

GENERAL AGREEMENT ON TARIFFS AND TRADE

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CONTRACTING PARTIES
Nineteenth Session

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SUMMARY RECORD OF THE TWELFTH SESSION

Held at the Palais des Nations, Geneva,
on Saturday, 9 December 1961, at 2.30 p.m.

Chairman: Mr. BARBOSA DA SILVA (Brazil)

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1. Admission of Tanganyika (L/1654)

The CHAIRMAN recalled that a communication from the Government of the United Kingdom, advising that on 9 December Tanganyika would acquire full autonomy in the conduct of its external commercial relations, had been distributed in document L/1654; the Government of the United Kingdom sponsored Tanganyika to become a contracting party in accordance with the provisions of Article XXVI:5(c). In the same document a letter from the Government of Tanganyika had been reproduced advising that it wished to be deemed a contracting party pursuant to Article XXVI:5(c) as from 9 December. In document W.19/18 the Executive Secretary had provided the text of a Declaration to give effect to the admission of Tanganyika.

The Declaration was adopted.

Mr. HALWENGE (Tanganyika) said that his Government was grateful to the United Kingdom Government for sponsoring Tanganyika's application to be deemed a contracting party to the General Agreement. He said that it was a happy coincidence that at midnight the previous night Tanganyika had become a sovereign independent country which enabled his Government to be represented at this last meeting of the session. Tanganyika intended to play its part fully in maintaining the principles on which GATT was based and would continue to pursue the liberal policies which had characterized its trade relations.

As stated at the ministerial meeting by the Parliamentary Secretary, Ministry of Commerce and Industry, in terms of world trade Tanganyika's share was comparatively small. Nevertheless, Tanganyika needed to improve its world trading position and to secure fair access to world markets for its products. In this connexion the Government of Tanganyika regarded the General Agreement as a practical arrangement for improving conditions of world trade, more particularly a practical method of recognizing the special difficulties of the newly-developed countries. Tanganyika would wish to participate in the work of committees and working parties through which much of the work of GATT was carried out. Mr. Halwenge expressed appreciation to the Executive Secretary for agreeing to take a Tanganyika officer for the next GATT training course. He was pleased to hear of the possibility that GATT courses might be held in Africa. His Government had already informed the Executive Secretary of the availability of facilities in Tanganyika.

Sir Edgar COHEN (United Kingdom) said that it was with very great pleasure that, on behalf of his Government which had most gladly acted as sponsor, he welcomed the representative of Tanganyika, the newest contracting party. This was an occasion on which the CONTRACTING PARTIES could congratulate themselves also, for this must be the first international gathering at which a representative of Tanganyika had taken his seat. The promptness of its accession suggested that Tanganyika would be a particularly keen member, with a valuable and constructive contribution to make to the deliberations of the GATT. Tanganyika had had full internal self-government

since 1 May 1961, and it now made its entry into the comity of nations. Under the inspiring leadership of its Prime Minister this young country had already shown its determination to maintain internal stability and to play a full part in international life, in Africa and the world. With a population of some 9 1/4 million, it had been the largest of the remaining British dependent territories. Its exports, sisal, coffee, tea, cotton, gold, diamonds, and other mineral products were important in world trade. Tanganyika would have a natural interest in the problems common to developing countries, particularly in those which faced producers of tropical products. The studies and debates of the GATT would be reinforced by a new voice of interest and importance to all contracting parties.

The representatives of Nigeria, the Federation of Rhodesia and Nyasaland, Ghana, the Federal Republic of Germany (speaking on behalf of the European Economic Community), India, Australia, Canada, Pakistan, Tunisia, the United States, South Africa, New Zealand and Israel welcomed the accession of Tanganyika to the GATT.

The CHAIRMAN, speaking on behalf of Brazil, also welcomed Tanganyika.

2. Expansion of trade - Tariff Conference (L/1669)

The CHAIRMAN said that the Tariff Negotiations Committee had submitted a report, document L/1669, to which were annexed the texts of instruments to embody the results of the 1960/61 negotiations. He called upon the Executive Secretary, in his capacity as Chairman of the Tariff Negotiations Committee, to present the report.

The EXECUTIVE SECRETARY said that the tariff negotiations, which were still in progress, were as the CONTRACTING PARTIES would recall, in two parts. The first part related to negotiations undertaken by the European Economic Community pursuant to paragraph 6 of Article XXIV. The second part of the negotiations, commonly referred to as the "Dillon negotiations", was for the exchange of new concessions. On 5 May 1961 the EEC reported to the Tariff Negotiations Committee that it had exhausted all possibilities of negotiations pursuant to paragraph 6 of Article XXIV and that it had therefore fulfilled its obligations in accordance with the procedures of Article XXVIII which had governed these negotiations. They also reported that these negotiations, which were thereby terminated, had resulted in some

cases in fully satisfactory agreements. In other cases there had been partial agreement, but with some reservations on the part of the country concerned in the negotiations. Some negotiations had been unsuccessful. In the light of this report, the Tariff Negotiations Committee had proceeded with the initiation of the Dillon negotiations which had been proceeding continuously ever since. These negotiations proceeded on the basis of an offer by the EEC of a 20 per cent linear cut in the level of the common tariff provided for in the Rome Treaty on industrial products with a number of exceptions. This offer was subject to a reasonable measure of reciprocity on the part of at least the industrialized countries in the General Agreement.

The core of these negotiations was, he said, as might be expected, negotiations which had been proceeding between the EEC on the one hand and the United States on the other, between the EEC and the United Kingdom, and between the United Kingdom and the United States. With respect to the negotiations between the EEC and the United Kingdom, the Tariff Negotiations Committee had been given to understand that these were very far advanced and that very little would be required to bring them to a successful conclusion, which of course did depend also upon the results of the other key negotiations. The same could, he thought, be said to apply to negotiations between the United Kingdom and the United States. With regard to negotiations between the EEC and the United States, the negotiations had been carried to a final stage in the sense that the delegations who were conducting these negotiations had reached the point where major decisions of policy were necessary in order to determine whether negotiations could be carried to a successful conclusion or not.

In the meantime, negotiations of a somewhat less important character in terms of the contents of the trade covered, but nevertheless highly significant in themselves, had been conducted between other contracting parties and between other contracting parties and the EEC and the United States, and significant measures of agreement were obtainable in these negotiations. Here again, the finalization and fulfilment of these hopes did depend upon a successful outcome of the Dillon negotiations to which he had referred.

It was the hope of the Tariff Negotiations Committee that the final obstacles to the completion of what would be one of the most important measures of tariff reduction ever undertaken by the CONTRACTING PARTIES might be overcome before the end of the year. This would mean that the negotiating stage could be terminated before the end of the year, although it would then be necessary for a certain amount of time to elapse for the necessary technical work for embodying these results in formal instruments to be completed by the delegations concerned, so that the formal announcement of the results of the negotiations could not be expected until sometime in the new year.

In these circumstances, the Tariff Negotiations Committee had thought it proper to proceed to the establishment of legal instruments and documents for embodying the results of the negotiations and he would be presenting these to the CONTRACTING PARTIES with a view to the adoption of these texts.

For the preparation of these texts, the Tariff Negotiations Committee had established a Legal Working Group. The texts had, therefore, received the careful and expert legal examination which was necessary for documents of this character and importance.

Because of the long delays in the completion of the Dillon negotiations, the Tariff Negotiations Committee had found it necessary and desirable to make separate arrangements for the completion and formalization of the negotiations relating to the accession of new contracting parties. These negotiations for accession had been combined with the Dillon negotiations as a matter of general convenience. It had become apparent, however, that to continue to combine these two negotiations to the point of requiring that the results should be dealt with in the same legal instrument, might have the effect of delaying unreasonably the accession of countries whose requests to accede had been before the CONTRACTING PARTIES for a considerable length of time and which had been able, during recent weeks, to conclude their negotiations. For these reasons, therefore, the Tariff Negotiations Committee had drawn up separate protocols for the accession of governments and separate decisions under Article XXXIII. He said that he would like to return to this question during discussion of the next item on the agenda and therefore suggested that on this item of the agenda, comments be confined to the general account which he had given of the progress of the negotiations and to the text of the instruments which related to the Dillon negotiations.

His report would, he said, be incomplete if he did not refer to the question of the participation of less-developed countries in the negotiations since it had been the hope, both of the CONTRACTING PARTIES and of the Tariff Negotiations Committee, that the Dillon negotiations would have the result of bringing significant advantages for the less-developed countries as envisaged by Committee III. The Tariff Negotiations Committee had investigated this question, but he regretted to have to report that the Committee had found that, in fact, the participation of less-developed countries for reasons which were touched upon in earlier meetings during the session, were somewhat limited, and therefore the advantages accruing to less-developed countries from the Dillon negotiations would be minor and marginal in character.

The text of the protocol embodying the results of the 1960/61 tariff negotiations was contained in document L/1669. Two texts were submitted to the CONTRACTING PARTIES - first, a Draft Final Act authenticating the results of the negotiations, and secondly, the draft protocols to the General Agreement embodying the results of the negotiations. He did not think that these texts called for comment on his part; they had been carefully examined by the Legal Drafting Group, and subsequently examined and approved by the Tariff Negotiations Committee. He submitted them for approval by the CONTRACTING PARTIES.

The CHAIRMAN said that it would be noted that in paragraph 2 of document L/1669 the Tariff Negotiations Committee had asked for authorization to make minor changes in the text of these instruments if it were necessary. Both documents would be opened for signature after the close of the conference. He enquired whether the text of the final act and of the protocol embodying the results of the 1960/61 Tariff Negotiations were approved.

The texts were approved.

3. Accession (L/1669) - Spain, Cambodia, Israel, Portugal and Tunisia.

The EXECUTIVE SECRETARY said that for the reasons which he had already indicated in his report on the previous item, the Tariff Negotiations Committee recommended that these questions be dealt with separately from the general round of negotiations. There were five governments affected by the question of accession, and the position differed slightly in respect to each of them.

The Government of Tunisia had advised the CONTRACTING PARTIES that because it was at present engaged in a comprehensive review of the economic policy of Tunisia, it did not deem it advisable to proceed at this time with negotiations for accession under Article XXXIII, and had therefore requested an extension of the Declaration providing for provisional association of Tunisia with the CONTRACTING PARTIES.

Secondly, negotiations between contracting parties and the Government of Spain had begun relatively late in the course of the tariff negotiations and therefore these were still in full progress and there was not the immediate prospect of the termination of these negotiations in the near future. The arrangement with respect to Spain, therefore, was that, in due course, the Tariff Negotiations Committee would establish a protocol to embody the results of negotiations between Spain and a decision which would be submitted to contracting parties for a vote by postal ballot.

As regards Cambodia, he had been advised that negotiations had been in fact completed, but as the results of these negotiations had not yet been assembled and put into final legal form, it would not be possible to proceed at this session with a vote with respect to the accession of Cambodia. It was, however, anticipated that the necessary legal formalities could be completed within a very few days and accordingly, shortly after the session, a protocol would be established for Cambodia and a decision under Article XXXIII would be circulated to contracting parties for a vote by postal ballot.

Referring to the cases of Israel and Portugal, he said that he could report that in both these cases, the necessary negotiations had been completed and the results had been formally deposited and registered with the secretariat. With respect to both countries, the Tariff Negotiations Committee had established a protocol for the incorporation of the results of the negotiations in the terms of accession and a decision under Article XXXIII which would be submitted to the CONTRACTING PARTIES for approval in the case of the text of the protocol and for a vote in the case of the decision. He drew the attention of contracting parties to the fact that, in the event that on either of the decisions the necessary majority was attained in the course of the voting, the legal effect would be that Israel or Portugal, as the case might be, would become a contracting party to the General Agreement upon the expiration of thirty days from the date on which it signed the accession protocol with respect to it. The text of these protocols did not call for any particular comments. They followed closely the models established by the CONTRACTING PARTIES which were contained in the Basic Instruments and Selected Documents of the CONTRACTING PARTIES. He referred briefly, however, to the protocol relating to Portugal, which dealt with the arrangements relating to the trade of certain overseas territories. He drew attention to the report of the Working Party on accession, which was established by the Tariff Negotiations Committee to examine special factors relating to the accession of various acceding governments. In paragraph 3 it was indicated that the inclusion of paragraph 3 in the text of the protocol did not constitute a decision by the CONTRACTING PARTIES in respect of the formation of a free trade area under Article XXIV of the Agreement, since it would clearly not be legally possible to come to such a decision at a time when Portugal was not yet a contracting party to the General Agreement. It had been, nevertheless, the feeling of the Working Party when the Working Party's report had been accepted and endorsed by the Tariff Negotiations Committee that the provisions of the Portuguese Decree Law which was mentioned in the report and which was now in effect, did constitute basically arrangements leading to the formation of a free trade area. Consequently, the text of the protocol incorporated in the terms of accession the implementation of this decree law. He would submit in the first instance the text of the draft protocol for the accession of Israel. If the text of that protocol was acceptable to the CONTRACTING PARTIES he proposed that a vote should be taken on the draft decision agreeing to the accession of Israel to the General Agreement on Tariffs and Trade. When that matter was disposed of he would suggest that a similar procedure be followed with respect to Portugal.

(a) Israel

The CHAIRMAN invited comment on the draft protocol for the accession of Israel and on the draft decision on Israel's accession, set out in pages 10-17 of document L/1669.

The text of the protocol was approved.

Mr. AHMAD (Pakistan) said that his Government had made its position clear and that its views were set out in SR.14/3. He wished to point out that the position of his Government remained unchanged.

The CONTRACTING PARTIES, acting under Article XXXIII, then adopted the Decision on Israel set out in document L/1669 by thirty-two votes in favour and one against with two abstentions.

The CHAIRMAN said that, having obtained the necessary majority, Israel would become a contracting party to the General Agreement on the thirtieth day following the acceptance of the protocol of accession. Contracting parties not present at this meeting would receive ballot papers so that they would have an opportunity to record their votes.

Mr. BARTUR (Israel) expressed the appreciation of his Government for the adoption of the Decision by the CONTRACTING PARTIES. On behalf of the leader of the Israeli delegation during the tariff negotiations he wished to thank all participating contracting parties for their co-operation and understanding in carrying out the negotiations. He said that his country had had help concerning external economic relations from the General Agreement since 1959. His Government was aware of its obligations and responsibilities, especially at this important stage in the work of the GATT.

(b) Portugal

The CHAIRMAN placed before the meeting the draft protocol and draft decision for the accession of Portugal set out in document L/1669. He asked whether the text of the draft protocol was approved.

Mr. FARINDE (Nigeria) said that his delegation believed that GATT was the most effective forum for discussion of international trade problems, and therefore welcomed its ever increasing number of members. His delegation was happy at the move of Portugal to accede, but nevertheless felt that they should not allow their enthusiasm for increasing membership to cloud any matter of principle that might be involved. It was their understanding that the CONTRACTING PARTIES in drawing up the text of the General Agreement, intended the Articles to be binding on present and future members. If so, it would not be in the best interests of the operation of the General Agreement and its members that acceding countries should, by the terms of their accession, be exempt from complying in future with any or some of the Articles of the General Agreement. An acceding country with particular problems should look forward to waivers after accession and not before. It was in this respect that his delegation wished the CONTRACTING PARTIES to examine paragraph 3 of the protocol of accession of Portugal before approving it. The Decree Law of Portugal referred to in the protocol was undoubtedly an acknowledgment of the terms of the General Agreement relating to preferences and free trade areas, and it was no doubt a genuine attempt to comply with these terms. His delegation did not, however, think that at this stage the

CONTRACTING PARTIES should do any more than take note of this Decree. To work the Decree into the terms of accession might have the effect of exempting Portugal from complying in future with the terms and the requirements of Article XXIV of the General Agreement. His delegation saw in such a move a dangerous precedent and one that would make it difficult for his delegation to complain with regard to the arrangement between the EEC and the Associated Overseas Territories. On the other hand, if the implication of this was that the terms of the General Agreement were binding on existing members only, an implication from which, he was sure, most contracting parties would dissociate themselves, they would be unable to justify the approach already taken to the Swiss problem and ought to grant Switzerland such terms as would enable it to contract out of provisions of the General Agreement. In the circumstances, his delegation wished to reserve its position.

Mr. MATHUR (India) said that the delegate for India on the Working Party, which had examined the question of accession of Portugal to the General Agreement, had already stated that they did not see their way clear to signing this protocol and had pointed out, in particular, that they did not recognize any special relationship between Portugal and its overseas possessions, to which a reference had been made in the protocol of accession. He wished to speak on a specific point about the relationship of the protocol to a resolution of the General Assembly of the United Nations which he would like to have clarified. Paragraph 3 of the protocol contained a number of references to certain changes which had to be made in the relationship between Portugal and the customs territories to which it would apply the General Agreement in accordance, it was said, with the constitution of the Portuguese Republic and in accordance with the Portuguese Decree Law. A text of this Decree Law was submitted to the Working Party and in this Law, references were found in various places to provinces of Portugal. In this connexion, the attention of his delegation had been drawn to a resolution of the General Assembly, this being Resolution 1542 of 15 December 1960 in which the description of such territories as the overseas provinces of Portugal had been specifically rejected and these territories had been declared as non-self-governing territories within the meaning of Chapter XI of the United Nations Charter. His delegation asked for confirmation, for the purposes of the record, that the reference to these various Portuguese laws, etc., in the protocol and in the Working Party report did not involve any recognition, implicit or explicit, by the CONTRACTING PARTIES of the description of these non-self-governing overseas territories, in accordance with the usage in these Portuguese decrees, etc., which had been submitted. His delegation was concerned that, on this point, there should be no question of any conflict between this protocol and the United Nations Resolution on the subject.

The EXECUTIVE SECRETARY stated that he was satisfied that in adopting the text which was proposed for paragraph 3, the CONTRACTING PARTIES would not be taking any position with respect to the international status of these territories. Contracting parties were concerned only with what was relevant to the General Agreement, which were the trading arrangements proposed with

respect to these territories and not their status in international law. Therefore, the approval of this protocol would not, in his view, in any way affect or conflict with whatever decisions might be taken or had been taken by the General Assembly of the United Nations, on these legal matters.

The CHAIRMAN stated that in his view no conflict arose between the terms of the protocol and the United Nations Resolution.

Mr. ARKAAH (Ghana) said that, as all contracting parties were aware, the Government of Ghana maintained a ban on goods coming into Ghana from Portugal. His delegation had wholeheartedly supported Portugal when that country acceded provisionally to the GATT. He recalled that Portugal was the first European country to have traded with Ghana. His Government had, however, found it necessary to impose a ban on goods entering Ghana from Portugal, their justification resting on Article XXI which stated that nothing in the Agreement should be construed to prevent any contracting party from taking any action which it considered necessary for the protection of its essential security interests, taken in time of war or other emergency in international relations. It should be noted that under this Article each contracting party was the sole judge of what was necessary in its essential security interests. There could therefore be no objection to Ghana regarding the boycott of goods as justified by its security interests. It might be observed that a country's security interests may be threatened by a potential as well as an actual danger. The Ghanaian Government's view was that the situation in Angola was a constant threat to the peace of the African continent and that any action which, by bringing pressure to bear on the Portuguese Government, might lead to a lessening of this danger, was therefore justified in the essential security interests of Ghana. There could be no doubt also that the policy adhered to by the Government of Portugal in the past year had led to an emergency in international relations between Portugal and African States. It was his painful duty to declare that the Ghanaian Government did not see its way clear to accept the protocol and would reserve its position and invoke Article XXXV in the event of Portuguese accession.

The CHAIRMAN said that the statement made by the representative of Ghana on the invocation of Article XXI would be noted.

Mr. HALWENGE (Tanganyika) said that, since his Government had just become a member of GATT, he had not been able to study closely the papers dealing with the association of Portugal to GATT. Moreover, he would like to state that his Government's view was that, unless the Portuguese Government changed its policy in its overseas territories, his Government could not accept the protocol. He therefore reserved his Government's position.

Mr. ONYIA (Nigeria) asked if the Executive Secretary could give the assurance that, in spite of the inclusion of paragraph 3 in the protocol on the accession of Portugal, the arrangements between Portugal and the territories on whose behalf it accepted obligations under the GATT could be examined under Article XXIV, and that the acceptance of paragraph 3 did not debar such an examination.

The EXECUTIVE SECRETARY said that it was unnecessary to reiterate the reasoning which had led the Working Party of the Tariff Negotiations Committee to feel that it would be inappropriate to deal with this question under Article XXIV, which was quite clearly excluded so long as Portugal was not yet a contracting party to the General Agreement. As in the case of measures adopted or maintained by all contracting parties, it would be proper and open to any contracting party which wished to do so to raise, under the appropriate procedures of the General Agreement, any questions relating to the compatibility or otherwise of any measures taken or maintained by Portugal and the consistency of such measures with its obligations under the General Agreement. He drew attention to sub-paragraph (b) of paragraph 3 in the protocol which did envisage the communication to the CONTRACTING PARTIES of measures taken in pursuance of the Decree Law and the possibility that the CONTRACTING PARTIES would wish to request Portugal to consult with them in relation to such measures. In such consultations it would be open at that time for any contracting party to raise any question which it deemed appropriate with regard to the consistency of the measures taken or maintained by Portugal with the General Agreement.

Mr. ONYIA (Nigeria) asked whether, in a situation where Portugal violated provisions of the General Agreement regarding the establishment of a free trade area but at the same time complied with Article 12 of the Decree Law, Portugal would still be subject to an examination of that arrangement and to rulings of the CONTRACTING PARTIES regarding compliance with Article XXIV. It was not until a few days ago that paragraph 3 of this draft protocol appeared, and it seemed that once this had been written into the terms of accession, it might be difficult to question certain actions that Portugal might take. In other words, writing this in might vitiate to some extent the effectiveness of certain provisions of GATT. He did not know why it should be necessary to have this written into the terms of accession.

The EXECUTIVE SECRETARY said that there should be no ambiguity on this point. It was clear from the text of the protocol itself that paragraph 3 was part of the terms of accession and that, in judging the accession of Portugal, full account had to be taken of what was said in paragraph 3 with respect to these particular matters. That being said, however, he repeated that, taking into account the terms of accession which were provided for in the protocol, it would be open to any contracting party to invoke any relevant provisions of the General Agreement relating to any measure taken by Portugal, and that the judgment of the CONTRACTING PARTIES in this respect would be based upon rights and obligations under the General Agreement, but taking into account the terms of accession which were provided for in the protocol. The dilemma with which they were confronted here was that, for legal reasons, quite clearly this matter could not now be dealt with under Article XXIV. If, however, the situation should arise in which it appeared to any contracting party that the measures taken by Portugal in pursuance of the Decree Law were such that the

arrangements at that time did not comply with Article XXIV, then the inclusion of this paragraph in the protocol would not debar that contracting party from raising this question at the time and in pursuance of the procedures and provisions of the General Agreement which were relevant.

The text of the draft protocol was approved.

The CONTRACTING PARTIES, acting under Article XXXIII, then adopted the decision set out on page 25 of Appendix II (document TN.60/16) to document L/1669, by twenty-eight votes in favour and two against, with six abstentions.

The CHAIRMAN said that having obtained the necessary majority, Portugal would become a contracting party to the General Agreement on the thirtieth day following the acceptance of the protocol of accession. Contracting parties not present at this meeting would receive ballot papers and would thus have an opportunity to record their votes.

Mr. FLEMING (Australia) said that his delegation had supported the accession of Portugal under Article XXXIII, but would express concern on the restrictive system which Portugal applied on agricultural products which raised difficulties for his Government in its future application of the GATT to Portugal.

Mr. GUERRA (Portugal) thanked those contracting parties which had supported the accession of his country. Referring to the statement of the delegate for Australia, he wished to assure the CONTRACTING PARTIES of the sincere intention of his Government to participate actively in the work of the General Agreement. His delegation had assured the CONTRACTING PARTIES when certain questions had been posed on agricultural policy that they would abide by the rules of the General Agreement. At that time they were not yet full Members of the GATT. Now that they were to be Members, any rules which were being applied by Portugal contrary to the General Agreement would be revised. His delegation understood the concern which had been expressed by the representative for Australia and assured him that Portugal intended to adapt its regulations in accordance with their obligations.

Mr. LATIMER (Canada) said that his Government had supported the accession of Portugal although they had felt some concern on some aspects of Portuguese agricultural policy. His delegation had however been reassured by the statement of the representative of Portugal and looked forward to closer trade relations with that country.

(c) Extension of provisional accession of Tunisia (L/1634 and W.19/24)

The CHAIRMAN, referring to the report by the Executive Secretary in introducing this item on accession as recorded above, said that the request by the Government of Tunisia for an extension of the arrangements for provisional accession had been distributed in document L/1634, and to facilitate consideration of this question the Executive Secretary had provided in W.19/24 and Corr.1, a draft procès-verbal extending the Declaration on Provisional Accession and a draft decision extending the invitation to Tunisia to participate in the work of the CONTRACTING PARTIES.

Mr. BABBOU (Tunisia) said that his Government had decided to implement a ten-year economic and social development plan. This draft plan, which had been submitted to the Tunisian legislature, would give rise to the establishment of a new customs tariff and he recalled that information on the customs tariff had already been communicated to the CONTRACTING PARTIES at the sixteenth session. He said that in the view of his delegation, it would be to the advantage of the CONTRACTING PARTIES as well as to Tunisia if negotiations could take place after the establishment of the new tariff; his delegation therefore requested an extension of the Declaration on the Provisional Accession of Tunisia. He hoped that his Government would be able to accede fully to the General Agreement within the extended time-limit.

The parties to the Declaration approved the text of the procès-verbal extending the Declaration on Provisional Accession of Tunisia, and the CONTRACTING PARTIES adopted the Decision extending the invitation to Tunisia to participate in the work of the CONTRACTING PARTIES.

The CHAIRMAN said that the procès-verbal would be open for signature after the session.

4. Newly-independent States (W.19/19)

The CHAIRMAN recalled that a number of dependent territories to which the GATT had been applied for many years had acquired their independence and autonomy in the conduct of external commercial relations during 1960 and that, in order to afford the Governments of these new States the opportunity to consider their future commercial policy and relations with the GATT, the CONTRACTING PARTIES had recommended a year ago that contracting parties should continue to apply the GATT to these new States, provided they in turn continued to apply the GATT to their trade with contracting parties. This Recommendation was effective in respect of each State for a period of two years from the date of its independence. As reported in document W.19/19, two of these States had addressed requests to the CONTRACTING PARTIES for extension of this time-limit and it might be that others would also submit such requests before their two-year periods expire in 1962. Accordingly, the Executive Secretary had suggested that the CONTRACTING PARTIES might wish to agree upon an automatic extension of the Recommendation of 18 November 1960 for any one of these new States which requested such an extension before the expiry of its time-limit.

The Decision set out in document W.19/19 was adopted.

5. Longer-term solutions to butter marketing problems (L/1648 and L/1677)

The CHAIRMAN recalled that the New Zealand delegation had proposed during the September Council meeting that this item be included on the agenda for the nineteenth session. In a note from the New Zealand delegation, circulated in document L/1677, it was suggested that, although substantial discussion at the nineteenth session would not be opportune, there would be value in further discussion by a working group of measures adopted by individual contracting parties towards removing the basic causes of the butter marketing problem. The New Zealand delegation had, therefore, proposed that the group of countries which held consultations on butter under paragraph 1 of Article XXV earlier in 1961 should meet again in the latter part of January 1962.

Mr. DATSON (New Zealand) said that during the recent meeting of Ministers, the New Zealand Minister had drawn attention to the butter problems and to the temporary action that had already been taken within the GATT. The Minister had expressed the hope that this temporary action would be seen by contracting parties as no more than a temporary measure and that more basic remedies should be sought. The Minister had hoped that the GATT would remain concerned with the problem both in its short-term and longer-term aspects.

Mr. Datson said that in order to keep before the CONTRACTING PARTIES the need to find longer and more basic solutions, his delegation had suggested in document L/1677 that a working group of the same composition as that which had taken part in the butter consultations in June 1961 should meet in the latter part of January 1962, initially to carry out a further review of the actions and plans of contracting parties in implementing measures directed towards the basic causes of the butter marketing problem. This working group should consider, in particular, measures relating to internal policies affecting consumption, production, domestic prices and imports of butter. As previously indicated, such a review was made earlier in 1961 and the New Zealand delegation felt that the work commenced at that time could usefully be continued. He pointed out that this group would have no relationship with the suggestions for commodity groups as agreed at the recent ministerial meeting. The group would be concerned with a longer-term programme, irrespective of any concurrent action that might be necessary to deal with the short-term solutions relating to the butter market. His delegation therefore hoped that the CONTRACTING PARTIES would find it possible to agree on the setting-up of such a working group.

Sir Edgar COHEN (United Kingdom) associated his delegation with the remarks made by the New Zealand representative. He said it was generally known that the United Kingdom had been very concerned about the trend in butter prices in the United Kingdom market which was uniquely exposed through free import policies to the disposal of surpluses from all over the world. While his Government had recently taken action designed to hold this situation for the time being and to bring some relief to the supplying countries which had suffered injury, it was most important that the GATT should not lose sight of the basic problems underlying these difficulties. His delegation therefore

supported the proposals put forward by the New Zealand delegation for holding a meeting with the aim of creating a wider market through the proper application of the rules of the General Agreement. It was hoped that this would lead to some longer-term and enduring alleviation of the present difficulties faced by the butter-producing countries.

Sir Edgar Cohen said that his Government would be prepared to play a full part in any discussions and he wished to stress that this was not a problem that could be solved unilaterally by the United Kingdom. His Government, in the long run, needed the co-operation of all countries who could increase their butter consumption by the proper revision of their own policies.

Mr. SKAK-NIELSEN (Denmark) said his delegation supported the New Zealand proposal to the effect that the participants in the consultations held in June 1961 should meet again in January 1962 in order to review what action the principal butter-producing and butter-consuming countries had taken, or proposed to take, with a view to eliminating the existing gap between supply and demand of butter. At the same time the working group might also consider what further steps might appropriately be taken to solve the basic causes of the butter marketing problem. His delegation hoped that positive results would be achieved through the deliberations of the working group, but on the other hand, his delegation was aware that it was hardly to be expected that such positive results might have sufficient immediate effect to obviate the need for temporary measures to be taken to solve the problems with which the British butter market would be faced when the present short-term arrangement expired on 1 April 1962.

Mr. FLEMING (Australia) said his delegation would not object to another look at the long-term aspect of the butter problem, though his delegation recalled that in this connexion, not much progress had been made in the past consultations. In his view the short-term aspect of the problem was more important and his delegation was pleased to note that this point had been covered in the New Zealand proposals by reference to considerations dealing with the immediate situation.

Mr. LERENA (Argentina) said that his delegation was in favour of a meeting such as proposed by New Zealand. His delegation was convinced that Argentina's export policy had not led to a fall in the price of butter, and was prepared to join in any discussions which sought a fair and just solution. The representative for Argentina recalled a previous statement made by his delegation on this matter: "The true solutions will result from an overall analysis of the problem by exporting and importing countries, the sacrifices if they must be made must affect all, because all, to a greater or lesser degree, have contributed to the problem". The Argentine delegation intended to revert to this problem during the next Council meeting.

Mr. LACZHOWSKI (Poland) said that his delegation supported the ideas put forward by New Zealand that the matter should be discussed once more. With regard to the date, however, he noted that the programme of meetings proposed for 1962 would be a very heavy one; it would be difficult for his delegation to participate in a meeting held during the month of January. His delegation proposed that the meeting be held in February, prior to the next Council meeting.

Mr. DATSON (New Zealand) thanked contracting parties for the general support given to the New Zealand proposals. Referring to the point raised by the Polish representative, Mr. Datson said his delegation was anxious to obtain early action and felt that it would be preferable that any action taken regarding the more basic causes of the butter problem should be taken into account before the need might arise for any revisions or extension of the short-term arrangements.

The CHAIRMAN proposed the following composition and terms of reference for the working group:

Composition:

Argentina	Federal Republic of	Poland
Australia	Germany	South Africa
Austria	France	Sweden
Belgium	Italy	Switzerland
Canada	Netherlands	United Kingdom
Denmark	New Zealand	United States
Finland	Norway	

Following the practice adopted previously, representatives of the European Economic Commission, the FAO and the OECD, would be invited to participate in the work of the group. Further, in view of the interest of Ireland in the matter, Ireland would be invited to take part in the discussions. The Chairman suggested that the group should select its own chairman.

Terms of Reference:

To review further the actions and plans of countries principally concerned in applying measures designed to achieve the removal of the basic causes of butter marketing problems, particularly as such measures relate to internal policies affecting production, consumption, domestic prices and imports of butter.

The composition and the terms of reference of the working party were approved.

6. United Kingdom negotiation (bananas) (L/1674)

The CHAIRMAN said that the United Kingdom delegation had distributed a note in document L/1674, which referred to the invocation by the United Kingdom of the waivers granted in 1953 and 1955.

Sir Edgar COHEN (United Kingdom) said that the United Kingdom wished to invoke what used to be known as the colonial waiver when this waiver was granted in 1955 under which his Government proposed to increase the preference with respect to bananas. The only difficulty was that under that waiver the United Kingdom must first renegotiate the binding of the duty for bananas, and to that end his delegation had wished to have certain renegotiations under Article XXVIII with Brazil. Unfortunately his delegation had not yet completed those renegotiations with Brazil. As the date of the next meeting of the CONTRACTING PARTIES was not definitely known, his delegation was requesting that authority be delegated to the Council to take a decision on the application of the waiver when renegotiations between Brazil and the United Kingdom under Article XXVIII had been completed.

Mr. VALLADAO (Brazil) said that the document circulated by the United Kingdom had left some doubts and created some qualms in the minds of the Brazilian delegation regarding action which the United Kingdom had proposed to take with reference to this waiver. The Brazilian delegation, however, was prepared to support the proposal that the matter be referred to the Council.

It was agreed to authorize the Council to deal with this question as suggested by the United Kingdom delegation.

7. Italian restrictions on imports from Israel (L/1675)

The CHAIRMAN recalled that at the request of the Government of Israel the CONTRACTING PARTIES at an earlier meeting had appointed a Working Party to carry out a consultation under paragraph 2 of Article XXII. The Working Party's report had been distributed in document L/1675.

Mr. NAEGELI (Denmark), Chairman of the Working Party, in presenting the report, said that the Israeli representative had emphasized that the consultations under paragraph 1 of Article XXII which had taken place in September 1961 between his Government and the Italian Government had not resulted in any satisfactory solution to the problem and that no progress had been made towards an elimination of the discrimination against Israeli exports. Mr. Naegeli said that the Italian representative had given an explanation on the treatment of Israeli goods under the present Italian import system and on the intentions of the Italian Government to amalgamate the negative lists actually applicable to different areas in one list. In the view of the Italian representative the problems which stood in the way of such an alignment were to be considered as temporary in character. Details about these points were to be found in paragraphs 2, 3, 4, and 6 of the report.

Mr. Naegeli then drew attention to the information which had emerged from discussions in the Working Party. He said that the Government of Italy had agreed to apply by the end of 1961, the List A régime to imports from Israel, with the exception of ten items. These were enumerated in paragraph 2. In the Working Party the Italian representative had been given an opportunity to state the reasons why the Italian Government had found it necessary to exclude the ten items from the List A régime. A summary of these reasons was given in paragraphs 7, 8 and 9 of the report.

The Italian representative had explained that the commodities for which exceptions were made, could be divided into three groups: certain fruits and vegetables, bromine and bromine derivatives, and potassium sulphate. For all the commodities certain facilities had been provided by Italy for imports from Israel. The fruit and vegetable items were also produced in the southern parts of Italy where it was exceptionally difficult to maintain the level of farm incomes. It was mentioned that plant protection regulations were in force which limited the period in which imports from other countries could take place. With respect to bromine and bromine derivatives, production had been developed in Sardinia and Sicily, but natural advantages made the Israeli production costs lower. Very recently a domestic industry had been established in areas of high unemployment for the production of potassium sulphate. For the two categories of chemicals, each had posed separate problems and it was the stated intention of the Italian Government to find ways and means to bring the restrictions which it wished to retain on these items into conformity with the principles and practices of the General Agreement.

Mr. Naegeli said that another part of the report reflected the views put forward in the Working Party after the explanations given by Italy. He drew the attention of the CONTRACTING PARTIES to paragraphs 11 to 14 in which the conclusions of the consultations were to be found. The Working Party recognized the serious efforts made by the Government of Italy to arrive at a solution to the problem of imports from Israel, yet on the other hand it was questioned whether there was a need for all the exceptions to the List A régime with respect to imports from Israel. There was a general expression of concern at the continued maintenance of import restrictions by Italy contrary to its obligations under the General Agreement, and it was urged that Italy should give immediate consideration to taking steps to dismantle the particular restrictions against Israel. The undertakings of the Italian representative on behalf of his Government, of which the Working Party had taken note, were formulated in paragraph 12 in the report. The Working Party had taken note of the Israeli reservation in paragraph 13 to pursue the matter under discussion further in accordance with the relevant provisions of the General Agreement if no satisfactory progress was made in the coming months.

Mr. BARTUR (Israel) said it was the feeling of his delegation that the Working Party had carried out an extremely important and difficult task, and he hoped that as a result of this work some progress would be achieved.

The Working Party's report contained in document L/1675 was adopted.

8. Residual "hard-core" restrictions - Italy

Mr. PARBONI (Italy) said that he wished to explain the future intentions of the Italian Government with respect to "hard-core" restrictions. Following consultations which were held in March 1961, the Italian Government had not failed to consider this problem, particularly with regard to quantitative restrictions which were still applied by Italy on imports from the United States and Canada. The Italian Government had continued to study the future measures which might be adopted in order to mitigate the effects of such restrictions. He recalled that for most of the products which were still subject to quantitative restrictions on imports from the United States and Canada his Government had authorized quotas for 1961 and in the light of experience which had been acquired. The Italian Government proposed to adopt in 1962 further measures designed to lessen the effects of these restrictions, and as far as possible to remove the residual "hard-core" quantitative restrictions.

The statement made by the representative of Italy was noted.

9. Latin American Free Trade Area

The CHAIRMAN said that the Government of Uruguay had advised the Executive Secretary on 6 November 1961 that the Governments of Colombia and Ecuador had acceded to the Montevideo Treaty. Accordingly this item had been placed on the agenda for the nineteenth session although details of the terms of accession had not been received.

Mr. LACARTE (Uruguay) said his delegation had little to add at present. The entry into the Latin American Free Trade Association of Colombia and Ecuador had been formalized, and in the very near future the relevant documents and instruments would be forwarded to the Executive Secretary who could convey the information to the contracting parties. Mr. Lacarte added that, for some time, detailed tariff negotiations had been going on among the member countries of the Latin American Free Trade Area. These negotiations were highly complex and as they were still continuing it would not be possible to give any details at present. He suggested that as soon as the instruments of accession relating to Colombia and Ecuador as well as any other relevant documentation were received by the secretariat, the Executive Secretary should propose the inclusion of this item on the agenda of the Council.

Mr. CAMPBELL-SMITH (Canada) thanked the representative of Uruguay for the information he had given and supported his recommendation that this matter should be brought to the attention of the Council. His delegation was aware that negotiations had been taking place in Montevideo and he hoped the CONTRACTING PARTIES would be kept fully informed of developments.

Mr. EVANS (United States) welcomed the information submitted by the representative of Uruguay. He said that his delegation hoped that the reports would be the first of a series by the Latin American Free Trade Association on its progress and development. The United States supported the objectives of the Montevideo Treaty for the freeing of trade among the member countries of the Latin American Free Trade Association and was glad to note that the members of the Association were moving forward towards the attainment of

their objectives. The United States delegation hoped that the Latin American Free Trade Association would contribute to the growth of trade and to the development of Latin America. They also hoped that the members of the Association would increase trade not only among themselves but also with Members of the GATT.

The CONTRACTING PARTIES noted the information supplied by the representative of Uruguay on the accession of Colombia and Ecuador to the Treaty of Montevideo and on the tariff negotiations which were still being conducted between member countries of the Latin American Free Trade Association; further information would be forwarded to the Executive Secretary in due course.

The CONTRACTING PARTIES agreed to authorize the Council to deal with this matter in 1962 before the next meeting of the CONTRACTING PARTIES.

10. Borneo Free Trade Area (L/1630 and L/1667)

The CHAIRMAN said that the text of an agreement to create a free trade area comprising the territories of Sarawak and North Borneo had been submitted to the CONTRACTING PARTIES by the Government of the United Kingdom for consideration under Article XXIV. This text had been distributed in document L/1630. The secretariat, assisted by the representatives of the United Kingdom, had prepared a note on this matter to facilitate discussion; this note was contained in document L/1667.

Mr. JARDINE (United Kingdom) said that, in accordance with Article XXIV:7(a) of the General Agreement, the United Kingdom Government had notified the CONTRACTING PARTIES of the proposed establishment of a free trade area covering the British dependent territories of North Borneo and Sarawak and that the United Kingdom delegation was also ready to make available to the CONTRACTING PARTIES any information which they may desire.

Mr. Jardine pointed out that the text of the agreement which had been initiated between the Governments of these two territories had been circulated. He said that in the view of the United Kingdom delegation, the agreement was precisely within the terms of paragraph 8(b) of Article XXIV of the General Agreement; in other words it contemplated a group of two customs territories in which the duties and other restrictive regulations of commerce were eliminated on substantially all the trade between the constituent territories in products originating in such territories. It was the intention that the Agreement should become effective on 1 January 1962. No interim period was provided for and the free trade area would come fully into effect on that date. Article XXIV:5(b) provided that duties applicable to the trade of third countries at the formation of the free trade area should not be higher or more restrictive than the corresponding duties and other regulations of commerce existing in the constituent territories prior to the formation of the free trade area. There would be no change in this case in the moderate barriers affecting imports from third countries.

He said that the territories of North Borneo and Sarawak, relatively less developed, were virtually completely dependent on agriculture and forestry for their export trade, except that Sarawak produced a small quantity of crude oil

which it refined and exported with re-exported oil from the adjacent state of Brunei. Brunei was not a party to the present agreement, but could take advantage, should it so desire in the future, of the accession provisions which were included in the agreement. Something like 80 per cent of the total area of the two territories was forest, mountain and swamp. The population was very small; in Sarawak it was 700,000 and in North Borneo 400,000. Each territory had therefore, a very small domestic market, a fact which tended to discourage local industry.

Mr. Jardine said that for a considerable period arrangements had applied whereby goods imported from third countries into North Borneo or Sarawak and exported to the other territory had only paid the import duty prevailing in the receiving territory. In effect therefore, there already existed a kind of free trade area in the goods imported from third countries. These arrangements had not, however, hitherto applied to goods produced in the territories themselves. The agreement created in respect of such goods a free trade area within the terms of Article XXIV:8(b). At present the volume of trade between the two territories was small, amounting to only £151,000 in 1960. The largest items were, in the case of exports from North Borneo to Sarawak, fresh fish, animal feeding stuffs, live animals for food, and other articles for human consumption; in the case of exports from Sarawak to North Borneo the largest items were timber, and vegetable produce for human and animal consumption. The total trade of the territories amounted in 1960 to £97,300,000, almost equally divided between the two. The proportion of trade between the two territories therefore amounted to only 0.16 per cent of their total trade. The agreement had laid down generous origin rules which would extend area tariff treatment to goods produced within the area incorporating imported materials of up to 75 per cent of the export price of the goods.

Article 11 of the agreement provided that participating Governments should not introduce or intensify quantitative restrictions on the import of any goods from the territory of another participating Government and, furthermore, that they should relax any such quantitative restrictions progressively. Mr. Jardine said he was able to inform the CONTRACTING PARTIES that there were at present in force no such quantitative restrictions on trade between the two territories.

The United Kingdom representative pointed out that the agreement had not purported to create a customs union with a common external tariff. It was the hope of the two participating Governments that progress could be made in this direction. At present the Governments relied to a considerable degree on import duties for revenue. Under the agreement certain imported goods would be eligible for area tariff treatment provided no deflection of trade resulted. This arrangement would be applied without discrimination. There were procedures laid down in Article 5 for dealing with any problems of deflection of trade which might arise. It had been found necessary, however, to establish a list of goods in respect of which at the outset area tariff treatment would not be accorded. These comprised nine categories which were set out in Appendix B. This list could be amended, and it was unlikely to be further extended. The list comprised products in respect of which at present the tariff structures of the participating Governments differed considerably. These items were not produced or assembled in the participating territories, and their exclusion

from area tariff treatment did not derogate from the free trade area which the agreement had established for all the trade in products originating in the territories. The régime applicable to goods in these nine categories imported into one territory and subsequently re-exported to the other would be as at present, that is, they attracted the import duty of the receiving territory, the Government of which refunded to or collected from the importer the difference between its rate of import duty and that of the other territory. The same arrangements as regards excise duties and as regards customs duties on imported components would apply to any goods in these categories which may be produced in either territory and exported to the other though as previously indicated, there were at present no such products, nor were they expected to be developed in the foreseeable future.

In conclusion, Mr. Jardine said that the United Kingdom delegation hoped that the CONTRACTING PARTIES would take note of these arrangements and welcome them as a forward step by these small developing countries towards the strengthening of their economies.

Mr. FLEMING (Australia) said that his delegation appreciated the information provided by the representative of the United Kingdom as well as the text of the Free Trade Area arrangements contained in document L/1630. The Australian delegation welcomed this important move in the economic advancement of Sarawak and North Borneo, and noted that the plan provided for no transitional period. As there were important principles and precedents involved in the formation of free trade areas, whatever their size, his delegation was of the view that it would be useful if an opportunity was given for the matter to receive more deliberate consideration than time had so far permitted. The United Kingdom had undertaken that any further information that contracting parties might request would be provided. To give the opportunity for contracting parties to ask any further questions and permit consideration of replies, his delegation felt that it would be wise if contracting parties would request the Council to arrange for any further examination which might be necessary on this matter.

Mr. EVANS (United States) said his delegation joined with the Australian delegation in welcoming the information submitted by the United Kingdom concerning the proposed Free Trade Area between Sarawak and North Borneo. His delegation hoped that the creation of a free trade area between these two territories would lead to an expansion of trade to the benefit of their economic development and to the increase of trade with their other trading partners. While the United States delegation supported the objectives set forth in the Treaty, they had a number of questions concerning certain provisions of the Agreement, particularly with respect to Article 4. It was his view therefore that there should be further study based on the text of the Agreement and on the supplementary information which the United Kingdom delegation had agreed to supply or had already made available. In the circumstances his delegation supported the suggestion made by the delegate for Australia that consideration of this matter should be kept open.

Mr. Evans suggested that in order to make any further examination of the matter by the CONTRACTING PARTIES or the Council most useful, the technique should be adopted under which the CONTRACTING PARTIES could submit

questions to the Executive Secretary who, in turn, would submit them to the United Kingdom delegation. If additional information was required, it would be open to any contracting party to submit to the Council a request for the establishment of a working party or any other procedures for consideration of the Agreement.

Mr. JARDINE (United Kingdom) said that the procedure suggested by the representative of the United States was quite acceptable to the United Kingdom delegation.

The CHAIRMAN said that in the light of the discussion the matter might be summed up as follows:

- (a) The CONTRACTING PARTIES, having received from the United Kingdom an official notification together with the text of the Borneo Free Trade Area Agreement, note the intention of North Borneo and Sarawak to establish a free-trade area. The CONTRACTING PARTIES further note that, as it is intended that the Free Trade Area would be established on 1 January 1962, there would be no "transitional period" and the question of a "plan and schedule" did not, therefore, arise.
- (b) The CONTRACTING PARTIES have also received from the United Kingdom further useful information which has facilitated their consideration of the Borneo Free Trade Area Agreement.
- (c) The CONTRACTING PARTIES have, at the present time, no specific recommendations which they wish to make under Article XXIV:7 to the governments participating in the Borneo Free Trade Area Agreement.
- (d) The CONTRACTING PARTIES welcome the expressed willingness of the United Kingdom to provide any additional information which contracting parties may wish to request, and they consider that it would be desirable for the Executive Secretary to circulate any requests for information and the replies thereto to all contracting parties. They also recognize that any contracting party might, if it deems it necessary in the light of any further study it might undertake in connexion with the establishment of the free-trade area between North Borneo and Sarawak, request the Council to make arrangements for the further examination of this matter.

This was agreed.

11. Expansion of trade

(a) Derestriction and publication of documents (L/1676)

The CHAIRMAN recalled that at a meeting early in the nineteenth session a number of delegates had proposed that reports of Committees II and III should be given publicity in addition to their inclusion in the next Supplement of the

Basic Instruments and Selected Documents. This proposal had received the consideration of the Executive Secretary who had submitted a note in document L/1676. The Executive Secretary had advised that these reports could be published without involving a modification in the budget estimates in 1962.

Within the budget estimates the study by Committee III of India's Third Five-Year Plan could also be published and it was understood that the Government of India would welcome such publication. Thirdly, it was suggested that the reports on the consultations with contracting parties carried out by Committee II should be made available in their present mimeographed form with the addition of a hard cover. This, however, would involve the derestriction of the documents containing these reports. The list of the documents would be included in those issued in the past six months which would be derestricted in February and contracting parties would then have an opportunity to request the maintenance of the restricted classification for any document which they would not wish to be derestricted.

Mr. EVANS (United States) said that his delegation did not object to the procedures which had been suggested, but wished to draw attention to a possible danger in the future if it should be understood that it was a normal procedure to derestrict, in particular, reports on consultations. In his view, this could lead to a less frank exchange of views than had been enjoyed in past consultations. He believed that the procedure suggested in this case was satisfactory but, in agreeing to the suggestion, his delegation would not wish to give the impression that it believed that the procedures should always apply to the future.

The suggestions contained in document L/1676 were approved.

(b) Measurement of agricultural protection (COM.II/132)

The CHAIRMAN said that this item had not been included in the agenda with the intention that it should be discussed at this meeting, but merely to draw attention to the report by Committee II in document COM.II/132. It would be noted from that report that the Study Group on Measurement of Agricultural Protection appointed by the Committee had issued an Interim Report which had been accepted by the Committee. The Committee had agreed that the group should meet again when the pilot studies at present being undertaken were completed.

The report of the Study Group on Agricultural Protection was noted.

The CHAIRMAN added that, in view of the accession of Tanganyika to the General Agreement, it was proposed to add Tanganyika as a Member of Committee III.

It was agreed that Tanganyika should be included as a member of Committee III.

12. Programme of meetings for 1962 (W.19/26)

The CHAIRMAN said that proposals by the Executive Secretary had been placed before the CONTRACTING PARTIES in document W.19/26. According to this programme the Balance-of-Payments Committee was scheduled to meet for the second time in 1962 from 17 to 24 September. These dates had been proposed in accordance with the recommendation of the Committee itself that it should meet immediately prior to the session. Unfortunately the date for the Committee's meeting as now proposed might be found inconvenient in view of the fact that the annual meeting of the Governors of the International Monetary Fund would be taking place at the same time. This might cause difficulties for certain governments and it might therefore be desirable for the Balance-of-Payments Committee to meet at some other time. Any change, however, would require further consultation with the parties concerned. It was therefore proposed that the Council be instructed to look into the matter and, in consultation with the Fund and the contracting parties concerned, to decide on the final date for the second meeting of that Committee in 1962.

This was agreed.

Mr. TREU (Austria) referred to a statement made at the last meeting of the Council by the representative of Uruguay regarding the possibility of holding the next session of the CONTRACTING PARTIES in Montevideo. His Government also wished to submit an invitation to hold a session in Vienna, but this would in no way affect any priority of the Government of Uruguay in this matter. This suggestion was, of course, merely for information and depended on whether the CONTRACTING PARTIES considered it feasible. If so, his Government would come forward with concrete proposals during the next Council meeting.

Mr. LACARTE (Uruguay) said that his delegation had already had unofficial talks with the Austrian delegation on the subject. He recalled that at the last Council meeting he had mentioned that his Government had considered the possibility of inviting the CONTRACTING PARTIES to hold the next session in Montevideo. His delegation had discussed the matter with the Executive Secretary and the subject was being further studied by his Government. The CONTRACTING PARTIES might agree to turn this matter over to the Council.

This was agreed.

Mr. CAMPBELL-SMITH (Canada) said that it was implicit in the decision providing for the holding of one annual meeting of the CONTRACTING PARTIES that the Council would of course, assume a greater responsibility in dealing with matters brought before it. His delegation hoped that the Council, within its competence, would dispose of as many items as possible between sessions.

Subject to the considerations recorded above, the proposals put forward by the Executive Secretary in document W.19/26 were approved.

13. Financial and administrative questions

The CHAIRMAN drew attention to certain documents submitted for information, i.e. L/1577 - Ex Gratia Payments; L/1578 - Revision of Common Salary Scales for Professional Category Staff and Above; L/1579 - Salary Scales of the General Service Staff; and L/1607 - Financial Position as at 30 September 1961. The Chairman added that these papers were circulated for the information of the CONTRACTING PARTIES and that their contents did not appear to require any further comment.

The Chairman also referred to L/1643, which was a second paper on Revision of Common Salary Scales of Professional Category Staff and Above. He pointed out that since this document had been issued, confirmation had been received that the United Nations General Assembly had approved the Fifth Committee's recommendations referred to in the document. He asked the CONTRACTING PARTIES to approve the recommendations contained in paragraphs 4 and 5.

These recommendations were approved.

The CHAIRMAN then drew attention to the fact that the adoption of the new salary scales for professional staff, which had just been approved, would make it necessary to review the salaries currently attached to the ungraded posts, i.e. the posts of the Executive Secretary and the Deputy Executive Secretary. The CONTRACTING PARTIES would recall that at their twelfth session they fixed salaries and representation allowances for these two posts at a level which at the time was considered appropriate. Since then these salaries and allowances had remained unchanged. As the International Civil Service Advisory Board had pointed out in the report on which the present salary proposals were based, there was at present already much telescoping and compression of salaries at the higher graded levels, and the improvement of them would automatically affect the salary level of the ungraded posts. This applied not only to GATT but also to the United Nations and other international organizations. According to information which had been received the various governing bodies of these organizations intended to take appropriate action on this matter early in 1962. He proposed, therefore, that the CONTRACTING PARTIES adopt the same course and authorize the Council to examine the question of adjustment of the emoluments attached to the ungraded posts at an early meeting in the light of the present responsibilities of the incumbents and action taken in other places. The Council should be authorized to take a decision on the matter.

This was agreed.

The CHAIRMAN, referring to L/1644, Classification of Geneva for Purposes of Post Adjustment Applicable to Staff in the Professional Category, asked the CONTRACTING PARTIES to approve the recommendation contained in paragraph 6.

This recommendation was approved.

The CHAIRMAN, introducing document L/1562 - the Report of the Budget Working Party, said that this Working Party which had been appointed at the eighteenth session had met in September and had considered the Executive Secretary's financial report on the 1960 accounts, the report of the

External Auditors thereon, and the budget estimates for the financial year 1962. The Working Party's report and its recommendations and proposals had been approved by the Council and were now submitted to the CONTRACTING PARTIES for adoption. He asked the CONTRACTING PARTIES to approve the report and the recommendations and proposals contained therein as well as the draft resolution on the expenditure of the CONTRACTING PARTIES and ways and means to meet such expenditure.

These were approved.

The EXECUTIVE SECRETARY said that he wished to take this opportunity to report to the CONTRACTING PARTIES on the successful end of the recruiting drive, the effects of which would make themselves felt gradually. He also wished to report that he had managed to improve the geographical spread in the secretariat. He recalled that he had not asked for additional posts for the year 1962, which he considered to be a period of consolidation. Since, however, there had been a number of suggestions from the Ministers, the secretariat had a heavy year in front of them. He had always believed in a small and efficient secretariat but such an arrangement meant that there was no built-in margin. He would have to review staffing each year, notably when the 1963 budget was prepared.

He was able to report that the new building was proving to be invaluable and he paid a tribute to the generosity of the canton of Geneva and to the European Office of the United Nations.

Finally, the Executive Secretary confirmed that from 1 January 1962 Mr. Finn Gundelach would take up his duties as Deputy Executive Secretary.

14. Chairmanship of ICCICA

The CHAIRMAN recalled that the Chairman of the Interim Co-ordinating Committee for International Commodity Arrangements was nominated by the CONTRACTING PARTIES for appointment by the Secretary-General of the United Nations. At a recent meeting of heads of delegations, consideration had been given to the choice of a successor to Mr. L.K. Jha (India) who had indicated that he would not be available for renomination. As recorded in document W.19/8, the heads of delegations had considered that Mr. S.A. Hasnie, the Governor of the State Bank of Pakistan, should be nominated as Chairman of ICCICA for the ensuing year.

The nomination of Mr. S.A. Hasnie was approved.

Mr. AHMAD (Pakistan) said that in his country Mr. Hasnie was regarded as a very distinguished civil servant, and that his delegation was confident that his ability and experience would greatly contribute to making the task to be entrusted to him successful. He was sure that, in spite of other great pressures on his time, Mr. Hasnie would be happy to work on a subject in which he had considerable interest.

15. Election of officers

The CHAIRMAN said that the rules of procedure provided for the annual election of a chairman and two vice-chairmen to hold office from the end of the last session in the year until the end of the last session in the following year. As was customary, this matter had been considered at a meeting of heads of delegations during the current session and, as reported in document W.19/25, it had been agreed to propose the election of Mr. W.P.H. van Oorschot (Kingdom of the Netherlands) as chairman for the ensuing year. Further, it had been agreed to propose Mr. J.B. Daramola (Nigeria) and Mr. J.H. Warren (Canada) as vice-chairmen.

The three officers proposed were elected.

16. Chairman's closing statement

The CHAIRMAN, concluding the nineteenth session of the CONTRACTING PARTIES, referred to the wide objectives of the General Agreement which had permitted it to become an instrument of particularly high importance for peaceful international life. By stimulating and disciplining world trade GATT had become a factor of added security for all nations and a powerful agent for the development of the welfare of all peoples. The advantages of a higher degree of rationality in the use of resources - as shown for instance in the case of the European Common Market - had become familiar to the way of thinking of the average man who was beginning to understand, beyond the contradictions of the smaller and more immediate interests, the higher interest of long-term stable prosperity which was closely interwoven with the prosperity of others. The notion of the interdependence of prosperity was beginning to prevail over minor nationalistic tendencies.

GATT had not yet been able to bring to reality all its great hopes. Notwithstanding, even though GATT might be an instrument of action characterized by undeniable limitations, the Chairman felt entitled to a considerable degree of optimism. The very success of the European Common Market - imperfect as it still was because of its geographical limitation - was in fact clear proof of the soundness of the underlying economic principles of the General Agreement.

As for the new philosophy which now began to take form, the Chairman pointed out what seemed to him two of its more far-reaching principles. The first principle was that it was becoming generally understood that there was an inherent injustice in the traditional criteria of negotiation based on formulae of rigid compensation of reciprocal concessions. The second principle was that equity could be achieved by means of reasonable forms of co-operation and of organization of the international economic order. It was thus possible to a large extent to correct the negative effects of the blind play of economic forces, which tended to cause increasingly serious cyclical oscillations in the levels and distribution

of income and employment. This correction could be achieved without it being necessary to interfere substantially with a very large area of freedom. On the contrary, it was possible to respect quite reasonably the normal play of supply and demand as a means for a better allocation of resources in accordance with the free preference reflected in the market. Within the General Agreement the alternative was not one of cyclical catastrophe or forcible regimentation, nor of exploitation of the weak by the strong. Mercantilistic blindness resulting from ~~short-term~~ or unqualified national egoism was disappearing, although sometimes one was tempted to wish that it would go a little faster. But in sum total the picture was an optimistic one of progress towards equity leading to accelerated growth and stability.

The CONTRACTING PARTIES thanked the Chairman for the contribution which he had made to the work of the GATT during his term of office.

The CHAIRMAN declared the nineteenth session closed at 1.30 p.m.