renegotiations under Article XXVIII until the end of the nineteenth session. In the view of his delegation, the Turkish Government should be commended for the statistical data and analytical material they had made available to the CONTRACTING PARTIES. However, Mr. Hadraba pointed out, the proposed revision of the Turkish schedule was a very complex matter and it was clear that renegotiations would take some time. The United States had already completed much of the preparatory work for these negotiations. It hoped to begin the negotiations soon and would make every effort to complete them in the very near future.

Mr. DE SMET (Belgium), speaking on behalf of the member States of the European Economic Community, likewise supported the Turkish request.

The CHAIRMAN proposed that the time limit should be extended and that the Executive Secretary should prepare the text of a draft decision for consideration at a later meeting.

This was agreed.

4. Italian import restrictions (L/1468)

The CHAIRMAN recalled that discussion of the report of the Working Party on Italian import restrictions (L/1468) had begun at the meeting on the previous day (SR.18/1). He invited further discussion.

Mr. HADRABA (United States) said that his delegation welcomed the forthcoming attitude of the Italian Government during the consultations and in the statement made by the representative of Italy at the meeting of the CONTRACTING PARTIES held on the previous day (SR.18/1). These factors in no small way contributed to the satisfaction of the United States Government with the efficacy of the GATT procedures in this case. The United States supported the approval of the report of the Working Party. Mr. Hadraba went on to say that the problem created by the Italian import restrictions concerned, not only their effect on trade, but also their effect on the operation of the General Agreement as a whole. The effectiveness of the GATT was based on the willingness of contracting parties to fulfil the obligations which they had assumed. In the United States there was sympathy and understanding when quantitative restrictions were justified by balance-of-payments considerations. At the present time, however, there was mounting criticism that was more and more difficult to answer and this could have serious effects on the liberal trade policy of the United States. It was for this reason that his Government had stressed in the past, and would continue to stress in the future, its concern over restrictions maintained by countries that no longer had balance-of-payments justification for the maintenance of such restrictions. In conclusion, Mr. Hadraba said that his delegation welcomed the statement made by the Italian representative at the previous meeting (SR.18/1) and looked forward to the definitive implementation of the announced measures. His Government hoped that the Italian Government would consider the feasibility of further action between now and July. In addition, his Government looked forward to the July report and urged that it should indicate the prompt liberalization of the items remaining under restriction in Italy.

Mr. AOKI (Japan) drew the attention of the CONTRACTING PARTIES to the fact that bilateral consultations under paragraph 1 of Article XXII were still being continued between his Government and the Government of Italy. He stated that it was the hope of his Government that the discussions would result in a satisfactory solution at a very early date.

Mr. WARREN (Canada) said that the measures promised by Italy during the consultations, together with the steps taken by the Italian Government at the end of 1960, represented a very real advance in the removal of import restrictions and in the expansion of import opportunities for products still under restriction. His Government hoped that, where annual and automatic increases in quotas were provided for, this would lead to the early and complete removal of the barriers concerned. The new liberalization measures did, however, tend to throw into relief those restrictions for which there was no longer any balance-of-payments justification; there was a lack of logic in maintaining distinctions between various currency blocs in a period of general external convertibility. While his Government welcomed Italy's willingness to look sympathetically at the question of

liberal licensing for some products still under restriction, it would be preferable if the Italian Government were to move forward generally, in line with the non-restrictive and non-discriminatory principles of the General Agreement.

Canada had hoped, Mr. Warren went on, for more positive indications by Italy at the present session as to when the removal of the remaining restrictions could be expected. His Government was particularly concerned that Italy continued to restrict from Canada some products which were admitted freely from other GATT countries and urged Italy to remove this discrimination. His Government also looked forward to the further measures to be announced prior to 31 July and hoped that very substantial progress would be achieved at that time.

Mr. LACARTE (Uruguay) drew the attention of the CONTRACTING PARTIES to the conclusion, contained in paragraph 8 of the report to the effect that a considerable number of agricultural products remained on the restricted list. His Government could not accept the proposition that the provisions of the General Agreement should be expanded to provide special treatment for trade in agricultural products. Mr. Lacarte then mentioned that, in paragraph 11 of document L/1468, the Working Party had noted that the system of restrictions under consideration involved differential treatment for imports from different sources. His Government would again emphasize the view it had expressed in the Working Party that there was no longer any valid justification for the retention of the import system currently applied by Italy. His Government felt that the Government of Italy should take steps to revise this system in order to meet its obligations under the General Agreement. Mr. Lacarte mentioned that one product of special importance to Uruguay, namely meat, was subject to a minimum price system in Italy; this operated in such a way that imports were sometimes permitted and sometimes prohibited. He noted that the Government of Italy intended to provide contracting parties, by 31 July, with new information about the import system. He expressed the hope that, at that time, it would be possible to have more detailed information regarding the measures affecting meat imports into Italy.

Mr. RYSKA (Czechoslovakia) regretted that, as the Italian import system operated in such a way as to discriminate against imports from Czechoslovakia, his Government was unable to share fully the satisfaction concerning the new liberalization measures envisaged by the Government of Italy. The present abnormal situation had been examined by his Government and, subsequently, a useful exchange of views had taken place with the Italian Government. It was because of these contacts, which were expected to continue, that his Government had not yet resorted to the facilities offered by Article XXII.

Mr. BARTUR (Israel) stated that, as indicated in paragraph 11 of the report, there had not been any relaxation by Italy of restrictions against imports from Israel, which was one of the few remaining countries against which discriminatory import restrictions continued to be enforced. At the seventeenth session, the Italian representative had stated that measures for

increased liberalization with respect to imports from Israel were under study. On many occasions since then, and finally during the meeting of the Working Party in Rome, the Government of Italy had indicated its intention to eliminate the discrimination against imports from Israel and to include Israel in either category "A" or "B". Unfortunately, this had not yet been done, in spite of the fact that almost a year had passed since representations were first made by Israel to Italy concerning this matter. In view of the fact that liberalization of imports from most countries had been expanded, the relative discrimination against imports from Israel had become even more serious and was an extremely disturbing feature of Italian import policy.

Mr. Bartur went on to say that his Government, having exhausted other means of arriving at a solution to the problem, could only resort to the procedures for dealing with residual import restrictions adopted by the CONTRACTING PARTIES at the last session. Israel had therefore asked Italy to enter into consultations under paragraph 1 of Article XXII and it was the sincere hope of his Government that a settlement could be reached within this framework. If, in spite of a balance of trade in favour of Italy, this unjustified discrimination which hampered the development of Israel's exports was maintained, his Government would consider it essential to refer the matter to the CONTRACTING PARTIES in accordance with the procedures mentioned above.

Mr. CAMARA (Brazil) said that, at the meeting of the Working Party, his Government had voiced its concern over the import restrictions maintained by Italy, particularly those which were of a definitely discriminatory character. With respect to three commodities - sugar, meat and bananas - his Government felt particular concern. He pointed out that the maintenance of these discriminatory restrictions was no longer justified in terms of Italy's obligations under the General Agreement. The export of these commodities was essential to enable Brazil to finance its industrial development programme and to improve its balance-of-payments position. His Government appealed once again to the Government of Italy to re-examine its import restrictions with a view to suppressing the discriminatory features still in force.

Mr. PHILLIPS (Australia) said his Government had welcomed the opportunity to participate in the consultations and noted with satisfaction the liberalization measures which the Italian authorities were able to indicate at that stage. His Government hoped that a number of agricultural commodities in which Australia had a particular interest would be covered in future announcements of further liberalization. In view of the time that had elapsed since the subject first came under notice at the fifteenth session, the Government of Australia looked forward to an announcement by Italy of the early removal of the remaining restrictions, at the latest in July. Moreover, his Government hoped that the announcement made at that time would be such as to remove the need for the CONTRACTING PARTIES to have to consider this problem further.

Mr. PARBONI (Italy) assured the CONTRACTING PARTIES that all the views which had been expressed during the discussion would be drawn to the attention of his Government. Commenting on a particular problem which had been raised, Mr. Parboni said that very precise information would be provided in his Government's report in July with respect to the system of minimum prices. He drew attention, however, to the fact that certain products under the minimum price system - meat and butter - had been liberalized since 1951 when imported from countries in lists "A" and "B" and that these lists comprised nearly all contracting parties. Before the adoption of the minimum price system, prices charged for meat and butter had fluctuated considerably; consequently Italian producers had asked the Government to reintroduce quantitative restrictions on these items. The Government had, however, decided to follow a more flexible policy by adopting a minimum price system. Mr. Parboni then quoted statistics to indicate that, after the adoption of the minimum price system, imports of meat and butter had increased considerably; had the system not proved effective, imports at abnormal price levels would have caused disruption in the Italian market. Mr. Parboni advised the CONTRACTING PARTIES that his Government was at present considering certain readjustments in certain features of its import system. Inter alia a draft Act had been prepared which was designed to permit the Italian Government to apply countervailing duties.

The CHAIRMAN, in his summing-up, stated that there seemed to be a feeling of satisfaction with respect to the efficacy of procedures followed in this case. The general consensus of opinion appeared to be that there had been some progress and that constructive solutions would be found to deal with the problem of residual restrictions maintained by Italy. On the other hand, delegations had expressed concern over the restrictions and looked forward to their rapid elimination in the near future. The statement of the Italian representative showed that it was the intention of the Government of Italy to present a programme to the CONTRACTING PARTIES before 31 July regarding their plans with respect to the elimination of residual restrictions.

The report of the Working Party was adopted.

5. Residual import restrictions (L/1470 and Add.1)

The CHAIRMAN recalled that, at the seventeenth session, the CONTRACTING PARTIES adopted procedures for dealing with residual import restrictions and instructed the Council to review these procedures in the light of experience and to report its views to the CONTRACTING PARTIES. The review of the procedures would be carried out by the Council at its meeting in September and a report would be submitted to the CONTRACTING PARTIES at the nineteenth session. Further, the Chairman said, the Council had been instructed to consider more closely the extent and scope of the notifications which contracting parties were required to communicate to the Executive Secretary under paragraph 7 of the procedures. This task had been undertaken by the Council which defined the restrictions to be notified and invited contracting parties to submit their notifications by 1 May. The notifications thus far received had been distributed in document L/1470 and Add.1. It would be noted, the Chairman said, that so far only seven contracting parties had submitted lists, while eleven contracting parties had advised that they did not apply any import restrictions inconsistent with the provisions of the GATT.

The Chairman pointed out that, since the Council's review of the operation of the procedures to be held in September would include an examination of the notifications submitted, the CONTRACTING PARTIES at this stage needed to address themselves only to the response, as shown by documents L/1470 and Add.1, to the invitation issued by the Council for the submission of lists by 1 May.

Mr. SWARD (Sweden) said that Sweden had submitted its list to the secretariat with the reservation that it should not be circulated until the principal countries concerned had also submitted their notifications. Although Sweden considered that there had been an insufficient response from contracting parties, it was prepared to withdraw its reservation. It hoped, however, that those contracting parties which had so far not replied would do so.

Mr. HADRABA (United States) said that it was a source of very great disappointment to his delegation to learn that only seventeen countries had responded to the questionnaire. There had not been time to examine the quality of the reports received and a discussion of the substance of the reports would in any case not be appropriate at the present time. It might be that when his delegation had had an opportunity to review the reports, it would have some questions to put to various countries concerning measures not included in their reports. That would be at a later stage however; the immediate concern related to the evident lack of response from many countries. It was apparent that a much fuller response would be required if the procedure was to be judged adequate at the time of the Council meeting.

Mr. WARREN (Canada) said that his delegation, likewise, was also disappointed that only some seventeen replies had been received from contracting parties and that, of these, only seven countries had notified that they were maintaining the kind of restrictions covered by the requested notification. A number of important trading nations had not yet submitted their notifications. His delegation hoped that contracting parties would be forthcoming in this matter in sufficient time to enable

the Council to have a useful review of the procedures at its meeting in September. Canada's notifications were submitted prior to the adoption of the revised procedures by the Council.

Mr. LACARTE (Uruguay) said his delegation shared the concern already expressed about the limited number of notifications so far received. Uruguay attached great importance to the matter and it was to be hoped that, in the near future, replies would have been received from all contracting parties.

Mr. SWAMINATHAN (India) said he shared the concern expressed by the representatives of the United States, Canada and Uruguay. The interest of India in this matter was understandable, in view of the fact that it was in the process of economic development and that it attached the greatest importance to increasing, through trade, its earnings of foreign exchange. When there was substantive discussion on this question India expected to take a prominent part.

Mr. CORKERY (Australia) said he wished to emphasize what had been said by previous speakers. His delegation, also, was disappointed that the response from contracting parties had not been as great as had been hoped for. It would, of course, be necessary in the first place to look at the notifications that had been submitted. Presumably, when the Council reviewed the efficacy of the procedures in September, it would undertake the review in the light of an examination of the notifications received. In the meanwhile, it was to be hoped that, before the Council's meeting, notifications from many more contracting parties would have been submitted than was the case at the moment.

Mr. PHILIP (France) recalled the review he had given at the seventeenth session of the measures of liberalization introduced by France since the beginning of 1959. He now wished to inform the CONTRACTING PARTIES of the further progress made by France in this field; in this connexion, he said, it was necessary to distinguish between measures taken in favour of the OEEC countries, the United States and Canada on the one hand and other GATT countries on the other hand.

As regards the first group of countries, Mr. Philip said, there had been two important steps in this process of liberalization, one on 31 December 1960 and the second on 31 March 1961. As a result of these measures, there were in effect no quantitative restrictions as regards these countries operating in the industrial sector. In the agricultural sector, France hoped to be able to improve its list as a result of the considerations brought forward in the consultations with certain contracting parties in April.

As for the second group of countries - the other GATT countries - two new measures of liberalization had been taken, one on 5 January and the other on 9 April 1961. Thus a liberalization percentage of more than 80 per cent, based on trade figures for 1957, had been achieved vis-à-vis these countries. As a result of these measures, the margin of discrimination between other GATT countries and the first group referred to above had been noticeably reduced.

In the industrial sector, because of the progress made in liberalization measures vis-à-vis the OEEC countries, the United States and Canada, the French administration was now principally studying the restrictions applied against other GATT countries.

Mr. Philip concluded by drawing certain conclusions from his review of French liberalization measures during the last six months. First, the greatly improved situation since November 1960 should not be considered as now being stabilized; new important modifications were envisaged. Secondly, in the light of the common agricultural policy of the EEC, other measures would have to be taken by the French Government. Thirdly, against the background of the progress so far made, it would not appear that the traditional procedures of GATT had yet been exhausted; this was the main reason why France felt it was preferable not to notify, for the time being, its residual restrictions. Because of the present rhythm of liberalization it was difficult to say what the French residual restrictions would in fact be. France preferred to continue to pursue its efforts in the field of liberalization; these, as would be appreciated, had already given considerable results.

Mr. CAMARA (Brazil), in reference to the prominent place on the eighteenth session's agenda of questions relating to import restrictions, said that, on the one side, were the balance-of-payments restrictions which developing countries had been obliged to apply. On the other hand were restrictions imposed by a number of countries which could not be justified under GATT and which were described as residual restrictions; this was the most serious problem confronting the CONTRACTING PARTIES at the present time as, generally speaking, these residual restrictions directly and often seriously affected countries in the process of economic development and hampered the industrial development of these countries. The conclusions of Committee III, Mr. Camara pointed out, would appear not to have been sufficiently studied by some countries. If the present situation persisted, Brazil had some doubts as to justification for the continued existence of the Committee on Balance-of-Payments Restrictions.

Mr. XYDIS (Greece) pointed out that paragraph 4 of document L/1470 did not apply to Greece.

Mr. UAVRIK (Austria) explained why Austria had not yet submitted its notification. Austria's non-discriminatory import restrictions were justified under GATT. As regards other import restrictions, these had been progressively reduced since the application, in July 1960, of liberalization measures towards GATT countries. Other measures of liberalization vis-à-vis GATT countries had now been prepared; details of these measures were expected to be provided by the Austrian Government before 1 July 1961, the date on which the measures were expected to enter into force. In conclusion, Mr. Uavrik said that the balance-of-payments consultation in October with Austria under Article XII would give the opportunity for a thorough examination of the import restrictions in force in Austria.

The CHAIRMAN, in summing up, referred to the disappointment that had been expressed at the small number of contracting parties which had submitted notifications. He urged the other contracting parties to forward their notifications at an early date. The item would be on the agenda for the meeting of the Council in September when the review of the efficacy of the procedures would be carried out.