GENERAL AGREEMENT ON TARIFFS AND TRADE

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SUMMARY RECORD OF THE FOURTH MEETING

Held at the Palais des Nations, Geneva,
on Wednesday, 17 May, at 2.30 p.m.

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

Subjects discussed:

1. Ministerial meeting

(a) Arrangements for meeting

The CHAIRMAN recalled that, in March, the Council agreed to recommend to the CONTRACTING PARTIES that arrangements should be made for a meeting at ministerial level at, or about the time of, the nineteenth session. This recommendation was submitted to contracting parties by postal ballot. A large majority of the contracting parties responded and all of them were in favour of such a meeting being convened. The Council considered this question further at its meeting in the week preceding the present session and decided to recommend that the ministerial meeting be held after the second week of the nineteenth session, the session being interrupted for the duration of the ministerial meeting and resuming for the week after. The Council's recommendations on this and other points were set out in the Council minutes in document C/M/6.

Mr. HADRABA (United States) said that the United States supported the recommendations regarding the ministerial meeting set out in document C/M/6 and looked forward to a constructive meeting which would contribute to a strengthening of GATT and to the expansion of world trade. The United States would do its best to come forward with positive proposals by 1 September.

Mr. DE SMET (Belgium) speaking for the Member States of the EEC, said that he had already expressed at the Council meeting the Community's support for a ministerial meeting. Reiterating the Community's hope that the meeting would be constructive, Mr. de Smet said that the Community would do its utmost to contribute to this result.

Mr. WARREN (Canada) said that his delegation supported the Council's recommendation about arrangements for a ministerial meeting. Such a meeting would give the necessary forward direction to the work of the CONTRACTING PARTIES.

Mr. TENNEKOON (Ceylon) stressed the need for careful preparatory work for the ministerial meeting. Ceylon hoped that, at the meeting, Ministers of those countries in a position to do so would make positive decisions, so as to lead to an expansion of world trade and, inter alia, to the stabilization of prices of primary products; this was important in the context of the implementation, by the less-developed countries, of their development programmes.

Mr. TOWNLEY (Rhodesia and Nyasaland) said that his Government was among those which had approved the proposal to convene a ministerial meeting at the time of the nineteenth session. His delegation favoured the recommendations of the Council (C/M/6) regarding the timing of the meeting and arrangements for the necessary preparatory work.

Mr. OLDINI (Chile) said that Chile had already expressed its support for holding a ministerial meeting. Such a meeting was most necessary and his delegation was confident that positive and useful results would come out of the meeting. It was desirable that a large number of Ministers should participate, particularly Ministers from those countries which would have to make decisions concerning the removal of barriers to the trade of the less-developed countries.

Mr. LACARTE (Uruguay) said that his Government welcomed the proposal to hold a ministerial meeting. Uruguay's preoccupations would relate mainly to the question of access to world markets. As an exporter of primary commodities, everything relating to the question of agricultural protectionism and of access to markets was of interest to Uruguay. It was of great importance that Committees II and III should press forward with their work. Solutions must be found to the problems connected with the development of markets and the elimination of restrictions and discrimination. It was Uruguay's hope that the ministerial meeting would lead to a solution of these problems and to the re-establishment of the equilibrium within GATT. The directives given by the Ministers would be of the greatest importance to GATT at a time when the pattern of world trade was being affected by regional economic groupings.

Mr. SWAMINATHAN (India) said that the Council had rightly decided that the Programme for the Expansion of Trade should be the central theme for the ministerial meeting. It had to be admitted that the results under the programme achieved over the last two years had been disappointing, at least from the point of view of the developing countries. In the field of tariffs the stage had only now been reached where there could be adjustments in the tariffs of the EEC and of the other industrialized countries. More substantial progress than what had taken place could also reasonably have been expected in the removal of other barriers to the trade of the less-developed countries,

particularly in view of the changed balance-of-payments position of the West European countries. In fact there had very recently been an increase in discrimination against the developing countries. A number of countries had removed or substantially reduced restrictions on imports from other industrialized countries, while continuing to restrict the importation of the same goods from the less-developed countries. In certain sectors, for example revenue taxes and duties, no progress had been made and there did not seem to be much prospect of the Dillon round of negotiations leading to a reduction of the high level of taxes applied to tropical products imported into the countries of Western Europe. Discussion of this type of problem by Ministers would be of particular value. In addition, following the work of Committees II and III and the proposed examination of the reports of the three Committees set up under the Programme for the Expansion of Trade which was to be undertaken before the ministerial meeting, it was to be hoped that a clear picture would emerge of the main problems affecting the trade of the less-developed countries and possible future lines of action by the CONTRACTING PARTIES. However, Mr. Swaminathan went on, the decision to hold a ministerial meeting should not result in there being a standstill on action by contracting parties in fields where action was most urgently needed, such as the removal of quota restrictions no longer justified on balance-of-payments grounds; the Indian delegation would hope that only hard-core problems, on which no progress could reasonably be expected to be made without major readjustments in policy would come up for decision at the ministerial meeting. The industrial countries would have to face up to the vital issues involved and to recognize the importance of the less-developed countries being able to increase their export earnings and to find markets both for their raw materials and their processed goods.

In conclusion, Mr. Swaminathan said that his delegation agreed on the need for careful preparation for the ministerial meeting and for the need for governments to give careful thought in particular to proposals which would materially facilitate the entry of goods from the less-developed countries into world markets.

Mr. PEREIRA (Peru) said that his delegation fully supported the statement made by the representative of Uruguay. A question of major importance for the Ministers to deal with would be the question of restrictive measures in importing countries which impeded the exports of the less-developed countries. The meeting of Ministers offered the opportunity for important decisions to be made and could be of exceptional significance.

Mr. RISTIC (Yugoslavia) said his delegation likewise supported the recommendation of the Council regarding the arrangements for the ministerial meeting. The meeting was necessary, should be well prepared and should contribute to the solution of the most important problems which now arose in the field of international trade. Mr. Ristic said that the Yugoslav Minister of Foreign Trade envisaged participating in the meeting. It was to be hoped that Ministers would agree on the directives which would guide the future work of the CONTRACTING PARTIES, particularly in so far as these applied to the expansion of trade in agricultural products and to the removal of obstacles to the trade of the less-developed countries.

Mr. XYDIS (Greece) in giving his delegation's full support for the proposal to convene a ministerial meeting, stressed that the agenda for the meeting should include, inter alia, the work of Committees II and III and other questions relating to the difficulties of the under-developed countries.

Mr. LACZKOWSKI (Poland) said his delegation supported the holding of a ministerial meeting and hoped that the meeting would contribute to the development of trade between countries with different economic and social systems.

Mr. KAYRA (Turkey) stressed the importance which his delegation attached to the ministerial meeting and fully supported the recommendations of the Council in document C/M/6. It was the view of his delegation that the agenda for the meeting should be sufficiently flexible to enable Ministers also to discuss questions which they themselves considered to be of major importance. With this proviso, his delegation agreed that the agenda should consist of items relating to the Programme for the Expansion of Trade and the proposed agenda and the various views expressed in the minutes of the Council's meeting (C/M/6) were satisfactory from the Turkish delegation's point of view.

Mr. DE BESCHE (Sweden) expressed the full support of his delegation for the recommendations made by the Council. He went on to emphasize that, as it was desirable to give Ministers as much notice of the meeting as possible, it would be wise to fix at the present session of the CONTRACTING PARTIES at least a tentative date for the meeting. His delegation would suggest 13 to 18 November.

Sir EDGAR COHEN (United Kingdom) said the United Kingdom looked forward to playing a full and active part in the ministerial meeting. From the United Kingdom's point of view the question of timing was important. If the meeting were held at the end of November there would be a good chance that the President of the Board of Trade would be able to attend. He wished to make this point so that if contracting parties did not have strong views as regards the exact timing of the meeting, they might be able to meet the United Kingdom on this point. There were, in any case, certain advantages in Ministers not meeting in the middle of the nineteenth session.

The EXECUTIVE SECRETARY recalled that, at the Council's meeting during the previous week, he had stressed the need for fixing the actual dates of the ministerial meeting. He would suggest that the CONTRACTING PARTIES revert to this question of timing at a later meeting.

The recommendations of the Council (C/M/6) were approved.

The CHAIRMAN proposed that the question of the actual dates for the ministerial meeting should be deferred for decision at a later meeting.

This was agreed.

(b) Use of Spanish (W.18/4)

The EXECUTIVE SECRETARY pointed out that the GATT, in its rôle in international trade, was becomingly increasingly important as a forum for co-operation between countries in all parts of the world; one aspect of this was GATT's growing importance as a link between Europe and the rest of the world. Because of GATT's international rôle, every effort should be made to ensure that the ministerial meeting be attended by as many Ministers as possible from outside Europe, including Latin America. For this reason, the Executive Secretary said, he considered it essential that, in addition to the existing facilities for Spanish-speaking delegations, arrangements should be made for statements to be simultaneously interpreted from the normal GATT working languages into Spanish during the ministerial meeting. This was an ad hoc proposal without prejudice to the consideration by the CONTRACTING PARTIES at the nineteenth session of the full use of Spanish as a working language. The budgetary implications, which were very limited, were set out in document W.18/4.

The Executive Secretary's proposals in document W.18/4 were approved.

2. French import restrictions

The CHAIRMAN recalled that, earlier in 1961, the Government of the United States had initiated a consultation with the Government of France under the provisions of paragraph 1 of Article XXII concerning the commodities which remained subject to quantitative restrictions when imported into France from the United States. Certain other contracting parties, pursuant to the procedures relating to joint consultations under these provisions, were joined in the consultation with respect to the products in which they had a substantial interest. The Chairman invited the Executive Secretary, who had presided over the meetings, to report on the consultation.

The EXECUTIVE SECRETARY said that, at the consultation which took place from 4 to 6 April, a number of contracting parties had claimed a substantial interest in certain products remaining subject to quantitative restrictions in France. Representatives of Canada, Australia, New Zealand and Israel had participated in the consultation with respect to such products. While other countries had also manifested an interest in participating in the consultation, the French authorities had not accepted their claim of substantial interest, but had agreed to bilateral consultation with these countries under Article XXII.

Continuing, the Executive Secretary said that, at the outset of the consultation, the French representatives reported on a further extension of liberalization which had been effected at the end of 1960 and on 31 March 1961; as a result of these measures a considerable number of products were removed from the list of items remaining under restriction and ceased, therefore, to be for discussion during the consultation.

In the course of the consultation, the representatives of France also drew attention to the unilateral reduction of duties on certain items and the termination of price control measures on others which would have a favourable effect on exports to the French market. Representatives of other countries participating in the consultation, while welcoming the new measures announced by France, pointed to the wide range of residual restrictions in the agricultural sector still in force. In particular, representatives of the United States and Canada stressed the element of discrimination that remained in the French import system. A detailed examination of the products that remained subject to restriction in France was carried out and representatives of the consulting countries explained to the French representatives the difficulties that the maintenance of these restrictions involved for them. The French representatives undertook to report fully to their Government and assured the consulting countries that the points brought to light during the consultation would receive serious consideration. At the same time, the French representatives put forward certain considerations along the lines of those presented by Mr. André Philip during the present session of the CONTRACTING PARTIES (SR.18/2).

There had been some discussion during the consultation of items subject to State trading and it was pointed out, in this connexion, that under the provisions of Article XVII operations of this kind must be non-discriminatory.

In conclusion, the Executive Secretary said that the consulting countries had agreed to furnish a report to the CONTRACTING PARTIES. This report would be distributed in the near future.

Mr. PHILIP (France) said that, given the recent date of the consultation, his delegation could not make any particular comment at the present stage. Likewise, the French Government could not announce immediately further moves forward in its policy of liberalization although, as was known, this policy would in the near future be translated into new liberalization measures. The record of the consultation was at present being closely examined by the French Government which would, as soon as possible, transmit to the CONTRACTING PARTIES the results of its examination.

Mr. HADRABA (United States) stated that his Government had been and continued to be very concerned to see maximum effect given to the principles of the General Agreement with respect to the elimination of discrimination and the quickest possible movement towards liberalization of restrictions when countries were no longer in balance-of-payments difficulties. These restrictions had operated as serious obstacles to the trade of the United States since the time the GATT was negotiated. His Government had been encouraged by the progress made by the French authorities towards the complete elimination of restrictions during the past six months. Additional changes envisaged for the near future would also benefit exporters in the United States and in other GATT countries. In the agricultural field the measures taken by France to liberalize trade were far from sufficient; nevertheless his Government believed that the movement which had taken place over the last six months gave confidence that further movement beneficial to United States agricultural trade would take place in the near future. In the expectation that France would make such additional moves, especially in agriculture, his Government did not intend to ask for the establishment of a working party at the present time, but to reserve its right to

open the question at the meeting of the Council in September. The United States' decision at that time would depend upon an evaluation of the further measures taken by France to liberalize agricultural products. He expressed the hope of his Government that there would be no need to request the establishment of a working party on this question.

Mr. PHILLIPS (Australia) pointed out that countries which participated in the consultation with France had pressed for the early removal of restrictions and emphasized that particularly urgent action was called for where there was discrimination or a very severe restriction of imports. In the case of some products, Australia had the worst of both worlds; restriction fell most heavily on agricultural products and there was more severe discrimination against countries outside the OEEC and dollar areas. Australia looked forward to an improvement in this situation. Mr. Phillips referred to the statement made by the French representative at an earlier meeting during the present session (SR.18/2); from this he had understood that France would, in the near future, be announcing measures which would have the effect of removing the element of discrimination. Australia looked forward to receiving details of these measures. Likewise, it would hope that, at the meeting of the Council in September, the French representative would be able to indicate the steps contemplated for dealing with any residual restrictions remaining at that time.

Mr. WARREN (Canada) said that Canadian exports had been particularly affected by the maintenance of import restrictions in France. He therefore welcomed the statement of Mr. André Philip (SR.18/2) to the effect that the liberalization of a number of industrial items would take place in the near future; the Canadian Government hoped that this liberalization would be put into effect very quickly. He also welcomed Mr. André Philip's statement (SR.18/2) that the French Government might consider the removal of quantitative restrictions on agricultural products and he expressed the hope that progress would be achieved in the elimination of quantitative restrictions in this sector. Further, Mr. Warren said he hoped the present situation whereby products could be imported freely from OEEC countries but not from Canada, would also be rectified in the near future.

In conclusion, Mr. Warren suggested that the French delegation might take the initiative in placing this item on the agenda for the Council meeting in September, in order to comment on the further measures that might have been taken and to present its future programme for the elimination of quantitative restrictions. At that time it should be possible for interested contracting parties to decide whether or not it would be necessary for them to revert to other procedures under the General Agreement, or whether it would be advisable to establish a special working party to examine the question in greater detail.

Mr. PRESS (New Zealand) pointed out that New Zealand was one of the countries whose trade was seriously affected by the maintenance of French import restrictions, particularly as in many cases these restrictions were discriminatory in character. His Government was disappointed at the lack of progress in removing these restrictions and at the lack of a clear programme for removing residual restrictions and discrimination in the French import system.

Mr. Press welcomed, however, the indication that progress was expected and that this was not to be confined to the industrial sector; he stressed that the present discrimination involved was the element of greatest concern to his Government. In conclusion, Mr. Press said New Zealand hoped that, by the time the Council met in September, the French delegation would be able to place before the Council a programme for the removal of the remaining restrictions.

Mr. BENES (Czechoslovakia) stated that his Government had followed closely the progress made by France in liberalizing various sectors of its trade and had been particularly interested in the discussions on future prospects along these lines. His Government was particularly disturbed by the element of discrimination remaining in the French import system as this was not legally justifiable. It was possible, therefore, that Czechoslovakia might renew its request for bilateral consultations with France in order to examine the question in detail in relation to exports from Czechoslovakia.

Mr. GAL-EDD (Israel) expressed the concern of his Government about the discriminatory aspect of French import restrictions. While the difference between the treatment accorded to imports into France from the OEEC area and from the dollar area had been reduced, the difference between the treatment accorded to imports into France from countries in these two areas and from those outside the areas had been increased. Thus the competitive position of Israel's exporters had deteriorated. He expressed the hope that the time lag in extending the liberalization to all GATT countries would be as short as possible.

Mr. MATHUR (India) noted that French import restrictions applicable to imports from India had not been dealt with during the consultation. He expressed the hope of his Government that the question of eliminating discrimination in the near future would be given priority in the French programme for the elimination of its residual quantitative restrictions.

The CONTRACTING PARTIES noted that some of the contracting parties which had participated in the consultation reserved the right to bring this matter before the Council at its meeting in September and that they hoped the French Government would be in a position by that time to indicate what further measures of liberalization had been or would be taken.

3. Italian measures in favour of domestic production of ships' plates

Mr. PARBONI (Italy) announced that by a law of 31 March, published in the Italian official gazette of 4 May, certain modifications had been made to the existing Italian legislation on the shipbuilding industry. This new law provided that Italian shipyards using imported steel were now entitled to the same facilities as those using domestically-produced steel. Thus the grounds for the complaint of the Austrian delegation had now been removed.

Mr. TREU (Austria) thanked the Italian delegation for its efforts in this matter over the past months. He confirmed that the new measures introduced by the Italian authorities had removed the grounds for Austria's complaint and pointed out that, once again, GATT had been of real assistance in bringing about the removal of an element of differential treatment in a particular sector.

The CHAIRMAN said that this question could now be removed from the agenda of the CONTRACTING PARTIES. He congratulated the Italian and Austrian delegations on the achievement of a mutually satisfactory settlement under the procedures of GATT.

4. Uruguayan schedule - report of Working Party (L/1475)

The CHAIRMAN said that, at its meeting during the week prior to the present session, the Council appointed a Working Party to examine a request by the Government of Uruguay for authorization to adjust specific rates and "aforos" in Schedule XXXI in accordance with the provisions of paragraph 6(a) of Article II.

Mr. SWARD (Sweden), Chairman of the Working Party, said that, according to information supplied by Uruguay and the IMF, the Uruguayan exchange rates had been modified considerably since 1949 when the Annecy Protocol was signed. From the figures furnished by the International Monetary Fund it was apparent that the reduction exceeded the 20 per cent stipulated in paragraph 6(a) of Article II. The question to which the Working Party mainly addressed itself was, therefore, whether the aforos were equivalent to specific duties; aforos, Mr. Sward explained, signified the official valuation of merchandise on which the ad valorem rate of duties was assessed. In the view of the Uruguayan Government, the combination of an ad valorem duty with aforos gave rise to a situation in which paragraph 6(a) of Article II was applicable. In this context, the Working Party considered the general notes to Schedule XXXI relating to the circumstances in which, and the extent to which, the aforos could or should be modified. It was agreed, however, that these notes did not provide a procedure for adjusting the amount of the aforos in the event of the Uruguayan peso being revalued. Thus, the Working Party was faced with a difficult legal problem on the interpretation of paragraph 6(a) of Article II and the general notes to Schedule XXXI. In ivew of the fact, however, that the representative of Uruguay had indicated that his Government had no immediate intention of increasing the aforos further than the 200 per cent increase introduced by the Decree of 23 June 1960, the Working Party found, after lengthy discussions during which all relevant factors were taken into account,

that it should suffice, and be appropriate at least for the time being, to authorize Uruguay to maintain the increase of 200 per cent in the aforos. A draft decision to this effect had been drawn up and was attached to the report; the Working Party recommended the adoption of the draft decision.

Mr. HADRABA (United States) said that his delegation had welcomed the opportunity to discuss the aforos in the Working Party. The decision of Uruguay to maintain the increase at a level not exceeding 200 per cent had made it possible for the United States to support the Working Party's report and the draft decision.

Mr. OLDINI (Chile) said his delegation fully supported the report of the Working Party. The problem involved was not an easy one and it was a matter for satisfaction that, in the preparation of its report, the Working Party had acknowledged the particular difficulties encountered by the less-developed countries.

The draft decision attached to the Working Party's report (L/1475) was adopted unanimously.

The report of the Working Party (L/1475) was approved.

5. Facilities for temporary importation - report of Group of Experts (L/1476)

The CHAIRMAN said that the Customs Co-operation Council had transmitted to the CONTRACTING PARTIES for comment the final text of the Draft Convention on the Temporary Importation of Professional Equipment and also draft Customs Convention on the A.T.A. Carnet for the Temporary Admission of Goods. The GATT Council, at its recent meeting (C/M/6), had appointed a Group of Experts to examine the draft Conventions. The report of the Group had now been distributed in document L/1476.

Mr. MANHART ((Austria), Chairman of the Group of Experts, said that the Group was pleased to note that, with respect to the Professional Equipment Convention, in its revised form, all the comments made by the GATT Group of Experts and approved by the CONTRACTING PARTIES in November 1960 had been taken into account by the Customs Co-operation Council. The draft Convention was now ready for approval by the CCC.

As regards the A.T.A. Carnet Convention, Mr. Manhart said he was sure that the observations made by the Group of Experts would be taken into account by the Customs Co-operation Council in framing a revised text.

Mr. Manhart then made some general comments. He felt that the CONTRACTING PARTIES would be glad to know that substantial progress had been made in meeting the wishes of international trade for further customs facilities governing the temporary importation of goods. Close co-operation between the CONTRACTING PARTIES to GATT and the Customs Co-operation Council had resulted in: (a) the completion of the Customs Convention on the Temporary Importation of Packings, which was now open for acceptance on a world-wide basis; (b) the virtual completion of the draft Customs Convention on the Temporary Importation of Professional Equipment; and (c) substantial progress being made on the draft Customs Convention on the A.T.A. Carnet for the Temporary Admission of Goods.

Mr. Manhart drew the attention of the CONTRACTING PARTIES to the special importance of the A.T.A. Carnet Convention both for the trading community and for governments. This Convention, in which various trade circles had showed particular interest, was a valuable complement to other Conventions establishing the principles of temporary importation of specified classes of goods, because it provided the machinery for the smooth implementation of these Conventions. Its technical provisions were firmly based on experience gained with the ECS Carnet Convention, by which the GATT Samples Convention was implemented in a considerable number of countries. The A.T.A. Carnet itself would operate in much the same way as the ECS Carnet or the Carnet de Passages en Douane for the temporary importation of road motor vehicles. It was worthwhile mentioning that, in respect of the restricted field of commercial samples, some 15,000 ECS Carnets had been used last year covering goods to a value of approximately $16 million. These figures clearly indicated the possible scope of the A.T.A. Carnet Convention which would cover a much wider field, having in mind that it would not only be applied to professional equipment, but also to many other goods at the discretion of contracting parties. The advantage of the A.T.A. Carnet would be that all national documents necessary for temporary importation might be replaced by an international standardized document and no security would be required for the importer because the A.T.A. Carnet itself carried an international guarantee. Furthermore, a great deal of work in customs administrations would be eliminated. However, it should be mentioned that an importer would not be obliged to use an A.T.A. Carnet, unless he so desired; it was, therefore, an optional facility at the importer's discretion. The A.T.A. Carnet Convention constituted the last step to implement temporary importation systems on a world-wide basis. The facilities provided were valuable for the trading communities and the customs administrations of all countries, irrespective of their stage of development.

The report of the Group of Experts (L/1476) was approved.

6. European Economic Community - examination of EEC Common Tariff under Article XXIV:5(a) (L/1479)

The CHAIRMAN recalled that the CONTRACTING PARTIES had requested the Tariff Negotiations Committee "to carry out the actual examination of the Common Tariff pursuant to Article XXIV:5(a) and to report to the CONTRACTING PARTIES". The Committee's task was, therefore, limited to the examination of the general incidence of the Common Tariff and excluded from that examination other regulations of commerce. The Committee's report had been distributed in document L/1479.

The EXECUTIVE SECRETARY, Chairman of the Tariff Negotiations Committee, said that, at their seventeenth session, the CONTRACTING PARTIES entrusted to the Committee the handling of the examination and its timing; the Committee, in turn, decided to entrust this task in the first place to a Working Party. The Working Party had lengthy and detailed discussion and had submitted a report which the Committee had now considered; the Committee had forwarded its report to the CONTRACTING PARTIES in document L/1479. For reasons given in paragraph 15 of the report, the conclusions of the Working Party were necessarily tentative. In the first place, the level of the common tariff resulting from the exercise under Article XXIV:6 was not yet known. Secondly, there was no agreement on the basis for the comparison of the national tariffs and the common tariff, in other words whether the legal rates or the rates actually applied should be used. In the circumstances, the Tariff Negotiations Committee did not conduct an extensive discussion of the Working Party's report but approved the report with a view to its transmission to the present session of the CONTRACTING PARTIES. The Executive Secretary said it would be seen that, subject to the comments in paragraph 15, the Working Party had noted that the general incidence of the Common Tariff on imports into the EEC from third countries was lower than the level of the legal or bound national tariff rates on 1 January 1957, while the non-EEC countries noted that the general incidence of the Common Tariff was higher than the rates actually applied by Member States on 1 January 1957.

In conclusion, the Executive Secretary explained that both the Tariff Negotiations Committee and the Working Party confined themselves exclusively to the question of tariff rates, and excluded any examination of the general incidence of other regulations of commerce mentioned in paragraph 5(a) of Article XXIV.

Mr. CAMARA (Brazil) stressed the increasing importance and topicality of Article XXIV in the light of powerful economic groupings such as the EEC; the Article represented a guarantee as regards both the structure of such groupings and their conduct vis-à-vis other contracting parties. For this reason it was important that the provisions of Article XXIV be strictly adhered to. The declaration made by the representative of the EEC in the Tariff Negotiations Committee regarding the Community's decision to terminate negotiations under Article XXIV:6 made it incumbent on the CONTRACTING PARTIES to proceed again to an examination of the Treaty of Rome.

The report on the study of the Common Tariff under Article XXIV:5(a) should be considered as a progress report. Two important differences of interpretation were apparent from a reading of this report, firstly, whether the legal rates or the rates actually applied should be used and, secondly, whether the incidence of the Common Tariff should be examined in the light of the trade between the EEC and the other contracting parties as a whole, or of the trade between the EEC and each of the contracting parties. Further, the Working Party's examination excluded the study of the general incidence of other regulations of commerce mentioned in Article XXIV:5(a); in this connexion, and particularly in view of the establishment of other economic groupings subsequent to the EEC, the CONTRACTING PARTIES should no longer defer the full application of Article XXIV.

In conclusion, Mr. Camara pointed out that it was not possible to do full justice to this question in view of the limited duration of the present session. In the view of the Brazilian delegation, the question should be referred to the Council for a more detailed examination prior to its further consideration by the CONTRACTING PARTIES at the nineteenth session.

Mr. DE BESCHE (Sweden) said that, while it was true that the conclusions of the Working Party's report could not be considered as final since the level of the Common Tariff was still not definitely known, there was no doubt that the changes resulting from the Article XXIV:6 negotiations would not bring down the general incidence sufficiently to invalidate the statistical comparisons made in the report. It was to be regretted that the Commission of the EEC felt unable to comply with the request of several members of the Working Party for information on the duties actually charged on 1 January, 1957; as was stated in the report, this could have been done without prejudice to the views held by the Commission with regard to the method of comparison. Nevertheless the statistical data were sufficiently well founded to enable the clear conclusion to be drawn that the general incidence was appreciably above that of the rates actually applied by the Member States on 1 January, 1957. There were thus considerable increases of the general incidence for most Swedish export products; this was obviously a serious matter for Sweden, whose exports to the Community amounted to something approaching $700 million.

Mr. de Besche said that the Swedish Government still held the view put forward by several members of the Working Party, namely that the use of a weighted average, rather than an arithmetic average, would have given a more valuable indication of the overall incidence. Continuing, Mr. de Besche said that if several contracting parties signed the Article XXIV:6 agreements with reservations these negotiations would not be ended before the conclusion of the Dillon round. For this, as well as other reasons, it would not be possible to bring the examination of the Common Tariff under Article XXIV:5(a) to an end at least until that time.

In conclusion, Mr. de Besche said that, speaking as the representative of a low tariff country, he sincerely hoped that, whatever the differences of opinion as to legal interpretation, the Commission of the EEC shared the view that it was in the interest of all trading nations that the Common Tariff,

when applied, should be as low as possible, not only to give impetus to a steady increase of world trade, but also to bring the European tariffs nearer to each other on a low and liberal level.

Mr. ONYIA (Nigeria) observed that his delegation noted from the conclusions in the Working Party's report that the concern they expressed at the seventeenth session about this question had now been justified. With particular reference to paragraph 3(a) of the report, Mr. Onyia said his delegation hoped that contracting parties would make concrete suggestions as to how and when this aspect of the examination should be effectively pursued. His delegation also noted with regret the statement in paragraph 13 of the report; the request for the information referred to could have been complied with without prejudice to the Commission's views on the question of interpretation. Continuing, Mr. Onyia said that his delegation had always made it clear that this examination under Article XXIV:5(a) was vital to under-developed countries, in that it afforded them the only opportunity of bringing to the notice of the CONTRACTING PARTIES the adverse effect of the proposed Common Tariff. It was, therefore, essential that the question of principle should be resolved one way or the other and until this was done it would be quite impossible for any working party to continue its work and to arrive at any definite conclusion. Accordingly, the Nigerian delegation supported the suggestion made by the representative of Brazil that the Council be instructed to examine all aspects of the examination of the EEC tariff under Article XXIV:5(a) and to report in due course to the CONTRACTING PARTIES at the nineteenth session, or at some later session if this were considered more appropriate.

Mr. LACARTE (Uruguay) expressed the hope that the question of the general incidence of other regulations of commerce which, as stated in paragraph 3(a) of the report, was excluded from the Working Party's examination, would be analyzed in due course; perhaps the Council could make procedural proposals in this regard to the CONTRACTING PARTIES at their nineteenth session. Having referred to the differences of interpretation mentioned in the Working Party's report and to the termination by the EEC of negotiations under Article XXIV:6, Mr. Lacarte said it would not be possible to know at the present session the general incidence of the Common Tariff that would result from these negotiations. In all this it should be remembered that precedents were being established of which other regional groupings might wish to avail themselves. Mr. Lacarte agreed that the matter should be referred to the Council for further examination and that the Council should report to the nineteenth session.

Mr. SOMMERFELT (Norway), having referred to the inability of the Working Party to solve the problem of legal as opposed to applied rates, said his delegation shared the view that the term "applicable" in Article XXIV:5(a) should be interpreted to mean the rates of duty actually applied. Further, his delegation shared the view of members of the Working Party other than the Member States of the EEC that an unweighted average did not take into consideration the volume of trade. Mr. Sommerfelt then drew attention to the exceptions provided for in Articles 19 and 20 of the Rome Treaty; he had in mind the items listed in Lists F and G of the Treaty. Mr. Sommerfelt enumerated a number of

the items in List G which, he said, covered some two-thirds of Norway's exports to the Community. Mr. Sommerfelt referred to the requirement of Article XXIV:5(a) that the duties imposed at the formation of a customs union should not on the whole be higher than the general incidence of the duties in the various customs territories prior to the formation of the customs union. It was clear, he said, that the six Member States in negotiating these particular duties had not been able to meet this requirement as, in a great majority of cases, the rates had been fixed at levels considerably higher than the average of the national levels. It seemed basically inconsistent, in the light of the provisions of the General Agreement, for such a large and important sector to be excluded from the Community's own interpretation of the provisions of Article XXIV:5(a). It was clear, as the Swedish representative had said, that the Common Tariff would not be substantially reduced as a result of the Article XXIV:6 negotiations.

In conclusion, Mr. Sommerfelt expressed the view that the Working Party should meet again to consider the various aspects of this matter and to report to the nineteenth session.

Mr. WARREN (Canada) said it should be remembered that Article XXIV constituted a very important exception to the basic GATT principle of non-discrimination and most-favoured-nation treatment. The Article therefore placed certain specific obligations on countries entering into a customs union or a free-trade area. It was clear to his delegation, Mr. Warren went on, that, in the light of the requirements of paragraph 4 of Article XXIV, the rates to be used, in considering the question of general incidence under paragraph 5(a), must be the rates actually applied. Moreover, as regards the concept of general incidence, it seemed to his delegation that the position of particular contracting parties and particular products should also be considered. In view of the importance of the matter it was to be regretted that it had not proved possible to find a common basis of judgment in the Working Party.

Continuing, Mr. Warren said that, in the view of his delegation, the report of the Working Party should be considered as an interim report and that perhaps the Council, when it met in September, might decide when the CONTRACTING PARTIES should revert to this matter. In connexion with the other regulations of commerce, which, in accordance with its terms of reference, had been excluded from the Tariff Negotiations Committee's examination, Mr. Warren said that he himself was not sure when it would be desirable to examine this question. He had in mind that certain important aspects of the Common Market were not yet known, in particular the common agricultural policy to be followed by the Six. It might be that when the CONTRACTING PARTIES eventually examined that policy they might wish to recall the obligations which rested on contracting parties entering into a customs union in connexion with the level of other regulations of commerce.

Mr. RIZA (Pakistan) recalled that, at the sixteenth session, the Pakistan delegation stressed the great importance of the examination of the EEC Common Tariff under Article XXIV:5(a) and the far-reaching repercussions on the economies of other contracting parties which it was likely to have. This examination also had a direct bearing on the negotiations under Article XXIV:6 and on the Dillon round. If the Common Tariff itself was not in order under the provisions of GATT, how could further reductions be offered during the Dillon round? Would negotiations be started on the basis of rates that might not be the true common rates? Similarly, were negotiations under Article XXIV:6 to be finalized on the basis of rates that might later be found not to be the true common rates?

Mr. Riza said that his delegation regretted the difference of opinion in the Working Party as to whether the legal rates or the rates actually applied should be used. Some answer had to be found to this deadlock and he would suggest that the matter be further dealt with by the Council and, if necessary, a working party appointed to suggest solutions. In conclusion, Mr. Riza proposed that this item be included in the agenda for the nineteenth session.

Mr. MELERO (Argentina) pointed out that, on the one hand, the CONTRACTING PARTIES had generally supported the objectives of the Treaty of Rome while, on the other hand, measures envisaged to implement certain provisions of the Treaty had, in the light of statistics showing the development of trade between the Member States of the Community themselves and those showing the development of trade between the Community and the rest of the world, caused many contracting parties serious concern. An important factor was the trend in the agricultural sector, which threatened to distort or at least to stagnate the normal exports of agricultural and livestock products from exporting countries. While the measures envisaged might not, at first sight, appear to be very different from those which the constituent Member States of the Community applied, the provisions of the Treaty aimed, inter alia, to perpetuate the measures applied by the individual Member States, without giving this in any way the appearance of a transitional expedient. This explained the concerns of exporting countries which saw the limitations which might be imposed on their economic development through a reduction in their earnings of foreign exchange which, it should be noted, also reduced their ability to import the capital goods they needed from the Community itself. This situation, it was felt, was appreciated by the Community, and every effort should be made to reconcile the different legitimate interests when this matter was considered by the Council or by the CONTRACTING PARTIES at their nineteenth session and by the Ministers at their meeting in November.

Mr. SKAK-NIELSEN (Denmark) said that paragraph 15 of the Working Party's report gave an indication as to the scope and significance of the divergencies of view in the Working Party. His delegation shared the opinion of most members of the Working Party that the intention of the drafters of Article XXIV:5(a) could only have been that the general incidence of the Common Tariff should not be higher than the applied tariffs. Mr. Skak-Nielsen, like other representatives, pointed out that the Working Party's examination had excluded the consideration of other regulations of commerce. In this connexion he drew attention to the question of the EEC's common agricultural policy. He said that the material available with regard to agricultural products was fairly inconclusive pending information on the protective measures envisaged in the common agricultural policy. The rates of duty indicated in the Common Tariff on the major agricultural products were, therefore, of limited significance so long as it was not made clear to what extent variable levies would be applied instead of tariffs. In the view of the Danish delegation the examination under Article XXIV:5(a) should be continued when the proposals for the EEC common agricultural policy were available to contracting parties.

Mr. DARKO-SARKWA (Ghana) said his delegation supported the proposal put forward by the representatives of Brazil, Uruguay and Nigeria that this important question should be referred to the Council. The important points of principle involved should be further examined by the Council which could report to the nineteenth session.

Mr. SWAMINATHAN (India) said that his delegation fully endorsed the view expressed by other representatives that it was obviously the intention of Article XXIV that the formation of a customs union or free-trade area should not result in damage to the trade of other contracting parties. It was, therefore, logical and rational to assert that the rates actually applied and not the legal rates should be taken into account in the determination of the incidence of the Common Tariff. On this basis, the data before the CONTRACTING PARTIES indicated that the incidence of the Common Tariff would be higher than that of the national tariff rates applied hitherto; this was certainly true insofar as India's exports to the Six were concerned. Welcoming the goodwill expressed by representatives of the EEC in the course of discussions in the Tariff Negotiations Committee and before the CONTRACTING PARTIES, Mr. Swaminathan said that this gave cause for hope that the Community intended to make a big effort in the course of the Dillon negotiations to reduce tariffs on imports from the less-developed countries and, in particular, on their tropical products, semi-processed and processed goods. It was with this hope, and in the expectation of further relief for its exports, that India had, for the moment, concluded its negotiations with the Six and now awaited the beginning of the Dillon round. In conclusion, Mr. Swaminathan supported the proposal that this question should be further examined by the Council at its meeting in September. He stressed the point which had been made by the representative of Uruguay that what happened in this particular case was likely to establish a precedent which other regional economic groupings would be able to follow.

Mr. KRUGER (South Africa) said his delegation shared the views of the majority of the members of the Working Party on the important points of principle as well as on the legal points to which other representatives had already referred. His delegation also considered that the Working Party's report should be looked upon as an interim report and that the question should be further examined by the Council or by some other body which the CONTRACTING PARTIES might wish to establish for this task.

Mr. PHILLIPS (Australia) said that it was very much to be regretted that there should have been such fundamental differences in the Working Party regarding the interpretation of the GATT. The tariff aspects of the examination under Article XXIV:5(a) had been fully covered by representatives who had already spoken. He wished to emphasize, however, that the examination of the other regulations of commerce, which had been excluded from the Working Party's task was also a question of considerable importance; the Australian delegation would support the proposal that this question should be examined at an appropriate time.

Mr. TENNEKOON (Ceylon) expressed the view that, if the present examination of the EEC Common Tariff under Article XXIV:5(a) were continued, it might be possible to reach certain agreed conclusions as the various parties came to understand each other's point of view better. As regards the difference of opinion in the Working Party, it was the view of the Ceylon delegation that the actual rates applied by the Member States on 1 January 1957 should be used; the term "general incidence" of a tariff had no particular meaning except in relation to the effects of the tariff on the level of trade at any given time. Further, there was the fact that it had been agreed that, in considering the Treaty of Rome, legal considerations should be put aside for the time being in favour of a pragmatic approach. Mr. Tennekoon pointed out that in the case of countries like Ceylon, which depended on one or two main export products, an assessment of the general overall level of the EEC Common Tariff would not appear to be particularly relevant. Fixing a high tariff on, for example, tea, could not be offset by reductions on another range of items. Ceylon hoped, therefore, that the Dillon round of negotiations would enable the EEC to adopt a more helpful attitude so that adequate steps could be taken to compensate for the lack of progress made so far.

Mr. OLDINI (Chile), regretting that it had not been possible to reach agreement in the Working Party, said he also considered that this question should continue to be studied, although he doubted whether the various parties would change their viewpoint unless some new elements could be introduced into the discussion. Perhaps the secretariat or the EEC would give thought to this possibility. In this connexion it might be remembered that the CONTRACTING PARTIES themselves had agreed to use the pragmatic approach in their consideration of the Rome Treaty. Continuing, Mr. Oldini said that the Dillon round would enable the EEC to show their goodwill; if a step forward on the lines of the EEC's offer of a 20 per cent tariff reduction could be envisaged, this would be an important new element. A further consideration was the possibility of giving concessions to the less-developed countries without compensation. If one or more of these possibilities were to materialize, the problem would be nearer to final solution.

Mr. KAMALAPRIJA (Cuba) expressed the hope of his delegation that the work on the examination of the Common Tariff under Article XXIV:5(a) would be continued and eventually bring constructive solutions which would avoid the contraction of the exports of the less-developed countries.

Mr. HIJZEN (Commission of the EEC) said that the question which was under discussion was whether or not the EEC's Common Tariff was in accordance with the provisions of Article XXIV:5(a). He would confine his comments to this question although he had taken serious note of, and would report on, the other very important problems which contracting parties had raised. Mr. Hijzen said he could only repeat the intention of the Community to fulfill the obligations assumed by the Member States under the GATT; the Commission, like the contracting parties, also very much regretted the divergence of view in the Working Party. A lot of figures had been supplied by the Commission to show that the provisions of Article XXIV:5(a) were being complied with. As regards the question of interpretation it continued to be the Commission's view that the letter, spirit and history of Article XXIV:5(a) left no room for misunderstanding as to what the correct interpretation should be. Commenting on the criticism that had been made that the Commission had not provided further figures, Mr. Hijzen said he would like to draw attention to the vast amount of information which the Commission had supplied, both in connexion with the operation under Article XXIV:5(a) and with the one under Article XXIV:6. The new statistics which had been asked for would have involved a great deal of further work and in any case, in the Commission's view, would have proved nothing as they would have been related to interpretations which the Commission did not accept. In conclusion, Mr. Hijzen said he had no specific proposals to make. The CONTRACTING PARTIES would, of course, themselves decide on what procedures they now wished to follow and such procedures would be acceptable to the Commission.

The CHAIRMAN said it was clear from the report of the Working Party and from the present discussion that there was a fundamental difference between the six Member States of the EEC on the one hand and a number of contracting parties on the other as to the interpretation of the word "applicable" in paragraph 5(a) of Article XXIV. In these circumstances he did not see how the CONTRACTING PARTIES could at this stage at any rate come to any firm conclusion in this matter. Moreover, as had been stated in paragraph 15 of the Working Party's report, all the relevant facts were not yet known and contracting parties would have noted that the conclusions of the Committee were of a tentative nature. In particular the CONTRACTING PARTIES would not have full knowledge of the level of the EEC Common Tariff until the procedures of Article XXIV:6 negotiations had been terminated. Furthermore, it was to be hoped that the negotiations in the second stage of the Tariff Conference would bring about practical results which would go at least some way to meeting the difficulties with which a number of countries found themselves confronted as a result of the establishment of the Common Tariff.

The Chairman suggested that consideration of this matter be deferred. The item would be placed on the agenda of the Council for examination at its meeting in September. The Council would then decide whether or not to place the matter on the agenda of the nineteenth session or leave it until the twentieth session. In the meanwhile the CONTRACTING PARTIES should take note of the interim report submitted to them at the present session.

This was agreed.

The report in document L/1479 was noted.

The meeting adjourned at 5.40 p.m.