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Ninth Session

SUMMARY RECORD OF THE FOURTH MEETING

Held at the Palais des Nations, Geneva,
on Monday, 1 November 1954, at 3 p.m.

Chairman: H.E. Mr. L. Dana WILGROSS (Canada)

- Subjects discussed:
1. European Coal and Steel Community - Report by the Member States
 2. Turkish Schedule Transposition

1. European Coal and Steel Community (L/240, L/247, L/262)

The CHAIRMAN referred to the Second Annual Report by Member States (L/240), the Note by the Executive Secretary (L/247), and the comparative table for tariff item numbers in the Community Member States Tariffs of the "Coal and Steel Products" (L/262).

Mr. PHILIP (France) submitted the Second Annual Report (L/240) on behalf of the Member States. This Report was submitted in accordance with the Decision of the CONTRACTING PARTIES of 10 November 1952. The first part of the Report indicated the measures of interest to the contracting parties taken during the past year, collectively by the six Member States or individually by the different Governments. The official texts concerning the various measures were listed in Annexes II and VII of the Report and had been communicated to the Executive Secretary. To meet the wish expressed at the Eighth Session, the first part also embodied general information on the production of coal and steel within the Community and the movement of trade between the Community and third countries.

Statistics on output and trade with third countries had been placed at the disposal of the Executive Secretary, who had made use of them in the preparation of his Note (L/247). The French Delegation would provide the working party with any corrections and elaborations which might appear necessary.

Mr. Philip wished to draw the attention of the CONTRACTING PARTIES particularly to four points. Firstly, the Community had begun to function in a most difficult situation of economic depression; secondly, that despite the general difficulties, trade within the community had developed and increased in that period; thirdly, that the new principles established and initiated by the

Community, such as, for example free movement of workers, had been realised and now formed part of the policy of the national governments; and finally that the development of internal trade within the Community had caused no dislocation in the trade between members thereof and third countries, nor was the evolution of external trade affected by development within the Community.

Certain countries had asked at the last Session for details relating to the activity of certain groups of producers and the equitable nature of export prices. The latter had reached a stability which now seemed assured, and the enquiry conducted by the High Authority on its own authority concluded that the group of steel producers had not resulted in the imposition of inequitable prices for exports to third countries. The High Authority's representative was ready to give full information to the Working Party.

Furthermore, the Resolution adopted by the Special Council of Ministers (para.12 of the Report) emphasized the same intention of the Member States to observe the provisions of Article 3:(f) of the Treaty which required the Community to "further the development of international trade and see that equitable limits are observed in prices charged on external markets". Hence, it was apparent that the Community took full account, on the occasion of initiating measures, of the interests of third countries.

The second part of the Report related to the establishment of a common market for special steels. In that connection, France and the Federal Republic of Germany had taken a first step in the harmonization of the Community's tariffs by unilaterally reducing duties to rates considerably below the rates for special steels included in their respective tariffs. Italy had been authorised, in accordance with paragraph 30 of the Convention relating to Transitional Provisions, to maintain provisionally a certain amount of protection in respect of special steels imported from other Member States.

The third part of the Report related to the Community's negotiations with third countries. The CONTRACTING PARTIES had recommended at the last session that these negotiations be undertaken and finished before the establishment of the common market for special steels. In fact, only Austria had requested negotiations, and these were not yet concluded. No other country had formally indicated its intention to negotiate.

The CONTRACTING PARTIES would understand that the Member States had not wished to give details in their report about negotiations initiated or to be initiated with third parties. This was not a procedure usual in international relations and might hamper negotiations.

Talks had, however, been opened in 1952 with the United Kingdom, and Annexes XI and XII of the Report reproduced the exchange of correspondence on this matter. A draft agreement was at present being studied and would shortly be discussed by the Special Council of Ministers of the Community.

It was now for the CONTRACTING PARTIES to verify that the six Member States had respected the terms of the waiver granted to them, and particularly that they had taken the necessary measures to fulfil the general obligations undertaken by them towards third countries in signing the Treaty of 18 April 1951.

Presumably a working party would be established. The Governments of the Member States and the representatives of the High Authority would be entirely at its disposition to supply information. He requested contracting parties to submit all questions in writing, both to facilitate the task of the Working party and of the Member States.

Mr. SEIDENFADEN (Denmark) said that his country, since it had no coal or steel within its own borders, had a most direct interest in the success of the Community and had always felt that if the far-reaching goals which the Member States had set themselves could be achieved it would benefit not only the peoples of the Member States but the world community as a whole. This had been in the minds of the creators of the Schumann Plan and was also the general reason for the granting of waivers by the OEEC and by the CONTRACTING PARTIES. Clearly, therefore, it was of particular value to discuss each year in the CONTRACTING PARTIES certain aspects of the Community's progress. The Report submitted by the Member States, together with the Executive Secretary's Note, provided much useful information. His delegation hoped that the CONTRACTING PARTIES would also once again instruct the Executive Secretary to prepare a commentary on the next year's report of the Member States.

There were certain points Mr. Seidenfaden wished to raise in the CONTRACTING PARTIES before this matter went to the Working Party. Coal and steel were basic commodities in any line of production, and consequently for a country like Denmark which imported them, the price of these materials was a determining factor in the cost of production of every commodity, in the price of consumer goods and in the price of exports, and thereby a factor influencing its whole living standard. Therefore, the prices charged to third markets by the Community's exporters were of basic importance to Denmark, and in studying the reports Denmark's interest necessarily centred upon the information given on the activities of the Community's governing bodies in this field. Mr. Seidenfaden referred to the laconic statement contained in paragraph 11 of the Report, to the effect that the High Authority had found that the export price level charged by producers within the Community on third markets was and continued to be equitable. The Executive Secretary's Note (I/247, paragraph 8) referred to the assurance given by the High Authority at the Eighth Session that it would take every measure in its power to ensure that equitable prices were charged in markets outside the Community and went on to state that since the Eighth Session the High Authority had studied the question of producers agreements in relation to the activities of the group known as the Brussels Export Convention, but no report had so far been received. The Executive Secretary's Note referred to an announcement by a spokesman of the High Authority regarding the use of the powers created by the Treaty in the event that prices of steel exports should become

inequitable, and also to unofficial reports, according to which prices for exports had been fixed under the Export Convention, and it appeared that price differentials as between countries of destination still applied.

The Danish Delegate referred to his statement at the previous Session, where he had explained that, while it was feared by many in Denmark that the Community might develop into an immense cartel, his Government still trusted that the Community would live up to its high objectives and was willing to make all allowances for the short period during which it had functioned. This position was still the position of the Danish Government. However, its fears had not lessened, and it regretted that no mention of the Brussels cartel was made in the Report. In the circumstances, his Government had been compelled to seek information elsewhere, and in view of the well known difficulties in the way of an outsider obtaining reliable information on cartel activities, the description he was about to give might be quite wrong. Their information was that the Brussels cartel had been created some fourteen months previously, and covered nearly 95% of the producers, or 100% of the exporters, of five of the Member States. This involved about 25% of the steel production of the Community. It appeared that the legality of the cartel had been discussed by the High Authority about the beginning of 1954. Nothing resulted from this discussion, which might perhaps explain why the cartel had since felt able to strengthen its control, first by introducing a fine of \$50 per ton on producers that broke the minimum prices fixed by it, and next by introducing a quota system with monthly export quotas allotted with fixed percentages for each of the exporting countries. The High Authority had not denied that it was only possible to press this quota system on the German producers through a threat by French and Belgian producers of increased competition from them in the internal German market. If this were true, it seemed clear that the actions of the export cartel must inevitably, directly and indirectly, influence normal competition within the Community's market. It was clearly understood when the waiver was granted by the CONTRACTING PARTIES that members of the Community would comply with their Treaty obligations, including the provisions of Article 65 of the Treaty, according to which members undertook to prevent any restriction of the discriminatory practices impeding normal competition. Mr. Seidenfaden would thus welcome any information that Member States could provide on this question to the CONTRACTING PARTIES.

Referring to the export prices actually fixed, contracting parties found themselves in a difficult position because the Report gave no details and reliable information was hard to come by. It was the impression of his Government that owing to the cartel's activities, the fixed minimum prices for several categories had shown increases during the preceding five or six months, and that those increases were in no way due to increased costs of production, nor had they been followed by similar increases of prices within the Community market. His delegation would appreciate it if the Working Party could get concrete price information. According to their information, the minimum prices fixed for wire rods for export were now some 13 per cent higher than on the home market, for thin plates some 15 per cent higher and for galvanised

plate about 19 per cent higher. Even if these figures were only approximately true it would appear that the Community had not fulfilled its undertaking under the waiver to ensure that equitable prices were charged by its producers in markets outside the Community. This was a question that should be discussed by the working party.

Mr. Seidenfaden said that the prices of these basic materials were of great importance to his own country, and hence it was particularly interested in the question of cartel policies and equitable prices. Moreover, he felt that these must be question of considerable interest to other contracting parties both inside and outside the Community. If it were desired to go forward toward freer world trade and eventually reach a point where full convertibility of currencies would be possible, an increase of productivity in all sectors and in all countries of Western Europe was the first condition. While the goal of the Community was higher productivity, it was well known that the goal of any cartel was higher profits, and these two objectives did not always work together. It was for this reason that clarification on the points he had raised was essential. If his Government was misinformed, then this was also true of much public opinion, and it should be put right before more harm were done. If, on the other hand they were right, it was most important that something be done to remedy the situation, so that the Community should develop in accordance with its original objectives to the benefit of members and non-members alike.

He felt that the working party should consider these matters. At the same time the High Authority might wish to give its views on the increasing cartelisation on the Community's coal production and trade. This cartel development, according to the Danish Government's information, had been of growing importance since the establishment of the Community, and it now appeared that one of the cartels comprised more than 50 per cent of the Community's production and sale of coal. The High Authority had undoubtedly studied this development, and it would be interesting to have its opinion of the influence of this trend on the objectives of the Community, especially on the productivity and on the prices inside and outside the Community.

Mr. SAHLIN (Sweden) said that his delegation had studied the Second Report of the Community with much interest, and noted with satisfaction the substantial progress realised in the course of the year following the establishment of the common market, particularly in the realm of trade in coal and steel. He referred also to the Note by the Executive Secretary which contained useful additional information.

The Swedish delegation had frequently explained to the CONTRACTING PARTIES the interests affected by relations between Sweden and the Community, both in the fields of export and import. He wished now merely to underline the importance for the economy of his country of trade with the Community and his country's continuing interest in its policies and operation. He would present detailed observations on the Report to the working party which would presumably be established.

Mr. Sahlin considered it useful to take this opportunity to support the remarks of the Danish delegate regarding the need to examine more closely the Community's policy of export prices, and for this purpose to initiate a comparison, product by product, between the prices imposed by producers on external markets. The working party should also examine the restrictions on the export of scrap maintained by the Member States, which question seemed to his delegation insufficiently explained in the Report. The working party would, no doubt, wish to request additional information on the reasons for the maintenance at the present time of these restrictions, and also on the criteria used in their application, particularly the rôle played in this regard by the Common Office of Scrap Consumers in Brussels.

Mr. Sahlin wished particularly to draw the attention of the CONTRACTING PARTIES to another tendency which had recently given rise to fears in Sweden. The establishment of the common market for special steels in August 1954 appeared to have been followed in certain countries of the Community by a strengthening of protectionism with regard to imports of such steels from third countries. In granting the waiver of the most-favoured-nation clause, third countries had admitted the establishment of a Community for coal and steel and, as a result, the creation of a preferential area. It was understood that the creation of such an area would, at least, during the transitional period result for third countries in an aggravation of the conditions of competition on the common market. His country had hoped, however, and he thought with reason, that such an aggravation would be alleviated by the application of modified customs duties or, at the very least, that the duties applied to third countries would not be altered upon the entry into effect of the common market, to the detriment of such countries. It was with regret that they realised that this was not the case, and that third countries had, in fact, to face a situation of higher duties than was the case before 1. August.

In conclusion, he wished to congratulate the Community on the progress realised in so many fields since the last Session of the CONTRACTING PARTIES. Those questions relating to certain activities of the Community which had been raised should, in view of his delegation, be studied with the closest care by the CONTRACTING PARTIES.

Mr. GOERTZ (Austria) remarked that the previous statements had touched upon subjects which were of vital interest to Austria. He referred in particular to the assurance given by the Community on the occasion of receiving the waiver that, in all its measures, it would take into account the interests of third countries. The Austrian representative at the last Session had recalled the grave difficulties which the establishment of the Community caused to the Austrian steel industry, which depended to a large extent on the Members of the Community both for its supplies and for its export market. If Austria were cut off from its traditional market, it would not be able to find alternative ones, particularly for its special steel. The Austrian representative had expressed the hope that Member States and the High Authority would pay due regard to the Austrian situation and consider

favourably arrangements to meet it. On the basis of assurances of the representative of the High Authority, the CONTRACTING PARTIES at the last Session noted that the Community was determined to initiate negotiations with third countries as soon as possible, and expected substantial results by 1 May of this year. Austria requested the High Authority to enter into negotiations on special steels in the Spring of 1954, and negotiations took place during June and July. Unfortunately, the Austrian delegation must report that it had been impossible to obtain satisfactory results. The High Authority was prepared to concede tariffs lower than those envisaged for the first phase of the common market for special steel, but the total of the concessions offered was less favourable than the situation before the establishment of the common market for special steel, and were furthermore, combined with conditions which Austria was not in a position to fulfil. Mr. Goertz repeated the vital interest of Austria in the matter, and proposed that the Working Party about to be established be instructed to present proposals as to how the legitimate interests of third countries could be protected.

Mr. KOHT (Norway) shared the views of the previous speakers and wished to emphasise particularly the statement relating to the so called Brussels Convention made by the delegate for Denmark. At the Eighth Session, the Norwegian delegate had already been particularly concerned about the problem of export prices and had requested information about it from the High Authority. During the past year it appeared that the Brussels Organisation had been strengthened and stabilized, and Norway, a country completely dependent on imports of steel products, was naturally very much interested in this matter. The Norwegian delegation felt that a working party should thoroughly investigate the activities of the Brussels cartel organization on third countries.

Mr. WEISS (United States) expressed the interest of his Government in the consideration of the second annual report of the Community. The United States Government had from the beginning supported the establishment of the Community for reasons in part alluded to by the Danish representative, and had recently given tangible proof that it continued to do so. The United States was thus concerned that the study of the operation and effects of the Community should be a very thorough one. The Report of the Community provided much information but delegations would be interested in seeking further enlightenment on major aspects and on relations between the Community and third countries. Among other matters, the question raised by the delegate for Denmark with regard to export pricing practices should be thoroughly explored in the working party. He had also found the report prepared by the secretariat useful and hoped the CONTRACTING PARTIES would direct the secretariat to prepare a similar document on the third annual report of the Community.

Mr. MACHADO (Brazil) referred to the detailed discussion at the Eighth Session of the first report of the Community. At that time, the secretariat had been asked to prepare a commentary. The terms of the waiver granted to the Member States of the Community required them to submit all information relating to the Agreement. The principle that governments should provide the

fullest information was also relevant to the Review. Certain data of great importance were lacking in the second annual report; the question of export prices as compared with prices on the home markets of Member States was only referred to (paragraph 11 of L/240), but no mention had been made either in the Community or Secretariat reports of what those prices actually were. He raised this question because the problem of protection of domestic production for countries that were in the process of development was not sufficiently considered. Waivers should also be provided for developing countries. He asked that the secretariat be requested to provide precise information concerning the questions raised by the Danish delegate.

Mr. PHILIP (France) said the problems raised by the various speakers were of great interest and required more detailed discussion in the Working Party. He reiterated his request that questions be handed in in writing so that the representatives of the High Authority and of the Community would be able to give the information required. Three main problems appeared to have emerged from the discussion. There was the problem of restrictions on the export of scrap. The maintenance of these restrictions had been recognized as justifiable last year. The situation had not changed since, with the exception of naval scrap where there had been a slight relaxation of restrictions. The remaining restrictions in this field were in no case of a discriminatory nature. The Community was ready to give all details to the Working Party.

Secondly, there was the problem of cartels. This had a dual aspect. There was the internal question of cartels that might develop within the common market and in this field the High Authority had some powers which it was beginning to use with respect to sales organizations. There was also the question of organizations of sales for export. Here the authority of the High Authority related not to the structure but to the practice, and was centred on the establishment of equitable prices in accordance with the General Agreement. The Working Party should consider this problem from this viewpoint. This was a matter that had been studied by the High Authority and fell within its field and not of that of the Member States.

Finally, there was the question of negotiations with third countries raised by the delegate for Austria. He wished only to observe that any negotiations presupposed reciprocal concessions, that the negotiations between the Community and Austria had been suspended by mutual consent, it was hoped they would be resumed and it would be desirable to avoid at this stage any judgement on the responsibility for their hitherto lack of success. The role of the Working Party was not to protect the interests of third countries but to review the work of the Community as a whole and to consider the manner in which the Community was respecting the terms of the waiver.

The CHAIRMAN thought this preliminary discussion had been illuminating and the matter should now be taken up by a Working Party to be considered in detail. He stressed that delegations wishing to put questions to the Community should do so in writing, as requested by the French delegate. A number of delegates had suggested that the Executive Secretary should be instructed to prepare a commentary on the third annual report of the Community similar to the one prepared on this year's report. The Chairman noted the suggestion by the

delegate for Brazil that additional data relating to prices on the internal and export market should be supplied. As to the lack of such data in the Executive Secretary's Note, the Chairman pointed out that the CONTRACTING PARTIES at their previous session had merely recommended that a note similar to the one supplied by the secretariat to that session be provided and this had been done. The representative of the High Authority would take part in the Working Party discussions and would no doubt supply all the information required.

Mr. MACHADO (Brazil), clarifying his previous remarks, said that his delegation considered that it was not for the secretariat to supply information but to comment on information supplied to it. He reiterated that essential information relating to comparative internal and export prices was lacking in the Community's Report and should be provided.

The CHAIRMAN said that the Working Party would examine these questions.

The CHAIRMAN proposed the establishment of a Working Party composed of Austria, Belgium, Brazil, Canada, Denmark, France, Germany, India, Italy, Japan, Luxemburg, The Netherlands, New Zealand, Peru, the United Kingdom and the United States, with Mr. Vargas Gomez (Cuba) as chairman. The terms of reference would be as follows:

To examine, in the light of the statements made at the Plenary meeting on 1 November 1954 and other relevant data, the second annual report of the Member States of the European Coal and Steel Community and to report thereon to the CONTRACTING PARTIES.

The appointment of the Working Party as proposed was approved.

2. Turkish Schedule Transposition (L/229)

The CHAIRMAN drew attention to the statement by the Turkish Government (document L/229) indicating that it had adopted a new tariff system based on the Brussels Nomenclature and providing for ad valorem instead of specific duties. It had been the intention of the Turkish Government to maintain (at least as far as the trade of contracting parties was concerned) the rates bound in the Schedules on items which had been negotiated. Difficulties had been found, however, in having two tariffs in force and the Government did not wish to wait until July of next year to bring about the change to ad valorem duties on the items bound under the Agreement. Any such transposition in respect of bound items, of course, required consultations with the Government with whom the item had been negotiated, and any other governments interested, as well as approval by the CONTRACTING PARTIES.

Mr. HAYTA (Turkey) said that Turkey had advised contracting parties by means of document L/203 distributed on 11 June 1954 of the entry into force on 7 June 1954 of a new tariff drawn up in accordance with the principles of the Brussels Convention and based on ad valorem rates. Since the concessions granted by Turkey under the Agreement were based on specific rates his Government had decided to transpose that schedule into the new

nomenclature and to convert the specific rates into ad valorem ones. A new schedule in the same form as Schedule XXXVII and transmitted to the Executive Secretary. He requested the CONTRACTING PARTIES to approve this transposition.

Mr. PLUMPTRE (Canada) welcomed this further evidence of support of the Brussels Nomenclature and felt sure that the Turkish Government would find the system of ad valorem rates more convenient than the system of specific rates. Sympathy would be felt for the administrative difficulties involved in operating two concurrent tariff systems. His delegation, as well as others, had been gratified at the assurance contained in the statement by the Turkish Government that the conversion would in no case lead to an impairment of the substantial value of the concessions. His Government was concerned, however, by the statement to the effect that transposition into ad valorem duties would be carried out on the basis of 1948 values adopted as a reference year. He had not yet seen the new Turkish Schedule and perhaps its contents would dispel the doubts raised by this statement. An important question of principle was involved. It was well-known that a rise in prices led to a decline in the effective protection afforded by specific duties. If, ad valorem rates were now to be introduced on the basis of 1948 prices, the rise that had occurred in prices over the last six years would result in raising the effective protection as of now. Pressures to adjust specific rates or adopt ad valorem rates to take account of such price rises were not peculiar to one country. In Canada many such pressures had been resisted on the basis that other contracting parties were also resisting similar pressures. In the general lessening of protection since the war, while a part of it was the result of tariff negotiations, much of it was attributable to the fact that specific duties had remained constant while prices were rising, and the effective incidence of protection was thus lowered. That was the case in Canada and in other countries which had a large number of specific rates of duty. If any one country, even with the best will and admirable purposes, was permitted to adjust upwards its effective specific rates or to transpose them into ad valorem rates which would in fact result in higher protection, the temptation to others to do the same would be very great and the stability of the concessions negotiated under the Agreement undermined.

Mr. PEREZ CISNEROS (Cuba) said that a question of principle was being raised. The Canadian delegate seemed to imply that a conversion of a specific rate to an ad valorem rate should be made at the price level existing at the time of conversion, rather than that which existed at the time the tariff negotiations had taken place. Mr. Perez Cisneros noted that the Canadian representative recognized that the rise in prices had led to a corresponding decline in the effective protection accorded by specific duties. In the case of items bound under the Agreement, it would seem that an imbalance had taken place in the negotiated rates which should be corrected. If such a situation developed and the protection afforded by the negotiated rates became inferior to that established as the objective of the negotiations, the thesis that no alteration could be made without further compensation was not tenable. The important principle to recognize in converting specific to ad valorem rates was that the protective incidence agreed to at the time of negotiation should be respected. In other words, conversion should be made on the basis of the price levels existing at the time the rates were bound.

The Cuban Government attached great importance to this principle and he would welcome clarification of it in the Working Party.

Mr. JHA (India) thought the question of principle had been well stated by the delegate for Canada. He shared his sympathy with the plight of countries which operated under specific rates at a time of rising prices. He also shared his misgivings about the position of the CONTRACTING PARTIES with regard to conversion. If conversion were to be based on 1948 values, the immediate effect would be a great rise in protection. It could not be argued that this consequence could be justified on the grounds of the administrative inconvenience of operating a dual system. In fact, most countries had both specific and ad valorem duties. Mr. Jha said that he understood that even for commodities whose classification was not being altered there would be a change in the actual levy on imports. This would be a change of substance.

Concerning the arguments put forward by the Cuban delegate, if it were accepted it must be applicable to all the schedules. That this was not the intention of contracting parties when entering into the Agreement was borne out by the provisions of Article II:6(a) which laid down the conditions necessary before specific rates could become liable to adjustment and contained, moreover, the proviso, that such adjustments should not impair the value of the concessions contained in the schedules. He agreed that it seemed particularly unfair that specific rates should be bound in the present situation of rising prices. Had prices been falling, of course, protection would have increased. The fact that a rate was bound in the schedules as a specific rate without an ad valorem equivalent was sufficient indication that it was the specific rate that was bound. He requested the Turkish Government to reconsider the matter, particularly if it were only a case of administrative difficulty, and in view of the general consideration about to take place regarding the assured life of the schedules.

Mr. RAFFIGAN (Australia) understood the problem facing the Turkish Government. Australia was concerned by the transposition on the basis of 1948 values less for reasons of principle than because of the practical effect of such action on the concessions negotiated by Australia. These would be seriously impaired. If 1948 prices were used as a basis, duties in some cases three times as high as the present ones would result. He considered that the conversion should take place on the basis of the 1950/51 price level.

Mr. MEYER (Union of South Africa) recognized the magnitude of the principle involved; on the one hand there was logic, and on the other intentions and practicability of measures which would affect various contracting parties. In the discussion of this matter all the difficulties entailed by changing from specific to ad valorem rates should be considered. There was not only the question of relative protection but also the effect on preference of changing prices. South Africa had had the experience that certain preferential benefits had been nullified as a result of price changes.

The CHAIRMAN said that a question of principle had been raised. Nothing in the Agreement prevented a country making the transposition for specific to ad valorem rates in the case of unbound items. In the case of bound items, however, the provisions of Article II prevailed. Therefore, the rights of the countries with which bound items had been negotiated and of countries substantially interested must be observed and the procedures of Article XXVIII must apply.

He proposed to refer the matter to the Working Party on Schedules for detailed examination. The additional terms of reference for the Working Party would be as follows:

To examine in the light of discussion in Plenary session the request of the Turkish Government for the transposition into ad valorem duties of the rates of duty provided for in Schedule XXXVII and to report thereon to the CONTRACTING PARTIES.

The additional terms of reference were approved.

Mr. PEREZ CISNEROS (Cuba) thought that the Chairman had to a certain extent given a ruling which, as he understood it, was to the effect that when a contracting party wished to convert an item bound in the Schedules from a specific to an ad valorem rate and another contracting party expressed an objection, then the provisions of Article XXVIII would rule. If so he wished to reserve the position of his Government. He felt a full discussion should be held before reaching such a conclusion.

The CHAIRMAN said that the Cuban reservation would be noted. He observed that a similar case had arisen at the Eighth Session in connection with the proposal of the Greek Government to introduce a minimum ad valorem rate for certain specific rates. The Working Party on Rectifications of Schedules had reported to the CONTRACTING PARTIES (BISD, Second Supplement, page 66) that such changes could not be considered rectifications and had referred the matter to the CONTRACTING PARTIES so that such changes could form the object of consultations and negotiations with the parties interested.

The meeting adjourned at 6.15 p.m.

