

GENERAL AGREEMENT ON TARIFFS AND TRADE

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CONTRACTING PARTIES

Fifteenth Session

Page 131

SUMMARY RECORD OF THE SIXTEENTH MEETING

Held at the Sankei Kaikan, Tokyo, on
Thursday, 19 November 1959, at 10 a.m.

Chairman: Mr. F. GARCIA OLDINI (Chile)

Subjects discussed:

1. Programme for expansion of international trade
2. Statement by the observer for Argentina
3. United States import restrictions - report of Working Party
4. Treaty of Rome

1. Programme for Expansion of International Trade (L/1043 and Add.1 and Corr.1,2., L/1063)

The CHAIRMAN said that, before opening the subject for general discussion, he proposed to give a brief account of the progress made so far by the three Committees set up under the programme for expansion of trade.

The Chairman recalled that, on the basis of recommendations contained in the first report of Committee I, the CONTRACTING PARTIES at the fourteenth session had decided to convene a tariff conference beginning in September 1960. They had further agreed on the various types of negotiations which should be conducted in the course of the conference. The second report of the Committee was now before the CONTRACTING PARTIES. In this report the Committee recommended rules and procedures for the conference. Full understanding had been reached on questions concerning the negotiations with Member States of the European Economic Community pursuant to Article XXIV. The Committee had also given consideration to problems connected with the participation in the forthcoming negotiations of agricultural exporting countries and of less-developed countries. Certain points in this connexion had been clarified in the Committee's report but on other issues, namely the recognition of the negotiability of internal taxes, subsidies and quantitative restrictions maintained under Article XI:2(c), there was a divergence of opinion. Questions raised by one contracting party regarding safeguards against the nullification or impairment of concessions through non-tariff measures had only been discussed in a preliminary way.

In its report to the fourteenth session, Committee II had suggested that consultations with all contracting parties on their agricultural policies should be initiated and completed before the sixteenth session. A round of consultations had taken place in September 1959; further countries were being consulted in the course of the present session and three rounds of consultations would take place at the beginning of 1960. The consultations served an important purpose in themselves by bringing out both the reasons why protective measures were applied in a number of countries and the effects of the various measures on international trade. The consultations would, furthermore, bring to light and put into perspective information needed by the Committee in carrying out those terms of reference which required it to examine the effects of measures adopted by contracting parties on international trade as a whole and to consider the extent to which the existing rules of the General Agreement and their application had proved inadequate to promote the expansion of international trade on a reciprocal and mutually advantageous basis as contemplated in the revised Article I. The Committee intended, at a meeting prior to the sixteenth session, to appraise the results of the consultations and to consider the future work of the Committee and of the CONTRACTING PARTIES in regard to agricultural restrictions.

The first report of Committee III, which contained the Committee's work programme, had been adopted by the CONTRACTING PARTIES at the fourteenth session. In carrying out the work programme the Committee, at a meeting in September, had considered trade restrictions applied on eleven products on the basis of information submitted by individual contracting parties. After the first examination of this material, the Committee had submitted a report to the present session in which a number of obstacles to the expansion of trade of the less-developed countries were noted. The report furthermore set out a number of important guiding considerations and contained recommendations to contracting parties. Although further work was contemplated by the Committee on this and on other parts of its work programme, the Committee had decided to put forward these guiding considerations and recommendations for discussion by the CONTRACTING PARTIES at the present session.

The Chairman then proposed that the work of each of the three Committees should be considered separately.

(i) Committee I (L/1043 and Add.1 and Corr.1,2.)

Mr. TREU (Austria), Chairman of Committee I, in presenting the report of the Committee (L/1043, Add.1 and Corr.1 and 2) recalled that the CONTRACTING PARTIES, at their fourteenth session, had requested the Committee to suggest rules and procedures for the tariff conference which the CONTRACTING PARTIES had decided to convene in Geneva on 1 September 1960; these should, as far as possible, be based on those adopted for the 1956 tariff conference. The Committee had furthermore been requested to consider and report on problems connected with the participation in the forthcoming negotiations of agricultural exporting countries and of less-developed countries. Various proposals, aimed at making the participation of such countries in future tariff negotiations more meaningful, had been submitted to the Committee. Mr. Treu said that the rules and procedures for the tariff conference proposed by the Committee were contained in the annex on page 11 of the report. Although these rules had been established on the basis of the rules adopted for the

1956 tariff conference, a number of modifications had proved to be necessary in view of the special character of the forthcoming negotiations. Furthermore, the Committee had, in the course of meetings that had taken place during the present session, agreed to include among matters on which participating countries might enter into negotiations import restrictions falling under paragraph 2(c) of Article XI, the level of a subsidy which operated directly or indirectly to support exports, and internal taxes in the sense of the interpretative note to Article 17 of the Havana Charter. Several delegations had, however, opposed the inclusion of these matters in the rules and procedures and others, while not opposing their inclusion, had made special reservations. The views of these delegations were recorded in Addendum 1 to L/1043. One delegation had reserved its position in regard to the revised text of Section II(a) of the rules and procedures, "Aim of the Negotiations", adopted at meetings during the present session and contained in the aforementioned addendum. In regard to other points raised by less-developed countries, the understandings reached by the Committee were recorded in paragraphs 10 to 14 of the report.

Finally, the Committee had considered a number of points in connexion with the renegotiations with members of the European Economic Community pursuant to Article XXIV. The understandings reached on these points were dealt with in paragraphs 19 to 23 of the report. With respect to the question of impairment or nullification of concessions raised by one member, the Committee had agreed to have a preliminary discussion which was reported to the CONTRACTING PARTIES in Section I of the report. No general understanding had been reached on this point.

Mr. PHILLIPS (Australia) said that the most important aspect of Committee I's work from Australia's point of view had been the question of the negotiability of non-tariff barriers to trade. For countries like Australia which exported agricultural products, concessions in this field were more meaningful than tariff concessions or, to put it another way, tariff concessions would only have their full value for Australia when they were accompanied by understandings or concessions in the non-tariff field. In the view of his delegation, the clear recognition of the negotiability of legitimate non-tariff measures would mean that the scope of the forthcoming round of negotiations could be broadened. His delegation was pleased to note that the majority of the members of Committee I had accepted the Australian proposal that certain non-tariff measures be included in the negotiating rules. This was clearly a step forward. Some countries had argued that it was unnecessary to supplement the rules in this way, as there was nothing under the existing rules which prevented a country seeking concessions in this field. Even if this were the case it was important to have a clear recognition that these matters were negotiable. It would be unbalanced and arbitrary to have rules which dealt with and referred to tariffs and only some non-tariff measures, especially as tariffs did not represent the major barrier to trade for a significant number of contracting parties. It was regretted that some countries had not been able to accept Australia's contention and indeed had gone so far as to suggest that the statu quo should be restored. It was to be hoped that, upon reflection, these countries would not continue to take the view that the task of negotiating non-tariff barriers to trade should be made more difficult for those who wished to pursue that course. In the Committee some misgivings had been expressed lest the inclusion of the points contained

in square brackets in document L/1043 would involve a commitment to negotiate. The Australian position on this point was very clear. In the view of his delegation, there was no obligation of any kind devolving upon any contracting party to negotiate on these matters, even though that contracting party was participating in the tariff conference. Whether individual countries would be prepared to consider requests on non-tariff measures was entirely a matter for decision by the individual contracting party. It had also been argued that there was little point in incorporating these non-tariff measures in the rules if a number of important trading countries did not intend to grant concessions on them. Such an attitude was surely pre-judging the issue. Countries making requests for non-tariff concessions realized that they would have to pay for them with increased access to their own market. It was only when one got to the negotiating table and considered concrete cases that countries would be able to make a judgement on the worthwhileness of granting concessions in the non-tariff field.

In conclusion, Mr. Phillips referred to the Australian proposals made to Committee I in connexion with the applicability of Article XXVIII procedures. His delegation had reconsidered their position in the light of the Committee's discussions. Although they still maintained their original views, they did not intend to press the point at the present time. However, they did wish to place on record their understanding that, where concessions covering both tariff and non-tariff measures had been granted on an item, a country wishing to alter the treatment provided in the schedules for that item would be obliged to follow the procedures of Article XXVIII.

Mr. HUGHES (United Kingdom) said that the report and the negotiating rules were acceptable from the United Kingdom's point of view. However, he wished to draw attention of paragraph 4 of the addendum to the report (L/1043/Add.1) in which it was stated that the United Kingdom wished to make it clear that, in acquiescing in the inclusion of the words "and other measures" in the first sentence of Section II(a) of the annex to the report, they did not consider that the other measures referred to constituted such serious obstacles to the balanced expansion of trade as did customs duties; in their view, negotiation covering these measures should be regarded merely as an additional objective to the objective of reducing tariffs by negotiations.

Mr. PARBONI (Italy) said that the representative of the Commission had, at a meeting of Committee I on 16 November, explained the position of the European Economic Community in regard to the problems concerning the negotiability of internal taxes and other non-tariff measures. He asked that the statement of the representative of the Commission should be reproduced in the report finally approved by the CONTRACTING PARTIES. As the representative of the Commission had stated, the Community in no way wished to impede negotiations on such measures taking place between those contracting parties which so wished and the Member States of the Community would not, therefore, oppose the inclusion in the rules and procedures for the tariff conference of specific reference to these measures if their inclusion accorded with the general wish of the contracting parties. In doing this, however, he wished to reiterate the position of the Member States of the Community. The Commission was not able, from the juridical point of view, to negotiate internal taxes or other non-tariff measures. The Member States were juridically able to do so, but

they had no intention of undertaking negotiations of this sort. They considered that inclusion of these measures in the rules for negotiation did not imply any obligation insofar as the forthcoming tariff negotiations were concerned.

Mr. KASTOFF (Denmark) said that the proposals of Committee I were on the whole acceptable to Denmark. Earlier tariff conferences had indicated that low-tariff countries were in a weak bargaining position. Further, the use of quantitative restrictions on agricultural products made it difficult for tariff concessions to be meaningful in this field. His delegation supported Australia's proposals for making more meaningful concessions on agricultural products by enlarging the scope of the negotiations. Denmark, however, could not limit its field of action insofar as internal taxes were concerned and doubted whether the binding of internal taxes was desirable. The elimination of the disparity in tariff levels was the most important objective in the tariff field for Denmark.

Mr. VARGAS GOMEZ (Cuba) said that he sympathized with those delegations which wished to extend the scope of the negotiations and include internal taxes, quantitative restrictions under Article XI:2(c) and subsidies in the rules for negotiation. This would facilitate the liberalization of trade and remove important obstacles to trade. Such proposals, however, would need to be carefully studied and Cuba wished therefore to reserve its position for the time being.

Mr. SWARD (Sweden) said that from the discussion it was apparent that many contracting parties, including Sweden, could not hold out prospects for concessions in the field of internal taxes, quantitative restrictions under Article XI:2(c) and subsidies. His delegation had considered that it would be reasonable not to include specific reference to these measures, on the understanding that this would not prevent negotiations covering such measures between contracting parties which wished to negotiate on them. He pointed out that in earlier negotiations Sweden had bound its internal tax on coffee. While Sweden's position on this question was clear, his delegation would not object to specific reference to the measures under discussion being included in the rules for negotiation if the majority of the contracting parties so wished.

Mr. MORLARTY (New Zealand) said that it was essential for many contracting parties that there should be the widest possible area for negotiation. It had been New Zealand's experience that many concessions granted in the past had been nullified by non-tariff measures. When considering whether to participate in the forthcoming tariff conference a major factor from New Zealand's point of view would be its need to be satisfied that any other concessions made would not be similarly nullified. This was also a matter of importance to the under-developed countries and his delegation therefore hoped that the CONTRACTING PARTIES would endorse the Committee's report and that contracting parties generally would consider negotiating non-tariff measures which were such a serious obstacle to the trade of many contracting parties.

Mr. JHA (India) said that his delegation was satisfied with the Committee's report. Their position as regards the negotiability of certain non-tariff measures was the same as that of Australia.

Mr. SOLLI (Norway) said that, from the point of view of his delegation, the specific inclusion of non-tariff measures in the rules for negotiation should only be considered as supplementing the main objectives of the tariff conference. His delegation welcomed Section II(c) of the rules for the tariff conference (L/1043, page 13) whereby participating governments agreed to make a maximum effort towards achieving the objectives of the negotiations in accordance with Article XVIII:bis of the General Agreement and other relevant provisions. Norway could not undertake to negotiate on non-tariff measures. On this understanding, his delegation was prepared to accept the specific inclusion of reference to non-tariff measures in the rules for the tariff conference.

Mr. BEALE (United States) said that his delegation considered that the report of Committee I provided a basis on which the tariff conference could deal in an orderly and satisfactory way both with the negotiations with the European Economic Community and with the traditional GATT negotiations. What was now needed was a firm determination to make the results of the conference a fruitful contribution to the expansion of trade. In reference to the European Economic Community, Mr. Beale pointed to the passages in the report regarding the transitional period during which national rates of duty would move towards alignment on the common external tariff of the Community and welcomed the statement by the representative of the Commission that there was no intention of invoking Article 24 or Article 26 of the Rome Treaty in such a manner as to prejudice the interests of other contracting parties (paragraph 21 of L/1043, and Corr.1). The United States delegation could now agree to the inclusion in the rules for the tariff conference of a special reference to internal taxes, quantitative restrictions under Article XI:2(c) and subsidies. The United States ability to negotiate on these measures was very limited, but if other contracting parties could so negotiate the resulting concessions would further the objectives of the General Agreement. In view of its permissive character, however, no contracting party would be under an obligation to negotiate on these measures. In conclusion Mr. Beale said that further questions might arise before the negotiating committee was established and he therefore proposed that Committee I should continue in existence as the appropriate body to which questions could be referred.

Mr. Da SILVA (Brazil) said that his delegation fully endorsed the report of Committee I and the rules and procedures for the tariff conference contained in the annex attached to the report. In particular they supported the inclusion in the rules of a specific reference to non-tariff measures.

Mr. CUHRUK (Turkey) said that the report and the annex, including the reference to non-tariff barriers in Section II of the rules, were acceptable to his delegation. However, Turkey recognized that the inclusion of the reference to non-tariff barriers did not impose an obligation on any contracting party.

Mr. WARREN (Canada) said that his delegation, during the meetings of Committee I, had questioned the desirability of having a specific reference to non-tariff measures in the rules for the tariff conference. However, they would not wish to oppose the inclusion of such a reference if this accorded with the wish of the majority of the contracting parties.

Mr. MARGARINOS (Uruguay) said that his delegation supported the principle of the negotiability of internal taxes, quantitative restrictions under Article XI:2(c) and subsidies. Many contracting parties such as Uruguay felt that internal taxes and similar measures constituted serious obstacles to the export trade of less-developed countries.

Mr. HAGUIWARA (Japan) said that Japan could accept that internal taxes, quantitative restrictions under Article XI:2(c) and subsidies should be negotiable, although such acceptance did not involve any obligation. Japan would not wish to oppose the inclusion of a specific reference to non-tariff measures because it welcomed every effort which increased the interest of primary producing countries in the tariff negotiations.

The CHAIRMAN said that the reservation of Cuba had been recorded. He proposed that, as suggested by the representative of the United States, Committee I should continue in existence and could meet again if contracting parties so desired.

This was agreed.

The rules and procedures for the tariff conference contained in the annex of the report of Committee I, and the report as a whole, were adopted.

(ii) Committee II

The CHAIRMAN explained that the Committee was not presenting a report to the CONTRACTING PARTIES at the present session but he invited any delegations who so wished to comment on the progress of the work of the Committee.

There was no discussion on this subject.

(iii) Committee III (L/106?)

Mr. PHILLIPS (Australia) on behalf of the chairman of Committee III, Mr. Warwick-Smith, presented the report covering the work carried out by the Committee at its September-October meeting. He said that the Committee had devoted its attention mainly to Part I of the work programme which had been adopted by the CONTRACTING PARTIES at the fourteenth session and had examined the information which had been submitted by contracting parties on a selected list of products of interest to less-developed countries. The Committee had also studied other relevant factors in order to decide what practical measures could be taken to reduce obstacles to the maintenance and expansion of the export earnings of these countries. The Committee had identified and described what appeared to be the main obstacles to an expansion of exports of the selected products from less-developed countries and had classified these under the headings -- tariffs, revenue duties and internal fiscal charges, quantitative restrictions, restrictive State trading and other measures. The guiding considerations which the Committee had formulated were contained in paragraph 6 of the report.

The Committee had differentiated clearly between certain conclusions which it had been able to draw from its work and the need for further work on other problems included in its terms of reference. In the view of the Committee, the attention of contracting parties should be directed specifically to paragraph 14 on page 6 of the report and to the Committee's recommendation that "contracting parties, particularly industrialized countries, should examine tariffs, revenue duties and internal fiscal charges, quantitative restrictions and other measures applied by them with a view to facilitating an early expansion of the export earnings of less-developed countries". He also drew the attention of the CONTRACTING PARTIES to two other matters which were discussed by the Committee, namely (i) the negotiability of revenue duties; and (ii) the question of consultations relating to fiscal duties covered in paragraphs 10, 11 and 12 of the report. He stated that the question of the negotiability of revenue duties had already been dealt with by the CONTRACTING PARTIES. With respect to the second point, he referred to the provisions of Article XXII which provided for consultations between contracting parties with respect to any matter affecting the operation of the Agreement and to the detailed procedures for recourse to Article XXIII which had been adopted by the CONTRACTING PARTIES at the thirteenth session.

Mr. Phillips also commented on the future work programme of the Committee. He explained that the Committee had met several times during the session and had agreed upon a number of priorities which would be incorporated in a working paper for the Committee as a basis for its deliberations at its next meeting tentatively scheduled for March 1960. The work programme included a more detailed examination of the trade effects of the particular measures which had already been identified by the Committee and an investigation of the possibilities of their rapid reduction or elimination. The Committee had also evolved procedures for the implementation of the other sections of the particular work programme relating to the expansion of existing industries or the starting of new industries by less-developed countries, production and marketing techniques and trade controls or other internal measures which might affect trade between less-developed countries. In this connexion he directed the attention of contracting parties to paragraph 17 of the report.

Mr. DA SILVA (Brazil) said his delegation welcomed the fact that the programme of work for 1960 envisaged an intensification of the activities of the Committee. He re-stated the position taken by the representative of Brazil in Committee III that the results obtained so far by the Committee would permit the CONTRACTING PARTIES to propose and adopt a series of measures likely to reduce or eliminate undue obstacles to the expansion of exports of basic commodities. He said that unless contracting parties adopted this attitude there would be a widespread sense of frustration in less-developed areas concerning the possibility of a more dynamic implementation of the General Agreement in dealing with important problems of world trade.

Mr. JHA (India) said that the recommendations in paragraph 14 of the report should be understood as a call to action and not as a mere formulation of principles. He was fully aware of the difficulty of removing overnight all of the obstacles to the expansion of trade of the less-developed countries. It was important, however, to recognize the fact that the expansion of trade of these countries was intimately connected with an expansion of the trade of the developed countries themselves. He appealed to the governments of Member countries to examine the report sympathetically as a set of practical and concrete proposals for action and to move forward in the common effort to improve standards of living through an expansion of trade.

Mr. PARBONI (Italy) stated that, in order to encourage action by national governments the Committee should in future reports endeavour to formulate concrete and precise conclusions on the basis of a thorough study of all the relevant factors, even if this involved a limitation of the scope of the Committee's activities. The studies should not only rely on an examination of statistical and financial data, but should also take into account the objective reasons for which restrictive measures had been imposed and the effects of the proposed changes both on the trade of less-developed countries and on the economic and social conditions of the countries applying such restrictions. The delegations of the EEC Member countries particularly supported that part of paragraph 14 of the report which stated that the problem should be studied in a new and more vigorous spirit. In this connexion he recalled the statement which the Italian Ministerial representative, on behalf of the EEC, had made during the Ministerial debate. He pointed in particular to the ad hoc group which the EEC had established to examine problems relating to less-developed countries. He noted the progress which had already been made by Committee III in the examination of obstacles to trade and added that the results of the work of the Committee would be particularly useful to the deliberations of the ad hoc group to which he had just referred. He assured the CONTRACTING PARTIES of the determination of the EEC countries to contribute fully to the work of Committee III.

Mr. HUGHES (United Kingdom) expressed his delegation's appreciation of the report submitted by Committee III and he asked contracting parties to give earnest consideration to the conclusions contained in the report, especially those in paragraph 14. In considering the progress which had so far been made in the work of the Committee, he felt that its task was a particularly difficult one and that much therefore remained to be done. He said it was nevertheless important that the Committee should not diffuse

its efforts if its work was to result in appropriate action by Member governments within a reasonable period of time. To this end, the Committee's reports should be as concrete and precise as possible. He recommended that the Committee give particular attention to a study of what industries in the process of expansion or establishment in the less-developed countries could be expected to become reasonably proficient producers. In this context, account should be taken of the growing demand for manufactured goods in the less-developed countries as a result of economic development and the marketing opportunities, for less-developed and developed countries alike, which resulted therefrom.

Mr. TOUCH KIM (Cambodia) associated himself with the view expressed by the representative of India that the CONTRACTING PARTIES should, in the near future, take action to eliminate obstacles to the expansion of trade of the less-developed countries.

In concluding the discussion on the work of Committee III the CHAIRMAN drew attention to the fact that, although the future work programme would include further detailed examination of the obstacles to trade noted in the Committee's report on an item-by-item basis the Committee felt, nevertheless, that the obstacles noted should be considered urgently by contracting parties, especially by industrialized countries, with a view to taking action where feasible to afford rapid relief to less-developed countries. In adopting the report, the CONTRACTING PARTIES should therefore note particularly the guiding considerations set out in paragraph 6 of the report and the recommendations to contracting parties contained in the report, especially those in paragraph 14 in which the Committee recommended that "contracting parties, particularly industrialized countries, should examine tariffs, revenue duties and internal charges, quantitative restrictions and other measures applied by them with a view to facilitating an early expansion of the export earnings of less-developed countries. This would make the latter countries less dependent on external aid, strengthen their economies and accelerate their development." They should furthermore take into account the fact that the Committee had noted the request of less-developed countries that there should be a "more dynamic approach to their problems because of the nature and urgency of these problems".

The Chairman then mentioned two other matters raised in the Committee's report. He recalled that, on the points raised in paragraphs 10, 11 and 12 of the report, the question of the negotiability of revenue duties and fiscal charges had already been dealt with in connexion with the adoption of the report of Committee I. As to the suggestion made in paragraph 10 of the report that the CONTRACTING PARTIES should consider whether early consultations under the auspices of the CONTRACTING PARTIES between the countries concerned would be a practical means of securing progress in the field of fiscal duties, he recalled that provision already existed in Article XXII of the General Agreement for consultations between contracting parties with respect to any matters affecting the operation of the Agreement. The Chairman also recalled

that the CONTRACTING PARTIES at their thirteenth session had established specific procedures for consultations under Article LXIII on questions affecting the interests of a number of contracting parties.

Finally, the Chairman pointed out that the matters of which particular note should be taken by the CONTRACTING PARTIES in adopting the report were, as he had indicated in the earlier part of his statement, the recommendations contained in paragraph 14 of the report.

The recommendations in paragraph 14 of the report were adopted.

The report as a whole was adopted.

2. Statement by the Observer for Argentina

Mr. BRADLEY (Argentina) said that the question of international trade in primary commodities was inevitably involved in any discussion on the expansion of international trade. Argentina and the other Latin American countries, because of their dependence on the export of primary products in order to pay for their imports of capital goods, manufactured products, fuel and raw materials, were closely concerned with the problems which arose in trade in primary commodities. It had not yet been possible to pinpoint all the causes which gave rise to these problems; many studies had been carried out including those sponsored by the GATT, the United Nations Commission on International Commodity Trade, by the FAO and by the Economic and Social Council of the Organization of American States. These studies would bear fruit in due course and, in the case of some commodities, had already done so. The fact remained that serious problems continued to exist for primary exporting countries which were increasingly concerned about the growing deterioration in the terms of trade between them and countries exporting manufactured goods. The development needs of the primary exporting countries, requiring the importation of equipment, machinery and fuel and technical knowhow, could only be financed by the sale of primary products produced by those countries. The position had been however that, while prices of primary commodities had remained stationary or had declined, prices of manufactured goods had consistently increased. The unfavourable relationship between prices of primary commodities and manufactured goods had been brought out in the report of the seventh session of the United Nations Commission on International Commodity Trade. Further, preferential arrangements and agricultural support policies in certain countries impeded the less-developed countries in their attempts to find new markets and expand their economies. In this way, they were deprived of the opportunity of financing their economic growth through their own efforts. The attempts of individual countries to offset the decline in the prices of primary commodities by increasing the volume of exports had not yielded satisfactory results and was a demonstration of the fact that unilateral action was of doubtful value in seeking solutions to problems of this nature. Argentina was anxious that a constructive solution to these problems should be sought in the general interest and in the interest of international co-operation.

3. United States Import Restrictions - Report of the Working Party (L/1107)

Mr. KAMASAKI (Japan), Chairman of the Working Party said that, while the examination of the United States report had been conducted in a spirit of understanding, the Working Party had noted that, as regards the removal of quantitative restrictions, the report showed little difference from the report submitted in 1958. It was to be hoped that the report to be submitted in 1960 would show greater progress in this respect.

Mr. MORIARTY (New Zealand) said that the subject under discussion could not be considered in isolation. A report dealing with commodity problems had already been discussed at the present session and many delegations, including that of the United States, had commented on the favourable trend of commodity markets during the past year and had expressed optimism as to the future. It had also been noted in an earlier discussion that, for some products, the problem of accumulated surpluses was not as great as it had been on some occasions in the past. The consideration of agricultural restrictions should also be related to the current trend towards the removal of discrimination and the liberalization of imports as countries emerged from balance-of-payments difficulties. Mr. Dillon, speaking for the United States at the Ministerial meeting about countries which continued to maintain restrictions by virtue of a waiver, expressed the hope that "the country benefitting from the waiver will make every effort to remove the permitted restrictions at the earliest possible moment". One of the highlights of the session had been the announcement by various countries of movements towards the liberalization of trade, and it was reasonable to suggest that, in a situation where commodity prices for many of the goods covered by the American waiver had strengthened, and where in some cases surplus stocks were now exhausted, the liberalization of trade should extend equally to appropriate portions of the United States' restrictions.

Against this background, therefore, it was regrettable that so little progress had been made towards the modification and relaxation of the restrictions covered by the United States' waiver and that no progress had been made in tackling the fundamental causes underlying the need for the waiver. During the period under review, support prices for all the commodities subject to import controls had been reduced except in the case of dairy products. The situation regarding dairy products gave New Zealand serious concern and it urged the United States to take whatever legislative steps were necessary to remedy the situation. As the Working Party's report pointed out, the size of the import quotas for many dairy products was extremely small.

Mr. Moriarty went on to refer to considerations of a more general character. The granting of the waiver to the United States in 1955 had undoubtedly weakened the authority of the CONTRACTING PARTIES in their attempt to secure the removal of all import and quantitative restrictions as countries moved out of balance-of-payments difficulties. The waiver constituted an unfortunate precedent for other countries wishing to retain

restrictions for a longer period and over a wider field than might otherwise be the case when they no longer had balance-of-payments difficulties. This also reflected a growing tendency, which New Zealand could not accept, to consider trade in agricultural products separately from trade in other products and to suggest that agricultural trade required special and less firm rules than those applied to trade in industrial products. The overall expansion of international trade could not be achieved by policies of self-sufficiency. If the industrial countries persisted in regarding their agricultural problems as intractable and were not prepared to make the necessary adjustments to permit reasonable imports, agricultural countries in turn would be forced, not only to limit their imports, but also to restrict the growth of their efficient agricultural industries. This would lead to the uneconomic use of resources in both groups of countries with consequent lower levels of international trade and living standards. If the optimism regarding trade expansion expressed at the present session was soundly conceived, it could be fully achieved only if all nations, industrialized, less-developed and those engaged mainly in primary production, were given the opportunity to share fully in this expansion. It would be the hope of the New Zealand delegation that the United States administration would, in the next few months, give further serious consideration to their position under the waiver, looking at the problem not only as one of domestic difficulty, but with a view to seeking ways in which it could be modified to assist in the general movement towards liberalization and expansion of trade to which the United States itself had already given such vigorous leadership. A significant relaxation of the restrictions under the waiver would undoubtedly give a lead to many other countries in adopting more liberal policies towards agricultural imports.

Mr. KASTOFT (Denmark) associated himself with the remarks made by the representative of New Zealand.

The report of the Working Party was adopted.

At the request of Mr. BEALE (United States) it was agreed that document L/1048 be derestricted at the end of the fifteenth session to enable it to be made available to interested parties in the United States.

Mr. HAGUIWARA (Japan) said he wished to make a statement in connexion with the United States waiver. His Government had in the past considered the question of waivers on agricultural products from the point of view of principle. The present case, however, had become a matter of practical importance to Japan. The United States Tariff Commission had recently been instructed to investigate the importation of cotton textiles into the United States. It had certainly never occurred to his Government that cotton textiles could be made subject to Section 22 of the Agricultural Adjustment Act. Any action arising out of the investigation which led to the imposition of a levy or quantitative restrictions should not be decided upon lightly by the United States. Such action could have serious effects on the General Agreement. His Government therefore hoped that the United States Government, when dealing with this problem, would take full account of its obligations under the waiver and the views of contracting parties, and that it would bear in mind the detrimental effect on the expansion of world trade which certain lines of action could have.

4. Treaty of Rome (L/1099)

The CHAIRMAN recalled that, at the meeting of the CONTRACTING PARTIES on 9 November (SR.15/12), the representative of Italy, on behalf of the Member States of the Community, and the representative of the Commission of the Community had made statements which had since been distributed in document L/1099. After a brief discussion it had been agreed that the matter would be further discussed at a later meeting.

Mr. BOUCAS (Brazil) welcomed the statements that had been made by the representatives of Italy and of the Commission, and particularly the assertion that the creation of the EEC was not expected to lead to a diversion of trade. Coffee was of especial interest to Brazil and a reduction in the non-tariff barriers to trade in coffee would be particularly welcomed by Brazil.

Mr. HAGUIWARA (Japan) said that, despite the progress and developments which had taken place within the Community, his delegation had certain apprehensions. First of all Japan, unable itself to integrate economically with neighbouring countries, had misgivings regarding proposals for integration in other parts of the world. Secondly, insofar as the EEC itself was concerned, was there not a danger that preoccupations about achieving internal unity among the Six might lead to an exclusive, self-centred form of integration? Finally, there was apprehension in view of the stronger competition that the trade of **third** countries would have to face in other markets, particularly in the markets of the overseas territories of the Six. Conversely, it appeared that the Community had fears about the possibility of a too rapid growth of imports from Japan. Mr. Haguiwara went on to quote statistics indicating the low value of total Japanese imports into the Member States of the Community as compared with similar imports into such countries as the United States, Canada, Sweden and Switzerland. Was this because of the invocation of Article XXXV against Japan by four of the **Six** Member States of the Community, or was it because of restrictions maintained because of fears of a rapid increase in imports from Japan? In any case, was there not justification for saying that the commercial policy of the Six towards Japan was discriminatory rather than outward-looking? What was necessary was for Japan and the Six to accord to each other the advantages of non-discriminatory trade liberalization; if difficulties arose because of the too rapid increase in the importation of any particular Japanese products, the parties concerned could discuss the matter at the time such difficulties actually arose.

Mr. MACFARLANE (Rhodesia and Nyasaland), having expressed the appreciation of his delegation for the statements made by the representatives of Italy and of the Commission, said they had noted the emphasis given to demonstrating that the trade of third countries was not being adversely affected. The commodities grouped as tropical products and referred to towards the end of the statement of the **representative** of the Commission, included some of those

which had been the subject of consultations between the Six and certain contracting parties. Tobacco was not a tropical product, but it likewise had been the subject of consultations and his delegation would be grateful if reference to tobacco could be made in future reports or statements made to the CONTRACTING PARTIES by representatives of the Commission.

Mr. KASTOFT (Denmark), in reference to the Community's common agricultural policy, drew attention to the points referred to at the bottom of page 3 of the statement made by the representative of the Commission (L/1099). There seemed to be a certain contradiction between the aim of providing an equilibrium between production and sale possibilities and the aim of maintaining, in a non-discriminatory manner and at the highest level possible, external trade with third countries; the first aim contained the notion of self-sufficiency which would tend to negate the second aim. It was Denmark's sincere hope that the Community would take into account the interests of agricultural exporting countries and would place emphasis on the maintenance of external trade with third countries at the highest possible level.

Mr. MORIARTY (New Zealand) said that his Government was following with close attention the current development of the Community's agricultural policies. Although, as the representative of Denmark had pointed out, it might appear that the solutions proposed by the Commission might have contradictory objectives, it should be recognized that the Community had a further objective in mind which was to "make agriculture less dependent on protective measures". New Zealand was aware of the difficulties which arose in connexion with agriculture, but there were signs that the interests of third countries were not being disregarded by the Community.

Mr. PHILLIPS (Australia) said that, having examined the statements of the representatives of Italy and the Commission which had now been circulated, he found that most of the questions he had wished to raise had, in fact, been answered. There was one point, however, which he would like to have clarified. In Article 38, the Rome Treaty provided that the Council should decide, by 31 December 1959, whether any additional products were to be added to Annex II of the Treaty, that is, the list of products subject to the agricultural provisions of the Treaty. His delegation would hope that the representative of the Commission would advise the CONTRACTING PARTIES on this point as soon as a decision had been reached. The representative of the Commission had referred to the progress which was being made towards "quota disarmament". His statement also emphasized the importance which the Community attached to its trading relationships with other countries. Since many contracting parties were following with interest the progress towards quota disarmament, it would be useful if the Commission could make available to contracting parties copies of the "Quota Frameworks" for each country which were referred to in the Second General Report (footnote to page 54) by the Commission of the EEC.

The Australian delegation had noted with particular interest that proposals covering the establishment of the Community's agricultural policy would probably be submitted to the Council before the end of the year. They would hope that the Commission would be in a position to advise the CONTRACTING PARTIES at the sixteenth session on further developments in the Community's evolution and that the CONTRACTING PARTIES would be given at that time, if not earlier, an account of the agricultural policy proposals.

Mr. REISMAN (Canada) said that Canada, at this juncture, was particularly interested in developments affecting the common tariff and common agricultural policies of the Community. His delegation were pleased to learn that the common tariff would be presented to the CONTRACTING PARTIES early in 1960 and in this connexion he wished to stress the importance of the List G items. In Canada's view, given the highly industrialized nature of the Community, it would seem to be good economic planning if duties on List G items were zero or very low. His delegation were encouraged by the fact that, in the development of its common agricultural policies, the Community would aim at maintaining a high level of non-discriminatory trade with third countries. Canada hoped that this would mean a reduction in agricultural protectionism in Western Europe and that third countries would have the opportunity of selling to Western Europe on a reasonably competitive basis. It was also to be hoped that, in giving these assurances regarding its common agricultural policies, the Community would develop such policies without the continued use of import restrictions. There was a real opportunity for the Community to eliminate discrimination and remove controls which hampered world trade. In the view of the Canadian delegation, it would be in the common interest to proceed to an examination of the common tariff of the Community at the next session of the CONTRACTING PARTIES. It was also reasonable to expect that, at that session, contracting parties would be given details regarding the common agricultural policies which would enable them to make recommendations if they so wished. His delegation also looked forward to seeing at the next session progress towards a solution of the problems involved in the association of the overseas territories of the Six with the Community. The statements made by the representatives of Italy and of the Commission had given a valuable outline of the steps being taken towards a true economic union. It was all the more important that contracting parties be kept informed of developments within the Community insofar as these related to the obligations of the Member States under the General Agreement.

The CHAIRMAN said that the discussion on this item would continue at the next meeting.

The meeting adjourned at 12.50 p.m.