

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

SR.14/2
19 May 1959

Limited Distribution

CONTRACTING PARTIES
Fourteenth Session

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SUMMARY RECORD OF THE SECOND MEETING

Held at the Palais des Nations, Geneva,
on Wednesday, 13 May, at 3 p.m.

Chairman: Mr. F. GARCIA OLDINI (Chile)

- Subjects discussed:
1. Anti-dumping and countervailing duties
 2. Subsidies: Review of operation of the provisions of Articles XVI
 3. Declaration extending the standstill provisions of Article XVI:4
 4. State-trading enterprises
 5. Rhodesia and Nyasaland - South Africa Trade Agreement

1. Anti-dumping and countervailing duties (L/978)

The CHAIRMAN recalled that, at the thirteenth session, the CONTRACTING PARTIES had adopted the proposals submitted by the Norwegian and Swedish delegations that the Executive Secretary should convene a group of governmental experts to exchange information regarding the technical requirements of existing legislation on anti-dumping and countervailing duties. In consultation with the governments principally interested in these questions, the Executive Secretary had invited experts from fourteen countries to serve as members of the group which met in April.

Mr. POCHELU (France), Chairman of the Panel, in introducing the report (L/978), said that while it had not been the purpose of the Panel to propose amendments to the text of Article VI of the General Agreement, they had tried to reach a common interpretation of the expressions used in the Article. The subject had been too vast to cover during the limited time available and therefore the question of countervailing duties had been put aside and the Panel had devoted its attention to anti-dumping duties. Even in this narrow field however the Panel had only had time to study the subjects mentioned in the Norwegian and Swedish memorandum (L/908) and they were fully aware that there were a number of questions which had not been discussed. A list of these questions had been included in the report and it was suggested by the Panel that the CONTRACTING PARTIES might consider it advisable to arrange for further discussions to be held.

The Panel's deliberations had been carried out in the light of Article VI of the General Agreement, the paper on anti-dumping and countervailing duties published by the GATT secretariat, and a number of memoranda submitted by contracting parties. Mr. Pochelu summarized briefly the findings of the Panel on the various questions covered in the report and drew the attention of the CONTRACTING PARTIES to the recommendations in the report.

Mr. SOLBERG (Norway) said that, in 1954, when Norway stressed for the first time in GATT the need for a more uniform application of national anti-dumping legislation, relatively few countries had actually taken anti-dumping action. Since then, as the International Trade News Bulletin showed, quite a number of anti-dumping duties had been imposed. It could, however, be presumed that the number of cases brought to the attention of national administrations exceeded by far the number of cases in which anti-dumping duties were actually imposed. At least in Norway there was a growing tendency to accuse foreign competitors of unfair trade practices, particularly dumping, and requests for assistance by the imposition of anti-dumping duties were now more earnest. Further, exporting industries continued to claim protection by the Government against what they considered to be arbitrary anti-dumping measures taken by other governments. The absence of clearly defined rules and especially of experience in operating these rules added considerably to the already heavy burden of work which was placed on the administration in Norway and no doubt also in other countries.

The Norwegian delegation envisaged that the problems connected with dumping would increase in number and scope in the future, in view of the potential danger of cut-throat competition that would follow the progressive elimination of quantitative restrictions, the gradual reduction of tariffs and the elimination of discrimination.

The discussion which took place in the group of experts had proved that the establishment of such a group was justified. Considerable doubts and uncertainty had been revealed about many important aspects of the problem of handling cases of dumping. Examples of these were the question of the order in which the criteria of paragraph 1 of Article VI should be used and the question of the level at which decisions on injury should be taken. The group agreed that decisions on injury should be taken at a high level and not, as is often the case, at a lower level. If this view were accepted exporters would be better safeguarded against summary treatment than they were at present.

In the view of the Norwegian delegation, an equally important consideration which arose out of the work of the group of experts was that co-operation within GATT should not be limited to the settlement of trade disputes. GATT should also be a forum where government experts in the various fields of trade policy could meet and exchange views and experiences.

In the course of their work the experts had discovered other criteria in Article VI which needed more clarification. The Norwegian delegation recommended that, in order to give the group an opportunity to examine these outstanding issues, a second meeting should be convened. This meeting should take place sufficiently early to enable governments to study the two reports together well ahead of the fifteenth session.

With this second meeting of the group in mind, the Norwegian delegation would like to suggest an additional question which the experts might examine, namely, the question of more official publicity being given to anti-dumping duties at the time of their introduction. It was likely that enterprises would be more cautious in their market operations and in their price policy if they ran the risk of being, as it were, put in the pillory. Other governments too would be interested in having general information about cases of dumping, as this might lead to an investigation of the activities of the enterprises in their own country which were engaging in dumping. The group of experts might consider the possibility of asking a contracting party to submit a short report to the secretariat when applying an anti-dumping duty.

Mr. HAGEN (Sweden) said that the report of the group of experts indicated the complexity of the problems involved. The report showed that it had not been possible, because of the limited time available, for the experts to deal with all the questions enumerated in their terms of reference. In addition, paragraph 24 of the report listed a further number of points which the group thought they should discuss on a later occasion. The Swedish delegation supported the suggestion that there should be a further meeting of the group, and proposed that the meeting should take place in Geneva before the fifteenth session.

In the view of the Swedish delegation, detailed discussion on the report should await the additional report which would be forthcoming after the proposed new meeting of the group. In the light of these reports Sweden might wish to make certain suggestions regarding the further activity of the CONTRACTING PARTIES in this field. In the meantime, the Swedish delegation proposed that the CONTRACTING PARTIES should take note of the report and instruct the group to proceed with their work along the lines indicated in the report.

Finally, the Swedish delegation supported the suggestions in paragraphs 20 and 26 of the report and proposed that the information mentioned in paragraph 20 should be sent to the secretariat by contracting parties not later than 1 August 1959, so that it would be available for the proposed further meeting of experts.

Dr. BENES (Czechoslovakia) said that Czechoslovakia had, on several occasions, stressed its interest in the question of anti-dumping and countervailing duties. Although Czechoslovakia might approach the problem in a different way from most other contracting parties, their interests were, in substance, identical.

Czechoslovakia agreed fully with the view expressed in the report that anti-dumping duties should be considered purely exceptional and temporary measures and that their immoderate use should be avoided. Every effort should be made to formulate precise rules regarding the use of anti-dumping duties so as to avoid their arbitrary or discriminatory use. The group had done useful work towards this end. His delegation supported the proposal that the group should continue its work.

Mr. ABE (Japan) said that the report was generally acceptable to his delegation. He wished, however, to stress that the arbitrary interpretation of anti-dumping laws should be replaced by a unified concept, recognized internationally. The work which the group of experts would undertake on the other important questions it still had to study should have this consideration as its basis.

Mr. TREU (Austria) said that he shared the points of view expressed by Norway and Sweden. He agreed that the list of subjects contained in paragraph 24 of the report deserved study by the group and also that the secretariat should be requested to bring up to date the GATT publication Anti-dumping and Countervailing Duties. This would assist the group in the further work which it might undertake. Mr. Treu drew attention to the general reservation on this subject made by his Government (L/963/Add.6).

Mr. MERINO (Chile) supported the recommendation that there should be a further meeting of the group of experts. He would like, however, to add to the list of questions proposed in paragraph 24 of the report a particular case which had affected Chile's exports. This question related to indirect dumping, whereby dumping by one exporting country caused injury to a second exporting country. Such a case was particularly important when the country in which the goods were dumped had no national production of the goods concerned.

Mr. BEINOLOU (Greece) considered that a study of the items which the Panel had proposed for future discussions would be useful since it was essential that anti-dumping issues should be clarified as far as possible. He wished therefore to support the proposal that a further meeting of the Panel should be held.

Mr. BEALE (United States) stated that the report presented a clear analysis of the key problems which arose in this field and supported the proposal that the Panel should meet again, possibly before the fifteenth session.

Mr. SUJAK BIN RAHIMAN (Malaya) said that the report was of particular interest to Malaya where anti-dumping and countervailing legislation had been introduced in April of this year. His country was now embarking upon industrial development which had been jeopardized recently by dumping from neighbouring countries and Malaya's tin markets too had recently been unfavourably affected by dumping. He considered that the Panel of Experts should meet again, and suggested that consideration should be given to methods of dealing with dumping of commodities for which there were international stabilization programmes which fixed a floor price. This problem was of particular interest to under-developed countries which were parties to commodity agreements.

Mr. JARDINE (United Kingdom) said that his delegation agreed with the conclusions which had been reached in the report and supported the proposal for further studies in this field.

Mr. SCHWARZMANN (Canada) supported the suggestion by the representative of Chile that the problem of dumping in third countries should be considered at the next meeting of the Panel.

Mr. AHMAD (Pakistan) said that although Pakistan had no direct interest in this subject, as no anti-dumping legislation was in force and exports from Pakistan had not been subject to anti-dumping action by any other country, he supported the work of the Panel, which would strengthen the rules of the General Agreement and he agreed that their studies should continue.

The CHAIRMAN, summarizing the discussion, said that there was agreement among contracting parties to accept the proposals of the group of experts. Certain countries had put forward a number of precise questions for further examination by the group. During the discussion it had been proposed that the group should meet again before the fifteenth session. In view of the busy programme for 1959, the possibility of holding such a meeting would be examined by the Executive Secretary; the Chairman said he would give an answer to the CONTRACTING PARTIES on this point later in the session.

The recommendations contained in paragraphs 20, 24 and 26 were adopted and the report as a whole was approved.

2. Subsidies: Review of the operation of Article XVI (L/970)

The CHAIRMAN recalled that at the thirteenth session the CONTRACTING PARTIES had appointed a Panel to undertake the preparatory work for the review of the operation of the provisions of Article XVI. The Panel had met in April.

Mr. WILKS (United Kingdom), Chairman of the Panel, in presenting the report (L/970), stated that the Panel had examined a number of notifications submitted by contracting parties under Article XVI. The Panel had not attempted in its report to define the scope of Article XVI, but it had made several recommendations, set out in paragraphs 2, 3, 4 and 8 of the report, concerning the form and substance of future notifications and in this connexion he wished to draw the attention of countries which had not hitherto notified their subsidy arrangements to the hope expressed by the Panel that such countries would review their position in the light of the report. Mr. Wilks also drew attention to the questions raised by the Panel in paragraphs 5 and 7 concerning the existing questionnaire. The Panel had had some preliminary discussion on these points and the advice of the CONTRACTING PARTIES was now being sought as to whether further examination of these questions should be made and if so whether by the Panel or by some other body. In this connexion the Panel had particularly in mind the need to avoid duplication of the work of Committee II. Attention was also drawn to the suggestion by the Panel that the CONTRACTING PARTIES might wish to postpone the review of the operation of the provisions of Article XVI until the collection and analysis of all the necessary material had been made.

Dr. van OORSCHOT (Netherlands) said that his delegation considered the preliminary result of the Panel's work to be important. He considered it particularly important that the Panel had indicated what should be the nature, the extent and the most practical form of the notifications to be submitted. It was clear that some notifications, though outlining subsidies and support measures, did not allow a proper survey of the nature and extent of those measures and the recommendation of the Panel on this point had been accepted by the Netherlands Government who were preparing a supplementary notification. He expressed the hope that other contracting parties too would act in accordance with this recommendation.

In those cases where agricultural support measures formed a major part of a country's agricultural policy, Dr. van Oorschot expressed the opinion that it would be advisable to study the measures falling under Article XVI in the light of the agricultural measures as a whole. This problem should, however, be left to Committee II since the consultations which would be undertaken within that body would cover agricultural policy as a whole and would also permit a comparison of support measures in one country with the protectionist and restrictive measures in other countries.

Mr. BEALE (United States) said that his delegation could accept a number of the recommendations in the report. The United States would be prepared, in accordance with paragraph 1, to submit the fullest available information consistent with the requirements of Article XVI and to supply further details in due course. They were also ready to supply full information of the type described in paragraphs 3, 4 and 8 of the report and

could accept the recommendation that the review of the operation of Article XVI should be postponed until the necessary material had been made available. It was considered that Committee II would be a more appropriate body than the Panel to study the questions raised in paragraphs 5 and 7 of the report.

On a number of points, however, the United States' views differed from those expressed in the Panel's report. The recommendation in paragraph 2 that contracting parties should submit information on all subsidy arrangements, whether or not in the view of the country concerned these were likely to increase exports or decrease imports, went beyond the existing provisions of Article XVI:1 and it was considered that the present scope of notifications required under that paragraph was adequate. The United States also disagreed with the view expressed in paragraph 6 that a subsidy must necessarily have the effect of increasing production and, therefore, of reducing imports, and doubted whether any useful purpose would be served by the notification of multiple exchange rates. Despite these differences of opinion, however, the United States considered the work of the Panel to be an important contribution.

Mr. HJORTH-NIELSEN (Denmark) said that he hoped the Panel would continue its work. The first report, of course, could not be expected to deal to any great extent with matters of substance. As for future notifications, referred to in paragraph 2 of the report, the Danish delegation fully endorsed the view of the Panel that all subsidies should be notified. As regards the questions raised in paragraphs 5 and 7 of the report concerning the Committee's mandate and the scope of its work, the Danish delegation felt that it would be appropriate for the Panel which, it should be remembered, consisted of a small group of experts, to undertake the studies concerned. He agreed with the view expressed in paragraph 5 that section II of the questionnaire should be expanded and he felt that the Panel, in conjunction with the secretariat, should undertake this task. He considered that the point raised in the last sentence of paragraph 7 in regard to the question of an "equitable share of world trade" should be put to contracting parties.

Mr. STUGU (Norway) said that in the opinion of his delegation the work of the Panel had only just started. With regard to the recommendation that information on all subsidies should be submitted, whether or not these were thought to decrease imports or increase exports, he considered that all subsidies had some repercussions on trade and that it would be in the best interests of the CONTRACTING PARTIES if full information were submitted. Norway intended to act in accordance with this recommendation.

An analysis of the information submitted would be the next stage of the Panel's work. His delegation considered, however, that certain subsidies might have a beneficial effect on trade and that, therefore, the conclusion that all forms of subsidy had a detrimental effect on trade would not necessarily be drawn. For example, there was evidence that income subsidies which increased purchasing power led to an increased demand for imported goods. These problems, however, were very complicated and further investigation would be necessary before any conclusions could be drawn.

Mr. CASTLE (New Zealand) recalled the New Zealand view that the present provisions of Article XVI were unsatisfactory since subsidies for agriculture were condoned but definite provision was made for the removal of industrial subsidies. He felt that the work done by the Panel had been useful, but noted that it had yet to examine the range and extent of subsidies. He agreed with the recommendation in paragraph 2 that contracting parties should supply information on all subsidy arrangements whether or not these were considered likely to increase exports or decrease imports. He considered this essential because, as the Panel had itself pointed out, there had been in the past a number of cases where contracting parties had not notified subsidies and other forms of income or price support which had in fact had an effect on imports and exports. He also supported the recommendation in paragraph 8 that contracting parties should, where necessary, replace or bring up to date their previous notifications. New Zealand agreed that section II of the questionnaire should be redrafted and considered the Panel to be the most appropriate body to undertake this and also to carry forward a study on the effects of subsidies. This could, of course, be undertaken by Committee II, but it was his delegation's view that Committee II would be assisted in its work if the Panel were to present a report on the effects of subsidies thus leaving it to Committee II to take account of this material in forming recommendations under paragraph (b) of its terms of reference. He agreed with the views of the Panel in paragraph 6 that even where there were no exports a subsidy must have the effect of increasing production and considered that the study of the question raised in paragraph 7 on the use of subsidies to gain an equitable share of world trade should also be undertaken by the Panel.

The New Zealand delegation would prefer not to postpone the review of the operation of Article XVI. It was hoped that the Panel would meet again in time to report to the fifteenth session and it would also be helpful to the work of Committee II if the report of the Panel could be available for the next meeting of that Committee.

Mr. HAGEN (Sweden) expressed the hope that the work undertaken by the Panel would be carried out successfully. A comprehensive study, not least in the agricultural field, of the variety of subsidies and other support measures which play an important part in the policies of most countries would no doubt also facilitate the work of Committee II. It appeared from the report, however, that a great deal of work remained to be done because countries had not submitted the necessary information. For this reason it did not yet seem possible or feasible to embark upon the review of the operation of Article XVI.

The study now being carried out was based on notifications which in principle went considerably further than Article XVI required. These notifications, however, had been submitted for an ad hoc examination and the recommendation of the Panel that the wider and more detailed notification system should be applied in future would, if accepted, appear to constitute a new obligation which would go beyond the present provisions of Article XVI. The Swedish delegation, however, would like to see the present study completed before considering whether or not the present provisions of the Article should be modified.

The Swedish delegation agreed with the recommendation of the Panel that section II of the questionnaire required redrafting and suggested that the matter should be referred back to the Panel.

Dr. CAMEJO-ARGUDIN (Cuba) supported the proposal that the Panel should continue its work to enable it to complete its studies.

Mr. ABE (Japan) said that the Japanese delegation concurred, as a general principle, with the view expressed in paragraph 2 of the report that all subsidies should be notified. It considered, however, that it might be more practicable to limit the number of matters reported to a greater extent than was indicated in the paragraph. As regards paragraph 7 of the report, the Japanese delegation considered that the body to examine the question of an "equitable share of world trade" should be established separately from the Panel.

Mr. JARDINE (United Kingdom) supported the recommendations made in the report. In so far as the questions raised in paragraphs 5 and 7 were concerned, he was inclined to the view that these should be dealt with, at least in the first place, by Committee II, so as not to lessen the scope of the Committee's work.

Mr. MANHART (Austria) considered that the notifications referred to in paragraph 2 of the report should be limited to the scope clearly indicated in paragraph 1 of Article XVI of the General Agreement.

Mr. SCHWARZMANN (Canada), in commenting on paragraphs 5 and 7 of the report, expressed the view that export subsidies fell within the scope of the work of Committee II in so far as agricultural products were concerned. The Canadian delegation, however, would have no objection to the Panel examining the problem at the same time, with a view to providing a basis for more effective work by Committee II. Canada supported the Panel's recommendation regarding the notification of subsidies.

Mr. BEINOGLU (Greece) asked whether clarification by the secretariat could be given as to whether the Panel of Experts or Committee II should deal with the points raised in paragraphs 5 and 7 of the report.

Mr. CORKERY (Australia) stated that the report indicated that the Panel had concentrated on facts rather than on an analysis of the position. However, it had been envisaged that the Panel should operate in this way. He recalled that at the previous session the Chairman had suggested that all subsidies should be notified by contracting parties irrespective of whether or not they were considered to fall within the provisions of Article XVI. The Panel in putting forward the same proposal, were not attempting to impose new obligations upon the contracting parties, but were merely extending this earlier suggestion.

With regard to the future study of the effects of subsidies Mr. Corkery pointed out that the Panel would have been entitled under its terms of reference to embark upon this task but, because it had been realized that some duplication of the work of Committee II might result, the question had been brought before the CONTRACTING PARTIES. He did not agree, however, that a study of the effects of subsidies by the Panel would be a duplication

of the work of Committee II as the Panel would approach the problem from a rather different angle. It should also be borne in mind that, while the notification of subsidies would continue in the future, it was not clear what the future of Committee II would be. His delegation supported the recommendations contained in the report.

Mr. DUHR (Luxemburg) stated, in connexion with the recommendation that governments should replace previous notifications in the light of the report, that his delegation would shortly submit supplementary information.

The DIRECTOR, TRADE POLICY DIVISION (Secretariat) recalled, with reference to the comments which had been made in the discussion about extension of notifications to cover all subsidies whether or not these were considered by the countries concerned to increase exports or decrease imports, the appeal by the Chairman at the previous session that contracting parties should notify all arrangements in order to facilitate the work of the Panel and suggested that this appeal should stand while the Panel continued to have this matter under consideration.

In reply to the question raised by the representative of Greece, he agreed that the problem of avoiding duplication of work by the Panel and Committee II arose, but the objectives of Committee II were different from those of the Panel which was instructed to draw up a report for the review of the operation of Article XVI. He considered, however, that the work of the Panel in this field would be helpful to Committee II and suggested that the best solution might be for the secretariat to maintain close co-ordination in the work of the two bodies.

The CHAIRMAN, in summing up the discussion, said that clearly there was a certain difference of opinion on the views expressed in the Panel's report. As this, however, was an interim report which would not commit the CONTRACTING PARTIES, he suggested that the CONTRACTING PARTIES should take note of the conclusions and recommendations in the report and authorize the Panel to continue its work on the same lines as before, but taking into consideration the views expressed during the debate. The Chairman suggested that the CONTRACTING PARTIES should give further consideration later in the session to the recommendation of the Panel that the review of the operation of the provisions of Article XVI should be postponed.

This was agreed.

3. Declaration extending the standstill provisions of Article XVI:4

The CHAIRMAN reported that the Declaration of 30 November 1957, extending the "standstill" provisions of Article XVI:4 until the end of 1958, and the Procès-Verbal of 22 November 1958, extending the validity of the Declaration until 31 December 1959, had entered into force. The question of reaching agreement to abolish all remaining subsidies on products other than primary products, or alternatively the further extension of the "standstill" Declaration, would appear on the agenda for the fifteenth session. The Chairman thought, however, that contracting parties might wish to have preliminary discussion of this question.

Mr. MATHUR (India) said that India was one of those countries which had not so far been able to sign the "standstill" Declaration. Although, like other under-developed countries, India could not afford to maintain any appreciable measure of subsidies, it could not agree to bind its hand until agreement was also reached regarding the elimination of subsidies already maintained by contracting parties. India felt, therefore, that if there were a discussion on the further extension of the "standstill", the question of agreement on the elimination of existing subsidies should be given equal consideration. A further aspect of the matter deserving consideration was the question of competition in third markets from non-GATT countries.

The CHAIRMAN said that the points raised by India could be taken into consideration when the matter was further discussed at the fifteenth session.

4. State-trading enterprises (L/970)

The CHAIRMAN said that the Panel appointed at the thirteenth session on subsidies had been asked to examine also the notifications submitted by contracting parties under paragraph 4(a) of Article XVII and to make suggestions for improving the procedure for notifications under this Article.

Mr. WILKS (United Kingdom), Chairman of the Panel, in introducing the report (L/970, section II), said that he wished to draw attention to one point only. Contracting parties would see that the Panel considered that the inadequacy of many of the notifications on State trading which they examined resulted from the form of the questionnaire which contracting parties were requested to complete. Accordingly, the Panel had drawn up a new questionnaire - annexed to the report - to serve as a basis for the notifications to be submitted by contracting parties. Some of the questions contained in the new questionnaire were identical to those in the section on State trading in the questionnaire prepared by Committee II on Expansion of Trade. The Panel thought that it would be more convenient to contracting parties to give information in precisely the same form on these points rather than to supply information in two different forms to two different bodies.

The CONTRACTING PARTIES approved the recommendation in paragraph 18 of the report, and took note of the report as a whole. It was agreed that, when the Panel met again to continue its studies on subsidies, it should examine the notifications received in response to the new questionnaire on State trading.

5. Rhodesia and Nyasaland - South Africa Trade Agreement (L/973)

The CHAIRMAN drew attention to a communication (L/973) from the Federation of Rhodesia and Nyasaland and the Union of South Africa relating to the Decision of 3 December 1955, and to their Trade Agreement of 1 July 1955.

Mr. BOTHA (Union of South Africa) said that the nature of the problem on which the CONTRACTING PARTIES were being asked to give a ruling was briefly explained in document L/973. He went on to describe the very close commercial relations that had existed for a long time between South Africa and Northern and Southern Rhodesia before the Federation came into being.

At the time when the Federation was founded, there existed a free trade area arrangement between South Africa and Northern Rhodesia and a Customs Union (Interim) Agreement between South Africa and Southern Rhodesia.

Subsequent to the termination of the two separate customs agreements between Northern and Southern Rhodesia and South Africa after the establishment of the Federation, a new trade agreement had been negotiated between South Africa and the Federation. This agreement sought to preserve as much as possible of the traditional trading principles that had characterized the earlier separate agreements between South Africa and the two Rhodesias. The point to be emphasized was that it would clearly have been impossible for the parties to the new Agreement to discard these principles without running the risk of causing serious injury to the economies of countries which had developed a substantial degree of economic interdependence.

The new Agreement, which came into force on 1 July 1955, guaranteed specific duty concessions to products of the one country imported into the other. At the tenth session, following detailed examination in a working party, the continued application of the Agreement was accepted by the CONTRACTING PARTIES subject to the terms of the Decision of 3 December 1955. In the working party discussions, the delegations of South Africa and of the Federation had repeatedly referred to the special trade relationships which had traditionally existed between South Africa and the two Rhodesias and to the particular provisions of the new Agreement which were designed to preserve, inter alia, duty-free entry into the South African market for certain products of the Federation. Indeed, the Agreement, as it was presented to the CONTRACTING PARTIES at the time, constituted a firm contract which could not be changed without upsetting the balance of concessions embodied therein.

It was the understanding of the two Governments that the Decision of 3 December 1955 fully recognized the exceptional circumstances which had made it necessary for the two Governments to undertake special commitments towards each other. They had also accepted the Decision of 3 December 1955 on the understanding that this did not detract from their freedom of action to raise their most-favoured-nation rates, which were not bound under GATT, for protective or fiscal reasons. Indeed, it would clearly have been impossible for the South African Government to accept any commitment under the terms of the Decision which might have detracted from its freedom to assist its young developing industries by means of tariff protection or to raise duties for revenue purposes.

The South African and Federal Governments had, however, recently become aware of the fact that there might be doubts as to the exact meaning and scope of the Decision of 3 December 1955 and they had now decided to seek confirmation from the CONTRACTING PARTIES that the basis on which their Trade Agreement had hitherto been applied between them accorded with the intentions underlying the Decision.

Mr. MACFARLANE (Federation of Rhodesia and Nyasaland) said that in the 1955 working party emphasis had been placed on the special trading relationship between the Federation and South Africa which had existed for over fifty years. The Trade Agreement presented to the CONTRACTING PARTIES in 1955 replaced an agreement which had sought to establish a customs union and contained in its articles special commitments between the two countries. The new Agreement had considerably reduced the previous preferential system and the 1955 working party had reported this fact to the CONTRACTING PARTIES. Mr. Macfarlane said that the Federation, like South Africa, considered the Agreement to have been examined in its entirety in 1955 and no objections had been raised to the maintenance of special commitments in some of the articles of the Agreement.

The CHAIRMAN said that contracting parties would no doubt wish to give some thought to the question raised. He proposed, therefore, that there should be further discussion at a later stage in the session.

The meeting adjourned at 5 p.m.