

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

SR.10/12

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CONTRACTING PARTIES
Tenth Session

Page 121

SUMMARY RECORD OF THE TWELFTH MEETING

Held at the Palais des Nations, Geneva,
on Monday, 14 November 1955, at 2.30 p.m.

Chairman: Mr. L. Dana WILGRESS (Canada)

- Subjects discussed:
1. Budget Working Party Report
 2. Italian waiver/Libya
 3. Article XVIII releases - Ceylon
(petroleum products)
 4. Japan Accession

1. Budget Working Party Report (L/452)

Mr. MACHADO (Brazil), Chairman of the Working Party, introduced the report of the Working Party. The financial situation of the CONTRACTING PARTIES was in order; the audited accounts for 1954 were correct, the additional expenditure in 1955 was for non-recurring reasons. The Working Party recommended that \$58,000 be transferred from the Cash Reserve for the 1956 budget in order to avoid a substantial increase in contributions for next year. The scale of contributions remained unchanged and the Working Party proposed that it be reviewed at the next session. The report on the Joint Staff Pension Fund would follow.

Speaking as delegate for Brazil, Mr. Machado wished particularly to endorse the in-service training programme and to express the hope that this attempt not be limited simply to a study of the Agreement and the work of the Organization, but be sufficiently broad to cover questions of the general development of trade. Moreover, apart from this kind of assistance through the secretariat, an interchange of employees among governments would also be a useful form of assistance.

Mr. AZIZ AHMAD (Pakistan), while not doubting that when the OTC came into being it would be necessary to consider some extension of the present secretariat, felt that such an extension, together with any other proposals involving enhanced expenditure, should be considered by the CONTRACTING PARTIES before any steps were taken in this direction. He had, therefore, been glad to note that it was not proposed to adopt the proposals concerning the type of secretariat for a permanent establishment (L/423, Appendices D and E) at the present stage. In particular they would wish to examine very carefully the proposal for setting up liaison offices in different parts of the world at a cost of \$46,000 per annum. He felt that the objective intended to be served by setting up such offices could just as well be served by official travel undertaken by the Executive Secretary and other senior staff. Such travel when undertaken in

the interest of various contracting parties was extremely useful and he suggested that the Executive Secretary circulate a note at each session giving details of official travel undertaken by him and the other staff during the intersessional period and the objects which they set out to achieve. Any other information which he might like to give at his own discretion in connexion with this would also be of interest to contracting parties. Mr. Ahmad reiterated that every possible endeavour should be made to keep the expenditure of the Organization low and measures should not be adopted upon its entry into force involving considerable expenditure simply to emulate other similar organizations.

Mr. GARCIA OLDINI (Chile) said that while it was true that the existing form of secretariat had adequately served the CONTRACTING PARTIES, it was too much to go on expecting the same establishment to accomplish work that had continued to increase greatly in scope. Obviously an increase in the secretariat would be an expense to governments, but to continue as at present was to lack realism and to demand an excessive sacrifice from the personnel. Perhaps it must be accepted that at the present time nothing could be done, but that was not a reason for failing to make plans for the future nor to accept the fact that the present situation could not continue. He agreed that travel by the Executive Secretary and his colleagues was useful, but their absence from Geneva was sometimes inconvenient. Moreover, for a number of matters of day-to-day information to governments it was exaggerated to demand the presence of such high-ranking officials, and a liaison office would be valuable and appropriate. Other organizations had found liaison offices in distant parts of the world useful, and there was little sense in the GATT deliberately rejecting the experience of other organizations.

Mr. MACHADO (Brazil) thought that at the present time official travel by the Executive Secretary was preferable to the establishment of liaison offices, as it was still necessary to fix the purposes and basis for such liaison. However, by 1957 it was hoped that the Organization would have come into effect and it could then make use of the experience of the secretariat in this and other fields.

Mr. LEDDY (United States), referring to the draft resolution on the expenditure of the CONTRACTING PARTIES in 1956, stated that the United States had in hand only \$60,000 for their contribution, and the amount in excess of that - \$5,000 - would depend on future governmental action.

Dr. NAUDE (Union of South Africa) referred to his proposal when the budget was first discussed (SR.10/2) that the scale of contributions be reviewed. He had hoped that any reasonable result of such a review would be to reduce South Africa's contribution. The review had not occurred and he must state that the additional contribution for South Africa would also be subject to further governmental action.

Mr. SRONEK (Czechoslovakia) said that the preparation of the Czechoslovak budget was far advanced and the part of it concerning their contribution to the GATT was already fixed. The increased contribution of his country would depend on further governmental action.

The CONTRACTING PARTIES approved the draft resolution on the expenditure of the CONTRACTING PARTIES in 1956, they approved the audited accounts for 1954, they authorized the Executive Secretary to transfer at the end of 1955 to the provision for outstanding contributions any arrears of contributions for the

financial year 1954, they agreed to the inclusion on the agenda of the Eleventh Session of the question of the revision of the scale of contributions, and they approved the putting into effect on an experimental basis of the in-service training programme, the Intersessional Committee to receive a report by the Executive Secretary.

The CHAIRMAN reminded contracting parties that nominations for the in-service training programme must be received by 20 November or it would be impossible to obtain the fellowships under the present appropriations.

2. Italian waiver/Libya: Reports by Italy and Libya
(L/393, L/401, L/435)

The CHAIRMAN referred to the Decision of 1952 authorizing Italy to grant duty-free entry for certain products of Libyan origin. The third annual report had been submitted by Italy (L/401) and by Libya (L/393), and a note on Libya's trade with Italy and other countries had been prepared (L/435). The waiver had been granted for a period of three years which expired at the end of 1955; it also provided for the CONTRACTING PARTIES to review the situation this year. Italy favoured the extension of the waiver for a further period (L/401/Add.1) and reported (L/401/Add.2) that it had agreed with Libya to request that if the waiver were extended, three new items should be included, the tariff quota for one item should be modified and three items should be deleted.

Mr. NOTARANGELI (Italy) recalled that the CONTRACTING PARTIES had granted this waiver, in view of the special régime which had existed in the past and to contribute to the measures envisaged by the United Nations to contribute to the economic development of Libya. He referred to the increased quota for olive oil granted at the Ninth Session. With regard to the repercussions of the special régime, he confirmed that Libyan exports had been favourably and markedly affected, and thanks to the special régime it had been possible to maintain them at a certain level. In considering the figures contained in the reports, certain unfavourable circumstances affecting Libyan exports must be borne in mind. Any differences between Libyan and Italian statistics could be accounted for by technical reasons. The Italian customs kept careful records of imports under this régime and they had increased in 1954 although not as much as hoped. The Italian Government favoured extending the waiver and modifying it, but he emphasized that the proposed modifications would not broaden the scope of the waiver. In any case, the field covered by the waiver was limited compared to the total of Italian imports. It was an important factor, however, in the development of Libyan exports and he hoped the request would be granted for a minimum period of three years with a view to promoting the economic development of Libya.

Mr. ABDULKAFI (Libya) referred to the note prepared by his Government containing the latest statistical data on its development in recent years. He thanked the secretariat for the note prepared by them and associated himself with the explanation by the Italian representative of the differences between Libyan and Italian statistics. Most of the items accorded special treatment

- olive oil, raw skins, castor seeds, poultry, eggs, dates and fresh fish - had benefited from the waiver and Libyan exports in general, with the exception of scrap metals and some minor items, were developing steadily. An important part of this success should be attributed to the special treatment granted by Italy in contribution to the economic aid of his country. While it was true that some Libyan products had not shown great change, this was attributable either to the secondary status of those items or to their being heavily affected by seasonal movements. Mr. Abdulkafi also drew attention to the fact that his Government had taken prompt steps to show its interest in promoting exports as early as possible on a normal competitive basis. Early this year, all export duties on agricultural produce, which had been an important source of revenue and had been in force since the eighteenth century, were withdrawn. Machinery and fuel used in agricultural development were exempted from duty in order to encourage the use of modern methods. There was also a scheme to subsidize fertilizers so as to reduce their cost to the farmer. In the field of marketing, Libya had participated recently in several international fairs with the object of giving Libyan exports the widest publicity and popularity. Owing to the demand for high-quality exports, the provincial authorities had started issuing regulations to control, among other things, grading. To overcome such natural conditions as short rainfall, the Government had provided funds in an exceptional budget in 1955, in addition to those to be spent by the Libyan Development and Stabilization Agency and the Libyan-American Reconstruction Commission, for irrigation and other development projects.

Notwithstanding all these efforts it could not be denied that, as a young and growing country struggling with unfavourable climatic conditions, Libya had still some way to go before achieving the goal of raising standards of living, ensuring full employment and steadily growing development. It was for this purpose that his Government, encouraged by the objectives of the Agreement, had requested the Italian Government to support the prolongation of the special régime for a further period, with slight modifications in the régime. It was proposed to delete the quotas for wheat, asparto yarn and corded rope, etc., and to substitute new quotas for fishmeal, railway sleepers of eucalyptus, wood and wool carpets. His Government also proposed that the olive oil quota be placed at the amount granted at the Ninth Session. In making these requests, his Government felt that the nature and volume of the production and trade involved was not likely to result in substantial injury to the trade of any contracting party.

Mr. LEDDY (United States) viewed the proposed extension with sympathy, although he had not expected that a final decision would be taken at the present meeting because of the alteration of the terms of the waiver. He suggested, therefore, that the matter be either referred to a working party or further time given for consideration.

The CONTRACTING PARTIES agreed to the establishment of a working party on the Italy/Libya waiver request with the following membership and terms of reference:

Chairman: Mr. Aziz Ahmad (Pakistan)

<u>Membership:</u>	Brazil	Italy
	Ceylon	Turkey
	France	United Kingdom
	Greece	United States
	Indonesia	

Terms of reference:

To examine the Third Annual Reports submitted by the Governments of Italy and Libya under the Decision of 9 October 1952 and to consider the proposal by the Government of Italy that the waiver should be extended, and to report thereon to the CONTRACTING PARTIES.

3. Article XVIII Releases/Ceylon (SECRET/55 and W.10/8)

The CHAIRMAN referred to the application by the Government of Ceylon for release from obligations under the Agreement for certain petroleum products, including motor-spirit, kerosene oil and three types of fuel oil including diesel. These products were not bound in the Schedule and therefore the application was submitted in terms of Section C of Article XVIII.

Sir CLAUDE COREA (Ceylon) said that this was an application under Article XVIII:6 and the proposed measure did not relate to items in respect of which Ceylon had assumed commitments in its Schedule. The measures proposed were either the imposition of restrictions or total prohibition of imports of the petroleum products, all of which were at present imported. It was intended to establish an oil refinery in Ceylon with a total capacity of 1,050,000 tons of similar products. It would commence operations in 1956 with a production of about 900,000 tons which would meet total Ceylonese requirements in that year except those for aviation spirit and lubricating oil, which would continue to be imported and it was expected to reach its maximum production in 1966. His Government had examined the question over a period in consultation with the three oil companies now operating in Ceylon whose function was to import and distribute. An agreement had been reached under which they would establish the refinery and distribute its products. The capital cost had been estimated at thirty million dollars, of which 90 per cent would be provided by these companies together with the British Petroleum Company, the balance of 10 per cent being provided by a debenture issue in Ceylon.

The advantage would lie in the increased opportunity for employment, the saving of foreign exchange and, perhaps most important, in the confidence demonstrated by foreign investors being willing to invest such a large sum in Ceylon. Under the Agreement his Government had to grant certain concessions to the oil companies and an essential part of the agreement was the protection of the new refinery for a period of ten years from competition of identical imports. Despite the strength of the companies they needed such an assurance

to guard against the eventuality of cheap petroleum products being dumped in Ceylon. He referred to Ceylon's intensified plan of economic development which should be executed without delay in order to raise standards of living, give full employment and increase purchasing power; also so that Ceylon could contribute to the expansion of multilateral world trade. The full text of Sir Claude Corea's speech is reproduced in W.10/11.

Mr. PHILLIPS (United Kingdom) said that it was clear that the Government of Ceylon had tried in their plans for development to ensure that the interests of Ceylon's trading partners were taken into account, and thought that this particular plan was of significance for the development of that country's economy as a whole. He viewed the application with sympathy.

Mr. NOTARANGELI (Italy) referred to the Italian interest in some of the petroleum products involved, and asked that his delegation be co-opted to the working party for the consideration of this question.

It was agreed to refer the application to the Working Party on Applications under Article XVIII, and that Italy be co-opted to the working party for the discussion of this item.

4. Japan Accession

Status of the Schedules (L/438)

The CHAIRMAN referred to the status of the schedules annexed to the Protocol of Accession and the report (L/438) that ten contracting parties with schedules had not yet given notification under paragraph 3 of the Protocol of their intention to make the schedules effective. Burma had notified that its schedule would become effective on 1 December.

The representatives of Chile, Germany, Greece, Indonesia and Norway had nothing to add to the information they had communicated at the third meeting of the present session (SR.10/3, page 29).

The representatives of Finland and Sweden announced that the draft law to put the schedules into effect had been submitted to their Parliaments.

Mr. HAGUIWARA (Japan) recalled that Japan was applying Annex B of the Protocol in its entirety and hoped that those governments which had not yet applied their schedules would notify application as soon as possible.

The CONTRACTING PARTIES noted the situation with respect to the schedules annexed to the Protocol.

Invocation of Article XXXV (L/420) (Cont'd)

The CHAIRMAN recalled the earlier discussion (SR.10/3, pp.23-28) of the memorandum submitted by the Japanese Government (L/420) on the situation which existed as a result of the invocation of Article XXXV by fourteen countries.

Mr. HAGUIWARA (Japan) said that he had had informal discussions with a number of delegations in the meantime. As to the question of Article XXXV operating in both directions, Japan did not have any desire to apply discriminatory measures. Since Japan received the benefits of GATT from only twenty contracting parties, he believed that he had the right to request a solution of the problem. A situation where fourteen countries were not applying the Agreement to Japan could make for serious difficulties in the matter of voting and was embarrassing for the CONTRACTING PARTIES as a whole and for Japan.

Turning to the explanation which the French delegate had given of his country's difficulties he had recently learned with regret that the offer made by Japanese industrialists for consultation was not favourably received by their French counterparts. Also he felt that the Agreement, especially since its revision, contained adequate provisions for economic development without the need to exclude any one country. He hoped that the proposed French Customs Union would not mean the extension of France's discriminatory measures to her overseas territories, a certain number of which did not now apply a discriminatory tariff against Japanese products. When Article XVIII was revised, it had demonstrated that the Agreement provided for the participation of countries of different economic structures, and indeed this was the case for some contracting parties. Japan, moreover, had always insisted that rules solely applicable to Japan should not be included in the Agreement. His Government could not accept arrangements which were discriminatory only against Japan, and it was difficult to persuade the Japanese people that this discrimination did not arise out of hostility.

His Government had instructed him to find a formula which would furnish an additional safeguard to contracting parties in circumstances of exceptional competition. He shared the concern that the provisions of the Agreement should not be weakened but if on the other hand special bilateral arrangements were made between Japan and the fourteen countries, the effect would be disadvantageous for those which applied the Agreement fully to Japan. The majority of the invoking countries feared the effect of large scale imports of Japanese industrial products on their industries, but Japan had no desire to cause crises in the economies its clients and the fears seemed to him unreal. The reasons adduced did not justify recourse to Article XXXV. He had been encouraged that the countries concerned hoped to reach a solution but the CONTRACTING PARTIES should keep this important matter under constant review, not permitting for long a transitory situation contrary to the principles of the Agreement. He requested to be permitted to continue private discussions with delegations and revert to the matter either in plenary session or in a small working party.

The full text of Mr. Hagiwara's statement is reproduced in press release GATT/255.

Mr. KLEIN (Germany) recalled that Germany had not invoked Article XXXV and had conducted successful tariff negotiations with Japan and voted for the accession of Japan. It had always been their view that the cooperation of so

large and important a country would be of great value to the CONTRACTING PARTIES and the economic problems faced by Japan were of worldwide importance and, in some way or other, affected all contracting parties. They had adopted this attitude throughout German industry although the Federal Government itself entertained apprehensions with respect to the repercussions of the Japanese competition both in Germany and on third markets.

The fact, that fourteen countries had invoked Article XXXV had caused apprehensions to his Government and to circles of the German economy, though he wished to make clear that his Government considered it to be the individual concern of the respective countries that had invoked Article XXXV. However, the coincidence of a relatively large number of such cases within the CONTRACTING PARTIES raised problems which affected not only the individual members, but also the CONTRACTING PARTIES as a whole. Mr. Klein wondered whether such an effect of the provisions of Article XXXV was foreseen when that Article was included in the Agreement. In fact, this Article seemed to give a party to the General Agreement the possibility of contributing, by its vote, to the accession of a new member, without being prepared to assume the obligations of the General Agreement towards the new member. The countries which had not invoked Article XXXV were now exposed to the pressure of the competition of the new member, unilaterally concentrated on their territories and their markets in third countries. They nevertheless believed that exports were an essential problem of the new party and that all contracting parties to the General Agreement were interested in a satisfactory solution to its economic problems. Accordingly, there was a collective problem of all countries which had not invoked Article XXXV, the danger that the equilibrium of rights and obligations among the contracting parties might be considerably impaired. This type of problem might occur also in future cases.

Mr. Klein agreed that it was to be hoped that a satisfactory solution to this question be found, particularly a solution which would take account of the interests of all contracting parties and, if possible, make provision also for future cases of this kind. Another apprehension of his Government was in respect of the ratification of the revised Agreement and the Organization for Trade Cooperation. The publicity in connexion with the accession of Japan in all countries had aggravated the apprehensions and resistances existing in German industry with regard to the repercussions of Article XXXV. This would become apparent when the revised General Agreement and the Organization came before Parliament and a solution, if not reached at least initiated, was all the more necessary. The present state of worldwide evolution of the productive forces in numerous large countries of the world meant that new problems of this kind would continually arise if the GATT was to retain its worldwide scope of activity and to be the community of all the nations collaborating on a liberal basis.

For this particular case, a solution which, though not affecting the basic principles of the General Agreement, would take account of exceptional developments appearing in the field of imports of goods might be envisaged. The countries which invoked Article XXXV apparently did so only by way of precaution, and not for all time and it might be possible to examine, on the one hand, the conditions

on which they would be prepared to renounce that reservation and, on the other hand, the assurances which Japan would be prepared to give in this connexion. Probably only a few though important export commodities were concerned. The General Agreement already contained provisions making it possible to meet an exceptional situation. Would it not be appropriate to examine how far they were applicable and to what extent their application could be adjusted without violating the principles of the General Agreement? The provisions of the General Agreement gave the CONTRACTING PARTIES far-reaching possibilities of consultation and of assistance in special cases. Surely nothing would prevent the CONTRACTING PARTIES from establishing a special consultation committee for this purpose, or from granting a country a waiver for particular emergency measures exactly defined and to be kept under control. It would be necessary for both sides to try to make concessions and to take account of the justifiable wishes and apprehensions of the other side.

Mr. LEDDY (United States) referred to the position of the United States in this matter which had been made clear in statements earlier this session and on other occasions. Japan had said in the past discussion of this matter that those countries which had invoked Article XXXV accounted for 49 per cent of Japan's trade. Clearly, the contracting parties who applied the General Agreement to Japan had a direct concern in its application by other contracting parties. Whenever difficulties arose in trade with Japan, there would be the temptation to blame those countries which had failed to give Japan a wider access to their trade, and thus the Agreement would be criticized as defective in serving national commercial interests. He agreed that a working party at the present stage would probably not be useful and he also saw difficulties in reaching a general formula sufficiently wide to persuade countries invoking Article XXXV to renounce that invocation, and sufficiently narrow to protect the integrity of the Agreement. He thought, however, the CONTRACTING PARTIES should at this session formally record their concern at the situation and urge individual contracting parties to consult with a view to developing a concrete plan of action that could be looked into at the next session.

Mr. KASTOFT (Denmark) had not thought it would be necessary to state the Danish position since they had taken part in the negotiations with Japan and applied the Agreement fully. He had hoped that the talks between Japan and countries which had invoked Article XXXV would have led to some kind of result, although there were some possible solutions which would not be acceptable to Denmark. In this connexion he referred to the attempt made in 1953 by the Intersessional Committee to provide additional safeguards against imports from Japan through an interpretation of Article XXIII. The Danish delegation had stated at the Eighth Session their belief that such an agreed interpretation would be dangerous in principle. They continued to hold that view and would oppose any attempt to establish interpretations of provisions of the Agreement in order to suit the case of one or a few contracting parties. The provisions of the Agreement must remain equally applicable to all member countries and any interpretation generally applicable but designed to suit a particular case, and which would weaken the provisions, would be unacceptable to Denmark.

The possibility of bilateral arrangements between Japan and each of the fourteen countries had been mentioned as a solution, and he trusted that the Japanese Government would never offer the countries in question more favourable conditions than those obtained by countries which had not invoked Article XXXV. The Danish Government understood the difficulties of the Japanese Government and sympathized with their efforts to find a solution. The problem existed not only for Japan and the fourteen countries but for all contracting parties. Denmark had never regarded Article XXXV as anything but a safety-valve to be used when the relations between two countries presented quite particular difficulties so as to make it possible for both of them to become parties to the Agreement. If the widespread use of Article XXXV in the case of Japan was not the result of collective action, the consequence nevertheless was that, in relation to Japan, the GATT was composed of only twenty countries. Denmark had always regarded GATT as a whole within which participating countries should have equal rights and obligations. This integrity had been compromised already by waivers and the partial application to Japan further infringed upon it. He hoped that the continued consultations proposed by the Japanese representative would lead to a result which would be acceptable to all contracting parties. If it should prove necessary his Government would wish the question of the application of Article XXXV in general kept under review.

Mr. HOCKIN (Canada) said that the concern already expressed by his delegation at this situation had not been alleviated. He agreed that those countries which had extended the full application of the Agreement to Japan had nonetheless a direct concern as contracting parties in the peculiar problems faced by Japan in a situation where fourteen contracting parties had invoked Article XXXV. This was a threat to the unity of the contracting parties and it was essential that a solution which would be non-discriminatory and which would not impair the existing principles of the Agreement be found. He agreed with the United States representative that a working party at this stage would probably not be useful and that the CONTRACTING PARTIES should record their continuing concern and hope for a solution. There was no question but that the request of the Japanese representative to be allowed to continue the private conversations and report further before the end of the Session should be granted.

Mr. FOMBRUN (Haiti) said that Haiti was one of the countries which had invoked Article XXXV and his delegation had therefore paid particular attention to the memorandum submitted by the Japanese Government at the present Session. He renewed the assurances already given of the desire of his Government to place the trade relations between Haiti and Japan on a more normal basis. The difficulties were probably not of the kind which justified the apprehensions of Japan regarding its future relationship with contracting parties. The Japanese mission which visited Haiti in 1953 was informed about the progressive industrialization of Haiti's agricultural economy and that one of the main activities was the development of the textile industry using native cotton. In the past, cotton goods were the main component of Japanese exports to Haiti, and for the year 1933-34 represented more than 61 per cent of Haiti's imports of this item. Even when the maximum tariff was applied to Japanese products by the law of 1935, Haitian imports of Japanese cotton goods represented some 23 per cent of total cotton imports. It was therefore understandable that the

Haitian Government, while not wishing to cut off the trade between Haiti and Japan, sought some means of protecting its young industry from a competition which could nullify all its efforts towards a progressive industrialization of the economy. The Japanese Government was fully informed of the particular concerns of the Haitian Government and had already expressed their wish to reach some agreement in this respect. Mr. Fombrun therefore felt that the Japanese apprehensions did not refer particularly to the Haitian reservation. He hoped, in view of the importance of the problem presented for the CONTRACTING PARTIES as a whole, that a solution satisfactory both to the CONTRACTING PARTIES and to Japan would be found if no solution was reached through the bilateral talks.

Mr. FORTHOMME (Belgium) thought the problem must be posed in precise terms. If too many pre-conditions were insisted upon particularly of strict multilateralism, absolute equality and complete non-discrimination, no solution would be possible. True, it was necessary to preserve the integrity of the Agreement and the equality of contracting parties, but equality should be understood as a recognition of the same jurisdiction and submission to the common discipline of the GATT decisions of the CONTRACTING PARTIES. Equality did not exclude the fact that all contracting parties did not in fact have the same status; some could invoke Article XII or Article XVIII while others could not and some had been granted special waivers. Thus, while a solution must be founded on the general principles of the GATT it must also take account of the fact that it had already been possible and necessary to recognize differences in rights and obligations among the contracting parties.

Mr. DE BESCHE (Sweden) said his Government had always supported Japan's accession and had completed tariff negotiations with that country. The present position was not satisfactory. If this was an individual problem between Japan on the one hand and the fourteen countries on the other, the situation had created a problem of general character for the CONTRACTING PARTIES as a whole. A formula must be found to enable the countries concerned to withdraw their invocation of Article XXXV as soon as possible and to permit Japan to participate on an equal footing. Whatever solution were found, it must not have the effect of placing non-invoking countries in a less favourable position than the invoking ones. He supported the continuance of bilateral talks and if it were not possible to give a progress report at this Session he suggested that this be made to the Intersessional Committee.

Mr. PHILLIPS (United Kingdom) said that he would report the views that had been expressed to his Government but he must reaffirm the position which had already been set out in the earlier discussion.

Mr. KOHT (Norway) shared the Swedish view and supported the continuance of bilateral talks with a view to reporting either at the present Session or to the Intersessional Committee.

Mr. SWAMINATHAN (India) agreed with the view expressed that invocation of Article XXXV was a drastic remedy for what were in many cases marginal difficulties. His own Government hoped to eliminate their difficulties in this regard as soon as possible and he supported the request that private discussions should continue.

Mr. NOTARANGELI (Italy) hoped that a solution would be found as soon as possible within the GATT framework. He supported continuous review of the matter at the present Session and the Intersessional Committee and that the situation be reviewed at the next Session.

Mr. PHILIP (France) said that he had reported on his bilateral discussions with the Japanese delegation to his Government. He could, however, add nothing further to his previous statement.

Mr. GARCIA OLDINI (Chile) said that of course any country incontestably had the right to invoke Article XXXV but it was necessary to consider the consequences for the other contracting parties. The differences, commercial, social, political and psychological in the reasons for invoking the Article and in the consequences of that invocation, meant that the solution should be sought by different methods rather than trying to find one all embracing formula. Had such a procedure been envisaged earlier, it might then have been possible to hold the informal meeting which Japan had suggested to elicit the reasons of each invoking country. He had been disconcerted to hear the French representative's explanation in this regard which seemed based on a dangerous thesis that a low standard of living and advanced technique made the competitive situation uncomparable. Surely there was a possibility that an underdeveloped country might in the course of its development achieve a highly advanced or specialized technique in one field or other and, with its cheaper labour be able to undersell on the world market. Would this thesis also apply to them? It was necessary to clarify the reasons which had led countries to invoke Article XXXV, and the effect of each individual invocation and it might then be possible to classify the different types of reasons and arrive at varying solutions. Such a solution would not necessarily be outside the spirit of the Agreement.

Mr. COHN LYON (Dominican Republic) supported the continuance of bilateral discussions.

Sir CLAUDE COREA (Ceylon) said that the case made out by Japan was a strong one, though there were good reasons why the invoking countries had acted as they did. He supported further consultations between Japan and the countries involved with a view to bringing about an early solution.

Dr. STANDENAT (Austria) said that no change had occurred in Austria's position. He supported the continuance of efforts to seek a solution which should be on practical and empirical lines, as suggested by the Chilean representative.

Mr. AZIZ AHMAD (Pakistan) felt it premature for the matter to be considered by any group. The CONTRACTING PARTIES should affirm that this was a problem for them as a whole, to be kept under continuous review with frequent progress reports. He supported the continuance of the present bilateral conversations and that the matter be reported to the Intersessional Committee.

Mr. VAN WIJK (Kingdom of the Netherlands) said he had nothing to add to the statement previously made by his delegation, and was prepared to continue bilateral talks.

Mr. KLEIN (F.R. Germany) supported the Intersessional Committee considering the matter and suggested that it might draw up proposals for the Eleventh Session.

Dr. VARGAS GOMEZ (Cuba) said that his Government was not in a position to enter into any discussions with Japan or with the CONTRACTING PARTIES on the reasons of his Government for invoking Article XXXV. They had explained the reasons to Japan in the bilateral negotiations which had been taking place. He sympathized with the efforts of Japan and the CONTRACTING PARTIES to find a solution vis-à-vis the other countries which had invoked Article XXXV and were willing to engage in bilateral consultations. Cuba would not be able to accept a solution which affected its rights under Article XXXV or weakened the principles of the Agreement. His Government reserved its position on this matter, and would decide on their policy when a solution was presented to the CONTRACTING PARTIES.

Mr. HAGUIWARA (Japan) reiterated his request to be allowed to continue the private discussions during the present session and that the subject be reverted to before the end of the session, at which time it could be decided whether the Intersessional Committee should carry on the effort for a solution or whether some other method of solution should be envisaged.

The CHAIRMAN said that it was clear that more time was required for a solution. The importance of a satisfactory one for the GATT as a whole had been emphasized. It was generally agreed that it was premature to set up any working group and that the private discussions should continue. The Chilean representative had referred to the method to be followed, but perhaps it would be best for the time being to leave this question to the countries mainly concerned and to await the outcome of their discussions.

It was clear that any contracting party which satisfied the conditions of paragraph 1 of Article XXXV had the right to invoke its provisions. On the other hand it seemed to be generally recognized that the widespread invocation of that Article on the occasion of the accession of Japan created a situation which was of concern to the CONTRACTING PARTIES as a whole. It appeared, however, that it would not be practicable at the present session to find a general solution which would command a sufficiently wide acceptance by the contracting parties. It also appeared that the problems which had led a number of contracting parties to invoke Article XXXV were of a marginal nature and that therefore the complete exclusion of the application of the General Agreement to the trading relations of these countries with Japan appeared an unnecessarily broad measure to deal with a narrow problem. With these various considerations in mind he would suggest that the CONTRACTING PARTIES should not at the present time consider making any specific recommendations under paragraph 2 of Article XXXV but that, in the light of the circumstances he had outlined, they should recommend that the contracting parties concerned should undertake further consultations with the Government of Japan with a view to seeking a solution to the problem which might enable them at an early date to withdraw the application of Article XXXV.

SR.10/12

Page 134

The CONTRACTING PARTIES agreed that the matter be kept under continuous review to be reverted to whenever a report was available on the private discussions. If no solution were reached at the present session the Intersessional Committee should be charged with keeping the matter under consideration.

The meeting adjourned at 5.35 p.m.