GENERAL AGREEMENT ON
TARIFFS AND TRADE

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SUMMARY RECORD OF THE SEVENTEENTH MEETING

Held at the Sankei Kaikan, Tokyo, on
Thursday, 19 November 1959, at 2.30 p.m.

Chairman: Mr. F. GARCIA OLDINI (Chile)

Subjects discussed:

1. Treaty of Rome (continued)
2. Italian measures in favour of domestic production of ships' plates
3. Restrictive business practices
4. Avoidance of market disruption
5. Balance-of-payments import restrictions
   (a) Consultations in 1960 - composition of committee and time-table for consultations
   (b) Extension of "hard-core" Decision
6. Netherlands' import restrictions
7. European Free Trade Association
8. Declaration on provisional accession of Switzerland
9. Subsidies: Article XVI:4
10. Status of Guinea - draft recommendation
11. Status of Agreement and Protocols
12. Article XXVIII:4 - request by Denmark
13. Article XXVIII:4 - request by Norway
14. Nomination of Chairman of ICCICA
15. Election of Intersessional Committee
16. Election of Officers

1. Treaty of Rome (L/1099) (continued)

Mr. HIJZEN (Commission of the European Economic Community) said that he had taken note of the observations made by contracting parties during the discussion at the meeting earlier that day. These would be fully reported to and considered by the Commission in Brussels. He would point out, however, that there were some differences between the statement he had made and the English translation (L/1099). For the time being the French text should be regarded as the authentic one. Many contracting parties had referred to the question of the Community's agricultural policies. He was unable to say very much at this stage, because discussions on the subject were proceeding between the six Member States of the Community. Mention had also been made of the Community's common external tariff with special reference to list G. He wished to clarify one point in this connexion. As he had said in his earlier statement, it was intended to present a common tariff "as complete as possible" to the CONTRACTING PARTIES at the beginning of 1960; he could not undertake that the tariff would in fact be complete. The point made by the representative of Rhodesia and Nyasaland regarding tobacco had been noted, and the wish of Rhodesia and Nyasaland to have tobacco included in future reports would be conveyed to the Commission.

Mr. PARBONI (Italy), on behalf of the Member States of the Community, said that he felt that the exchange of views had been very fruitful, and representatives of the Six would convey to their Governments the views expressed by contracting parties during the discussion. In regard to the procedures for future discussions on the Rome Treaty he could see no difficulty, as the necessary procedures had been agreed upon at the fourteenth session.

The CHAIRMAN, in summing up the discussion, said that the views and comments made by contracting parties would be noted in the summary record. He went on to recall the agreement reached at the fourteenth session (SR.14/6) to the effect that each time the Member States of the Community presented a report in accordance with the provisions of Article XXIV:7(a) the question would be included on the agenda of the CONTRACTING PARTIES. When no such report was presented but a contracting party considered that there had been developments which would appear to justify such a report, that contracting party might ask for the inclusion of the question on the agenda. It was further agreed at the fourteenth session that, in order that contracting parties would have the full possibility of recourse to this procedure, the Executive Secretary would inform the contracting parties well in advance of each session whether or not a report would be submitted at the session by the Member States.

2. Italian Measures in Favour of Domestic Production of Ships' Plates (L/979 and Add.1)

Mr. TREU (Austria) referred to a previous document on this matter (L/875) issued at the thirteenth session, and to documents L/979 and Add.1. He said that the consultations which had been held since the matter was first submitted

to the CONTRACTING PARTIES at the thirteenth session had been satisfactorily concluded and the results had been communicated to the CONTRACTING PARTIES. The Austrian Government had, at the time of the consultations, reserved its right however to revert to the question if the measures applied by Italy in favour of domestic production of ships' plates were to be extended to apply to some foreign producers. At the present time a draft law was under consideration in Italy, which envisaged that these subsidies should be extended to imports of ships' plates originating in the countries of the European Coal and Steel Community. He said that if this law were to be enacted the position of traditional suppliers, which was already difficult, would become critical. He was pleased to note that, in a communication received on the previous day, the Italian Government had expressed its willingness to consult with Austria after 12 January 1960. His Government could not, however, accept the proviso made in this communication that the consultations could only be held if the law had been enacted by that date, as Austria had the right to request consultations under Article XXII. He proposed, therefore, that the CONTRACTING PARTIES should take note of this situation and of the fact that the Austrian delegation could not accept the proviso. If the consultations did not lead to satisfactory results within a reasonable period of time, his Government would approach the CONTRACTING PARTIES again. Mr. Treu also pointed out that the granting of subsidies to products originating in the ECSC countries had not been provided for in the waiver which the CONTRACTING PARTIES had granted to the Community in 1952.

Mr. PARBONI (Italy) said that, in view of the fact that the law to which Mr. Treu had referred was still in the drafting stage, it seemed inadvisable to hold consultations immediately. Nevertheless, his Government was prepared to start consultations on this subject from 12 January 1960 onwards, although the consultations could not be finalized until the draft law had been enacted by the Italian Parliament.

Mr. HUGHES (United Kingdom) said that he also was not convinced that it was not possible to discuss this matter because the relevant legislation was only at the drafting stage. His Government had raised the matter bilaterally with the Italian authorities and it was hoped that the Italian Government would find it possible to have full discussions at an early date with the United Kingdom Government, as well as with any other contracting parties.

Mr. PARBONI (Italy) stated that he would inform his Government without delay of the request made by the United Kingdom representative.

The CHAIRMAN said that the CONTRACTING PARTIES would take note of the situation and of the fact that the Italian Government had agreed to hold consultations from 12 January 1960 onwards. It was also understood that the CONTRACTING PARTIES might be asked to take up this matter again at their next session if the bilateral consultations should prove unsatisfactory.

3. Restrictive Business Practices (W.15/31)

The CHAIRMAN recalled that at the thirteenth session arrangements had been made to appoint a group of experts to examine the question of the effects of restrictive business practices in international trade and to make recommendations concerning action by the CONTRACTING PARTIES. The experts had met in June and their report had been distributed(L/1015). The Chairman drew attention to the suggestion by the delegation of Norway (W.15/31) that the report should be considered by the CONTRACTING PARTIES at the sixteenth session in May 1960; he proposed that the suggestion should be accepted by the CONTRACTING PARTIES.

This was agreed.

4. Avoidance of Market Disruption

The CHAIRMAN referred to the suggestion made by Mr. Dillon during the Ministerial meeting about the possibility of appointing a panel of experts to study the problem of alleviating "the adverse effects of an abrupt invasion of established markets while continuing to provide steadily enlarged opportunities for trade" (Spec (59)222). This subject had been discussed during the past three weeks among delegations and also at a meeting of Heads of delegations. It had been agreed by the Heads of delegations that it would be desirable for this question to be discussed in a plenary meeting, so that delegations would have an opportunity to make known their views on the matter.

Mr. BEALE (United States) said that Mr. Dillon had expressed the view that the higher income countries should accept a steady, if gradual, increase in imports of manufactured goods from the low-wage countries; this was in the economic interest of both groups of countries. However, sharp increases in imports over a brief period of time could have serious economic, political and social repercussions in the importing countries. The problem was to find the means to mitigate the adverse effects of an abrupt invasion of established markets while continuing to provide enlarged opportunities for trade. Mr. Beale said that the discussion by Heads of delegations had convinced him that there was a need for a careful and considered study of the problem by the CONTRACTING PARTIES. His delegation were of the view that practical ways of dealing with the problem within the GATT framework should be examined so as to foster the expansion of international trade. It was for consideration whether this task should be given to a panel of experts, and on this point his delegation had no suggestions to offer. They would be interested to know the extent to which other contracting parties felt that there was a problem and how consideration of it might be expedited. The CONTRACTING PARTIES were in the habit of considering common problems in a frank and friendly atmosphere and each contracting party was concerned to see the objectives of the General Agreement fulfilled. His delegation felt that, in this spirit, progress could be made in dealing with this problem.

Mr. HAGUIWARA (Japan) said that in the field of international trade there were still discriminatory import restrictions, despite the principles of the General Agreement. Japan realized that resort to restrictions against imports from certain countries stemmed mainly from the apprehension that removal of the restrictions would cause such an increase in the flow of imports as to cause serious market disruption. This view was not well-founded. The matter could be dealt with by friendly consultation under Article XXII or by voluntary export control on the part of the exporting country. Restrictions should be eliminated and any possible consequences dealt with if and when the need arose. It was true that there might be a limited number of cases where disruption might be caused, but his delegation were firmly convinced that ways and means within the purview of the General Agreement could be found to reach a satisfactory solution. Japan would be prepared to co-operate in any study which the CONTRACTING PARTIES might decide to undertake but, in view of the complexity of the matter, it might perhaps be wiser to reconsider the matter at the sixteenth session. He wished it to be clearly understood however that, in the view of his Government, postponement of consideration of this subject should not delay in any way finding a solution to the problem of the application of Article XXXV to Japan.

Mr. WARREN (Canada) said that at the Ministerial meeting Canada's representative had drawn attention to the question of low-cost competition and had suggested that this should be dealt with "in a positive manner and with a view to finding a solution which will allow these exports to find an appropriate place in world markets". Co-operation between exporters and importers within the framework of the General Agreement was essential. Contracting parties should address themselves to the problem and try to find solutions. Although it was regrettable that it was not possible to make more definite progress immediately, it was gratifying that the issue had been joined. The objective should be to achieve an increase of exports from low-cost countries, while avoiding possible disruptive effects in importing countries. His delegation agreed that, in view of the complexity of the issues, the matter should be taken up as early as possible at the sixteenth session.

Mr. JHA (India) said that the Indian Minister of Commerce had, during the Ministerial meeting, clarified India's stand on the proposals made by Mr. Dillon. India did not accept the position that goods produced in countries with low wages could be considered as presenting a different type of competition from goods produced in countries where other factors contributed to cheapness of production. India did agree, however, that it was desirable to study measures to avoid the disruption of markets and serious damage to domestic industry due to a sudden influx of cheap imports, whatever the reasons for the cheapness. The solution to be sought should be one which enabled transitional problems to be alleviated and adjustments to be made so that the advantages of the international division of labour and of buying in the cheapest market without discrimination could be achieved. The General Agreement contained provisions to deal with this type of problem and his delegation agreed that it would be useful to study the problem jointly and decide on procedures. First of all, a factual study was needed and the information required fell under two heads: (1) what kind of market disruption had individual contracting parties experienced or been threatened with? (2) what were the measures they had used and with what effect?

It was of course essential that measures should not be taken, as a result of pressure from inefficient or uneconomic domestic industries, to give those industries protection which was not justified under the General Agreement. The avoidance of market disruption should also not be made the excuse for discrimination on other grounds. As long as these considerations remained common ground his delegation felt that the contracting parties could work together to find constructive solutions to the problem of market disruption. His delegation would suggest that to facilitate this task the Executive Secretary should present to the sixteenth session of the CONTRACTING PARTIES, not only data already available at the secretariat, but also any new facts that could be collected; contracting parties should co-operate in making the task of fact-finding as complete as possible. While the problem under consideration concerned primarily countries pursuing liberal policies, it was well known that some contracting parties maintained certain restrictions which they considered necessary to avoid market disruption of the kind now under consideration. In this connexion it was his delegation's belief that these restrictions were often the result of apprehensions which were unfounded and a closer analysis would reveal that a large number of countries with similar

economies were able to do without such restrictions. In many instances the removal of the restrictions would in itself suffice to eliminate the dangers they were meant to guard against. He would suggest that the CONTRACTING PARTIES get down to hard facts. In recent consultations with the Member States of the European Economic Community much emphasis had been put on the need to produce "concrete cases"; this test could usefully be applied to the problem now under consideration. Once the facts were assembled they could be examined in a working party and possibly by a panel of experts. He would point out, however, that there were differences between the work done by a working party and that done by a panel of experts; the latter could as a rule more appropriately study long-term trends and possibilities rather than immediate problems. To what extent the factual information which the Executive Secretary would provide could be more suitably dealt with by a working party or a panel of experts should be left open at the present stage. He hoped that all contracting parties would make an attempt, at the next session, to consider the basic problems and ways of seeking solutions to them.

Mr. PARBONI (Italy), speaking on behalf of the Member States of the European Economic Community, said that the Community was fully aware of the importance of the problem and would wish to contribute and co-operate so that a satisfactory solution could be found; this solution, in their view, should conform with the objectives of the General Agreement. The Community supported the proposal that from the beginning of the sixteenth session the CONTRACTING PARTIES should occupy themselves with this problem and in particular make arrangements for future study.

Mr. HUGHES (United Kingdom) said that it was realistic to postpone this issue until the sixteenth session. His delegation supported the suggestion of the representative of India that the secretariat should assemble facts as a basis for deciding what machinery would be appropriate for carrying the matter forward. They had some doubts regarding the desirability of appointing a panel of experts to carry out a study; if this were done it would be necessary for the panel to have very clear and precise terms of reference. In the United Kingdom's view it was certainly appropriate that it should be the CONTRACTING PARTIES who should study this question against the background of the General Agreement.

The United Kingdom attached importance to any study which the CONTRACTING PARTIES might undertake aimed at finding solutions within the existing provisions of the General Agreement.

Mr. MERINO (Chile) said that Chile's position was similar to that of India. The view that discrimination was justified on the grounds that wages were low in the exporting country was unacceptable to Chile. It was in any case impossible to know where to draw the line in such a matter. At the moment the CONTRACTING PARTIES were discussing industrial products, but this could be followed by an attempt to attach the same principle to primary products. His delegation agreed that there was a problem and this should be tackled on a commonsense basis. The first thing to do, however, was to decide precisely what was the problem.

Mr. KHAN (Pakistan) supported the proposal to defer the issue until the sixteenth session. Since publication of the report Trends in International Trade the CONTRACTING PARTIES had been studying the problem of helping underdeveloped countries increase their exports. No real solution to this problem had yet been found, and the industrialized countries were not really taking any concrete measures in this direction. The fact that wages were low in a country did not necessarily mean that the cost of production was low and it was misleading to consider the question of low wages in isolation.

The CHAIRMAN, summing up the discussion, recalled that during the Ministerial meeting, the representative of the United States had drawn attention to the fact that sharp increases in imports, over a brief period of time and in a narrow range of commodities, could have serious economic, political and social repercussions in the importing countries. He had pointed out that the problem was to find the means to alleviate the adverse effects of an abrupt invasion of established markets while continuing to provide steadily enlarged opportunities for trade. The discussion at the Ministerial meetings, and the present discussion, had focused attention on this problem. The discussions had brought out the fact that apprehension that such situations might arise had led some countries to maintain or impose import restrictions against particular imports from exporting countries. There had been widespread recognition that there existed a serious and complicated question which the CONTRACTING PARTIES should face squarely. It was clearly desirable first to establish the relevant facts.

The Chairman summed up the general concensus of opinion as follows:

(i) that the question should be placed on the agenda for the sixteenth session.

(ii) that, meanwhile, the Executive Secretary should be instructed to submit a factual report to the CONTRACTING PARTIES and to consult with governments with a view to ensuring that this report was complete,

(iii) it would be for the CONTRACTING PARTIES at the sixteenth session to decide on the procedure to be adopted for dealing with this question.

(iv) At the sixteenth session the CONTRACTING PARTIES would also have a further opportunity to consider whether it would be appropriate to establish a Panel of Experts.

This was agreed.

5. Balance-of-Payments Import Restrictions

(a) Consultations in 1960 - Composition of Committee and Time-Table for Consultations (W.15/43)

The CHAIRMAN recalled that on 10 November (SR.15/13) the CONTRACTING PARTIES adopted the report of the Committee on Balance-of-Payments Restrictions concerning arrangements and procedures for next year's consultations. It had been stated at that time that a detailed time-table would be proposed at a later date. The Committee had now submitted a time-table for the consultations and had suggested the composition of the Committee. The Chairman invited the meeting to approve the time-table and the composition of the Committee as set out in document W.15/43.

Mr. ZIPPORI (Israel), Mr. SOLBERG (Norway), Mr. CUHRUK (Turkey) and Mr. TREU (Austria) supported the proposals set forth in document W.15/43, but reserved the right to propose changes in the schedule of consultations pending approval by their Governments.

Mr. PROPPS (United States) expressed the hope that, except in really justifiable cases, no changes in the schedule would be necessary, as the present time-table for consultations had been worked out so as to take all interests into account and it involved a delicate balance concerning the number of consultations to be undertaken at each meeting of the Committee. He said that numerous changes would almost inevitably make it necessary for the Committee to meet four rather than three times during 1960.

The CHAIRMAN asked contracting parties to do their best to avoid changes in the proposed time-table. He drew the attention of contracting parties which felt that they could not consult at the proposed dates to paragraph 2 of document W.15/43, which envisaged the possibility of making a limited number of necessary changes.

The proposals in document W.15/43 were adopted.

(b) Extension of "Hard-Core" Decision (W.15/28)

The CHAIRMAN recalled that at a previous meeting it had been agreed to extend for a further year the time-limit of the Decision of 5 March 1955. A draft decision had been circulated in document W.15/28.

The draft decision was adopted.

6. Netherlands Import Restrictions

Mr. WARREN (Canada) referred to a statement made earlier during the session by the representative of the Netherlands (SR.15/10) concerning the removal of certain Netherlands import restrictions. He welcomed the fact that the Netherlands had emerged from balance-of-payments difficulties. He also expressed appreciation for the liberalization measures which had been announced

as well as the statement of intention by the Netherlands Government to continue its efforts to achieve full conformity with the rules of the General Agreement. He expressed the hope that the progress towards eliminating the remaining restrictions would be speedy, so that perhaps at the next session there would be little if anything for discussion under this heading.

Mr. EROPPS (United States) said that his delegation shared the hopes expressed by the representative of Canada. His Government appreciated the progress the Netherlands had made towards the removal of import restrictions and the fact that the restrictions in force were administered in a non-discriminatory manner. His Government recognized that the remaining problems were of a complicated nature, but he believed that it was important for the Netherlands to proceed expeditiously in the elimination of the restrictions that remained.

Mr. HUGHES (United Kingdom) and Mr. PHILLIPS (Australia) associated themselves with the statements made by the representatives of Canada and the United States.

Mr. VAN OORSCHOT (Netherlands) said that he would report the observations which had been made to his Government.

7. European Free Trade Association (L/1105, Spec(59)302)

The CHAIRMAN referred to the statement made by the representative of Sweden at the last meeting of Heads of delegations concerning the drafting of a convention by seven countries for a free trade association in Europe (L/1105). The representative of Sweden had stated that the delegations of the contracting parties proposing to participate in the free trade association were ready to discuss the procedure to be followed for the examination of the convention. The Executive Secretary had distributed a note (Spec(59)302) suggesting a time-table for dealing with this matter, which had been examined and approved at a meeting of Heads of delegations. This time-table provided that the text of the convention would be distributed to contracting parties by the end of the year. Contracting parties would then have an opportunity to submit questions concerning the convention which would be prepared by the secretariat in the form of a questionnaire and transmitted to the governments concerned. The replies received would be distributed in March and the Intersessional Committee would be convened to discuss the matter. He asked for formal approval of these proposals by the CONTRACTING PARTIES.

Mr. SWARD (Sweden) said that the contracting parties which planned to establish a free trade association were in full agreement with the procedure suggested in document Spec(59)302.

The proposals in document Spec(59)302 were adopted.

8. Declaration on Provisional Accession of Switzerland - Extension of the Time-Limit (W.15/41)

The CHAIRMAN recalled that at a previous meeting (SR.15/14) it had been agreed to extend further the time-limit for signature of the Declaration on the Provisional Accession of Switzerland. The document (W.15/41) which had been distributed suggested that the same procedure be followed as at the fourteenth session. As all interested contracting parties were represented and none had raised any objection against the proposal to extend the closing date for the signature or acceptance of the Declaration he proposed that the Executive Secretary be authorized, notwithstanding the provisions of paragraph 7 of the Declaration, to accept signatures and acceptances up to 1 April 1960.

This was agreed.

The Chairman then referred to the last paragraph in document W.15/41 and asked whether the CONTRACTING PARTIES agreed to authorize the Intersessional Committee to grant a further extension, if the need should arise, after having ascertained that there were no objections from any of the interested parties.

This was agreed.

9. Subsidies: Article XVI:4 (W.15/36)

The CHAIRMAN pointed out that the Procès-Verbal extending the validity of the Declaration extending the standstill provisions of Article XVI:4 of the General Agreement would expire on 31 December 1959. The Executive Secretary had prepared for acceptance a draft Procès-Verbal further extending the validity of the Declaration for one year (W.15/36).

Mr. KASTOFT (Denmark) said that his delegation did not object to the prolongation of the Procès-Verbal. Having reminded contracting parties that his delegation had often pointed to the lack of equilibrium in the General Agreement, Mr. Kastoft went on to recall that, during the review session, there had been a large majority in favour of the adoption of identical provisions on export subsidies for industrial and agricultural products. The acceptance of this amendment had only been prevented by the firm resistance of a few countries on the grounds of a lack of balance in another field, namely the discriminatory application of restrictions against dollar goods. Today even this argument could no longer be used to justify these measures. He felt, therefore, that the prospects for agreement on the amendment of Article XVI should be better now than in 1955. He suggested that the question of amending Article XVI be given high priority in the programme of work of the CONTRACTING PARTIES during the coming year.

Mr. WARREN (Canada) said that his Government was prepared to approve the extension of the validity of the Procès-Verbal. Since the Declaration which maintained the standstill on subsidies had already been extended twice, he asked the CONTRACTING PARTIES to consider whether the terms of such a temporary solution could not be improved through taking a more positive approach to the problem of subsidies on non-basic products. He suggested that the CONTRACTING PARTIES examine this matter at their next session.

Mr. JHA (India) said that his delegation had on previous occasions reserved its position on this point. India did not subsidize its exports but his Government found it impossible to subscribe to the standstill provisions set out in the draft Procès-Verbal.

Mr. PROPPS (United States) said that his delegation were authorized to agree to an extension of the standstill arrangement for another year. The signature of the United States to the instrument extending the Declaration beyond 31 December 1959 would be subject, however, to the same reservation which the United States had attached to its signature of the Declaration of 30 November 1957. His Government also believed that it would be useful to consider further restricting the scope of export subsidies on non-primary products. He proposed that this matter be taken up in connexion with the consideration of the report by the Panel of Experts on Subsidies and State Trading.

Mr. JARDINE (United Kingdom) said that his delegation agreed with the draft Procès-Verbal and supported the proposal to extend the standstill arrangements. He noted that the United States had felt it necessary to attach

a reservation to their signature. He added that since his Government's views were well-known to contracting parties he would not comment on that reservation. The United Kingdom Government was ready to sign the Procès-Verbal as soon as the United States had done so. His delegation also agreed with the proposal to re-examine the question of Article XVI at the next session.

The CHAIRMAN said that note would be taken of the reservations expressed by the United States and India, and that the Procès-Verbal would be opened for signature. The question of future action would appear on the agenda for the next session.

10. Status of Guinea (W.15/10)

The CHAIRMAN recalled that it was agreed at a previous meeting (SR.15/14) to apply the procedures for action under Article XXVI:5(c) in the case of Guinea by recommending to contracting parties that they should apply the General Agreement in their trade relations with Guinea on a basis of reciprocity for a period of two years, during which time the Government of Guinea could report its wishes regarding its future status in relation to the General Agreement. He referred to the draft recommendation which had been distributed by the Executive Secretary in document W.15/10.

The draft recommendation was adopted.

11. Status of Agreement and Protocols (W.15/27)

The CHAIRMAN recalled that it had been agreed at a previous meeting (SR.15/11) to extend for another year the closing date for acceptance of the Protocols of Amendment which were drawn up at the review session. The Chairman asked for approval of the draft resolution which had been distributed by the Executive Secretary in document W.15/27.

The draft resolution was approved.

Mr. PROPPS (United States) said that his delegation had been authorized to sign the Declaration on Provisional Accession of Israel and the Declaration concerning relations with Yugoslavia.

12. Article XXVIII:4 - Request by Denmark (SECRET/109, Corr.1 and Add.1, 2)

The CHAIRMAN pointed out that the Danish Government had notified three further items (SECRET/109/Add.2) to be added to the list contained in its original request (SECRET/109, Corr.1 and Add.1). He proposed that the discussion should embrace all the items for which Denmark had requested authority under Article XXVIII:4 to enter into renegotiation for the modification or withdrawal of concessions in Schedule XXII.

Mr. KASTOFT (Denmark) said that the Danish representative at the Ministerial meeting had given a detailed account of the plan of the Danish Government for the dismantling of the present system of quantitative import restrictions. It was the intention of his Government to eliminate during the first half of 1960 a considerable number of the existing import restrictions on industrial items. For those products which after that time would still be under import control, quotas were to be increased gradually but consistently until all those items would formally be liberalized. He emphasised however that at the present time these steps could not be taken without simultaneous action in the tariff field. He explained that import restrictions for balance-of-payments reasons had been in force in Denmark for over twenty-five years. If import restrictions were to be completely dismantled at a given date during the first half of 1960 or gradually over a comparatively short period of time those industries in the Danish economy which had benefited from the incidental protection resulting from import restrictions maintained for this length of time would undoubtedly be subjected to considerable strains. The abolition of import restrictions without a somewhat increased tariff protection could also easily lead to a sharp increase in imports, which, if it was not accompanied by a corresponding increase in exports, would upset the Danish balance-of-payments position. Net foreign holdings amounted only to the equivalent of the value of two months' imports and a re-introduction of import restrictions might in these circumstances become necessary. He felt that an abolition of the existing restrictions without simultaneous tariff adjustments would only be acceptable if the Danish export industries including agriculture had a correspondingly free access to the markets of Denmark's main trade partners.

He said that on the other hand his delegation agreed with those contracting parties which were opposed in principle to a replacement of import restrictions by increased tariff rates. However, in the Danish case there were special circumstances, as the Danish tariff was particularly low. Instead of continuing the present policy to liberalize in conformity with an improvement in Denmark's balance-of-payments position depending in turn upon the access of Danish products to foreign markets, his Government had chosen to take a more far-reaching action with respect to import restrictions now, and at the same time to revise the tariff. He added that even after the proposed tariff revision Denmark would still have a relatively low tariff.

To carry out these reforms, Denmark had requested authorization to renegotiate bound rates on twenty-four items out of a total of about 700 items in the Danish Schedule. In essence, this was a question of timing, as in

a few months Denmark would in any case have the right to renegotiate these items. He referred to document SECRET/109, which set out the reasons why Denmark had to carry through a tariff reform quickly, and said that tariff items which his Government wanted to renegotiate covered only a small part of total Danish imports, namely 55-60 million Danish kroner, or about 1 per cent of total yearly imports of more than 9 billion Danish kroner. In the expectation that the authorization would be granted, his Government had submitted a consolidated list of tariff items on which Denmark was prepared to offer compensatory concessions to the countries with which the concessions to be withdrawn were originally negotiated and to countries which had a "principal supplying interest" or a "substantial interest" in the items concerned.

Document SECRET/109/Add.1 involved a question of a more technical nature which arose partly from the fact that Denmark had in the past participated in tariff conferences on the basis of an outdated tariff. Fortunately, the technical revision of the tariff required renegotiation of only one commodity group, namely yarns. At present bindings for this commodity group were at three different levels, namely 3, 7 and 15 per cent ad valorem. For reasons of convenience, his Government had not applied the highest rates but a flat rate of 3 per cent for all yarns, so that exporting countries without paying compensation had benefited from rates far below the bindings. It was his Government's intention to bring these bindings into line with the actual situation. Also the relationship between the bound rates for yarns and for piece-goods had been fixed on the basis of specific rates in Denmark's pre-war tariff. The contemplated necessary adjustment would be to the benefit of the Danish spinners, whereas the protection of Danish weavers would be reduced.

Mr. ELSON (Federal Republic of Germany), Mr. SWARD (Sweden), Mr. TREU (Austria) and Mr. CUHRUK (Turkey) supported the Danish request. They considered that there were "special circumstances" in the sense of Article XXVIII:4 and that an opportunity for renegotiation should be afforded.

Mr. WARREN (Canada) thought that the CONTRACTING PARTIES would wish to accommodate Denmark in this matter. He felt, however, that it would be dangerous to accept some of the reasons which the Danish representative had put forward as justification for renegotiations under Article XXVIII. He said that as regards timing there seemed to be a link between the desire of the Danish Government to move quickly and the inception of the EFTA. He hoped that it was not implied that the entry of a country into a proposed free trade area was a reason to be accepted by the CONTRACTING PARTIES to agree to increase tariffs by that Member country. Secondly, the argument had been advanced that increases in the tariff were necessary because of Denmark's proposal to remove progressively its quantitative restrictions. He said that while there might be some special circumstances in the Danish case because of the very low level of its tariff and the need to give additional tariff protection to certain industries, his delegation could not accept as a general proposition that the removal of quantitative restrictions was a valid reason for a Member country to increase tariffs. Moreover, there should be no implication that the removal of quantitative restrictions compensated for the increase of bound rates of duty. Mr. Warren also commented on the statement that Denmark hoped to abolish import restrictions at the latest by 1970. He hoped that the inclusion in the Danish paper of this target date did not mean that Denmark had a particular time-table in mind which was different from that which would relate to its balance-of-payments position. In concluding, he stated that his delegation recognized that Denmark did appear to have a special problem resulting from its very low tariff, making it necessary to increase the level of protection. In not opposing the request, his delegation had also taken into account that Denmark would in any event have been able to unbind these items within a few months.

Mr. HAGUIWARA (Japan) said that his delegation supported the request because it was understandable that a country moving towards liberalization would find it necessary to resort to some tariff readjustment and therefore to request authorization to renegotiate under Article XXVIII. In his opinion this course of action seemed to be more desirable than the continued maintenance of quantitative restrictions.

Mr. PROPPS (United States) said that his Government, after careful consideration of this matter, had come to the conclusion that it could not support the finding of "special circumstances" as requested by the Government of Denmark. There had been in the past two years an encouraging movement away from the use of quantitative controls as the payments position of several countries had improved. This movement had contributed importantly to the

reduction in trade barriers which was the basic objective of the General Agreement. For the United States it had meant that benefits from tariff concessions, which had long been delayed by the maintenance of quantitative restrictions, had been realized to an increasing degree. The proposal which was before the CONTRACTING PARTIES contemplated, however, the early relaxation of quantitative restrictions only on the condition that tariff rates be simultaneously increased. His delegation felt, therefore, that concurrence with the proposal would not be in line with the general GATT objectives of working towards freer trade and would tend to inhibit future progress in the reduction of trade barriers.

Mr. MERINO (Chile) said that his delegation supported the request. Commenting on the remarks made by the representative of Canada, he felt that each case should primarily be treated according to its merits. He also felt that in most cases the elimination of quantitative restrictions would justify the implementation of new tariffs.

Mr. BRUNET (France), Mr. LONNOY (Belgium), speaking also on behalf of the Netherlands, and Mr. PHILLIPS (Australia) supported the request.

Mr. VASSILIOU (Greece) said that while his delegation supported the Danish request they did not feel that this was a special case. It appeared rather as an expression of the fact that in the absence of quantitative restrictions the tariff remained the only effective instrument of trade policy. He referred to the consequences of his Government's decision in April 1953 to abolish without any preparation the system of quantitative import restrictions. It had then become obvious that it was not possible for a lesser-developed country to abolish import restrictions completely unless this move was coupled at the same time with an increase in tariff protection.

The CHAIRMAN, in summing up, said that the majority of contracting parties felt that there were "special circumstances" in the sense of Article XXVIII:4 and were therefore prepared to meet the Danish request. He asked that any contracting party which considered that it had a "principal supplying interest" or "substantial interest" as provided in paragraph 1 of Article XXVIII should communicate such claim in writing and without delay to the Danish Government and at the same time inform the Executive Secretary. Any such claim recognized by the Danish Government would be deemed to be a determination by the CONTRACTING PARTIES within the terms of paragraph 1 of Article XXVIII.

Mr. KASTOFT (Denmark) thanked the CONTRACTING PARTIES for the authorization and, addressing himself to a point raised by the representative of Canada, said that the target date of 1970 had been inserted in the Danish paper only to show that even if at that time Denmark would have balance-of-payments difficulties it would be his Government's intention to abolish all quantitative restrictions by that date at the latest.

13. Article XXVIII:4 - Request by Norway (SECRET/111 and Add.1)

Mr. SOLLI (Norway) said that an application by his Government for authorization to enter into renegotiations under the provisions of paragraph 4 of Article XXVIII had been circulated in document SECRET/111 together with relevant trade statistics annexed to this document as Addendum 1. Representations through Norwegian missions had been made to the governments likely to have a trade interest in the items for which the request was made. If other countries should have a legitimate interest in one or more of the items, the Norwegian Government would appreciate the submission of such claims at the earliest possible date.

He explained that the request for authority to renegotiate involved ten tariff items all of which were bound in 1947 in Geneva and in Annecy in 1949. In nine cases the bound rates were specific duties which, at the time of the binding, were considered to be very moderate. Because of the continuous rise in prices during the last ten years the incidence of the rates had been reduced to a very low level. On the basis of 1958 prices the average incidence of these bound tariffs was 4-5 per cent and in two cases it was as low as 0.5 per cent. This development was in itself not undesirable as long as other exporting countries also had a low level of protection for the same products. This was, however, not the case, and the Norwegian Government had found it necessary to adjust these duties to give their industries protection in line with that granted by other countries to industries producing similar goods. He added that the matter had been under study since 1955, when the Norwegian Tariff Commission had for the first time recommended that these bindings be renegotiated. He pointed out that the Norwegian request for authority to renegotiate these items did not involve the withdrawal of the bindings from Schedule XIV. It was the intention of the Norwegian Government to modify the existing bound rates, i.e. to rebind the same items at a somewhat higher level. The new ad valorem rates to be included in Schedule XIV would be of a moderate nature and would be well below the average rates applied to the same products by most contracting parties. He added that compensation offers to the countries affected would soon be worked out, which would enable the Norwegian Government to enter into fruitful negotiations based on the desire to maintain the general level of concessions in Schedule XIV.

Explaining the reason why his Government felt that "special circumstances" prevailed, he recalled that on 14 November 1958 Norway had been authorized to renegotiate thirty tariff bindings with specific rates in order to convert them to ad valorem rates in connexion with the adoption of the Brussels Nomenclature. The additional items for which Norway now sought authority to renegotiate had not been included in the first application, because his Government had at that time hoped to be able to maintain the bindings until the end of the present period of firm validity of the GATT schedules. Unlike the request applying to the first group of tariff items the present request for renegotiations also involved tariff increases. The Norwegian Tariff Commission with the approval of the competent Parliamentary Committee, had now strongly recommended that the process of conversion of bound specific duties be completed without delay so that the new Norwegian tariff could finally be brought into harmony with the Brussels Nomenclature. The Parliamentary Committee had also

recommended for three other items, i.e. cigars, cigarettes and galvanic dry cells, to renegotiate and modify the respective specific and ad valorem duties. Mr. Solli also pointed out that at the thirteenth session the Working Party on Schedules had recommended that the application by Norway for conversion of some thirty items be considered by the CONTRACTING PARTIES as warranting a finding of "special circumstances" in the sense of paragraph 4 of Article XXVIII. In doing so, the Working Party had taken note of the declaration made by the leader of the Norwegian delegation that the Norwegian Government, under the same circumstances, might wish to convert "at some later date a further limited number of specific duties in the Norwegian Schedule" (see document W.13/15). The present request should therefore be considered in the light of the proceedings which took place at the thirteenth session.

If authorization was to be granted, it was Norway's intention to initiate negotiations with interested countries whose claims for the right to participate in such negotiations were recognized by the Norwegian Government. He concluded by stating that his Government attached great importance to the earliest conclusion of negotiations providing for the new bindings to be included in Schedule XIV. However, because the matter had come up rather recently, and because of the coming Christmas recess, his Government would not insist on the time-limit of sixty days set out in the interpretative note to Article XXVIII.

The CHAIRMAN said that, since there were no comments, he considered that the Norwegian request had been accepted in principle and that the CONTRACTING PARTIES agreed that there were "special circumstances" in the sense of Article XXVIII:4 which warranted the granting of the request for authority to enter into renegotiations. He asked that any contracting party which considered that it had a "principal supplying interest" or a "substantial interest" as provided in paragraph 1 of Article XXVIII, should communicate such claim in writing and without delay to the Norwegian Government and at the same time inform the Executive Secretary. Any such claim recognized by the Norwegian Government would be deemed to be a determination by the CONTRACTING PARTIES within the terms of paragraph 1 of Article XXVIII.

14. Nomination of Chairman of ICCICA (W.15/35)

The CHAIRMAN said that his proposal, following unanimous agreement at a meeting of Heads of delegations, that the CONTRACTING PARTIES should submit to the Secretary-General of the United Nations the nomination of Mr. L.K. Jha (India) as Chairman of the Interim Co-ordinating Committee for International Commodity Arrangements for the ensuing year, had been put forward in document W.15/35.

The CONTRACTING PARTIES approved this recommendation.

The Chairman proposed that the gratitude of the CONTRACTING PARTIES be conveyed to Sir Edwin McCarthy for his services as their nominee during the past three years.

Mr. JHA (India) thanked the CONTRACTING PARTIES for his nomination.

15. Election of Intersessional Committee (W.15/32)

The CHAIRMAN said that his proposal, following unanimous agreement at a meeting of Heads of delegations, for the seventeen members of the Intersessional Committee for the period from the end of the fifteenth session of the opening of the seventeenth session had been conveyed to the contracting parties in document W.15/32. The CONTRACTING PARTIES confirmed the election of the following contracting parties to the Intersessional Committee:

Belgium	Germany, Fed. Rep. of	Pakistan
Canada	Ghana	Peru
Chile	India	Turkey
Cuba	Italy	United Kingdom
Denmark	Japan	United States
France	New Zealand	

16. Election of Officers (W.15/39)

The CHAIRMAN said that, following unanimous agreement at a meeting of Heads of delegations on the election of officers for the period from the end of the present session until the end of the last session in 1960 (W.15/39), he proposed Mr. E.P. Barbosa da Silva (Brazil) as Chairman and H.E. Mr. Toru Haguiwara (Japan) and Mr. W. Ph. van Oorschot (Netherlands) as Vice-Chairmen. The election of these officers was confirmed.

Mr. DA SILVA thanked the CONTRACTING PARTIES for his election and expressed his satisfaction in sharing with Mr. Haguiwara and Mr. van Oorschot the high honour of office.

Mr. HAGUIWARA, on behalf of Mr. van Oorschot and himself, thanked the CONTRACTING PARTIES for their confidence.

The meeting adjourned at 5 p.m.