

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

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CONTRACTING PARTIES
Eleventh Session

Page 161

SUMMARY RECORD OF THE SIXTEENTH MEETING

Held at the Palais des Nations, Geneva on Friday,
16 November 1956, at 10 a.m.

Chairman: Sir Claude COREA (Ceylon)

- Subjects discussed:
1. Admission of Laos and Tunisia as contracting parties
 2. Report of Working Party on Brazilian Tariff and Schedule
 3. Brazilian Internal Taxes
 4. French Compensation Tax
 5. French Internal Tax on Automobiles
 6. Chairmanship of ICCICA
 7. Report of Working Party on United States Agricultural Restrictions
 8. German Turnover Tax
 9. Greek Increase of Bound Duty
 10. United States Export Subsidy on Poultry
 11. (Action by the CONTRACTING PARTIES in the field of
(tariff reductions
(Proposals for closer European Economic integration
(Developments in OEEC trade liberalization
 12. Report of Working Party on Applications under Article XVIII
 13. Freedom of Contract in Transport Insurance
 14. Application of Article XXXV to Japan

1. Admission of Laos and Tunisia as contracting parties (L/530, L/549)

The CHAIRMAN announced that this item had been withdrawn from the agenda.

2. Report of Working Party on Brazilian Tariff and Schedule (L/581)

The CHAIRMAN recalled that the report had been presented to the CONTRACTING PARTIES at the previous meeting, but the vote on the draft decision had been deferred pending the receipt of instructions by certain delegations.

The CONTRACTING PARTIES approved by thirty-one votes in favour, none against, the Decision that the provisions of Article II paragraph 1 of the General Agreement be waived, subject to certain terms and conditions, to the extent necessary to permit the Brazilian Government to put into force its new customs tariff immediately following its enactment.

The report as a whole was approved.

The CHAIRMAN then drew attention to the last paragraph of the Decision which provided for the establishment of a Tariff Negotiations Committee to make arrangements for the conduct of the negotiations. He announced that the following delegations had indicated that their governments intended to participate in the negotiations with Brazil and therefore wished to be represented on the Committee. Accordingly he proposed that the Committee should be composed of:

Australia	Czechoslovakia	Japan
Austria	Dominican Republic	Norway
Benelux	Finland	Peru
Brazil	France	Sweden
Burma	Greece	Union of South Africa
Canada	India	United Kingdom
Chile	Italy	United States

and any other contracting parties which might later report their intention to negotiate.

The CONTRACTING PARTIES approved the composition of the Committee and the following terms of reference:

- (i) To make arrangements for the conduct of the negotiations referred to in paragraph 1 of the Decision;
- (ii) To examine questions of general concern to the negotiating contracting parties, such as those referred to in paragraphs 4 and 5 of the Working Party's report; and
- (iii) To report on the results of the negotiations to the CONTRACTING PARTIES.

The CHAIRMAN suggested that the Committee should elect its own Chairman, that it should meet in Geneva though it might be found desirable to arrange for meetings of alternates in Rio de Janeiro, and that the first meeting should be held on 19 November.

These proposals were agreed.

The representative of Denmark recorded that he had not received instructions from his Government as to whether it desired to participate in the negotiations, and, therefore, to be a member of the Committee. The CONTRACTING

PARTIES took note of this statement, and instructed the Executive Secretary to communicate with the Governments of Haiti and Uruguay, which were not represented at the Session, to enquire whether they wished to negotiate and to be represented on the Committee.

Mr. VALLADAO (Brazil) expressed the appreciation of his delegation for the action taken by the CONTRACTING PARTIES and said he would convey to his Government details of how fully the question had been considered and of the sympathetic understanding that had been shown.

3. Brazilian Internal Taxes

The CHAIRMAN recalled that it had been agreed that the Working Party on the Brazilian Tariff and Schedule be asked to examine the question (SR.11/8 page 63). He then drew attention to the reference in paragraph 9 of the report of the Working Party (L/581).

The CONTRACTING PARTIES took note of the assurances given by the Brazilian delegation regarding the enactment of a new excise law which should eliminate the discriminatory aspects of certain Brazilian taxes and expressed the hope that this question would now be settled.

4. French Special Temporary Compensation Tax on Imports (L/585/Rev.1)

The CHAIRMAN recalled that at the previous meeting certain amendments had been proposed to the draft decision which had been submitted for approval; he had then suggested that the delegates proposing changes in the text should confer and that consideration of the decision be postponed until agreement had been reached. The draft decision had since been amended and the revised text had been distributed in document L/585/Rev.1.

Mr. SWAMINATHAN (India) said that, thanks to the comprehension shown by the French representatives, his delegation now agreed to the revised text and, accordingly, wished to withdraw the proposed amendment.

The CONTRACTING PARTIES approved the decision as revised.

5. French Internal Tax on Automobiles (L/520)

Mr. CORSE (United States) said that on 4 September 1956 the French Government had imposed an annual tax of 100,000 F.Frs. on all automobiles and station wagons with a power rating for fiscal purposes of more than 16 h.p., which were less than two years old with a progressive reduction for older vehicles registered in France after 1 January 1950. While his Government was sympathetic to the social objectives which the proceeds of this tax were intended to help finance, it was opposed to the tax because of the extent to which it discriminated against certain imported automobiles as compared with competing domestic cars. Furthermore, this tax had protective effects because of the criterion used: the tax applied only to automobiles and station wagons of more than sixteen fiscal horsepower. Since there was only a negligible

production of French motor cars with this power rating, the tax affected almost exclusively imported cars, and United States makes in particular. All American cars imported into France, except for one type of special vehicle, were cars of more than sixteen fiscal horsepower. The protective intent of the tax was further demonstrated in the course of the debate on the measure in the French Assembly. The original project called for a tax on cars of more than fifteen fiscal horsepower. This had been amended, as the record of the debate showed, "to more than sixteen fiscal horsepower" in order to exempt the French Citroen 6 cylinder car of sixteen fiscal horsepower, the only mass-produced French car of more than fifteen fiscal horsepower. While a new tax had also been imposed on cars of sixteen fiscal horsepower or less, it was a special levy, and very much lower (85 per cent lower in the case of new automobiles rated twelve to sixteen fiscal horsepower) than those rated at more than sixteen fiscal horsepower.

This tax could not properly be considered as a luxury tax since the cost of a car was not necessarily proportionate to its power-rating. A number of European cars of less than sixteen fiscal horsepower were sold on the French market at prices well above those of standard American cars of popular makes. Nor could the tax be defended as a fiscal measure since the loss of customs revenue and other income resulting from the probable reduction in imports of American cars was likely to exceed the amount of revenue the tax would produce. Imports of American automobiles were already subject not only to an import duty of 30 per cent ad valorem and a value-added tax amounting to 25 per cent of the CIF duty paid value of the automobile, but also to a perequation rate or premium, averaging approximately 40 per cent. The effect of the additional F.Frs. 100,000 (approximately \$285.00) annual tax would be further to narrow the restricted market for American automobiles in France. His Government considered, therefore, that this tax nullified benefits to which the United States was entitled as a result of the tariff concessions on automobiles negotiated at Geneva and Torquay.

Mr. Corse said that his delegation would like the CONTRACTING PARTIES to decide that this tax nullified and impaired a concession and that it afforded protection to domestic production and was, therefore, contrary to the principles of Article III. However, in view of the late stage of the Session his Government proposed to continue to discuss the matter bilaterally with the French Government, but might desire to bring the item before the Intersessional Committee.

Mr. PHILIP (France) said that in the United States' submission there was no case for his Government to answer, as the complaint was legally not acceptable. The complaint was based on paragraph 1 of Article III which provided that internal taxes and other internal charges should not be applied to imported or domestic products so as to afford protection to domestic production. The Decree applied to all motor cars of more than sixteen horsepower whether imported or domestically produced. Although most of the motor cars of that class circulating in France were of foreign origin, this was because the French makes were so expensive that only foreigners were purchasing them. There were nonetheless some French motor vehicles of more than sixteen horsepower circulating in France which were subject to the tax. The delegate for the

United States had referred to an amendment to the law replacing fifteen horsepower by sixteen horsepower which, it was thought, aimed at exempting the French fifteen horsepower Citroen car. However, the production of this type of car had been discontinued and there would therefore be no reason to protect it. The intention of the law was actually to introduce a system of progressive taxation on income based on an external sign of wealth, namely the horsepower of a motor vehicle. The United States delegate had also claimed that the tax was nullifying the benefits of tariff concessions. However, the new tax was neither an import duty nor a fiscal duty on the purchase of automobiles; it was classified in the category of income taxes.

Furthermore, the complaint was inopportune, for the tax had not been proposed by the Government but by Parliament which had decided upon it with an overwhelming majority. His Government had tried to take into account the observations which had been made by several governments and had eased the conditions set by Parliament to such an extent that he was not convinced of the legal validity of the Decree as it did not seem to implement fully the will of Parliament. Indeed, the law of 30 June 1956 establishing a national solidarity fund for old people provided that passenger cars of more than sixteen horsepower, registered after 1 January 1950 would be subject to an annual tax of F.Frs.100,000. The Decree of 3 September 1956 had replaced the criterion of the date of registration by the age of the vehicle. Motor vehicles of more than six years were exempt, whereas according to the Law even a vehicle of twenty years should have been subject to the tax if registered after 1 January 1950. Whereas the Law provided for a uniform tax of F.Frs.100,000 for all cars, the Decree only applied to motor cars less than two years old; motor cars between two and four years old benefited by a 50 per cent reduction and those between four and six years by 75 per cent. The complaint was therefore inopportune and it could be hoped that the Press would not mention it too much for the results might be contrary to those sought by the United States Government since it might lead Parliament to urge the full application of the Law.

Mr. Philip said that a general debate was taking place in Parliament on the restrictions in the circulation of motor cars. If a decision were taken to ration petrol, it was possible that the tax would be abolished. Moreover, the difficulties he had mentioned in the debate on the Compensation Tax would certainly be aggravated through the shortage of petrol and the consequent rise in price. His Government might be induced to take even more restrictive measures which could not yet be defined.

Mr. FORTHOMME (Belgium) said that his Government had an interest in this question.

The CHAIRMAN said that it would be noted that the United States Government intended to continue its consultations with the Government of France. If the outcome of the consultations was not satisfactory, the matter could be referred to the Intersessional Committee which could deal with it under paragraph 15 of the intersessional procedures.

6. Chairmanship of ICCICA

The Chairman said that his period of office as Chairman of the Interim Coordinating Committee for International Commodity Arrangements, to which he had been nominated by the CONTRACTING PARTIES at the Tenth Session had now expired. The nomination of a successor had been discussed at a meeting of the Heads of Delegations and it had been decided to propose Sir Edwin McCarthy, Deputy Australian High Commissioner in London.

The CONTRACTING PARTIES agreed to nominate Sir Edwin McCarthy as Chairman of ICCICA for the ensuing year, and instructed the Executive Secretary to submit this nomination to the Secretary General of the United Nations.

Mr. JOCKEL (Australia), on behalf of his Government, expressed his thanks and appreciation to the CONTRACTING PARTIES.

7. Report of Working Party on United States Agricultural Restrictions (L/590)

Mr. BERTRAM (Rhodesia and Nyasaland), Chairman of the Working Party, introduced the report. He said that the Working Party had been very appreciative of the information which had been submitted in response to proposals made at the Tenth Session and for the additional information which had been made available by the United States representative on the Working Party. Members were interested in the steps being taken by the United States Government to reduce production through the Soil Bank programme and this was set out in some detail in the report, but it was noted that the full effects of the programme on new crop production would not be felt before 1957. The position with respect to dairy products had been carefully examined and in the report the Working Party stressed the importance of price support levels in this field. It was also noted that there had been no change in import quotas despite a decline of stocks, and the Working Party urged that some efforts be made to provide relief and, in particular, expressed the hope that the United States Government would afford increased opportunities for exports of cheese to the United States.

Mr. Bertram drew attention to the recommendation in the report that the CONTRACTING PARTIES authorize, under Article XKIII, the Government of the Kingdom of the Netherlands, in view of the continued maintenance of import restrictions on dairy products, to apply a limit to imports of wheat flour from the United States during 1957.

Mr. JOCKEL (Australia) said that his Government attached considerable importance to the report submitted by the United States Government under the waiver and to its careful examination by the CONTRACTING PARTIES. The report showed that the Working Party had been obliged to note with disappointment that the only relaxation of the restrictions that had occurred since the submission of the last report was a temporary suspension of the controls on peanuts. The Australian delegation regarded as especially important the point made in the report that the restrictions fell particularly heavily on certain products and that what was of particular concern to other countries was the

opportunity to export to the United States market free of import restrictions. His delegation had been pleased to note, however, that efforts were being made by the United States Government to deal with the problem of surplus agricultural production.

The CONTRACTING PARTIES authorized the Government of the Kingdom of the Netherlands to suspend the application to the United States of its obligations under the General Agreement to the extent necessary to allow it to apply a limit of 60,000 metric tons on imports of wheat flour from the United States during the calendar year 1957.

The representative of Czechoslovakia asked that his abstention be recorded.

The Report of the Working Party was adopted.

At the request of Mr. CORSE (United States) it was agreed to derestrict at the close of the Session the Second Annual Report (L/540) submitted by the United States Government under the Decision of 5 March 1955.

8. German Turnover Tax as applied to Imports of Printed Matter (L/562)

Baron BENTINCK (Kingdom of the Netherlands), referring to his Government's complaint about the application of the German 4 per cent compensatory turnover tax on imported printed matters such as books and periodicals (L/562), said that during the present session his delegation had had an opportunity to discuss the matter with the representatives of the Federal Republic and that the discussions would be pursued further. He hoped it would prove possible to settle the matter satisfactorily through bilateral consultation and in these circumstances he proposed that the complaint need not be examined by the CONTRACTING PARTIES.

Mr. KLEIN (Federal Republic of Germany) said he hoped that bilateral talks between the two delegations would lead to a satisfactory solution.

Mr. STANDENAT (Austria) agreed with the views set out in the Netherlands complaint. Austria had an interest in this case, as it was an important supplier of printed matter, and his delegation might wish to discuss the question with the German delegation.

The CHAIRMAN said the CONTRACTING PARTIES could hope that a satisfactory settlement would be reached in the consultations among the delegations concerned.

9. Report of Customs Experts on Greek Increase of Bound Duty (L/580)

The CHAIRMAN recalled that at a previous meeting (SR.11/12, p.115) the CONTRACTING PARTIES, after hearing the complaint of the Government of Germany concerning the increase in the customs duty on an item bound in the Greek Schedule, had appointed a group of customs experts to discuss the matter informally with the representatives of Germany and Greece. Messrs. Howey (Canada), Fiala (Czechoslovakia), van Alphen (Netherlands) and Skearer (Norway) had drawn up a report which was contained in Document L/580.

Mr. van ALPHEN (Kingdom of the Netherlands), a member of the group, said that the experts had examined the statement of the German delegation concerning the Greek increase in the duty on long-playing records and had given careful attention to the explanation by the Greek delegation on the views of its Government. When granting a specific duty concession on "gramophone records" in the negotiations at Annecy and Torquay the Greek Government had not attached any qualification to the description of the product. The experts considered that long-playing records fell within that item and were covered by the concession and that, therefore, any increase in the duty or the provision of an ad valorem rate for any part of the item should be done by recourse to the provisions of the Agreement providing for the modification of concessions.

Mr. CAFTANZOGLU (Greece) stated that the conclusions of the experts had been sent to his Government for study. As he had already stated at a previous meeting, it was his Government's view that long-playing records were a new article, different in several aspects from records of the standard type. They accordingly considered that they had the right to reclassify this product under another tariff item and to increase the import duty. The duty bound to France and Germany at Annecy and Torquay related to gramophone records of seventy-eight revolutions, as these were the only type that existed at the time of the negotiations. The practice generally followed for the assimilation of new products to existing tariff items, to which the Report referred, could not be applied in this case. The Greek delegation, therefore, could not associate itself with the conclusions of the experts and thought that the matter should be studied more thoroughly by a larger body more representative of the contracting parties. He proposed that the CONTRACTING PARTIES submit the examination of the problem either to a larger working group or to the Intersessional Committee.

Mr. KLEIN (Federal Republic of Germany) said that his Government considered that the binding of an import duty for a specified commodity had to apply even if an improved type of that commodity was developed subsequently. This opinion was in accordance with the long-standing practice of the customs administrations of Germany and other countries. Moreover, the group of particularly qualified experts had arrived at the same conclusion. In these circumstances there was no need for further expert examination of the subject as the legal aspects had already been clarified.

Mr. VARGAS GOMEZ (Cuba) thought the conclusions of the group of experts gave rise to considerable doubt. The problem had not been studied sufficiently. His delegation would support the proposal of submitting the case for examination by the Intersessional Committee and for final consideration at the Twelfth Session. In the meantime his delegation would have time to examine the matter more thoroughly and consult with its own customs experts.

Mr. SWAMINATHAN (India) said that there were two difficulties involved, namely the difficulty of classification and the anomalous situation created by specific duties. As the concession had been negotiated at a time when the new product was not widely known, he would support the request for further study.

Mr. PHILIP (France) agreed with the views of the German delegation. He did not think it necessary to have the problem examined further.

Mr. GARCIA OLDINI (Chile) said that the conclusions of the group of experts were far from convincing. Several aspects of the problem had not been considered and he therefore supported the Greek request for re-examination of the question.

Mr. DE LA FUENTE LOCKER (Peru) supported the proposal to convene a committee of experts for there were some aspects of the problem which had not been studied sufficiently.

Mr. KLEIN (Federal Republic of Germany) said that in view of the statements of various delegates, he would agree that the question be referred to the Intersessional Committee. However, he stressed that a question of paramount importance for the whole value of the conventional duties bound under the General Agreement was involved. He therefore thought it was **appropriate** not only to refer the matter to the Intersessional Committee but that the Committee should nominate, if it thought desirable, a working party of experts to look into the problem thoroughly and examine the questions of principle involved.

The CONTRACTING PARTIES decided to refer this item for consideration by the Intersessional Committee which could appoint a working party if deemed desirable.

Mr. VARGAS GOMEZ (Cuba) said that if the Committee should appoint a larger group of experts or a working party, it should have a balanced composition because the question had both technical and policy aspects to be considered; the group should include representatives of Asian and Latin American countries.

The EXECUTIVE SECRETARY said that the Intersessional Committee, in establishing working parties as empowered under its mandate, would desire to have a group as representative as possible. The reputation and standing of the CONTRACTING PARTIES depended upon the efficiency and effectiveness with which they performed their work. The Intersessional Committee would, no doubt, give ample notice of the consideration of the question, and it would be up to the Committee to appoint a working party competent to perform its task. If the Intersessional Committee were to be effective and to help the CONTRACTING PARTIES in their work, its representation had to be appropriate to the questions under consideration and the contracting parties accepting membership should appoint their representatives with full consciousness of their responsibilities.

10. United States Export Subsidy on Poultry (L/586)

The CHAIRMAN stated that the delegation of Denmark had submitted a statement (L/586) concerning a sale of poultry by the United States to the Federal Republic of Germany asking that this question be added to the Agenda.

The CONTRACTING PARTIES agreed that this item be added to the Agenda.

Mr. GUNDELACH (Denmark) apologized for proposing a new item on the Agenda at such a date in the session, but the matter involved such important principles that his delegation had found it proper to raise it with the CONTRACTING PARTIES at this stage, before the normal procedure of bilateral consultations was adopted. The United States Department of Agriculture had announced on 27 September 1956 that an export subsidy of 5.5 cents per lb. would be granted for export of poultry meat to Germany. In that announcement, the hope was expressed that American poultry products might find a permanent market in West Germany because at the present time output in the United States exceeded consumption. The funds made available as subsidies would make possible an initial export of 3 million lbs.

For many years Germany had been a traditional market for Danish poultry and in recent years had been taking between one-fourth and one-third of total Danish exports of poultry products. The importance of the German market to Denmark was illustrated by the fact that when bilateral tariff negotiations between Denmark and the German Federal Republic were held in 1951, within the framework of the General Agreement on Tariffs and Trade, Denmark as "principal supplier" had obtained a reduction of the German tariff rate for poultry. If, however, American poultry - of the very quality that competed with the Danish product - was exported with subsidies, an element of inequality would be introduced, which would seriously affect traditional Danish exports. The concern of the Danish Government had become even more grave since information had been received of intended exports of eggs at subsidized prices from the United States to Germany for an amount of approximately 1 million dollars. As with the case of poultry, Germany had been a traditional market for Danish exports of eggs before as well as after the war. In 1955, nearly one-half of total Danish egg exports went to Germany, and the German

share of Danish exports increased to about 60 per cent in the first ten months of 1956. His delegation had certain reasons to believe, however, that this plan might not be carried out, and would like to have this confirmed.

Under other items of the agenda, in connexion with the disposal of surplus stocks, his delegation had expressed its views on these problems, and at the same time had shown appreciation of the difficulties involved. In the case of poultry and eggs, however, the United States authorities were not facing an actual surplus stock problem. Furthermore, in this case, little seemed to have been done to expand internal consumption. The efforts to secure, by means of subsidies, a permanent market for such goods in European countries, which were traditional markets for Danish exports and to which the United States of America had apparently not previously exported such products, must therefore cause the Danish Government serious concern. These efforts were especially harmful to Danish exporters at a time when Denmark was fully able to supply the European markets at competitive commercial prices. United States exports were also likely to influence prices in other markets, which might have serious repercussions on the Danish economy, inasmuch as Danish exports of eggs alone, for example, represented 6 - 7 per cent of the value of total Danish exports.

Exports of agricultural products such as poultry and eggs at subsidized prices to Denmark's traditional markets did not seem compatible with the spirit of the present Article XVI. His delegation regretted that the amendments to Article XVI adopted at the Ninth Session had not yet come into force since the revised Article XVI more clearly stated that contracting parties should seek to avoid the use of subsidies on the export of primary products including agricultural products, in view of the harmful effects which export subsidies might have for other member countries. Furthermore, the amended text stated that if subsidies were granted they should not be applied in a manner which results in that country obtaining more than an equitable share of world export trade in the product, account being taken of the shares of contracting parties in the trade in the product during a previous representative period. It appeared that the United States had not previously been trading in these products with Germany. Even though the proposed amendments had not yet come into force, he pointed out that the United States Government had accepted the revised text.

In view of the harmful effects which such subsidized sales of agricultural products were likely to have for normal Danish exports the Danish Government would like to have the matter reviewed within the framework of GATT with a view in the first place to obtain from the United States Government the information which was foreseen in the present Article XVI, and in the second place to obtain assurances that any plans for the subsidization of eggs were not to be carried out and that the planned subsidization of poultry would be limited as far as possible. His delegation would especially like to have it confirmed that the plans referred to did not constitute the introduction of new policies by the United States Government with regard to the exportation of agricultural products.

He suggested that this review be carried out through bilateral consultations with the United States Government as envisaged in Article XVI. At the same time the Danish Government desired, however, to reserve its right to bring the matter before the CONTRACTING PARTIES again after the conclusion of the bilateral consultations.

Mr. CORSE (United States) said that his delegation had only recently become aware of the desire of the Danish Government for consultations on this matter. His Government was always prepared to consult with contracting parties under the provisions of Article XVI.

Baron BENTINCK (Kingdom of the Netherlands) said that his Government was interested in this matter and wished to take part in any consultations to be held with the United States Government.

Mr. HAGEN (Sweden) associated himself with the remarks of the representative of Denmark.

Mr. NAUDE (Union of South Africa) said that his delegation was generally concerned about these developments but did not ask to participate in the consultations in this case.

The CONTRACTING PARTIES took note of the information contained in L/586 and of the fact that the Government of Denmark proposed to consult with the United States Government under the provisions of Article XVI.

11. (Action by the CONTRACTING PARTIES in the field of tariff reduction
(Proposals for closer European economic integration (L/500, L/535)
(Developments in OEEC trade liberalization (L/542 & Corr.1 & Add.1)
(Spec/225/56 & Corr.1 & Add.1)

The CHAIRMAN recalled that when these items were last discussed (SR.11/14) it was agreed that the conclusions to be recorded should be submitted to a subsequent meeting for approval; a proposed text had been circulated (Spec/225/56 & Corr.1) and also a proposed addition (Spec/225/56/Add.1).

Mr. FORTHOMME (Belgium), referring to the readiness of the six European governments to submit any agreed arrangements for a customs union, proposed that the reference to "scheme decided upon" should be amended to read "treaty concluded".

Mr. PEREZ-CISNEROS (Cuba) said that in the opinion of his delegation the proposed text accurately reflected the deliberations that had been held on this subject and he recorded the appreciation of his delegation to the Chairman for his efforts in preparing the text. He agreed that the wording proposed by the representative of Belgium was in accordance with the statement he had made at the thirteenth meeting; however, since a specific reference was made to the provisions of paragraph 7(a) of Article XXIV,

the Cuban delegation wished to record that in giving its approval to the proposed wording it was not accepting any particular interpretation of the provisions of Article XXIV:7(a). On the other hand, it was the hope and expectation of his delegation that if the six European countries should finally reach agreement, the fact that they would submit the treaty to the CONTRACTING PARTIES only after it had been signed could not be interpreted in the sense that the text of that treaty would be unalterable. Finally, it was also the understanding of his delegation that their approval of the text would not mean they were passing judgment on the substance of the question.

Mr. FORTHOMME (Belgium) said that paragraph 7(a) of Article XXIV did not define the meaning of the words "... deciding to enter into a customs union ..."; the decision had first to be taken and then the arrangement could be submitted to the CONTRACTING PARTIES.

Mr. SWAMINATHAN (India) associated himself with the remarks of the representative of Cuba. His delegation had a certain apprehension, however, about the proposal by the representative of Belgium to substitute "treaty" for "scheme" in the proposed conclusions, since when six important industrial countries of Europe had drawn up a draft treaty it would be extremely difficult to persuade them that any changes should be made. It would be preferable, therefore, to have some procedure to ensure that the CONTRACTING PARTIES would be consulted to determine that whatever instrument was drawn up would be in conformity with the principles of the General Agreement. No doubt the secretariat could devise such a procedure.

Mr. GARCIA OLDINI (Chile) recalled that at previous discussions he had expressed certain doubts as to the technique to be adopted and as to the possible results of the application of the proposed text. The representative of Belgium had observed that Article XXIV:7(a) did not define what was meant by "deciding"; an analysis of the paragraph would indicate that the word "deciding" does not refer to the situation after an agreement had been signed, but rather to the preparation of a customs union agreement. Mr. Garcia Oldini read paragraph 7(a) and said this would be meaningless if the CONTRACTING PARTIES had no opportunity to intervene in the elaboration of the agreement.

The CHAIRMAN drew the attention of the representative of Cuba to the fact that the wording of paragraph 3 of the proposed conclusions, in his understanding, did not indicate a fait accompli. Once the arrangements had been made, the signature referred to in paragraph 3 would be part of those arrangements in that it would represent a "decision" of the contracting parties concerned to enter into a customs union; this "decision" would then be submitted to the CONTRACTING PARTIES.

Mr. PRIMSTER (Dominican Republic) associated his delegation with the remarks made by the representatives of Cuba, India and Chile, as he felt this was a matter of great importance for countries outside Europe, and the CONTRACTING PARTIES should not record any conclusions that might be regretted at a later date. Therefore, his delegation also had apprehensions about the

proposal by the representative of Belgium to substitute "treaty" for "scheme" in the proposed conclusions as it was felt that the CONTRACTING PARTIES would lose the possibility of intervention in the drawing up of the final instrument; he would prefer some wording which would make it clear that the CONTRACTING PARTIES should have an opportunity to intervene in the matter. His delegation therefore preferred a text which did not include the words "treaty concluded".

Mr. FORTHOMBE (Belgium) said he understood the fears of certain delegations that the CONTRACTING PARTIES might be placed in a difficult situation, but reminded them that the present proposals did not relate to the creation of something of an exceptional character, such as the ECSC, but were concerned with the creation of a customs union coming within the criteria of Article XXIV. The six countries had not yet reached any decision and it would serve no purpose, therefore, to submit mere proposals to the CONTRACTING PARTIES. The proposed text of the conclusions need not be altered as it was not the intention of the CONTRACTING PARTIES to deprive contracting parties of their rights.

Mr. STANDENAT (Austria) thought it would be more appropriate if the reference to "the OEEC Council" in paragraph 5(b) of the proposed text simply read "the OEEC".

It was agreed to delete the word "Council" in paragraph 5(b).

The CONTRACTING PARTIES agreed as follows:

1. that an item "Plans for Tariff Reduction" be included in the agenda for the Twelfth Session;
2. concerning the information placed before the Eleventh Session by the Executive Secretary on the subject of OEEC liberalization, that the appropriate course for countries having particular problems in this connexion would be, in the first instance, to have recourse to Article XXII of the General Agreement;
3. that the CONTRACTING PARTIES take note of the assurance given on behalf of the six European countries at present engaged in developing a plan for a common market that they were prepared to submit for consideration by the CONTRACTING PARTIES in accordance with paragraph 7(a) of Article XXIV any treaty concluded after its signature and before its ratification;
4. that the CONTRACTING PARTIES note with satisfaction that close collaboration had been established between the GATT secretariat and the OEEC regarding preparatory work for the study of a possible association, by means of a free-trade area, of OEEC members with the six countries engaged in the study of a plan for a common market;

5. that the CONTRACTING PARTIES instruct the Intersessional Committee:
 - (a) to follow developments in these fields,
 - (b) to act for them in any consultations which might be arranged with the OEEC, and
 - (c) to report to the twelfth Session.

The CHAIRMAN then drew attention to the proposal of the Czechoslovak delegation to add the following paragraph to the conclusions to be recorded:

"that the Executive Secretary prepare and circulate to the contracting parties a study on possible effects of the envisaged European economic integration on the trade of the contracting parties and a review of proposals dealt with and activities developed in the United Nations and in its organs aimed at an increase of international trade."

Mr. CORSE (United States) thought it might be too early to make the assessment called for in the first part of the proposal. With respect to the second part, he was sure that contracting parties had closely followed the discussions that had taken place in the United Nations. He felt that the CONTRACTING PARTIES should concentrate on the work more directly related to their terms of reference - to provide for development of trade along practical lines; his delegation, therefore, would oppose the adoption of the proposal.

Mr. AUGENTHALER (Czechoslovakia) said his delegation had observed the importance which many other representatives had attached to this problem and thought it would be suitable to have a study on the possible effects on the trade of other contracting parties. The second part of the proposal was not directly concerned with the integration plans but with liberalization plans in general; since there seemed to be no other occasion to bring this matter up his delegation had proposed the amendment in this form. If the secretariat could inform him that in making their studies they would bear in mind the points raised by his delegation he would not press for formal acceptance of the amendment.

The EXECUTIVE SECRETARY assured the representative of Czechoslovakia that the secretariat, when preparing its annual review of international trade and other surveys, endeavoured to keep their work as practical and as topical as possible. In the consideration of plans for the next report on international trade, careful attention would be given to the more important economic developments that had taken place, including the matters raised by the Czechoslovak delegation.

12. Report of the Working Party on Applications under Article XVIII (I/591)

Baron BENTINCK (Kingdom of the Netherlands), Chairman of the Working Party, introduced the Report (I/591). The Working Party had examined the applications by the Government of Ceylon for releases under Article XVIII with respect to a number of products. In the course of the discussions the original application for one of the products had been withdrawn. The remaining applications had been carefully considered in the light of the relevant paragraphs of Article XVIII. In some cases it had appeared that releases could not be granted by the CONTRACTING PARTIES before agreement was reached with the contracting parties directly interested. In an interim report (I/558), which had been approved by the CONTRACTING PARTIES at the sixth meeting of the Session, any contracting party directly interested had been requested to notify the Working Party of its intention to consult or negotiate with Ceylon. Since then the Working Party had been informed that consultations or negotiations had been held and agreement had been reached. The conclusions and recommendations of the Working Party relating to these and other items were in the Report. The Working Party recommended that the necessary releases be granted subject to a number of conditions set out in the draft decisions submitted as annexes to the Report.

Mr. FORTHOMME (Belgium) said that his delegation had at first thought to reserve its position with respect to the recommendations and proposed decisions as there had not been time to submit the Report to its Government. However, in view of the fact that the Report evidenced that the applications were reasonable and that there existed a real need for Ceylon to obtain these releases, he would take the personal responsibility to approve the Report and the decisions.

The CONTRACTING PARTIES approved the three decisions granting releases to Ceylon regarding certain specified items and adopted the Report.

Mr. WIRASINGHA (Ceylon) thanked the CONTRACTING PARTIES for the decisions. He was particularly grateful to the delegations of those countries which were directly affected by the releases.

Mr. MATHUR (India) said that in conformity with the well-known policy of his Government, the Indian delegation had supported Ceylon's request for liberty of action under the General Agreement for taking the measures which it considered necessary in the interests of its economic development. In examining the needs and justifications for these measures his delegation had allowed itself to be guided largely by Ceylon's own assessment of the requirements and potentialities of her economy. Some of the measures contemplated would affect India's exports to Ceylon, but it was the belief of his Government that anything that helped to raise the living standards and provide employment in neighbouring countries was bound to expand trade with them. It was expected that a prosperous Ceylon would not altogether exclude its trading partners from a share in its prosperity.

Miss SEAMAN (United Kingdom) said that some of the releases covered the establishment of industries whose capacity would fully cover the present markets for the products concerned. Her delegation noted with satisfaction that the terms of the releases made provision for the continued importation of certain quantities of the goods concerned throughout the period of the releases.

13. Freedom of Contract in Transport Insurance (L/462)

The CHAIRMAN recalled that a working party at the Tenth Session had submitted a report containing a draft recommendation which envisaged the eventual elimination of restrictions in this field, but consideration of the report had been deferred. Several delegations at this Session had informed him that there was still a divergence of view among the contracting parties and that, therefore, they would prefer that the item should not be further examined at this time. They had also indicated that they would welcome an opportunity to pursue their discussions with other governments before the question was discussed again in a plenary meeting of the CONTRACTING PARTIES. He therefore suggested that discussion of this question should be postponed and that it be included in the agenda for the Twelfth Session.

Mr. FORTHOMME (Belgium) regretted that there had been no opportunity for discussing this question at the present session. The item had already been carried forward from the Tenth Session and he feared that if the policy of excessively limiting the duration of sessions continued, consideration of it might again be deferred at the Twelfth Session.

It was agreed to defer consideration of this item and to include it on the agenda for the Twelfth Session.

14. Application of Article XXXV to Japan

The CHAIRMAN recalled that the fact that fourteen contracting parties had invoked Article XXXV at the time of the accession of Japan had been the subject of a lengthy discussion at the Tenth Session. In summing up that discussion the Chairman had said that it seemed to be generally recognized that the widespread invocation of that Article created a situation which was of concern to the CONTRACTING PARTIES as a whole. It had been agreed that the contracting parties concerned should undertake further consultations with the Government of Japan with a view to seeking a solution which might enable them at an early date to withdraw the application of Article XXXV. Further, it had been agreed that this matter should be kept under review and that if no satisfactory outcome were reached it should be on the agenda for the present Session.

Mr. TATSUKE (Japan), referring to the Chairman's summary of the discussions at the Tenth Session, said that as recommended his Government had endeavoured to consult with the contracting parties concerned with a view

to seeking a solution. In spite of his Government's efforts no concrete results had been achieved by the beginning of the present Session. He was glad to report, however, that as a result of consultations with Brazil, both in Rio de Janeiro and in Geneva, the Government of Brazil had agreed to withdraw the application of Article XXXV when its new tariff came into force and to enter into tariff negotiations with Japan.

At the Tenth Session it seemed to have been generally recognized that the widespread invocation of Article XXXV created a situation which was of grave concern to the CONTRACTING PARTIES. The leader of his delegation had given expression to the strong concern of the Japanese Government by stating that the fears of the invoking countries seemed to him unreal and that the reasons adduced did not justify recourse to Article XXXV. His Government and, in his opinion, the CONTRACTING PARTIES as a whole continued to be concerned at the situation. Business circles in Japan were well aware of the fact that the normal development of trade relations between any two countries would be disturbed if the exporting country permitted its products to flood the market of the other. They were, therefore, taking precautionary measures whenever necessary to avoid such an undesirable development. In these circumstances his Government hoped that the contracting parties concerned would withdraw the application of Article XXXV at an early date and wished to continue consultations with them to that end. He would welcome any suggestions for the solution of the problem. In conclusion, he requested the CONTRACTING PARTIES to reaffirm the summary of the Chairman at the Tenth Session recommending consultations between the Government of Japan and the countries concerned, to instruct the Intersessional Committee to keep the matter under review, and to include it in the agenda of the Twelfth Session.

Mr. BARBOZA-CARNEIRO (Brazil) was glad that it had been possible to reach an agreement with the Government of Japan in this matter. His Government desired to withdraw the application of Article XXXV as soon as possible and would do so when the new Brazilian tariff came into force. This agreement was an illustration of the excellent commercial relations existing between his country and Japan.

Mr. CORSE (United States) was glad to hear this report as it constituted a step in the right direction. His Government considered Japan's full accession of great importance and hoped the problem would be satisfactorily solved in the near future.

Mr. SWAMINATHAN (India) regretted to report that the position with regard to the invocation of Article XXXV by India had not changed since the Tenth Session, but his Government continued to hold the view that the differences involved were, in general, of a marginal character as only a small part of the trade between India and Japan was involved. It still believed that bilateral consultations would yield better results than a discussion in plenary meeting. India had extended m-f-n treatment to Japan by treaty and its period of validity had recently been extended well

into 1957 with a view to facilitating the exchange of views and finding a satisfactory solution to the problem. To this end both countries were now engaged in activating the negotiations between them and he hoped that as a result of these contacts it would be possible to report progress at the next Session.

Mr. VARGAS-GONZALEZ (Cuba) regretted that his Government had to reserve its position on this subject as it felt that Cuba's trade relations with Japan could not be satisfactorily conducted within the framework of the General Agreement and that it was necessary to negotiate a bilateral agreement. Some discussions had taken place but it had not yet been possible to reach a satisfactory agreement. For this reason, he did not think that his Government would be prepared to enter into consultations with Japan concerning Article XXXIV.

Mr. de la FUENTE LOCKER (Peru) said that his Government regarded the full accession of Japan as important and supported the view that this should be facilitated.

It was agreed to reaffirm the summary of the Chairman at the Tenth Session recommending consultations between Japan and the countries concerned, to instruct the Intersessional Committee to keep the matter under review, and to include this item in the agenda for the Twelfth Session.

Mr. TATSUKE (Japan) thanked the Chairman and the COOPERATING PARTIES for this decision and said that his Government desired to continue consultations with the interested governments in the hope of soon being able to make a satisfactory report.

The meeting adjourned at 12.30 p.m.