

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

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CONTRACTING PARTIES
Sixteenth Session

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SUMMARY RECORD OF THE THIRD MEETING

Held at the Palais des Nations, Geneva,
on Friday, 20 May at 10 a.m.

Chairman: Mr. E.P. BARBOSA DA SILVA (Brazil)

- Subjects discussed:
1. Paris Economic Meetings
 2. Co-operation with the OEEC
 3. Rhodesia and Nyassaland/South Africa
- proposed new Trade Agreement
 4. Article XX, sub-paragraph (j)
 5. Status of the Cameroons and Togoland

1. Paris Economic Meetings (I/1166)

The CHAIRMAN said that, since the fifteenth session, many of the contracting parties in Europe and North America had participated in meetings held in Paris at which economic and commercial policy questions were discussed. The Executive Secretary had been invited to participate in some of these meetings and had submitted a report which was contained in document L/1166.

Mr. OLDINI (Chile) said that the efforts of governments aimed at strengthening co-operation between nations and at increasing prosperity should be viewed with understanding and sympathy and, in this sense, the work undertaken on reorganizing the OEEC was deserving of encouragement. However, certain trends gave rise to serious concern. The proposed new Organization, which would include the United States and Canada, would no longer be purely European yet its membership would be limited. It would have seemed logical, in view of its worldwide scope, for all parts of the world to be represented. This was not the case however. Moreover, except for certain countries in Europe, all the less-developed countries were excluded. This could reasonably give rise to fears that what was in process of formation was a kind of financial and economic directorate. One of the tasks which the new Organization would undertake would be to assist the less-developed countries. This was a praiseworthy endeavour of course. It was reasonable to assume, however, that as a number of members of the proposed Organization had very close links with certain less-developed countries and territories, the likelihood was that whatever aid was forthcoming would tend to be canalized in a pre-determined

direction. The Latin-American countries, which would not have either direct or indirect representation in the new Organization, would therefore be at a serious disadvantage. They might well see going elsewhere not only a part of the assistance which otherwise would have come to them, but also certain capital necessary for their industrialization.

Although in the field of trade the proposed Organization could have considerable possibilities if its activities were well-defined, this likewise gave rise to concern in view of the possible detrimental effects on the activities of the GATT. It was true that the report of the Group of Four expressed the need for it to be clearly stated that the competence of the new Organization in the trade field would conform with the principles of GATT. The danger remained, however, that the great industrial and commercial nations would form a bloc within the GATT with similar and coordinated interests.

Mr. Oldini said he agreed with the Executive Secretary that there would be advantage in high-level consultations taking place within the new Organization. He could not help feeling, however, that in such consultations, the interests of the major countries would predominate. The real weakness of the proposed Organization was that it constituted a group of great economic powers from which had been excluded both the presence and the voice of the less-developed countries.

Mr. SWAMINATHAN (India) said that it would be very valuable if the Executive Secretary would give his views on the way he thought the new initiatives in Europe would evolve.

The EXECUTIVE SECRETARY said that he had refrained, at the beginning of the discussion on this item, from attempting to add anything to the information contained in his report in document L/1140. He felt there were good reasons for this. In the first place, he would prefer not to make any comments on the matter referred to in the first part of his report, over and above those he had made on a personal basis to the Group of Four, until he had had the opportunity of hearing the comments of contracting parties. As would be appreciated, he had felt himself to be in a somewhat difficult position throughout the discussions in Paris, as it would obviously not be possible for him to reflect the views of the CONTRACTING PARTIES on the subject under consideration until they had had the opportunity of discussing it and arriving at a collective view about it. When he had expressed his views to the Group of Four, he had been at considerable pains to stress that these views were necessarily of a personal character, reflecting conclusions drawn from his own experience in the fields of activity which might fall within the compass of a new organization. He still felt it would be wise for him to refrain from any further general comment until he had heard the views of contracting parties and, in particular, the views of those who were participating in the discussions about the proposed Organization for Economic Co-operation and Development. The Executive Secretary went on to say that, like a number of contracting parties, he was conscious of the fact that, had the Organization for Trade Co-operation come into being, there would have been a broader type of co-operation and consultation between

contracting parties on economic and trade matters than was possible under the General Agreement. As the Organization for Trade Co-operation had not come into being, the authority of the CONTRACTING PARTIES was thereby substantially weakened and their field of activity must continue to be regarded by outside observers as being somewhat limited.

As regards the second part of his report, concerning the Committee on Trade Problems, the Executive Secretary said that he would be attending the second meeting of the Committee early in June and would, of course, report to the contracting parties any developments which occurred.

Mr. SWAMINATHAN (India) said that it would be appreciated that the Executive Secretary, not knowing the considered views of the CONTRACTING PARTIES, had been in a difficult situation during the Paris discussions. Nevertheless, Annex B to the Executive Secretary's report (L/1166) certainly reflected the views which many contracting parties held on this subject. The fact of the matter was that things were moving in the economic field so rapidly and on so many fronts that governments had difficulty in keeping up with them and studying them. It was symptomatic of the situation that the CONTRACTING PARTIES were, in one way or another, almost in continuous session. He felt sure, however, that the Executive Secretary would continue to present the contracting parties' line of thinking to the various bodies and committees concerned. Mr. Swaminathan concluded by suggesting that, before the end of the session, there should be a meeting of contracting parties to co-ordinate ideas on the best procedure to follow to ensure that during the coming discussions on the proposed new Organization in Europe, full account would be taken of the interests of those contracting parties which would not be members of the Organization.

Mr. HARAN (Israel) said that the Executive Secretary had been wise to accept the invitation to present his views to the Group of Four; these views, as reflected in the Executive Secretary's report (L/1166), were certainly the same as those held by many contracting parties not represented at the Paris meetings. In reference to the OEEC Code of Liberalization, Mr. Haran said that, in the view of his delegation, the Executive Secretary had rightly questioned the value and relevance of the Code in present circumstances. There was no doubt that the Code had made a great contribution to the re-establishment of intra-European trade and economic recovery and his delegation felt that GATT should take over where OEEC left off. His delegation would suggest that, at a suitable opportunity, the CONTRACTING PARTIES should examine the possibility of formulating a GATT code of liberalization. Such a code would contribute to the liberalization of trade on a worldwide basis and would fit in with the objectives of the GATT programme for the expansion of trade. Consideration might also be given to establishing, under the auspices of GATT, something comparable to the OEEC Steering Board for Trade; possibly the proposed GATT Council might be invested with functions similar to those carried out by the Board. In referring to the Paris Committee on Trade Problems Mr. Haran said that many contracting parties would be hoping that, while the Committee was considering the question of trading relationships between the EEC and the EFTA, the decisive importance of the question of the relationship between these regional groupings and the outside world would not be lost sight of.

Sir JOHN CRAWFORD (Australia) said that, while Australia sympathized with the objectives held by those working for economic integration in Europe and while the wish of the January meeting of twenty governments to consider the future and perhaps the remodelling of the OEEC was understandable, the proposals put forward in the report of the Group of Four nevertheless gave rise to certain anxieties. These anxieties reflected Australia's concern that nothing should be done which would weaken the role of GATT as the foremost instrument for developing an effective system of trade rules to govern the growing volume of trade among nations.

Referring to the report of the Group of Four, Sir John Crawford said that his remarks would relate to the trade significance of the report. He emphasized that he was not speaking to a definitive brief from his Government, which was anxious to learn more about what might be intended, but he would be expressing anxieties which Australia felt and which it hoped would be taken into account by the European and North American countries concerned as they considered this matter further.

Nothing which he might say in criticism of the proposed OECD should be construed as implying opposition to continued consultative practice in Europe. Indeed, any process for consultation which promised to overcome any serious adverse effects which might result from the different paths now being pursued by two trading groups was to be encouraged. As was well known, Australia would be willing at any time to see whether any constructive action on its part, consistent with its national interests, could contribute to a bridging of existing divisions. It was, therefore, other features of the proposals that he felt obliged to question. The first point was the question of membership. Would the discussions in the new Organization really be confined to European and North American relations? If not, they must inevitably impinge on world policies which would seem to be equally the concern of other countries. It was no answer to suggest that other countries might be made members, for the problem of deciding which countries should become members immediately arose. It could be that a form of association with the proposed new Organization for countries concerned in a particular subject under discussion would be the most constructive solution, provided some effective means of ensuring that countries whose interests were at stake were in fact associated in the particular discussion. Any device for extending membership, however, immediately gave rise to the question - why are these matters not being discussed in GATT itself?

Turning to another point, Sir John Crawford said it was noted that the new Organization would reach decisions of a definitive character. If this was to be the basis for discussions on trade within the Organization, a serious threat to GATT could develop. The membership of the Organization would represent a very powerful proportion of GATT membership and if the views of the countries concerned on a particular subject were unanimous or almost unanimous, GATT could be practically committed before the subject had been discussed by the CONTRACTING PARTIES. He was sure that the countries likely to become members of the Organization would agree that, in these days of extremely complex trade problems, it was important that GATT should not lose its place as the moulder of world trade rules.

The clear stress placed in the report of the Group of Four on the need to make the Organization work in a proper relationship with GATT was, therefore, to be welcomed. Nevertheless, it seemed to his delegation that the prior claim on all contracting parties was to strengthen the GATT to enable it to play its role of ensuring that new developments in world trade evolved consistently with the interests of all contracting parties.

Sir John Crawford concluded by saying that his delegation wished note to be taken of their concern about the meeting of the Twenty in the first instance and about the proposals now contained in the report of the Group of Four. He hoped that account would be taken of these questions and difficulties before final decisions on the proposals were taken by the contracting parties concerned. He welcomed the suggestion of the representative of India that there should be some further discussion about this matter during the present session.

Mr. SWARD (Sweden) said that, as the report of the Group of Four had only been published recently and as the governments concerned had not yet met to discuss the proposals in the report, it could not be said with any certainty what the outcome of the discussions would be, what the remodelled Organization would look like or what tasks would be entrusted to it. He was confident, however, that all the twenty governments, most of whom were contracting parties to the GATT, were well aware of their obligations and responsibilities toward third countries. Further, whatever form their future co-operation might take, it would not be detrimental to the interests of non-members but, on the contrary, beneficial to the world economy and to world trade. The Swedish Government was convinced that it would be worthwhile to build on the experience gained within OEEC, the success of which had been seen in three fields - economic policy, payments and trade.

It was generally recognized that the established OEEC machinery for intensive consultations, which no one could claim was harmful to third countries, should be preserved. While convertibility had fundamentally changed the basis for, and the nature of, co-operation within OEEC in the payments field, there still existed a system of obligations with regard to payments which seemed worthwhile preserving, at least as long as these obligations were not replaced by similar ones in a wider organization. The Code for Invisible Transactions, for example, contained provisions which did not exist in any worldwide organization such as the I.M.F. As for trade problems, it must be admitted that, with convertibility, there was no longer any justification for discrimination among GATT members. Nevertheless, the OEEC commitments should not be done away with until or unless at least as satisfactory results could be achieved in a wider organization; this, in fact, was an argument for preserving both the OEEC obligations and the Organization itself. Experience had shown that regional co-operation need not conflict with the objectives of a wider co-operation. As regards assistance to the less-developed countries, it was natural that Western Europe should assume a considerable degree of responsibility. In this connexion, too much emphasis could not be put on the paramount importance of the industrialized countries following policies of stable and sustained economic growth. Further, it was important that these countries should, in their commercial policies, pay due regard to the interests of the less-developed countries.

In conclusion, Mr. Sward again stressed the great importance which his Government attached to the continuation of the close and fruitful co-operation between European countries which had existed since the war.

Mr. HAGUIWARA (Japan) said that, while the political significance and the more immediate economic motives behind the trend toward regionalism in Europe were appreciated, it must be remembered that outside countries also had an immediate interest in these European developments. Should exclusive blocs emerge in Europe to the detriment of outside countries, the faith of these countries in the important principle of freer, multilateral trade might be shaken. It was natural that outside countries should be concerned and broad assurances from the European and North American countries that due consideration would be given to the interests of outside countries were not sufficient to dispel this concern. In the view of the Japanese delegation, this problem should first of all be discussed in GATT. One could already see what had happened in the case of the EEC, which had been accommodated within the framework of GATT by means of a rather loose interpretation of some of the provisions of the General Agreement. The same sort of thing could happen in the case of the EFTA. The OEEC had had its own Code of Liberalization which applied only to its members and which resulted in discrimination against outside countries. From these past experiences there was every reason for outside countries to have certain apprehensions. While some satisfaction could be derived from the fact that the Executive Secretary had participated in some of the Paris discussions, very little was known about the proposed new Organization for Economic Co-operation and Development and the motives behind it. Would the Organization's function relate only to consultations on economic policy? If so, why should the number of participants in such consultations be restricted? Why is a special body needed to study the world conjuncture when a sufficiently strengthened GATT could well undertake such a task? Was the result likely to be new discrimination in trade? These and other questions should first be discussed in the GATT and not elsewhere. In Japan's view there were always dangers in regionalism, be it economic or political in character. The GATT, having a more universal scope, should be over and above these regional schemes and should be able to overrule decisions made by them. He supported the proposal of the representative of India that this matter should be further discussed during the present session.

Mr. ADAIR (United States) said that he only wished to make a brief, general statement at this stage. First, he wished to express the appreciation of his Government for the personal statement made by the Executive Secretary to the Group of Four and for his willingness both to participate in the work of the Committee of Twenty-one and to make available the Deputy Executive Secretary to direct its secretariat. Their co-operation, it was felt, would reassure the contracting parties who were not participating in the work of the Committee that the governments which were participating desired to adhere to the established principles of GATT and to take full account of the interests of third countries. On this point he hoped there would be no misunderstanding of his Government's views. With respect to both the work of the Trade Committee and the reconstitution of OEEC, the United States had always stressed the primacy of GATT in the trade field and the Group of Four had likewise emphasized this. It was the view of the United States that the countries of Western Europe, which had co-operated so outstandingly in

accomplishing the major task of achieving post-war economic recovery, now had new and important tasks to accomplish and that the tradition and machinery of economic co-operation established for so long should not be lost. Rather the Organization should be reconstituted to meet the new challenges in the broad field of national economic policy which would promote the stability and growth of these nations which was so important for the world economy as a whole. In conclusion, Mr. Adair emphasized that it was not the intention of the United States Government that these activities should in any way detract from the rôle of GATT in the field of commercial policy.

Mr. LACARTE (Uruguay) said it was natural and logical that Uruguay, which was itself a member of a regional organization and had recently signed the Montevideo Treaty establishing the Latin-American Free Trade Area, should understand and sympathize with the recent developments in Europe. Nevertheless his delegation, although grateful for the assurances given by the representatives of Sweden and the United States, shared the concern already expressed by other contracting parties. He would be particularly interested to hear the views of other contracting parties which participated in the Paris discussions. He would also associate himself with the suggestion of the representative of India that this matter should be further discussed during the present session. Mr. Lacarte concluded by stressing the value of the work done by the Executive Secretary in connexion with these recent developments in Europe and by emphasizing that recent events had underlined the need for the GATT to be strengthened so as to give it an organization commensurate with its international scope and character.

Mr. TAYLOR (New Zealand) said that, while the right of a regional group of countries to make arrangements in their mutual interest could not be denied, outside countries were nevertheless always concerned about the possible implications of developments of this sort. It was natural to ask what the proposed Organization for Economic Co-operation and Development could do that could not be done in the GATT where many more countries were represented. While it was agreed that the OEEC had performed a valuable task in the difficult post-war period, it should be pointed out that the narrow application of the Code of Liberalization by some members had caused difficulties for some outside countries. Though this problem was now of lesser importance, New Zealand would not wish to see a similar situation arise again. His delegation agreed with the Executive Secretary that it would appear to be both dangerous and confusing for a revised OEEC to move beyond consultation into the field of operation. It certainly appeared that, on the whole, the report of the Group of Four showed a liberal approach but one had to wait to see how the various proposals would be developed in detail. From what he had said it would be appreciated that New Zealand had serious doubts about the proposed Organization and he agreed with the representative of India that there should be further discussion and consultation on this subject at the present session.

Mr. WIRASINHA (Ceylon) said his delegation shared the misgivings expressed by other contracting parties about the proposed new Organization. While there was undoubtedly a need for a forum for high-level discussion of

economic policies and a need for co-ordinating policies relating to the economic development of the less-developed countries, the fact remained that these matters did not only concern the twenty countries who were considering the establishment of the new Organization. They concerned all contracting parties to the GATT and it was difficult to see why the membership of the new Organization should be restricted in the way proposed; in the view of his delegation, membership should be as broadly based as possible and should preferably be extended to all contracting parties to the GATT. He likewise shared the misgivings of the representative of Australia that discussion of certain problems in the GATT could be prejudiced by prior discussions or decisions taken by members of the new Organization on similar or identical problems. He would support the proposal of the representative of India that the matter should be further discussed at the present session.

Mr. JARDINE (United Kingdom) said that, as the Swedish delegation had pointed out, the twenty governments concerned had not yet had an opportunity to discuss the report of the Group of Four. His remarks would, therefore, be brief at this stage. The report provided a useful basis for consideration of the questions involved, and the general recommendation that consultations on economic policy should be one of the main functions of the proposed new Organization and that it should take over most of the existing activities of the OEEC was in line with the views of his Government. At the same time the United Kingdom was particularly concerned that the future Organization should not result in any weakening of the GATT. It was noteworthy that the report itself recognized that any activities of the new Organization in the trade field should be carried out in conformity with the principles and objectives of the GATT and this was certainly an aspect which the United Kingdom had very much in mind.

Mr. PSCOLKA (Czechoslovakia) said that his Government's views on the question of close economic groupings had been expressed on several occasions, and it shared the concern and apprehensions expressed by other contracting parties about the new Organization it was proposed to form in Western Europe. This development could lead to a weakening of the GATT and his delegation joined with those who had suggested that this whole matter should be further discussed at the present session of the CONTRACTING PARTIES. Generally speaking, it was the view of his delegation that the formation of economic blocs was detrimental to the promotion and development of freer world trade.

Mr. RIZA (Pakistan) said that both the Resolution of the Heads of States, and one of the Resolutions adopted at the economic meetings held in Paris in January, contained reference to the need for trade policies directed to the sound use of economic resources and the maintenance of harmonious international relations and to the need to devote increased efforts towards furthering the development of the less-developed countries. There was certainly nothing against the pursuit of these two laudable objectives. The concern of his delegation, however, was to know how the two objectives were going to be achieved and whether one might be achieved at the expense of the other. As was known, some of the less-developed countries were switching over to the production of processed and finished goods and occasions might arise when there could be a clash of interest between the development of the less-developed countries and the economic requirements of the industrialized countries. The situation regarding the proposed new Organization was, of course, still fluid and there was as yet insufficient information to enable a final view to be formulated; he supported the proposal of the representative of India that the matter should be further discussed by contracting parties. In conclusion, Mr. Riza suggested that the Executive Secretary should continue to maintain close contact with the Paris discussions and try to safeguard the interests of those contracting parties which would not be members of the new Organization.

Mr. IBSEN (Norway) said his Government had always supported international co-operation in the economic field; it had played a very active part both in the GATT and in the OEEC. It must be recognized that regional co-operation was likely to result in the strengthening of the economies of the countries concerned and this could only be beneficial to outside countries also. He could assure contracting parties that, when it participated in the discussions about the future of the OEEC, his Government would have very much in mind the interests of third countries and its obligations in the GATT.

Mr. GRANDY (Canada) said his delegation appreciated the concern felt by other contracting parties and it was very valuable to have heard their views before the twenty governments discussed the report of the Group of Four. The invitation to the Executive Secretary to give his views to the Group reflected the intention of the twenty governments that the activities of both the Trade Committee and the reconstituted OEEC should be in conformity with the objectives of the GATT and should not detract from GATT's authority. For its part, Canada had very much in mind the interests and apprehensions of other contracting parties and he could assure contracting parties that the strength of the GATT was the overriding consideration insofar as the Canadian Government was concerned.

Mr. BARBOSA DA SILVA (Brazil), speaking as Leader of the Brazilian delegation, said that his delegation appreciated the well-balanced and important views which the Executive Secretary had presented to the Group of Four. While the desire of countries within an area to consult and co-ordinate their economic policies was understandable, the possibility of the proposed new Organization resulting in the formation of an exclusive club gave rise to concern. Serious efforts had been made to get the countries of the world to support agencies concerned with basic problems of trade and economic development. Unfortunately the early attempts to form the ITO resulted in failure. More recently, attempts to establish the OTC had likewise failed. Now the CONTRACTING PARTIES were considering ways of strengthening their own organization.

Certain aspects of the work of the Committee on Trade Problems in Paris and of the report of the Group of Four were of particular significance because they concerned fields of activity of great importance to a large number of countries. On one point, namely the economic development of the less-developed countries, a word of particular caution was necessary, for in this field there should not be a division of opinion; it was essential that there should exist a sense of solidarity and co-responsibility. The Brazilian delegation joined with other delegations who had suggested that there should be further discussion and consultation among contracting parties at the present session. Of particular relevance were the possible effects of the establishment of the proposed new Organization on the GATT. There was the danger that the authority of the CONTRACTING PARTIES might be weakened and that prospective new GATT members might be discouraged from becoming members. The aim should be to achieve greater world-wide authority for the GATT and to further its objectives for the benefit of all trading nations and in the interests of prosperity and security.

Mr. KASTOFT (Denmark) said that his delegation shared the views expressed by the representatives of Sweden and the United Kingdom. He too would like to stress that the Governments concerned had not yet had the opportunity to discuss the report of the Group of Four. He could assure contracting parties that the views which they had expressed would be brought to the attention of his Government. Many representatives had expressed recognition of the significant contribution to the aims of GATT made by the work of the OEEC and he hoped that, in a few years time, similar recognition would be expressed in connexion with the results of the work of the proposed new Organization. It was certainly his Government's intention that the work of the new Organization should be to the benefit of the world economy as a whole.

Mr. SWAMINATHAN (India) said that his delegation agreed particularly with what the representative of Australia had said about the difficulties and dangers inherent in the present proposals for an Organization for Economic Co-operation and Development. What was essential was that the CONTRACTING PARTIES, as the most important trading organization in the world, should exert their influence so that the functions of the new Organization were so defined that they did not cut across the principles of the GATT. He entirely agreed with the Executive Secretary that it was extremely unfortunate that

the OTC had not come into being. If it had, the CONTRACTING PARTIES would have been in a much stronger position to face the kind of situation which was now before them. The strengthening of GATT was an immediate necessity. The best answer would still be the establishment of the OTC and in this connexion he would appeal particularly to the United States to throw its weight definitely on the side of the GATT so as to increase its strength and effectiveness in the field for which it was responsible.

The CHAIRMAN said that the views expressed by contracting parties would be recorded. As had been suggested by a number of representatives, arrangements would be made for a further discussion on this item at a later stage in the session.

2. Co-operation with the OEEC (L/1184)

The CHAIRMAN recalled that, at the fifteenth session, the CONTRACTING PARTIES were informed of a Resolution which had been adopted by the Council of the OEEC, proposing co-operation between the Organization and the CONTRACTING PARTIES so as to facilitate the total liberalization of the imports of the OEEC Member States on a world-wide basis. The CONTRACTING PARTIES had approved the text of a reply to be addressed to the Secretary-General of the Organization by the Executive Secretary welcoming activities designed to assist the OEEC members which were contracting parties to conform more rapidly with their obligations under the General Agreement. The CONTRACTING PARTIES authorized the Executive Secretary to establish the necessary contacts to ensure that the CONTRACTING PARTIES would be fully informed of the activities of the OEEC and also authorized him to participate in discussions of these matters within the OEEC. The Executive Secretary had now submitted a report on developments since the fifteenth session; this was contained in document L/1184.

The CONTRACTING PARTIES took note of the Executive Secretary's report (L/1184).

The CHAIRMAN said that the CONTRACTING PARTIES would hope that the efforts of the OEEC would have fruitful results in facilitating the total import liberalization by the Member States which were also contracting parties to the GATT.

3. Rhodesia and Nyasaland/South Africa - proposed new trade agreement (SECRET/115 and Add.1)

The CHAIRMAN said that certain problems concerning trade relations between the Federation of Rhodesia and Nyasaland and the Union of South Africa were discussed at the fifteenth session and were also examined in a Working Party. It was understood at that time that the present Trade Agreement might be terminated and replaced by a new Agreement which might require examination by the CONTRACTING PARTIES as it might not in all respects be fully in accord with the provisions of the GATT. Since the fifteenth session the present Agreement had been terminated and would expire on 30 June 1960. A new Agreement had been negotiated and this had been made available to delegations in SECRET/115.

Mr. BOTHA (South Africa) recalled that the question of the special commercial relationships between South Africa and the Federation of Rhodesia and Nyasaland had been discussed at some length at previous sessions of the CONTRACTING PARTIES. The new Trade Agreement which was under consideration by the two Governments at the time of the fifteenth session, and in respect of which they had sought the guidance of the CONTRACTING PARTIES, would have provided for duty-free admission and continued exemption from South Africa's balance-of-payments import restrictions in respect of all existing and potential exports from the Federation to South Africa. This, as contracting parties would recall, was a principle firmly entrenched in the special preferential customs agreements which had existed between South Africa and the two Rhodesias before the establishment of the Federation and which had had to be terminated on the introduction of a common external tariff for the Federation.

In the discussions which the two Governments had had since the fifteenth session and which had resulted in the formulation of the new Agreement now before the CONTRACTING PARTIES, full account had been taken of views expressed by the CONTRACTING PARTIES at the fifteenth session. The proposed new Agreement was much more restricted in scope than the type of trading arrangement in respect of which the guidance of the CONTRACTING PARTIES had been sought at the fifteenth session. It provided for a substantial reduction in the overall preferential position at present applicable to the trade between the two countries. The relatively limited number of tariff preferences which South Africa would accord to the Federation under the new Agreement in comparison with those embodied in the present Agreement were also generally in accord with the Decision of the CONTRACTING PARTIES of 3 December 1955. In this connexion the attention of contracting parties was drawn to the explanatory statement (SECRET/115/Add.1) circulated by the South African delegation. Mr. Botha concluded by stressing the urgency of this matter. Further, as the new Agreement provided for substantial duty increases, he was sure that contracting parties would appreciate the need for secrecy.

Mr. CAWOOD (Rhodesia and Nyasaland) said that his Government was confident that the provisions of the proposed new Trade Agreement with South Africa would be accepted as being far less preferential than the present Agreement. Broadly speaking South African exports to the Federation would, under the new Agreement, enter the Federation at the rates of duty provided for in column (c) of the Federal tariff (applied to imports from other Commonwealth countries) whereas, under the present Agreement, a substantial part of these exports entered the Federation under column (d) rates of duty (applied to imports from the United Kingdom and Colonies). It might be explained that column (c) rates of duty were closely aligned to column (b), or the most-favoured-nation rates of duty, insofar as consumer goods were concerned, while it was more closely aligned to the lower column (d) rates insofar as raw materials and capital goods were concerned. The South African delegation, in document SECRET/115/Add.1, had outlined the reduced preferences which would apply to Federal exports to South Africa. In stressing that the new Agreement was far more limited in scope than had been contemplated by either Government when the matter was discussed at the fifteenth session, Mr. Cawood further pointed out that the total value of Federal products to which preferences would be granted in the South African market was only about two and a half million pounds, while the free entry provisions for textiles related to trade which was currently about one million pounds a year. Nevertheless, these

concessions were obviously of value to the Federation's small but expanding economy. It was true that the limited scope of the new Agreement would bring problems, both for the Federation and for South Africa, but there would be increased opportunities for Federal manufacturers in the internal market of the Federation. Mr. Cawood concluded by emphasizing the urgency of the matter now before the CONTRACTING PARTIES.

The CHAIRMAN pointed out that document SECRET/115/Add.1 indicated that the South African Government did not consider that the terms of the new Agreement were such as to require a waiver and that the changes in preferences "constitute permissible adjustments in terms of the Decision of 3 December 1955". The Chairman proposed that the Working Party set up at the fifteenth session should be reconstituted, with the following terms of reference and composition, to examine the draft Trade Agreement.

Terms of Reference:

To examine the draft Trade Agreement between the Union of South Africa and the Federation of Rhodesia and Nyasaland and to report to the CONTRACTING PARTIES.

Composition:

Chairman: Mr. P. Savini (Italy)

Australia	Netherlands	Switzerland
Ceylon	Peru	United Kingdom
Denmark	Rhodesia & Nyasaland	United States
France	South Africa	

This was agreed.

4. Article XX, sub-paragraph (j) (L/1183)

The CHAIRMAN pointed out that paragraph (j) of Article XX provided that the GATT did not prevent the adoption or enforcement of measures: "essential to the acquisition or distribution of products in general or local short supply; provided that any such measures shall be consistent with the principle that all contracting parties are entitled to an equitable share of the international supply of such products, and that any such measures, which are inconsistent with the other provisions of this Agreement shall be discontinued as soon as the conditions giving rise to them have ceased to exist".

The paragraph went on to say: "The CONTRACTING PARTIES shall review the need for this sub-paragraph not later than 30 June 1960."

The history of this paragraph and the present situation were described by the Executive Secretary in a note distributed in document L/1183. The item appeared on the agenda so that the CONTRACTING PARTIES might decide whether the paragraph should be retained in the text of the GATT or whether it might now be deleted by an amendment to Article XX.

Mr. ADAIR (United States) said that, in the view of his Government, paragraph (j) of Article XX should now be eliminated. The conditions of post-war readjustment which justified the paragraph no longer existed. It was originally due to be terminated on 1 January 1951 and a further extension of the provision beyond the present time-limit was no longer necessary or desirable.

Mr. SWARD (Sweden) said that it was true that paragraph (j) had been intended to meet conditions which no longer existed, but, as in the case of the Korean and Suez crises, a world crisis could arise when such a provision might be necessary. His Government therefore favoured the retention of the paragraph.

Mr. GRANDY (Canada) said it appeared that the provision had not been abused or used arbitrarily and his delegation believed that cases might arise which would justify its retention. His delegation therefore suggested that the provision be extended for a further period, possibly five years.

Mr. WARWICK SMITH (Australia) said that, while widespread conditions of shortage no longer existed to anything like the same extent, occasional local short supply situations could arise. There appeared to be no indication that the use of paragraph (j) had been abused and his delegation would be prepared to accept the retention of the paragraph without provision for further review. However if the consensus of opinion so wished, his delegation would be happy to accept the continuance of the provision for a stated number of years.

Mr. PHILIP (France) said that paragraph (j) of Article XX had not been abused and, in the view of his delegation, its retention was justified at the present time.

Mr. van Oomschot (Netherlands) and Mr. MATHUR (India) also proposed that the paragraph should be continued for a further period.

The CHAIRMAN said that, from the discussion, it would appear that an extension of paragraph (j) of Article XX for a further period of five years would meet the wishes of the CONTRACTING PARTIES. He proposed that the Executive Secretary should accordingly be requested to submit a draft decision for approval by the CONTRACTING PARTIES.

This was agreed.

5. Status of the Cameroons and Togoland (L/1182)

The CHAIRMAN said that the French Government had notified the CONTRACTING PARTIES (L/1182) that the territories of the Cameroons and Togoland, to which France had applied the General Agreement since 1948, had acquired full autonomy in the conduct of their external commercial relations. This notification should be considered by the CONTRACTING PARTIES in the light of the procedures relating to Article XXVI:5(e), which were adopted by the CONTRACTING PARTIES on 1 November 1957. The procedures provided in the first instance for consultations with the countries in question.

Mr. PHILIP (France) said that, as the CONTRACTING PARTIES had been informed in document L/1182, the Republic of the Cameroons and the Republic of Togoland had acquired full autonomy in the conduct of their external relations from 1 January 1960 and 27 April 1960 respectively. In these circumstances, the procedures relating to Article XXVI:5(c) could be followed as had been done in the case of other countries in the past.

The CHAIRMAN proposed that the CONTRACTING PARTIES should authorize the Executive Secretary to conduct with the Governments of France, the Cameroons and Togoland the consultations provided for in the procedures relating to Article XXVI:5(c) and to submit a report on these consultations for consideration at the seventeenth session of the CONTRACTING PARTIES.

This was agreed.

The meeting adjourned at 12.35 p.m.