

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

C/M/9

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COUNCIL

22 - 28 February 1962

MINUTES OF MEETING

Held at the Palais des Nations, Geneva,
from 22 to 28 February 1962

Chairman: Mr. J. LACARTE (Uruguay)¹

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¹ Mr. E. Treu (Austria) took the Chair during the discussion of items 9-13 and 16.

1. Election of Chairman

It was agreed that the term of office for the chairmanship of the Council should be the same as that of the Chairman and Vice-Chairmen of the CONTRACTING PARTIES.

Mr. J. LACARTE (Uruguay) was unanimously elected chairman until the twentieth session.

2. Adoption of agenda and order of business (C/19/Rev.1) (C/W/35)

The provisional agenda (C/19/Rev.1) with the addition of a sub-item - Classification of Geneva for purposes of post adjustment - under the item Administrative and Financial Questions was adopted, and the proposed programme of work (C/W/35) for the meeting of the Council was approved.

3. Programme for expansion of trade (L/1699)

(a) Customs tariffs

(i) Developments in Tariff Conference

This item was included in the agenda to afford members of Council an opportunity to raise any matters arising from developments in the Tariff Conference since the nineteenth session, should they so desire.

The representative of the United States stated that his delegation had circulated two alternative drafts which were intended to formalize, on a bilateral basis, the negotiations which the United States had already concluded with several contracting parties. Although it had not been finally decided, it was probable that the United States delegation would propose some changes in these drafts, whereby both parties to an agreement would give thirty days notice before putting its concessions into effect; further, each of the countries would reserve its right to withhold or withdraw its concessions if notification were not given by the other party within a reasonable length of time.

The representative of Indonesia said his Government was very concerned that the member States of the European Economic Community - a traditional market for most of Indonesia's exports - had confronted his country with high external tariffs of a discriminatory nature. Formal talks had taken place between the Community and Indonesia on the reduction of tariffs and the Community, while willing to consider reductions on some products, particularly tropical products, had requested compensatory tariff reductions from Indonesia. He

urgently appealed to the Community to withdraw these requests for compensation, in view of the existing financial difficulties which would prevent Indonesia from granting such compensation. The representative of Brazil requested that it be recorded in the minutes of the meeting that his delegation fully supported the statement by the representative of Indonesia.

(ii) Arrangements for Working Party on Tariff Reduction (L/1713)

At the nineteenth session, the CONTRACTING PARTIES appointed a Working Party to examine new procedures and techniques for the further reduction of tariff barriers and arranged for the Working Party to hold its first meeting from 5 to 18 April. More recently, as announced in document L/1713, it had been suggested by some delegations that it would be premature for the meeting to be held as early as April, and that the meeting should be postponed until June.

The representative of the United States said that his delegation would be better prepared to contribute to the Working Party's deliberations after the hearings in the United States Congress on the President's proposals for legislation on foreign trade policy.

The Council agreed that the meeting of the Working Party should be postponed and that the Council at its meeting in May should decide on a date.

The representative of the European Economic Community read the text of a declaration on the question of tariff negotiations which had been adopted by the Council of Ministers of the Community at a meeting held on 6 February.

The Council noted this statement, the text of which has been distributed in document L/1733.

(b) Trade in agricultural products

At the nineteenth session the CONTRACTING PARTIES adopted certain procedures to give effect to the recommendations of the Ministers. These procedures were designed "to establish the basis for the negotiation of practical measures for the creation of acceptable conditions of access to world markets for agricultural commodities". The CONTRACTING PARTIES decided that the progress of this work should be supervised and co-ordinated through the Council, and the Council was authorized to establish "such preparatory groups as may be necessary".

(i) First report by Group on Cereals (L/1728)

It was agreed at the nineteenth session that a beginning would be made in this work with a preliminary examination of possibilities for a solution of the problem of cereals. For this purpose a group was established. The Group met on 12-16 February and a summary of its discussions was distributed in document L/1728.

Concern was expressed by the representative of Japan over the fact that the Group envisaged the raising of prices for cereals above the current international prices; Japan, as the second largest importer of wheat, had a great interest in the price level. Consequently, his Government at a later stage, might wish to participate in the work of the Group.¹

The Council took note of the summary of the discussions at the first meeting of the Group on Cereals, as contained in document L/1728, and noted that the Group had arranged to meet again on 26 March if the Chairman, after consultation with delegations, considered that there existed at that time a reasonable basis for continuing the discussions.

(ii) Arrangements for future work on other commodities

In the procedures adopted by the CONTRACTING PARTIES at the nineteenth session, the Council was authorized, at this meeting, "to initiate discussion of the problems in other commodities with differing characteristics, for example, meat".

The representative of Uruguay proposed the establishment of a group to study the problems of meat. The Ministers, at their meeting in November 1961, had taken the reports of Committee II as a basis for their recommendations and had expressed concern over the degree and scope of agricultural protectionism involving the widespread use of restrictive measures which had important repercussions in international trade for agricultural products. There was an elastic demand for meat which had been frustrated by trade barriers. Several members of Council supported the Uruguayan proposal, including the representative of Argentina, who said that an ECOSOC report had mentioned the fact that the reduction of meat production in Latin America reflected the reduction of demand resulting from the imposition of restrictions by some importing countries; this development had unfavourably affected Argentina's export earnings.

¹The subject of participation was again discussed in connexion with the setting up of a Group on Meat (see sub-item (ii)).

On the other hand, some members felt that discussions in a group on meat were unlikely to be fruitful without prior identification of aims and solutions; in view of the disappointing results of the discussions on cereals and butter, the Council should make every effort to provide an appropriate orientation for any new groups it might establish so as to avoid negative results. Some members thought that the establishment of a group on meat should be postponed until the May meeting of the Council and that during the interim a detailed paper should be prepared by the secretariat, in co-operation with interested countries, and be circulated to contracting parties for comments and opinions.

Following this discussion general agreement was reached that a working group on meat should be immediately established. The Council then discussed the terms of reference, membership and the extent to which observers should participate in the deliberations of the group. On the latter question, some representatives felt that the group should be kept as small as possible in order to ensure the best conditions for effective work. On the other hand, a number of representatives expressed the view that some countries not appointed to the group might have a considerable interest in the trade and might be able to put forward ideas which would contribute to its work; some procedure should be worked out to enable such countries to participate.

The Executive Secretary suggested that members of Council might reflect on what was probably in the minds of Ministers when they recommended the establishment of these groups. The groups were to be preparatory in nature and were to concentrate on basic and fundamental issues while bearing in mind the interests of all contracting parties; they would probe fundamental problems in an intimate fashion and suggest lines of action to be taken by a larger body. The experience of the Cereals Group, in his opinion, indicated that such a procedure did lead to a type of discussion more valuable and more searching than that which could be conducted in a larger group. However, ideas were not the monopoly of members participating in a group, and it might be helpful to invite other governments to submit suggestions for consideration by the group; no doubt the group would wish to discuss any such suggestion with representatives of the government which had put it forward.

Following this discussion, the Council agreed as follows:

(a) A Group on Meat is established, composed of Argentina, Australia, EEC, New Zealand, United Kingdom, United States and Uruguay. The Executive Secretary will preside over the meetings of the Group.

(b) The terms of reference of the Group on Meat will be those set down by Ministers in their recommendations in respect of trade in agricultural products. In the first instance, the problems to be studied by the Group will relate to trade in meat of cattle and sheep. It is, however, understood that during the course of the work of the Group it may be found desirable to vary somewhat the scope of the study, for example by examining also the market situation in some related products, in which case other countries principally interested in the trade in those products may be asked to join the Group.

(c) The secretariat will prepare for distribution a factual paper on international trade in cattle and sheep meat including appropriate references to the findings of Committee II. Governments will be asked to study the paper and to submit to the Executive Secretary any suggestions for overcoming any short or long-term problems affecting the marketing of such meat.

(d) The Executive Secretary, in consultation with the members of the Group, will decide when the first meeting of the Group should be convened.

(e) As envisaged in the CONTRACTING PARTIES' Decision of 7 December 1961, the Council will supervise the work of the Group. The Chairman of the Group will report to the Council on the initial results of its work at the Council's May meeting.

(f) If members so wish, the questions of participation and of the attendance of observers at meetings of these special groups will be considered further at the meeting in May.

(g) It will remain open to contracting parties to refer to the Council problems arising in international trade in commodities other than cereals and meat.

(c) Trade of less-developed countries

In February 1962 Committee III held its first meeting since the nineteenth session, to consider the programme of its future work for implementing the Conclusions of Ministers. The Committee's report was distributed in document L/1732 and Corr.1.

See C/M/9/ann. 1.
replacement p. 7

In presenting the report on behalf of the Chairman of Committee III, the representative of Australia stated that the Committee had considered five types of barriers to the trade of less-developed countries, namely customs tariffs, quantitative import restrictions, other non-tariff barriers, revenue duties and internal taxes, and barriers especially affecting tropical products. Concerning the first four, proposals for the best way to approach and study these particular problems had been considered by the Committee and those upon which agreement was reached were set out in the Committee's report. As instructed by the CONTRACTING PARTIES, the Committee had given special attention to trade barriers affecting exports of tropical products. There was a proposal that a fundamental review should be made of the various aspects.

The Council discussed the establishment of a special group on trade in tropical products as proposed by Committee III. It was understood that the Committee wished representation on the special group to be at the level of officials who were concerned with policy matters in their respective national administrations. Concerning the proposal that the States associated with the EEC should be invited to participate and to nominate a spokesman for this purpose, it was suggested that these States might not be prepared to nominate a spokesman as the individual governments might wish to express their own views, but on the other hand it was thought that the group would be more effective if it were not greatly enlarged. As for the list of products mentioned in the proposed terms of reference, some representatives considered that the studies of the group should not necessarily be limited to the products specified, while others felt that the group should confine itself to these products in the first instance and pointed out that these products had been selected because they had already been fully studied by Committee III and consideration could now be given to action by governments.

✓ The Council approved the appointment of a special group on trade in tropical products, with the following terms of reference and membership:

Taking into account all factors bearing on present and future problems in international trade in tropical products (cocoa, coffee, tea, vegetable seeds and oils and tropical timber), to consider ways of overcoming difficulties confronting less-developed countries exporting these products and to make appropriate proposals bearing in mind, among other things, the Conclusions of the ministerial meeting and the Decision of 7 December 1961.

<u>Membership:</u>	Brazil	Indonesia
	Ceylon	Nigeria
	EEC	Sweden
	Ghana	United Kingdom
	India	United States

The Council endorsed the proposal of Committee III that the States associated with the European Economic Community should be invited to participate in the work of the group and instructed the Executive Secretary to consult with these States concerning their representation. It was agreed, in principle, that a meeting of the group would be convened prior to the next meeting of Committee III, but on the understanding that the Executive Secretary, in consultation with the members of the group, could, if found appropriate, alter the date of the meeting.

4. EEC common agricultural policy

The representative of the European Economic Community informed the Council that the Community had agreed on the general outline of its common agricultural policy and that the final text of the decisions taken would shortly be made available to the CONTRACTING PARTIES.

The representative of Australia enquired whether this information would be submitted to the CONTRACTING PARTIES in the context of Article XXIV and the representative of the Community stated in reply that it would be transmitted for the information of the CONTRACTING PARTIES without reference to any specific provision of the General Agreement.

The Council welcomed the intention of the Community shortly to communicate the text of the Decisions taken.

5. Consultations on balance-of-payments restrictions

(a) Ceylon

When the programme of work for 1962 for the Committee on Balance-of-Payments Restrictions was agreed upon by the CONTRACTING PARTIES at the nineteenth session, it was envisaged that Ceylon would be included among the countries with which the Committee would carry out consultations under Article XVIII:12(b). However, the proviso in paragraph 12(b) of that Article lays down that no consultation should take place under sub-paragraph (b) "within two years after the conclusion of a consultation of a general nature under any other provision of the paragraph". Since Ceylon held a consultation under paragraph 12(a) in 1961, it was proposed that the next regular biennial consultation should be postponed until 1963.

The Council agreed that, in view of the consultation under paragraph 12(a) in 1961, the next consultation with Ceylon under paragraph 12(b) should be postponed until 1963.

(b) Ghana

The representative of Ghana stated that during 1961 the Government of Ghana had adopted certain measures designed to improve the country's trade and payments situation, through an intensification of import restrictions chiefly on luxury and semi-luxury goods. Since 1956 Ghana had suffered a continuous loss of foreign exchange reserves (save for the year 1958) due principally to large increases in capital goods imports. In order to check the decline in reserves the Ghana Government adopted a new budget in July 1961, the most important feature of which was the introduction of a purchase tax on a large range of consumer goods, with a view to reducing imports of luxury and semi-luxury articles. As a further measure to arrest the decline in reserves the Ghana Government adopted on 1 December 1961 a new policy which revoked all open general licences and prohibited the importation of all but a few items except under licence. The measures adopted were expected to

curtail consumption of luxury goods and to ease the pressure on the country's reserves. (The full text of the statement made by the representative of Ghana will be circulated for use by the Committee on Balance-of-Payments Restrictions.)

The Chairman suggested that these new import control measures were of such a character as to require consultation with the CONTRACTING PARTIES under the provisions of paragraph 12(a) of Article XVIII.

The Council agreed that a consultation under Article XVIII:12(a) on the intensification of import restrictions by Ghana should be initiated and that it be continued by the Balance-of-Payments Committee at the meeting scheduled for 7 to 18 May.

6. Residual import restrictions (L/1716)

At the nineteenth session the CONTRACTING PARTIES appointed a Panel of Experts to examine the adequacy of the notifications submitted by contracting parties pursuant to paragraph 7 of the procedures for dealing with residual import restrictions which had been adopted by the CONTRACTING PARTIES at the seventeenth session. The Panel met in January and submitted an interim report which was contained in document L/1716.

The Chairman of the Panel presented the report. The Panel had conducted a preliminary discussion of the notifications on the basis of the available material, but considered that more complete data was needed before it could complete the examination as required by its terms of reference. Therefore, the secretariat had been asked to communicate with the governments concerned with a view to obtaining supplementary information on two points: first, information relating to the form of notification, the definition of products, the type of restrictions, the area of application and any indication regarding foreseeable termination dates; and secondly, information concerning notifications from particular contracting parties which required clarification.

Several representatives urged the full co-operation of contracting parties in the submission of notifications and of the supplementary information now requested. It was said that GATT today was faced with more serious problems than at any time since its formation and therefore it was not only the success of the work of the Panel, but that of the CONTRACTING PARTIES, which was at stake.

The Council took note of the interim report by the Expert Group, contained in document L/1716, and stressed the importance of the requests by the Panel for additional information and clarification so that the fullest possible information would be available to the Panel to enable it to proceed with its examination of the overall and individual adequacy of the notifications. The Council noted that the Panel will meet again and will submit a final report for consideration by the Council at its meeting in May.

7. Israeli foreign trade policy (L/1727)

The Government of Israel transmitted to the Executive Secretary extracts from an announcement by the Israeli Minister for Finance on certain aspects of economic policy. This had been distributed in document L/1727.

The representative of Israel said that when Israel acceded provisionally to the GATT in 1959, questions concerning certain restrictive trade policies had been raised by some contracting parties and his Government had promised that it would endeavour to abolish the restrictions gradually. It was with great satisfaction, therefore, that he could now bring the new policy to the attention of the Council. This new policy was to some extent an act of faith in the economy of Israel, as well as in the liberalization of world trade at large and in the solution of problems facing young exporting industries and agricultural producers. Israel had been encouraged in this sense by the spirit of the last meeting of Ministers and by the initiative of the United States Government in the field of foreign trade policy.

The action taken by the Israeli Government was noted with gratification.

8. Butter marketing problems (L/1720)

At the nineteenth session, the CONTRACTING PARTIES appointed a Working Group to review action and plans of the countries principally concerned in applying measures designed to achieve the removal of the basic causes of butter marketing problems. The report of the Group was distributed in document L/1720.

The Executive Secretary, who presided at the meeting of the Group in January, presented the Group's report. Representatives of the European Economic Community and of some twenty countries, exporters or importers of butter, had taken part in the discussions. The Working Group had undertaken a very comprehensive survey of the situation in the butter market and, in particular, had reviewed action taken by various contracting parties in the light of the recommendations made previously. As stated in paragraph 26 of the report the Group had concluded that "notwithstanding serious efforts to dispose of surpluses of butter through the promotion of increased consumption, the disequilibrium between total supplies and expected demand continued to exist and this situation created serious difficulties especially for the exporting countries". It had been generally felt that more emphasis should be given to the expansion of consumption, especially in countries where standards of living were high but consumption of butter was low, and that further serious efforts to restrain production in excess of demand should be made. With regard to more immediate problems, as the policies recommended by the Group would only be effective in the longer term, and since the temporary arrangements which had kept the situation under a certain amount of control would come to an end on 31 March 1962, it was felt by the Group that if no further action were taken a critical situation would again arise on the United Kingdom butter market. In this connexion, following consultations between a group of exporters and the United Kingdom, the Chairman of the Group at the request of a number of delegations held individual consultations with most

of the exporting countries to see if general agreement could be reached on figures for country-by-country shipments to the United Kingdom market. As was recorded in the concluding paragraph of the report, it had not been possible to obtain general agreement either on the lines of the present arrangements or otherwise, and efforts to arrive at some collective palliative to combat the expected critical situation at the end of March were unsuccessful.

There was general expression of disappointment by representatives of exporting countries at the failure of the January discussions. Some representatives hoped that some way could be found for extending the present arrangements and several urged that the United Kingdom take measures to restrict the quantities imported into the United Kingdom.

The representative for the United Kingdom said that his Government was considering what measures could be taken to alleviate the situation which was expected to develop in the butter market at the end of the present arrangements; he had advised his Government of the contents of the report.

The Council took note of the report by the Working Party contained in document L/1720.

9. Relations with Poland (C/W/34)

The Declaration of 9 November 1959 on relations between contracting parties and the Government of Poland provides for an annual review of its implementation. In September 1961 the Council decided that the first annual review should be carried out in the first half of 1962. A note by the Executive Secretary (C/W/34) described the scope of the review and the preparations that might be made.

The Council approved the proposals put forward by the Executive Secretary and appointed a working party with the following terms of reference and membership: "To conduct the first annual review under paragraphs A:4 and B:3 of the Declaration of 9 November 1959 on relations between contracting parties and Poland and to submit a report to the Council at its meeting in May 1962".

Australia
Austria
Belgium
Canada

Czechoslovakia
Denmark
France
India

Indonesia
Italy
Sweden
United Kingdom
United States.

It was agreed that the Council would appoint the chairman of the Working Party at its meeting in May and that the Working Party would meet during the Council session.

10. Central American Free Trade Area (L/1706)

The CONTRACTING PARTIES were informed at the nineteenth session that the Government of Nicaragua had signed a Treaty on 2 March 1961 with the Governments of Costa Rica and Panama for a gradual reduction of trade barriers, which was intended to constitute a first step towards the inclusion of Panama in the process of integration of Central America. The text of the Treaty was distributed in document L/1706.

There was general agreement in the Council that it would be difficult to examine this question without the presence of a representative from Nicaragua. It was therefore suggested that the item be retained on the agenda until the meeting of the Council in May, and that in the meantime the Executive Secretary should make every effort to obtain the presence of a Nicaraguan representative.

The Council agreed that the item be retained on the agenda for its meeting in May. The Executive Secretary was requested to inform the Government of Nicaragua of the views of Council members on this matter, to urge the Government of Nicaragua to be represented at that meeting, and to prepare an analysis of the economic and legal questions arising in connexion with the Treaty between Nicaragua, Costa Rica and Panama.

11. United States equalization fee on cotton textiles (L/1655)

The representative of Japan, referring to the investigation being carried out by the United States Tariff Commission on proposals to impose an equalization fee on cotton textiles (L/1655), recalled the views expressed by the Japanese delegation at the fifteenth session of the CONTRACTING PARTIES (SR.15/16, page 144), when an equalization fee of similar character was under consideration by the United States authorities in 1959. His delegation wished to bring the matter to the attention of the Council in order to clarify the views of the Japanese Government before the United States Government took a decision in this matter. The imposition of such a fee would be equivalent in its effect to an additional ad valorem duty of 10 to 25 per cent depending on the type of cotton textiles. It had been estimated that Japanese exports of cotton textiles to the United States, following imposition of this measure, would be curtailed by about 50 per cent; exports from other contracting parties to the United States would also be affected although to varying degrees. Moreover, it appeared that the proposed fee would be imposed even on cotton textiles which were not made of cotton exported from the United States. In the opinion of the Japanese Government the proposed fee was not covered by the waiver granted to the United States in 1955 and therefore, should the fee be imposed, normal GATT procedures would have to be followed. Finally, it would be difficult for his Government to accept the long-term arrangement for cotton textiles if the fee should be imposed.

Several other members of Council expressed their concern regarding the possibility that the United States Government might impose an equalization fee. They commented on the adverse effects that the imposition of the proposed measure would have on the textile arrangements recently negotiated; it would present the countries which had participated in the negotiation with a completely new situation and would require a reconsideration of the whole subject. Some representatives hoped that the United States would consult with contracting parties concerned before any such measure is enforced, and others expressed their disappointment that such a proposal should be considered at a time when it had been generally agreed that efforts should be made towards a removal of barriers to the trade of less-developed countries

The representative of the United States said that in view of the fact that the legal and factual aspects of the matter were under consideration in Washington it would be inappropriate for him to comment on the subject at this time, but he wished to assure the Council that he had duly noted the views expressed and would convey them to his Government.

The Council noted the views expressed and the statement by the representative of the United States that he would communicate these views to his Government.

12. Recourse to Article XXIII by Uruguay (C/W/33)

The Chairman recalled that the delegation for Uruguay had reported to the CONTRACTING PARTIES at the nineteenth session that the Uruguayan Government had requested and entered into consultations with a number of contracting

parties under the provisions of paragraph 1 of Article XXIII concerning restrictive measures which these contracting parties had applied and which, in the view of the Uruguayan Government, caused in varying degree nullification or impairment of the benefits which Uruguay expected to accrue to it through its adherence to the General Agreement. The CONTRACTING PARTIES had been informed that they might be requested by Uruguay to examine these cases under paragraph 2 of Article XXIII and, as recorded in SR.19/11, the CONTRACTING PARTIES had delegated authority to the Council to act on their behalf, in accordance with paragraph 2 of Article XXIII, on any cases which Uruguay might refer to the Council. A new communication from the Government of Uruguay had been distributed in document C/W/33. In this communication Uruguay reported that it had had further contacts with the fifteen countries concerned, but that no significant changes in the overall situation had resulted; consequently it now submitted the matter to the Council to take whatever action it considered appropriate under Article XXIII:2 and in the light of the contents of Uruguay's communication.

The Chairman suggested that the matter now before the Council was a question of procedure. The proper course for dealing with a matter of this kind was to establish a Panel to examine the cases brought before the Council by Uruguay, in accordance with the provisions of paragraph 2 of Article XXIII, and to submit reports to the Council. The delegation of Uruguay had offered to submit such pertinent information as might be requested.

In examining each case the Panel would consult as necessary with representatives of Uruguay and of the other contracting party concerned. Since there were fifteen cases to be examined, it might be well to appoint a larger Panel than usual, and to request the Chairman of the CONTRACTING PARTIES to select four members to examine each case brought forward.

The procedural arrangement proposed by the Chairman was approved and the following Panel was appointed:

Chairman: Mr. R. Campbell Smith (Canada)

<u>Members:</u>	Mr. R.W. Dell (Rhodesia & Nyasaland)	Mr. A. Schnebli (Switzerland)
	Mr. C. Kayra (Turkey)	Mr. M.H. van Wijk (Netherlands)
	Mr. M.G. Mathur (India)	Mr. P.P. Vidal (Brazil)
		Mr. A. Vlachos (Greece)

13. Consular formalities

At the nineteenth session the CONTRACTING PARTIES decided to set up a Panel of Experts with the following terms of reference:

"In the light of the Recommendation of the CONTRACTING PARTIES of 7 November 1952, to make a survey of existing consular formalities and, in the light of the experience of those contracting parties which have already taken steps to abolish such formalities, to recommend ways and means of ensuring their simplification and elimination".

The Chairman recalled that it had been left to the Executive Secretary to nominate the experts who would serve on the Panel. The Executive Secretary was now in a position to nominate experts but the Panel would be composed of experts from countries which do not maintain consular formalities; he had approached the countries which do maintain formalities or levy fees, inviting them to make experts available to discuss with the Panel problems of their governments in eliminating formalities in compliance **with the Recommendations of the CONTRACTING PARTIES**, but so far they had not indicated that they would be represented at the meeting.

Some members suggested that the proposed meeting of the Panel be postponed until the intentions of those governments which had not nominated experts were known. The general view, however, was that the meeting should go forward as planned in the expectation that the necessary co-operation would be forthcoming.

The Council agreed that the Panel should be established and should meet from 12 to 16 March, as previously arranged, and urged those contracting parties which still maintain consular formalities to endeavour to nominate experts to the Panel or at least to be represented in order to discuss with the Panel the difficulties encountered by their governments in complying with the Recommendations of the CONTRACTING PARTIES.

14. United Kingdom waivers

At the suggestion of the delegation of the United Kingdom the CONTRACTING PARTIES at the nineteenth session authorized the Council to resolve whether the provisions of the Decisions of 24 October 1953, as amended, and of 5 March 1955, were applicable to the proposed increase in the United Kingdom most-favoured-nation rate of duty on bananas.

The Chairman recalled that the Government of Brazil had requested consultations with the United Kingdom on this matter; he understood there were still certain differences of opinion between the delegations of Brazil and the United Kingdom, but that they were in agreement that the matter should be referred to a panel which should meet within the next four weeks.

Acting on the authority delegated by the CONTRACTING PARTIES the Council appointed a technical panel with the following terms of reference and composition:

"to consider the situation arising from the consultations requested on 7 July 1961 by the Government of Brazil in connexion with the application by the United Kingdom dated 1 June 1961 (GATT/AIR/238-Secret) under the Decisions of the CONTRACTING PARTIES of 24 October 1953, as amended, and of 5 March 1955; and to report to the Council".

Chairman: Mr. J. Lacarte (Uruguay)

Members: Mr. J.W. Evans (United States)
Mr. M.H. van Wijk (Netherlands)

It was agreed that, if requested by the United Kingdom delegation, the Council would hold a special meeting to consider the report of the Panel.

15. South Africa Waiver from Article I (L/1718)

By the Decision of 4 June 1960, the CONTRACTING PARTIES waived South Africa's obligations under Article I of the General Agreement to the extent necessary to permit special treatment to be accorded to certain products imported from the Federation of Rhodesia and Nyasaland. Under this Decision, the Government of South Africa is required to submit an annual report on measures taken. The report by the Government of South Africa for the year 1961 records that the waiver was not invoked during the year.

The Council took note of the report by the Government of South Africa contained in document L/1718.

16. Benelux Schedule (Surinam) - request under Article XXVIII:4 (SECRET/150)

A request had been received from the Government of the Kingdom of the Netherlands for authority under paragraph 4 of Article XXVIII to enter into renegotiations for the withdrawal of a concession in Section E (Surinam) of the Benelux Schedule. Details of the request and statistics of trade had been distributed in document SECRET/150.

The Chairman said that the Council was empowered to examine such requests and, if it were considered appropriate, to grant the necessary authority.

The representative of the Netherlands recalled that Surinam had enjoyed autonomy in domestic affairs since 1954. Surinam formed a separate customs territory which came entirely within the jurisdiction of the Surinam Government. Since 1954 Surinam had worked systematically at its economic and social development. An important part in this had been played by the various projects of the Ten-Year Plan. This plan included the construction of roads, the improvement of harbours, the improvement and extension of education, the building of schools, hospitals, houses, etc. Surinam undertook to bear one third of the cost, the remainder being furnished by the Netherlands in the form of grants and loans. Since 1950 these projects had been carried out at an accelerated pace which made heavy demands on Surinam's financial capacity. Moreover, the maintenance of the projects so far completed, the improvement of public facilities, such as roads and other communications, land reclamation, schools, hospitals and the search for natural resources - constituted an additional drain on the public finances but were necessary to start the process of economic growth. In 1961 the expenditure on these services amounted to 88.6 million Surinam guilders whereas the revenue did not exceed 75.5 million Surinam guilders and the budget bill for 1962 again showed a deficit of 8 million. Thus far it had been possible to cover these deficits by loans raised on the domestic capital market; but Surinam was poor in capital and this resource would soon be exhausted as was already manifested by liquidity troubles. To curb these development activities was deemed neither desirable nor possible, and a

solution was being sought by effecting economies and increasing the revenue. It was also proposed, inter alia, to raise the import duties on luxury goods, among which was the item mentioned in document SECRET/150. The import duties levied by Surinam bore a markedly fiscal character, constituting a substantial proportion (43.3 per cent in 1960) of the national revenue. Taxes on consumption were unknown in Surinam, and to introduce such taxes would meet with considerable difficulties of an administrative nature. A drastic increase of direct taxes was considered undesirable in that it would have an adverse effect on the wage and price levels and thereby impair the country's competitive strength. Besides, it was feared that it would discourage investment in Surinam.

The Council found that there were "special circumstances" in the sense of paragraph 4 of Article XXVIII, and agreed to grant the authority requested.

The Chairman said that any contracting party which considered that it had "a principal supplying interest" or a "substantial interest", as provided in paragraph 1 of Article XXVIII, should communicate such claim in writing and without delay to the Government of the Kingdom of the Netherlands, and at the same time inform the Executive Secretary. Any such claim recognized by that Government would be deemed to be a determination by the CONTRACTING PARTIES within the terms of paragraph 1 of Article XXVIII.

17. Administrative and financial questions

(i) Salaries of ungraded posts (SR.19/12, page 212)

This matter was discussed at a meeting of heads of delegations, who had reached agreement on proposals which they would now put before their governments for final approval, and with a view to having them formally adopted by the Council at its meeting in May. It was understood that the implementation of these proposals will have retroactive effect to 1 January 1962.

(ii) Classification of Geneva for purposes of post adjustment (L/1731)

At the nineteenth session the Executive Secretary announced to the CONTRACTING PARTIES that the special post adjustment index as it stood in 1961 would put Geneva automatically into Class I from 1 January 1962. All Geneva-based agencies had taken action to this effect, and the Executive Secretary had proposed to do the same thing for the GATT staff. Document L/1731 requested the Council formally to approve this action.

This was agreed.

18. Further work of the Council

This item was included in the agenda to afford the Council an opportunity to make arrangements for preparatory work on questions to be dealt with at the meeting in May.

In this connexion the Chairman recalled that the Council had agreed in September 1961 that on some suitable occasion it would review its past work and consider whether any steps were desirable to improve the effectiveness of its work and procedures. He stressed that it was a most important year for the GATT and insofar as the Council would be able to devise methods for relieving the burden of work during sessions, the CONTRACTING PARTIES would be able to give a greater part of their time to substantive issues. In this way the Council could contribute most effectively to the working of the GATT.

The Executive Secretary, commenting on the working methods of the Council, said that while he was of the opinion that the Council was rather young to carry out searching reviews on procedures, there was one aspect on which he wished to comment. The CONTRACTING PARTIES had set great emphasis on the desirability of establishing the Council on a relatively high level of representation and despite a certain amount of scepticism this had worked out rather well. Further, he pointed out that the value of the current procedures relating to the work of the Council should not be assessed by the actual content of formal discussions since one of its most valuable features was the opportunity provided for Council members to consult with one another on an informal basis. During the present meeting it had been arranged that the Council would meet only in the afternoons leaving the mornings free for informal discussion. He suggested that the meeting in May be arranged similarly.

In reply to a question whether further information had been received concerning the state of negotiations between the countries of the Latin American Free-Trade Association, the Executive Secretary said that he had been in touch with the governments which were parties to the LAFTA Treaty and had expressed the desire of the CONTRACTING PARTIES for further information; he would continue to consult with these governments and hoped to be able to present a report to the Council in the near future. The representatives of Uruguay and Brazil said that they had taken note of what had been said on this matter and would inform their governments accordingly.