

GENERAL AGREEMENT ON TARIFFS AND TRADE

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CONTRACTING PARTIES
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SUMMARY RECORD OF THE FIFTH MEETING

Held at the Palais des Nations, Geneva,
on Tuesday, 21 November, at 2.30 p.m.

Chairman: Mr. BARBOSA DA SILVA (Brazil)

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1. Recourse to Article XXIII by Uruguay

The CHAIRMAN recalled that this item had been included in the agenda at the request of the Government of Uruguay.

Mr. LACARTE (Uruguay) informed the CONTRACTING PARTIES that Uruguay had entered into consultations with some twelve countries, and was submitting the matter to the CONTRACTING PARTIES for consideration under paragraph 2 of Article XXIII. Mr. Lacarte's full statement has been distributed in document L/1647.

The CHAIRMAN said that the statement of the Uruguayan representative had been noted, and in the light of the work done in recent years by the different committees of GATT, it could be seen that the Uruguayan representative had raised important issues. As the CONTRACTING PARTIES no doubt wished to consider these issues, he suggested that further discussion be deferred until a later meeting.

This was agreed.

2. Disposal of commodity surpluses (L/1550 and Add.1, L/1587)

The CHAIRMAN said that this item had been on the agenda of many recent sessions, and that the procedure for dealing with this item had been examined by the Council in the light of suggestions made at the seventeenth session. The scope of the item had been broadened to include the two resolutions of 4 March 1955 on disposals of surpluses and liquidation of strategic stocks.

At the request of the Council, a number of contracting parties had submitted reports on action taken during the past years on the disposal of commodity surpluses and strategic stocks, and these had been distributed in documents L/1550 and Add.1. In a further document, L/1587, the secretariat had distributed a note on the activities of other inter-governmental agencies in this field.

Mr. DATSON (New Zealand) referring to document L/1550 thanked those contracting parties who had submitted information under the new procedures. He said that while his Government was still concerned at the apparent inability of the United States to achieve any success in removing the root cause of their large surpluses, his Government appreciated the way in which the United States had fully observed the principle of prior consultation. He recalled that his delegation had made known at the last Council meeting their disappointment of the limited response by contracting parties regarding the invitation to submit reports on disposals of surpluses. It was the impression of the New Zealand delegation that as only a few countries had submitted details of their disposal activities, the CONTRACTING PARTIES were unable to obtain a true indication of the magnitude of this problem. In the invitation asking contracting parties to report on their surplus disposal activities, the expressions: "disposal of commodity surpluses", "liquidation of strategic stocks", "disposal of stocks otherwise held by government agencies" were used. His delegation realized that these expressions were open to different interpretations but had hoped that contracting parties would have adopted a liberal interpretation. This approach would have included operations under which surpluses were generated by high support prices and purchased by governmental or semi-governmental agencies to be disposed of on international markets with the aid of government subsidies. Mr. Datson said that his delegation hoped that the procedures adopted for reporting on operations in the field of surplus disposals would be continued for at least another year in the hope that more countries would provide information so that the CONTRACTING PARTIES would have a more complete picture of this very real problem.

Turning to document L/1587, the New Zealand delegate said that the secretariat's report had recorded a development that might well become of major significance to international trade and to the GATT. This was the emergence of the concept of surplus disposals under multilateral control. The United Nations resolution on this subject had now reached a stage where concrete proposals for the administration of a multilateral scheme had been prepared. During the examination of these proposals by the FAO conference in Rome, his delegation understood that many agricultural exporters, although fully sympathetic to the humanitarian purposes of these proposals, did express concern that such a programme unless administered with great care could have a disruptive effect on normal commercial trade. He realized that the proposals before the FAO had referred specifically to the need to avoid any adverse effect on international trade, but his delegation while not wishing to make any evaluation of, or comparison between the bilateral and multilateral approach to the surplus disposal problem, felt that the multilateral approach might become increasingly significant.

In conclusion, Mr. Datson said that the CONTRACTING PARTIES in the past had recognized the implications for world trade of bilateral surplus disposal operations, and his delegation believed that the CONTRACTING PARTIES would agree that this newer concept of multilateral utilization of surpluses was a development of considerable relevance. The New Zealand delegation hoped therefore that this item would be retained on the agenda for future meetings, and that the secretariat would keep in close contact with developments in this field and report to the CONTRACTING PARTIES or to the Council as the case warranted.

Mr. CARNEIRO (Brazil) said that his delegation had previously indicated that the Government of Brazil had been studying the various problems concerning international commodity trade under three headings. Firstly, the short-term stabilization of prices and volume; secondly, the increases in the rates of growth of trade in commodities; and thirdly, the long-term stabilization of the terms of trade relating to primary commodities and manufactured goods. With regard to the short-term stabilization of primary products, the studies of his Government under this heading embraced internal measures relating to marketing agencies of various kinds, and external measures relating to inter-governmental commodity agreements. Mr. Carneiro said that it had been the traditional position of Brazil to accede to most inter-governmental agreements now in force; Brazil was a member of the wheat and sugar agreements and was considering the possibilities of a world-wide coffee agreement and a cocoa agreement.

The Brazilian delegate distinguished between two types of price stabilization policies. The first referred to countries in which the agricultural sector of their economies provided the major share of the national income. For such countries price stabilization was essential since certain agricultural products were called upon to finance the development of the industrial sector as well as the agricultural sector. The second concerned those countries in which the income earned by the agricultural sector was low compared with that obtained from the industrial sector. The stabilization policy usually adopted in such countries was implemented in such a way that the agricultural sector enjoyed an exaggerated margin of protection which was disguised under price guarantees. Mr. Carneiro said that with regard to the second type of policy it was the view of his delegation that such methods of agricultural protection contributed to a less efficient use of available resources. There was no justification for a policy which persistently and intensively protected agriculture without increasing the productivity of labour in the agricultural sector, or without transferring excess labour from that sector. He felt that any increase in the income of the agricultural sector in industrialized countries must be obtained through an increase in productivity or by the transfer of agricultural labour to other sectors of the economy. He then expressed the grave apprehensions of his delegation regarding the agricultural policies which were being developed by countries forming regional groupings.

Concluding, Mr. Carneiro said that there was great concern in his country about developments relating to the sugar market. This commodity was one of the main sources of Brazil's foreign earnings and it was the opinion of his delegation that there were no economic, social, or strategic reasons to justify the degree of protection that was applied in beet-sugar producing countries.

Mr. JOSHI (India) said he was glad to see the reports submitted by contracting parties on their commodity disposal operations, and expressed his satisfaction on the thoroughness of the report presented by the United States. He said that in line with the report submitted by the FAO to ECOSOC, emphasis had been made in the United States' report on the object of promoting faster economic development by a disposal programme which would coincide with national development plans and with priorities established by the governments of recipient countries. It was the opinion of the Indian delegation that the more firmly this approach was established in theory and practice, the more it could be expected that surplus disposal programmes, whether carried out on a multilateral or bilateral basis, would contribute to the raising of living standards, the promotion of higher rates of economic development, and the expansion of world trade generally. Referring to the consultative procedures, and principles drawn up by the FAO on surplus disposals as well as the resolution adopted by ECOSOC on surplus foodstuffs, Mr. Joshi said that these should provide adequate safeguards in respect to sales of surplus agricultural commodities to less-developed countries. Finally, the review of the work done in the surplus disposal field had indicated that the principles laid down in the FAO report, if observed, should assist less developed countries like India without harming the short-term or long-term interests of countries which were traditional exporters of these commodities.

Mr. KLEIN (Federal Republic of Germany) speaking on behalf of the EEC said that the member States of the Community had followed the work of the GATT on commodity problems, and were very interested in pursuing action in this field. He accepted to a large degree, the views expressed by the delegate of New Zealand regarding the need for a wider approach to this problem, but it appeared that the information thus far received on commodity disposals was not sufficient to provide a general insight into the problems concerned. He felt that it was essential for the CONTRACTING PARTIES to be kept informed of the developments in this field and the work being carried out by the FAO.

Mr. LATIMER (Canada) agreed with the views expressed by New Zealand and the Federal Republic of Germany on the importance of the problem of surplus disposals. He said that when the suggestion was first presented a year ago that new procedures should be sought for dealing with this item, the Canadian delegation had seen considerable merit in the attempt to make consideration by the CONTRACTING PARTIES on this problem more effective. The problem generated by the disposal of excess stocks still existed. In this connexion his delegation welcomed the fairly effective consultative procedures which had been developed to minimise the conflicts in this field, and hoped that the effectiveness of these procedures would be continued. Mr. Latimer said that in some countries widespread agricultural protection had resulted in a build-up of at least occasional surplus stocks, and the possible effect of their disposal on the normal commercial sales of traditional exporters should always be kept in mind. It was because of this that the Council had asked contracting parties to submit reports on their disposal operations, including disposals from strategic stocks and stocks otherwise held by Government agencies. The Canadian delegation had expressed some reservations concerning the necessity of further written reports. Nevertheless, in the hope that it would contribute to the development of more effective procedures, his Government had submitted a report even although it was felt that most disposal

operations were of a type with which the CONTRACTING PARTIES were not particularly concerned. Only a very small number of countries had so far submitted reports, and his delegation therefore wished to join with the New Zealand delegation in urging other countries to submit reports on surplus disposals and parallel practices, if the new procedures were to be meaningful.

Mr. FLEMING (Australia) said that the Australian Government had submitted a report to the CONTRACTING PARTIES on such disposal operations as it had undertaken since the seventeenth session. His delegation wished to thank the other governments who had similarly submitted reports. Referring to the Australian report, Mr. Fleming drew attention to several salient points. Firstly, in these operations Australia had followed the procedure adopted in the resolution of 4 March 1955. Secondly, all disposals during the period under review were donations. Thirdly, the only commercial sales that the Australians were likely to have displaced would be Australian sales, since all the recipient countries were traditional markets for commercial sales from Australia of the products involved. Since his Government had a vital interest in any proposals to give away surplus food, they had followed carefully the developments mentioned in the secretariat's paper L/1587. At the FAO conference in Rome, which was running concurrently with the nineteenth session of the CONTRACTING PARTIES, Australia had indicated its support in principle for a multilateral arrangement for emergency relief. Such an arrangement would, of course, include disposal of surplus commodities. Mr. Fleming said that his Government realized that it was imperative that hungry populations be fed, but at the same time wished to emphasize the desirability of assistance being given in a way which to the greatest extent possible did not disrupt normal commercial trade. Australia recognized and appreciated the responsibility shown by the United States Government in marketing surpluses, and was pleased to observe that the consultation procedures in surplus disposal transactions were working smoothly. In the opinion of his delegation, the United States was co-operating effectively with other commercial supplying countries to ensure that there was a minimum of disturbance to normal trading patterns. Australia hoped that whatever new arrangements for surplus disposal were developed, the process of consultation would be continued. Finally, he outlined several important points that were included in his Government's approach to the problem of surpluses. Firstly, that the surplus problem had existed for the past six or seven years; secondly, that in spite of many efforts in GATT, FAO and other international agencies, no real solution to the problem of surplus accumulation had been achieved, or indeed had been anywhere in sight; thirdly, that meanwhile there was little evidence in industrial countries of any reduction in excessive levels of production and impediments to consumption, which gave rise to surplus problems. The Australian delegation shared the apprehension of Brazil that developments in Europe, given a common agricultural policy as presently envisaged, would aggravate these problems, particularly if such a major force in world agricultural trade as the United Kingdom, was subjected to the provisions of a common agricultural policy. Fourthly, as surpluses arose largely out of national production and trading policies of highly protectionist countries, and as they were in fact a reflection of individual commodity problems, solutions could not be found merely by considering the disposal of surpluses; this would be to treat the symptom rather than the cause. Wheat surpluses for example were very much a wheat problem and not just a disposal problem. It was the belief of the Australian delegation, that the solutions of the basic problems could be found only within a broad framework which included international arrangements for individual commodities.

Mr. HAUGE (Denmark) said that the Danish Government had continuously advocated the view that the disposal of commodity surpluses should take place in a manner which interfered to the least possible extent with the commercial exports of such commodities. Although the Danish Government had felt that the resolution of 4 March 1955 should have been stronger and more explicit, it had appreciated the opportunities offered by contracting parties engaged in surplus disposals for advance consultations. When the report contained in document L/1550 was brought before the recent Council meeting, the New Zealand delegation had rightly pointed out the need to include where possible parallel practices in the field of export subsidies which similarly caused damage to commercial exports. It was regretted that the CONTRACTING PARTIES at the review session had not agreed upon more effective subsidy provisions which could have been applied to the widespread recourse to government assistance in agricultural exports. His delegation supported the forceful views put forward by the delegate of New Zealand, and hoped that in future sessions of the CONTRACTING PARTIES the matter would be viewed in a wider context. In connexion with the FAO deliberations on co-ordinated disposals of agricultural surpluses for the benefit of developing countries, the CONTRACTING PARTIES should welcome such action as a constructive effort. Such efforts would contribute towards relieving the pressure of surpluses on international trade in agricultural products.

Mr. TOMLEY (Federation of Rhodesia and Nyasaland) said that his delegation wished to repeat its dislike in principle of surplus disposal activities other than those carried out on humanitarian grounds. With regard to the particular problem that had led to his delegation's outspoken intervention in the debate on this item at the seventeenth session, he was glad to report that talks between the Federation and the United States had so far worked satisfactorily. He noted that in regard to Section 104(a) of Title 1 of United States Public Law 480, only one transaction had taken place and his delegation hoped that this particular transaction would remain a unique example of its kind.

INCHE ABDULLAH BIN ABDUL KADIR (Federation of Malaya) referring to document L/1587 said that the two commodities, rubber and tin, with which his country was primarily concerned, figured prominently in the accumulation and disposal of strategic stocks held by certain leading industrial countries. Of the two products, rubber was the more important to Malaya, since it formed nearly two-thirds of Malaya's export earnings, one-third of the national income, and employed directly or indirectly approximately one-third of the Federation's population. Until recently his Government was satisfied with those consulting procedures relating to the disposal of strategic stocks, but was now concerned by certain operations that had been carried out in recent months in a manner which had resulted in a depression of the price level of natural rubber out of proportion to those normally determined by market forces.

In view of the importance of rubber to Malaya's economy and the fact that the success of its current development plan greatly depended on revenue from this product, the situation in the rubber market as a result of recent events, if prolonged, would have unfavourable effects on Malaya's economy.

While he did not dispute the right of sovereign countries to dispose of their surplus stocks, it would be appreciated by his delegation if the countries concerned would give more sympathetic consideration to the views of producing countries, so that any consultations on this subject would be meaningful to all parties. He supported the proposal that the procedures concerning commodity surpluses and disposals be continued and that the item be retained on the agenda for future discussion.

Mr. LERENA (Argentina) said that the work of GATT in the field of surplus disposals was very important as it concerned a great number of commodities. However, the reports before the meeting had shown that there were considerable surpluses throughout the world and that the methods adopted to deal with them so far had not been sufficiently effective. The problem of surplus disposal was important, but the very presence of surpluses was dangerous since they impeded the expansion of trade in these products and in other competitive products; it was necessary to find a solution to this problem to enable various countries to increase their earnings of foreign exchange. The United States had shown that by consulting with traditional producers it might be possible to protect normal trade channels. The delegate of Argentina said that his Government would like to give full support to those assistance programmes catering for needy countries, but would be concerned if programmes such as those under United States Public Law 480 were replaced by other programmes which in turn would themselves present new barriers to the exports of agricultural products. It was hoped that a solution would be found to the mutual satisfaction of the exporting countries and the countries receiving benefits under these disposal programmes, but in the view of his delegation the only solution would be to increase the consumption possibilities of the less-developed countries concerned through assisting the industrial development of these countries. At FAO meetings as well as in the Commodity Committee of the United Nations, the Argentine delegation had already stressed the necessity to find solutions to the problem of disposals which would be of a long-term character and which would avoid the establishment of surpluses.

Mr. DE SILVA (Ceylon) said that with reference to the procedures outlined in the resolutions of 4 March 1955, his delegation noted with satisfaction the reports contained in document L/1950, and supported the proposals of New Zealand to keep this item on the agenda and to extend the period for the submission of reports from countries who have not yet done so. He explained that Ceylon was concerned particularly with vegetable oils and rubber. In the case of rubber the disposal of large stocks had taken place. The price of rubber had dropped considerably and in such a situation when export earnings diminish, Ceylon found it increasingly difficult to solve its balance-of-payments difficulties. Surplus disposals of vegetable oils had also affected exchange earnings. The principles and guiding lines in regard to surplus disposals, whether on a bilateral or multilateral basis, because of the effect they had on primary products and the economies of less-developed countries, would be followed with great interest by Ceylon.

Mr. GAJJAR (Pakistan) associated his delegation with the general statements of satisfaction regarding reports received on disposals of surplus stocks. He endorsed the proposals for the retention of this item on the agenda. He stressed that this matter required urgent attention on humanitarian grounds; when discussing commodities he felt that a distinction should be made as to commodities which were essential to human existence and others.

Arrangements to make available commodities essential for human existence should take precedence over commercial matters. However, in the case of a commodity, such as rubber, which had no direct relationship with levels of nutrition it was necessary to ensure that commercial trading principles should not suffer.

Mr. JARDINE (United Kingdom) said that his country did not indulge in any significant surplus disposals affecting agricultural commodities and was the only major free market for certain agricultural products. His delegation supported the proposal of New Zealand for a continuation of the procedures for reporting on the disposal of agricultural commodities and that the matter be kept on the agenda. It was important that developments in this field should be brought to the attention of the CONTRACTING PARTIES; the secretariat should keep in touch with the work being done on this subject in other international organizations.

Mr. EVANS (United States) thanked the delegations who had expressed their approval of the efforts made by his Government to avoid injury to the commercial trade of other countries in their surplus disposal activities. Referring to the statement made by the delegates of Malaya and Ceylon, he drew attention to the fact that the available procedures were not limited to agricultural surpluses and expressed his hope that when submitting reports on their agricultural surplus activities, contracting parties would include information on the disposal of strategic stocks. He said his Government was grateful to those countries who had reported so faithfully on their activities in this field and shared the view expressed in the Council last September that attention should be given to certain other operations which had parallel effects. It seemed to his delegation that the CONTRACTING PARTIES should make further efforts to clarify the type of activities they hoped to have reported in this field. The problem of agricultural surpluses was growing rather than diminishing and further, was centred not only in the United States. His delegation wished to point out that from their own experience the United States was fully aware of the difficulties and threats to commercial trade presented by the existence of these surpluses. Referring to the statement made by the representative of Argentina concerning the considerations given by the FAO to the possibility of increasing aid to food-deficient peoples, the United States delegation wished to assure the CONTRACTING PARTIES that it was highly conscious of the need to proceed with care, and of the necessity to take steps to prevent injury to normal commercial trade. However, the ability of contracting parties to foster trade and to protect themselves would largely depend on their keeping themselves informed on what governments were doing in the field of agricultural surplus disposal. His delegation supported proposals that the procedures adopted by the CONTRACTING PARTIES in this field be continued.

The CHAIRMAN said that the bilateral and multilateral aspects of surplus disposal had been fully discussed. It was noted that several contracting parties regretted that the number of reports submitted under the new procedures was smaller than expected and had urged that those countries which had not yet submitted reports on their surplus disposals should do so. Interesting comments both by countries benefiting from surplus disposals and by exporters of the commodities involved were also noted, as well as the importance that recipient countries attached to surpluses both for economic development and humanitarian reasons. Several delegations, in addition to discussing the

trade effects of surplus disposal and of surplus utilization programmes, had commented on the growing tendency towards a multilateral approach to the problems and objectives. The activities of the FAO in this field, especially with regard to the consultative procedures and principles adopted by that organization, had been given considerable attention. It had been suggested that the CONTRACTING PARTIES should keep in close touch with such developments. The Chairman proposed that this could be best achieved, for the time being, by requesting the Executive Secretary to follow as fully as possible the action that was being taken in this field and to report regularly to the CONTRACTING PARTIES. The request of contracting parties that this item should be retained on the agenda was also noted. The Chairman said that the system of annual reporting had received support and should be continued and that the need for a liberal interpretation of the scope of the problem, as mentioned by the representative of New Zealand, should be borne in mind by the Council when making preparation for this item next year.

This was agreed.

5. Subsidies

(a) Status of Declaration giving effect to the provisions of paragraph 4 of Article XVI

The CHAIRMAN said that this Declaration had been prepared and opened for acceptance by the CONTRACTING PARTIES at their seventeenth session. The terms of the Declaration provided that it could not enter into force until it had been accepted by certain specified countries. All of these countries had accepted the Declaration except Austria, Denmark, Italy and Switzerland. The Federal Republic of Germany had accepted the Declaration, but this acceptance was subject to ratification by the National Parliament. He enquired whether the representatives of the countries which had not accepted the Declaration could indicate whether their governments were likely to accept it in the near future.

Mr. KLEIN (Federal Republic of Germany) stated that while his Government had accepted the Declaration subject to ratification by Parliament he did not doubt that the Declaration would be accepted. He felt, however, that acceptance would require about two months.

Mr. PARBONI (Italy) said that a decision would be made very shortly by his Government.

Mr. SCHNEBLI (Switzerland) announced that it was very probable that Switzerland would be able to accept the Declaration in the near future, perhaps during the present session.

Mr. MARTINS (Austria) said that his Government was considering the acceptance of the Declaration. Preparatory work on the subject was still going on.

Mr. HAUGE (Denmark) said that as the dollar export incentive scheme now in force in his country was due to terminate on 31 December 1961 his Government would wait until that date before accepting the Declaration.

Mr. JARDINE (United Kingdom) expressed the hope that the remaining acceptances necessary to bring the Agreement into force would soon be received. He also expressed appreciation for the statement made by Japan and circulated as document L/1525. His delegation assumed that it was the intention of the signatories to the Declaration to ban the practices listed on pages 185 and 187 of the Ninth Supplement of the BISD. Assuming that the remaining acceptances would be forthcoming, the United Kingdom delegation proposed that, after a year to two, the operation of the Declaration should be reviewed to see whether it was having its intended effect.

(b) Status of Declaration on the standstill provisions of paragraph 4 of Article XVI

The CHAIRMAN recalled that this Declaration had also not entered into force. Paragraph 7 of the Declaration provided that the Declaration was to be valid for an initial period ending 31 December 1961, and it also provided for its automatic renewal for two further periods of one year. He hoped that action would be taken which would have consequences similar to those expected on the first Declaration.

(c) Review of the operation of Article XVI under paragraph 5

The CHAIRMAN said that paragraph 5 of Article XVI provided that "the CONTRACTING PARTIES shall review the operation of the provisions of this article from time to time with a view to examining its effectiveness, in the light of actual experience, in promoting the objectives of this Agreement and avoiding subsidization seriously prejudicial to the trade or interests of contracting parties". A panel appointed at the thirteenth session had carried out preparatory work. In its latest report (documents L/1442 and Add.1 and 2) the Panel had assembled material to enable the CONTRACTING PARTIES to carry out the first review. This was presented to the CONTRACTING PARTIES at their eighteenth session by the Chairman of the Panel, and it was then decided to have the first review at this session.

The CONTRACTING PARTIES were aware, he said, that the review of the operation of the provisions of Article XVI was a rather complex task. No doubt it would be necessary to assign this task to a working party. Therefore, delegations might consider just how practicable it would be to carry out the review at this session, having in mind the fact that the coming week would be taken up by the meeting of ministers, and that there would be a fairly heavy programme of other work to be completed before the session ended. He invited comment on this matter.

Mr. FLEMING (Australia) said that his Government had a strong interest in the subsidy provisions of the General Agreement and the operation of the Article, especially as it related to trade in agricultural products. His delegation had welcomed the fact that provision existed in Article XVI for a periodic review of its operation. One of the main functions of the Panel of Subsidies had been to prepare the material which would allow the review to be as exhaustive as possible. The Panel, he said, had done its job well, even though some contracting parties had not submitted notifications on subsidies. He hoped that the improvement on notifications which had taken place in recent years would be continued.

His delegation had looked forward to the review of the operation of Article XVI, but doubted whether the present session was the most opportune time, especially as discussion on the related work of Committee II would take place at ministerial level. It might also be better, he continued, to wait until the information in the anticipated Panel Report was available, along with notification from additional countries. In these circumstances his delegation would be prepared to see the first review deferred for the time being. Even if the review did not take place during this session, he believed that it would be appropriate to adopt the Panel's Report, and suggested that this report should be included in the next BISD.

Mr. RYDING (Sweden) said that he would like to make some remarks on the presentation of information contained in document L/1442 Add.2. Several countries had stated that their arrangements did not constitute subsidies as defined for the purposes of Article XVI. The Panel had recognized that it was probably impossible to reach a definition of subsidies for the purposes of this Article. He recalled that, at the thirteenth session, the Chairman had made an appeal for a more comprehensive notification than would normally be required under Article XVI for the purpose of facilitating the review contemplated in paragraph 3 of that article. The report submitted by the Swedish delegation had been made on a comprehensive basis, and they did not therefore consider that all the subsidies notified were covered by Article XVI.

Mr. DAINSON (New Zealand) associated himself with the remarks of the representative of Australia. His Government had never accepted that the basic distinction between subsidies on industrial products and on agricultural products made in this article could be conducive to the promotion of the objects of the Agreement. It had been the opinion of the Panel that subsidies closely resembled quantitative restrictions and tariffs in their effects. Quantitative restrictions were prohibited by the Agreement, and tariffs were at least negotiable, but Article XVI contained, in so far as primary products were concerned only the hope that contracting parties should seek to avoid the use of export subsidies. The provisions on this subject were so general that they were, in the opinion of his delegation, ineffective in curbing the harmful effects of subsidies on international trade. One illustration of the varying interpretations which could be placed on paragraph 3 of Article XVI had been seen in the last butter consultation. The Panel's report highlighted the fact that all export subsidies notified were on primary products, notably on agricultural commodities, and that the great bulk of the production subsidies notified related to primary products. His delegation did not believe that the CONTRACTING PARTIES could agree that Article XVI was effective in promoting the objectives of the Agreement while such an important section of international trade was for practical purposes outside the scope of the Article.

Referring to the specific points made by the Australian representative, he supported the deferment of the review and the suggestion that the Panel's report should be adopted.

Mr. HANSEN (Denmark) said that his delegation had suggested that the matter should be deferred when the report of the Panel was considered at the eighteenth session. For the present session, the secretariat had prepared tables on subsidies in force. From these the importance of

subsidies on agricultural products was apparent. It might be said that factual information was therefore available. The salient features of the situation had, however, emerged in the meetings on international trade in butter. The widespread application of export subsidies was a reflection of the serious lack of balance between production of, and demand for, agricultural products.

He supported the postponement of the review of the Article until steps towards reconciling agricultural policies with the principles of GATT could be undertaken.

Mr. EVANS (United States) said that his delegation agreed with the speakers on the impracticability of a review at the present time. He supported the adoption of the report, and its inclusion in the next BISD supplement.

Mr. DE SILVA (Ceylon), commenting on document L/1442 and Add.1 and 2, said that these showed clearly the extent to which subsidies were used. In several cases these had worked to the detriment of the less-developed countries, because they created surpluses and led to lower prices. This had been the case for vegetable oils. Ceylon's exports of coconut oil fell considerably from 1959 to 1960 largely as a result of a price decline of 15 per cent, which had continued into 1961. The problem of surpluses was being studied, but study alone would not solve the problems of the less-developed countries. He urged contracting parties to pay special attention to the provisions of Article XVI and refrain from subsidies whether or not they were considered to contravene Article XVI.

Mr. VAN WIJK (Netherlands) urged contracting parties who had not given notification of their subsidies to do so in accordance with Article XVI:1. Referring to the review, he associated himself with previous speakers and suggested that it would be better to have it deferred; it could perhaps be taken up in the course of next year.

The CHAIRMAN said that adoption of documents L/1442 and Add.1 and 2 had been proposed by Australia, and supported by New Zealand and by other speakers. The Panel report in document L/1442 and Add.1 and 2 was adopted.

It had also been suggested that the review should be postponed until 1962.

This was agreed.

A suggestion had been made that the report should appear in the BISD. This suggestion was noted, and the report would be published.

4. Reports under waivers (L/1591)

Ceylon - temporary duty increases

France and the Federal Republic of Germany - trade relations with the Saar

Federation of Rhodesia and Nyasaland - United Kingdom territories

United Kingdom - Article I

United Kingdom - dependent overseas territories

Uruguay - import surcharges

The CHAIRMAN said that the reports submitted by contracting parties under these waivers had been processed by the Council, whose recommendations were set out in document L/1391. The Council recommended that the CONTRACTING PARTIES take note of the reports submitted. In the case of two of these waivers - those granted to Ceylon and Uruguay - the contracting parties concerned were required to consult with the CONTRACTING PARTIES. The Council had recommended that the minutes of the discussions (document C/M/8) should constitute the reports on the consultations, and that these reports should be adopted.

The Council's recommendations were approved.

Mr. TOMLEY (Rhodesia and Nyasaland), referring to the item "Reports under Waivers - Rhodesia and Nyasaland," said that at the time that the Council had considered this item no action under the Decision of 19 November 1960 had been proposed by his Government, who had therefore entered a nil report. As the CONTRACTING PARTIES would be aware from document GATT/AIR/259 of 19 October, his Government had since decided to act in terms of the waiver in respect of seven products of relatively minor trade significance. Just before the closing date for the receipt of requests for consultation his delegation had received requests to consult from two contracting parties, each in respect of a different single item. It was hoped that these consultations might be completed during the present session.

5. Application of GATT to international trade in television programmes (L/1315)

The CHAIRMAN said that this item had been included in the agenda at the request of the Government of the United States.

Mr. EVANS (United States) said that these products had entered international trade since the establishment of GATT. While some countries were relatively liberal in their import policy others were restrictive. This problem came within the scope of Article III of GATT and his delegation felt that the CONTRACTING PARTIES should deal with this matter. His delegation was open to suggestion on the method which should be adopted, but they felt that it would be inadequate to consider that Article IV should be interpreted to cover trade in television programmes. He considered that a working party should be established to explore all aspects of the problem. The full text of Mr. Evans' statement is reproduced in document L/1346.

The CHAIRMAN proposed that discussion should be deferred until after the meeting of Ministers to allow time for consideration of the problem.

Baron von PLATTEN (Sweden) said that he wished to support the statement of the delegate for the United States. Many European and other countries would be pleased when the type of free trade of which Mr. Evans spoke was in existence.

Mr. KLEIN (Federal Republic of Germany), speaking on behalf of the member countries of the EEC, said that only a preliminary consideration of the matter had been possible. The matter would be considered and a decision might be taken at a later meeting of the Council.

6. Status of protocols

The CHAIRMAN said that at a meeting earlier in the session, the CONTRACTING PARTIES had decided to extend for another year the closing date for acceptance of the Protocols of Amendment which were drawn up at the review session. The Executive Secretary was asked to prepare the text of the Decision, and this had now been distributed in document W.19/6.

The decision was adopted.

The meeting adjourned at 5.15 p.m.