

GENERAL AGREEMENT ON TARIFFS AND TRADE

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SUMMARY RECORD OF THE SIXTH MEETING

Held at the Palais des Nations, Geneva,
on Thursday, 23 November, at 2.30 p.m.

Chairman Mr. BARBOSA DA SILVA (Brazil)

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1. Organisation for Economic Cooperation and Development

The CHAIRMAN welcomed the Secretary-General of the OECD who was attending the meeting on the invitation of the CONTRACTING PARTIES. The Chairman recalled that at the eighteenth session the CONTRACTING PARTIES noted that the Organisation for Economic Cooperation and Development would be established in the near future and they requested the Executive Secretary to consult with the Secretary-General of the new organisation as to "when and how the proposed activities of the OECD in the trade field and the relationship between the OECD and GATT could best be discussed". He asked the Executive Secretary to report to the CONTRACTING PARTIES on these consultations.

The EXECUTIVE SECRETARY said that some weeks ago he had had a meeting with the Secretary-General of the OECD. Their discussions had ranged over the whole field of relationships between the CONTRACTING PARTIES and OECD and they had examined the possibility of concluding some formal arrangement between the two organizations, liaison between the two secretariats and the representation of the secretariat of one organization on the relevant committees and bodies of the other. They had agreed that it would be premature to consider any formal agreement between the organizations, particularly when it was not quite clear what the precise functions or programmes of the OECD in the trade field would be. This subject might be considered at a later date. On the second point they had agreed that effective liaison at the secretariat level was of the highest importance. All necessary steps would be taken to establish co-operation. They had felt a clear need for regular, frank and timely consultations between the two secretariats as the most appropriate procedure to be adopted on questions of interest to both organizations. On the question of cross-representation it had also seemed premature to come to any final or formal arrangements. It was the hope of the CONTRACTING PARTIES that the new organization would continue the practice of the OEEC and would be represented at all meetings of the CONTRACTING PARTIES by a member of its secretariat. The Secretary-General of the OECD had said that this would be desirable and thought it appropriate that the Executive Secretary or his representative should be present at meetings of the Trade Committee as an observer. This suggestion had since been formally approved by the Trade Committee and Council of the OECD, and the Assistant Executive Secretary had attended the first meeting of the Trade Committee. The Executive Secretary had indicated that the representative of the GATT would act as an observer and that he would limit himself to that role but would, if requested by the Trade Committee, furnish any information which might be requested of a technical or factual nature. These arrangements, although informal, were based on years of experience in connexion with the OEEC. He recommended them to the CONTRACTING PARTIES for approval.

Mr. KRISTENSEN (Secretary-General of OECD) reviewed the objectives of the OECD which in his view could not but further and sustain the objectives of the GATT. The full text of Mr. Kristensen's speech has been reproduced in document L/1651.

Mr. VALLADAO (Brazil) recalled that at the eighteenth session the Brazilian delegation had expressed certain concern on the establishment of the OECD, on the powers which would be given to it and on the consequences which would arise for contracting parties. His delegation noted with satisfaction the statements made by the Executive Secretary and the Secretary-General of the OECD on arrangements proposed for co-operation between the two organizations. It was important that a representative of GATT should be present at the trade discussions of the OECD. He reminded the meeting that the problems which had been submitted to GATT by developing countries and which had been examined in Committees II and III were largely a result of difficulties encountered in the markets of member countries of the OECD. He welcomed the fact that new light might be shed on these problems by the OECD.

Referring to the statement of the Secretary-General of the OECD he said he thought it very encouraging as it contained a complete programme of action. If this programme were completely carried out it would, he thought, to a large degree solve the problems which his delegation had raised during past years. He hoped however that the aims of the new organization could be separated from those of the old OEEC. Contacts between member countries of the new organization and third countries should be strengthened.

He welcomed the fact that the problems of international trade with reference to relations with developing countries had been given top priority. He would however like to express his concern on the possible future trend of relations between the OECD and GATT. There was, he said, a latent danger of discrimination when a group of countries which represented the majority of industrial countries met. There was a possibility that problems with which the GATT was dealing would be raised elsewhere, where only the interests of a regional group would be taken into account. He felt that GATT should not simply become an organization where complaints would be registered while solutions would be worked out in another forum. He preferred to believe that the relations between the two organizations would be fruitful.

Mr. FLEMING (Australia) said that he endorsed the proposals of the Executive Secretary. He stressed that Australia had no objection to the concept of consultation between countries on a regional basis, but nevertheless he expressed apprehension about the role of the OECD in the trade field. It had been argued that the OECD would strengthen GATT but on the other hand there had been apprehensions based on the possibility of overlapping functions and the possibility of pressures on GATT from a numerically large and influential group which accounted for some 80 per cent of the trade of the CONTRACTING PARTIES. He found it difficult to see how an organization of the size and influence of the OECD could operate formal machinery for confrontation and examination of trade problems without coming to decisions on matters of direct concern to other Members of GATT, and on which OECD members as contracting parties had contractual obligations in GATT to non-OECD countries. He was concerned that now, with the inclusion of non-European countries, it was inevitable that more than purely European problems would be dealt with, and it would seem possible that the close co-operation and consultation provided for would make it hard to resist discriminatory tendencies. Mr. Fleming illustrated the basis of his Government's concern by asking whether GATT was divisible: was it not better, he asked, to deal within GATT with problems concerning 80 per cent of the trade of GATT rather than to deal with such problems in a way that required co-ordination with GATT?

He concluded by referring to the Chairman's statement at the opening of the present session when he stressed that the urgent task would be to strengthen and adapt GATT so that it could continue to play an effective and constructive role despite the changes which had taken place in the structure and pattern of world trade. With this in mind, Mr. Fleming urged the avoidance of duplication and dispersion of efforts on GATT matters. One reason, he said, for Australia's desire to see all spare effort devoted to strengthening the effectiveness of GATT was that GATT, like the globe, had a southern hemisphere.

Mr. JOSHI (India) recalled that his delegation had suggested that if GATT were to serve as a genuine instrument for trade co-operation it was desirable that OECD should not discuss subjects which fall within the purview of GATT. He thanked the Secretary-General of the OECD for the review of the developments connected with that organization, and for the assurance that it did not contemplate infringing upon the responsibilities of their members under GATT. He drew attention to the possibility that, when members of the OECD discussed their commercial policies in that body and used the forum of the OECD to reach agreement on them, their acceptance of the GATT might possibly cease to have a special meaning. The GATT ought to serve as the forum when decisions were taken with regard to the commercial policies of both industrialized and less-developed countries. The OECD, however, should be judged by its actions. He hoped that the courageous, constructive, expansionist and liberal measures to which the Secretary-General had referred would be applied not only by the OECD as an organization but by contracting parties who were members of OECD, in their trade relations with other contracting parties. He had been encouraged to hear from the Executive Secretary of the excellent relations being created between the two bodies and by the awareness shown by the Secretary-General of the OECD of the role and function of GATT.

Mr. GARCIA OLDINI (Chile) said that while there were positive factors in the statements which had just been made by the Executive Secretary and the Secretary-General of the OECD, the concern of his delegation on the establishment of the OECD, which he had expressed at previous meetings, had not completely disappeared. While it might be considered necessary to have an organization covering the actions of the industrialized countries, this could be prejudicial to other countries, in particular those which were less-developed. Some problems which were of importance to his delegation seemed also to be of major concern to the member countries of the OECD. The generation of intense activity was necessary for the solution of the problems of the developing countries, and this activity needed to be co-ordinated. Assistance to the less-developed countries had up to then not been co-ordinated. Mr. Garcia Oldini said that this assistance should be co-ordinated rather than bilateral, and should reach all less-developed countries. Such a development programme gave rise to satisfaction, but, as other speakers had remarked, he was not yet completely able to abandon his concern. Judging by its written constitution, the OECD did not intend to encroach on the province of GATT, but there was a paragraph in the OECD Convention which could lead to this. One of the objectives of the OECD was to pursue efforts to reduce obstacles to the exchange of goods or services or to the exchange of currency payments; this was closely linked to the activities of GATT. It was possible he said that the new organization could even lead to the annulment of the effectiveness of GATT, although he did not think that encroachment would take place voluntarily. He was aware that at the moment he was pre-judging the issue, since all the facts were not yet available; contracting parties must give full confidence to the new organization in spite of their concern.

Mr. KLUSAK (Czechoslovakia) said that the OECD was a closed group of industrial countries following specific interests and who were offering rather general prospects to the rest of the world. It made an effort to demonstrate its great potentialities, and it might no doubt exert a considerable influence on economy and trade. What remained to be seen was whether that influence was such as to suit every contracting party. The OECD had emerged as a response to certain problems; firstly, it had been feared that the developing countries might go their own way. Secondly, it had been feared that contradictions in Western Europe would weaken wider political strategy. It was a response to the proposal of the socialist countries of peaceful competition. It could not be overlooked that the OECD was primarily guided by the idea of preserving in certain respects the status quo in world affairs. It could hardly be expected that the OECD countries would give more ground to the less-developed countries than was made necessary by political pressure. It should also be borne in mind that the creation of the OECD was originally initiated at the occasion of the NATO session in December 1959. NATO policy has become a built-in overruling factor in the OECD. He had the impression that contracting parties accepted its existence with a certain resignation.

The arrangements for liaison between the two bodies point to the question whether a division of labour might emerge. It was hardly encouraging to imagine that the OECD might produce draft solutions in the sphere of commercial policy to which GATT would thereafter render its services for the legal framing. Mr. Klusak concluded by stating that his delegation would not like to see GATT fall from its position of supreme authority on trade matters.

Mr. LACARTE (Uruguay) said that his delegation shared to a great extent the anxieties which had been expressed by previous speakers; he felt that there was no need for him to repeat statements made by his delegation in the past. He stated that they supported wholeheartedly the ideas for liaison with the OECD, to which the Executive Secretary had referred. Mr. Lacarte asked the Secretary-General of the OECD how specifically the work of his organization would increase trade between its member countries and third countries.

Mr. WEISS (United States) said that the statements made by the Executive Secretary and the Secretary-General of OECD had indicated the mutual and encouraging desire to establish close and useful relations between the two bodies. His delegation welcomed the fact that GATT would be closely informed on the activities of the OECD in the field of trade. The exchange of information and the arrangements for reciprocal attendance at meetings would be highly beneficial to both organizations. He would like to reiterate the position of his Government on the trade work of the OECD, namely that the GATT was the primary international instrument in this field. The Under-Secretary of State for Economic Affairs had recently repeated this at the meeting of OECD ministers in the previous week. An overriding confidence in GATT was recognized by the OECD members, and he hoped that the future activities of the OECD would reflect this recognition.

Mr. LATIMER (Canada) said that he had taken careful note of the doubts and concerns expressed by some delegates; he understood and sympathized with these views. He would like to place on record the statement of the Canadian Minister at the recent OECD Ministerial meetings. The Minister had said that it was important to avoid infringing on the competence of the General Agreement on Tariffs and Trade; the work of the OECD should be complementary and supplementary to that best performed through the CONTRACTING PARTIES. This was not to say, the Minister had added, that useful work could not be done to assist progress in the wider international forum. An objective of both Organizations was the expansion of multilateral trade on the basis of non-discrimination. This had been and was a cornerstone of Canadian commercial policy. The Minister understood that as a general rule arrangements had already been made for representation of the GATT at meetings of the Trade Committee and that the two secretariats would be working closely together and would consult on questions of mutual interest. This, the Canadian Minister had stated, was a good beginning for the closer co-operation which must be developed between the OECD and the GATT with respect to trade.

Mr. SOBEL (Federal Republic of Germany), speaking on behalf of the member countries of the European Economic Community, said that they believed that the close contacts which had been established were the best formula for establishing effective co-operation between the two organizations. He recalled the concern which had been expressed by some contracting parties at previous meetings. He believed that the statements which had been made should reassure them. He drew attention to the fact that the opening work of the organization had been centred upon help to be given to countries in the course of development and to European economic development. The high level of business activity in Europe should lead to an increase of imports from the less-developed countries.

Mr. KRISTENSEN (Secretary-General of the OECD) referring to the question of the representative of Uruguay, said that some member countries of the OECD might be encouraged, for instance, to reduce their tariffs or liberalize imports and that this would be on a worldwide basis in accordance with GATT. It would not be in the spirit of the OECD to encourage liberalization only between the member countries, as could be seen from Article 1(c) of its Convention. Furthermore, his organization would concentrate on the expansion of markets for exports of less-developed countries. Financial aid and technical assistance for these countries would be without meaning if no markets were available for the additional export production which would be a consequence of that assistance. The OECD would be open to criticism if they did not act in the spirit of their Convention, and criticism should, he thought, be forthcoming if the GATT representative at their meetings should hear anything which might seem discriminatory.

He appreciated the spirit of co-operation and mutual understanding which had characterized the statements just made. He agreed that the OECD should not seek to replace the GATT; there was a real need for a worldwide forum for trade discussion. Contracting parties had made a preliminary judgement on the basis of assumptions on what the OECD could be in the future. It would be increasingly possible to make a judgement on the basis of facts. Referring to the relationship between the OECD and NATO, he said that he would like to repeat that the OECD was not an instrument in the cold war; a number of neutral countries were members of his organization. Their action in the field of development assistance could only be fruitful if it could be seen that they were not an instrument in the cold war. Some delegates had said that, because they enjoyed a high level of production, the OECD countries were very influential. This was true, but the problem par excellence was whether these countries would, in fact, be more open-minded towards other countries if they did not have the OECD. The Convention of the OECD certainly had made it difficult for the member countries to be discriminatory. These countries increasingly felt their responsibility towards outside countries. This was why the OECD was establishing informal contacts with worldwide organizations such as the GATT, ILO, UNESCO, FAO and the United Nations Headquarters, as well as the Regional Commissions of the United Nations. A regional organization could only be effective if it was working in a spirit of co-operation with worldwide organizations.

The CHAIRMAN said that the Secretary-General of the OECD had had the opportunity to see for himself that the establishment of the OECD had given rise to varied feelings among contracting parties. It was gratifying to hear the reassuring answers that Mr. Kristensen had given to the questions raised. It was also gratifying to see in his statement some explanations about the intentions and objectives of the OECD. The comments that were made on his statement had shown that there were still lingering doubts concerning the practical implementation of the Statutes of the OECD. Being aware of the feelings of the contracting parties regarding the OECD, he expressed the hope that the OECD would bear in mind that its own objectives would be more easily attained by the strengthening of the General Agreement. The Secretary-General of the OECD had probably noted the importance attached by the contracting parties to the proposed work of the Trade Committee and the interest attached to the Development Aid Group. He hoped that the practical measures of the OECD would assist the less-developed countries to expand their trade and thus contribute to the expansion of world trade as a whole.

The Chairman also noted that the Executive Secretary's report mentioned that the possibility of establishing cross-representation between the secretariats of the two organizations had been considered, and that it was agreed that it was premature at this stage to formalize arrangements between the OECD and the GATT. It was agreed, however, that it was of the greatest importance to establish liaison between the two organizations, and he noted that there would be an exchange of representatives whenever matters of mutual interest were under discussion. He thanked Mr. Kristensen for his acceptance of the invitation of the CONTRACTING PARTIES to attend the nineteenth session and expressed the hope that the contacts and exchange of information between the two organizations would contribute to the work of the CONTRACTING PARTIES.

2. European Free Trade Association

(a) Information furnished by the member States

The CHAIRMAN said that in the conclusions adopted at the seventeenth session with regard to the examination of the Stockholm Convention under paragraph 7 of Article XXIV, it was noted that the members of EFTA were prepared to furnish further information as the evolution of the Association proceeded. Accordingly, the member States had requested that this matter be included in the agenda for the nineteenth session.

Mr. TREU (Austria), speaking on behalf of the EFTA countries, outlined the developments which had taken place in the European Free Trade Area since the seventeenth session. Mr. Treu's full statement has been distributed in documents L/1624/Rev.1 and Corr.1.

Mr. CAMPBELL-SMITH (Canada), referring to review of agricultural provisions under Article XXV of the EFTA Convention, said that no reference had been made in the report on this matter, and enquired whether a review had taken place. He also asked whether any changes had been made in connexion with bilateral agreements under Article XXIII of the EFTA Convention or whether any new agreement had been negotiated. The Canadian representative recalled that the representative of EFTA had mentioned that the member States had increased quotas by at least 20 per cent not only towards each other but in certain cases towards other contracting parties as well. His delegation regretted however, that not all of the increased quotas had been extended to all contracting parties and hoped that the EFTA countries would review these quotas with this view in mind.

Mr. FLEMING (Australia) supported the views expressed by the Canadian delegate, and welcomed the statement made by the spokesman of EFTA in accordance with the undertaking given at the seventeenth session to make periodic reports to the CONTRACTING PARTIES. He said that it was evident that the member States had made considerable progress towards the objective of free trade in industrial goods. His delegation was encouraged by the statement that the member States of EFTA intended to pursue a policy of enlarging import quotas for contracting parties on a non-discriminatory basis. Relaxations of restrictions made so far had been extended to other contracting parties in most, but apparently not all cases. It was the view of the Australian delegation that to the extent that such relaxations were not applied to other contracting parties, new discrimination inevitably arose which involved a deviation from the provisions of the General Agreement and was inconsistent with Article XXIV. It might perhaps be possible for future reports to give details of any cases in which relaxations of quantitative restrictions against member States had not been extended to other contracting parties.

Mr. Fleming recalled the differences of opinion that had existed in the Working Party on EFTA regarding the bilateral agreements on agriculture. It had been the view of some members, including the Australian representative, that the trade covered by the bilateral agricultural agreements could not justifiably be included in the free trade area arrangements as such. However, the EFTA representative on the Working Party had contended that the bilateral agricultural arrangements constituted an integral part of their association.

arrangements. In the light of this, his delegation had expected that the first EFTA annual report would have given some indication of the progress made towards facilitating expansion of trade between members in agricultural products and the part which bilateral agreements had played in stimulating this trade.

Mr. JOSHI (India) also expressed the gratitude of his delegation for the information furnished by EFTA on developments since the seventeenth session. In his view the most significant part of the statement was that contained in the final paragraphs where reference is made to the need to assist countries in the course of development. His delegation was glad to note that the EFTA countries were fully aware of the need to create conditions in which countries in the process of economic development could achieve more rapid progress; his delegation had also noted that co-operation among EFTA members had not resulted in increased customs tariffs against third countries. However the EFTA had not been able so far to give more concrete expression to their desire to facilitate the task of developing countries in exporting not only basic materials but manufactured goods as well. Mr. Joshi said that his delegation hoped that in the discussions which lay ahead, the EFTA countries would give their full support to the consideration of measures which would promote this objective.

Referring to the possibility of certain EFTA countries joining or becoming associated with the EEC, he said that such developments would raise very important issues but he realized that it would not be fruitful to discuss this matter at present. The Indian delegation, however, would wish to see the sentiments expressed in the final paragraphs of the EFTA statement translated into practical arrangements for promoting trade with less-developed countries in any possible future negotiations between the EEC and EFTA. Concluding, he said that his delegation associated itself with the report of the Working Party on the Association of Finland with EFTA and noted that the Working Party had not arrived at any judgement as to the consistency of the Agreement of Association with Article XXIV of the General Agreement. While his delegation appreciated the considerations which underlie the association between Finland and EFTA, it seemed to his delegation that the Working Party's conclusions had made it all the more incumbent that Finland should make special efforts to reduce its duties, and avoid any incidental discrimination against countries which were not members of EFTA.

Mr. EVANS (United States) also welcomed the statement presented by the representative of EFTA, and expressed the hope that EFTA would continue the practice of informing the CONTRACTING PARTIES on developments in their arrangements. He recalled that one of the objectives of EFTA was to contribute to the harmonious development of world trade and his delegation was pleased to note from the EFTA report that the co-operation of the EFTA countries had not resulted in an increase in customs tariffs against third countries. He also noted that worthwhile progress had been made in eliminating quantitative restrictions in some cases, and increasing quotas in others, and in this connexion he shared the hope of the Canadian delegation that in future liberalizations carried out by the member countries, the principle of non-discrimination would be fully applied.

Mr. Evans said that his delegation had considerable interest in the negotiations mentioned in the final paragraphs of the EFTA report. He hoped that all the parties concerned would keep in mind the interests of other contracting parties so that any arrangement arrived at would not have a deleterious effect on the trade of others, and would be fully consistent with the General Agreement.

The CHAIRMAN thanked the representative of the EFTA countries for the report he had presented, and noted the comments and interest of contracting parties on various aspects of the report. He was sure that the representative of EFTA would take into account the remarks made by contracting parties with regard to information on agricultural arrangements, quantitative restrictions and bilateral agreements; the interests attached to these points would convey to the EFTA members the desire of contracting parties to be kept fully informed with regard to them.

Mr. TREU (Austria) thanked the CONTRACTING PARTIES on behalf of the EFTA countries for the objective spirit in which they had commented on his report. Referring to the Canadian representative's question on bilateral arrangements concluded under Article XXIII of the EFTA Convention, he said that this had been thoroughly discussed by the Working Party, and no changes had been made within or under the EFTA Agreement since that time. On the question of the extension, in some cases, of quota increases to other contracting parties, Mr. Treu said that the extent of these quota extensions had not been based on any obligations under the EFTA Agreement or under the General Agreement, but was simply a manifest expression and practical demonstration of the liberal and open-minded spirit that EFTA countries had indicated to be theirs from the outset of their undertaking. Considerations in this regard were in line with the general desire of EFTA to contribute to the expansion of world trade and would be borne in mind. He would refer to the question raised by the Indian representative when the item dealing with the association of Finland with EFTA was discussed.

(b) Association of Finland (L/1521)

The CHAIRMAN said that the association of Finland with EFTA had been discussed at the eighteenth session and a working party had been appointed to examine the Agreement of Association. The report of the Working Party had been distributed in document L/1521.

Mr. LACARTE (Uruguay), who was Chairman of the Working Party, said that the Association Agreement between the EFTA countries and Finland had extended the application of the Stockholm Convention to include Finland, and basically the rights and obligations which resulted from the Agreement were equivalent and applied equally to those found in the Stockholm Convention. When the Working Party had discussed this matter it was made clear that the opinions of the members when the Stockholm Convention was studied in 1960 were also applicable to the Association Agreement, and that there existed the same basic differences of opinion concerning fundamental aspects between the EFTA countries and other members of the Working Party.

Mr. Lacarte pointed out that the most salient of these aspects could be found in paragraph 3 of document L/1521. The Working Party agreed that in the light of existing circumstances, the opinions that were expressed in the second section of the report L/1235 dealing with the Stockholm Convention applied in general to the association of EFTA with Finland. Mr. Lacarte drew attention to the fact that the series of draft conclusions contained in section 4 of document L/1521 and submitted for consideration by the CONTRACTING PARTIES were similar to those presented in November 1960 with respect to the EFTA.

Mr. KAILA (Finland), referring to the Working Party that had been set up to consider the association of Finland and EFTA, thanked Mr. Lacarte and the members of the Working Party for the co-operative spirit in which they had set about their task. At the eighteenth session when the matter was discussed, his delegation had stated that the association of Finland with EFTA conformed with the objectives of the General Agreement, and had consequently made every effort to provide the Working Party with all the information it required. He hoped that Finland had succeeded in providing clarification on all the aspects involved and assures the CONTRACTING PARTIES that, if the conclusions contained in the Working Party's report were accepted, his Government would not hesitate to fulfil the obligations.

Mr. TREU (Austria) said that the agreement between EFTA and Finland provided for the progressive abolition of customs duties and quantitative restrictions broadly in accordance with the same rules and within the same time-table as that of the EFTA Convention. The Working Party had recommended that the CONTRACTING PARTIES adopt conclusions similar to those adopted on 18 November 1960 with regard to the Stockholm Convention. The parties to the agreement under discussion had agreed to accept all the obligations pursuant to Article XXIV:7(a) and to provide information as the evolution of the association proceeded. They would also furnish the CONTRACTING PARTIES with reports from time to time and with any general information considered to be of interest to them.

Mr. EBEL (Federal Republic of Germany), speaking on behalf of the EEC, said he supported the conclusions of the Working Party with respect to the association of Finland with EFTA. He said that he believed that these conclusions were for the moment acceptable to contracting parties, and it was his understanding that the procedures provided for in the conclusions gave assurances that any problem which arose in connexion with the implementation of these arrangements could be subjected to consideration by the CONTRACTING PARTIES. The countries of the EEC sympathized with the efforts of Finland to ensure the expansion of its trade and were prepared to discuss with the Finnish Government in a friendly and co-operative manner any problems arising from the implementation of its association with EFTA.

Mr. EVANS (United States) said that his delegation had made it clear in the past that the United States supported the association of Finland with EFTA and considered this arrangement to be in general harmony with the principles of the General Agreement. His delegation had had some concern, however, with regard to certain aspects of the Agreement of Association, and this concern had been reflected in the Working Party's report. Mr. Evans recalled that Finland

had stated its intentions to administer its remaining quantitative restrictions in a non-discriminatory manner. His delegation welcomed this expression of intent and looked forward to early action by Finland to liberalize its remaining restrictions for the benefit of all contracting parties. He recommended the adoption of the Working Party's report and the draft conclusions contained therein.

Mr. FLEMING (Australia) said that his delegation agreed with the sentiments expressed by the previous speakers and supported the adoption of the recommendations of the Working Party. It appeared in particular that the recommendations contained certain safeguards. He noted that the rights of contracting parties under Article XXIV were not prejudiced, that the parties to the agreement had shown their willingness to furnish in Article XXII consultations information coming within the application of the Agreement and finally, that other normal procedures were available to contracting parties leaving the onus on parties to the Agreement to establish a case under Article XXIV. The Australian delegation was concerned, however, about the discriminatory aspects of the bilateral agreements on certain agricultural products which, although not part of the Convention, were included in the overall EFTA arrangements.

Mr. CAMPBELL-SMITH (Canada) associated his delegation with the remarks made by previous speakers in support of the approval of the Working Party's report. In connexion with import restrictions, however, his delegation hoped that, in order to avoid problems, Finland would extend any liberalizing measures to all contracting parties including those who were not members of EFTA. With regard to trade in agricultural products, his delegation had noted the comments of the Working Party with respect to the bilateral agreement with Denmark and were concerned that Finland had not seen its way clear to make a firm commitment to conform to the provisions of Article XIII which called for non-discriminatory treatment in respect of imports. His delegation would hope, as it has done with regard to the bilateral arrangements between various members of EFTA, that Finland would want to ensure that this agreement was fully in accord with the provisions of the General Agreement.

The CHAIRMAN expressed his thanks to Mr. Lacarte and to the members of the Working Party for the work they had done.

The report was adopted.

3. Central American Free Trade Area and Nicaraguan import duties (L/1639)

The CHAIRMAN said that a working party had been appointed by the Council in September to examine these two questions, and that the Working Party's report was distributed in document L/1639. He then called on Mr. Royer, the Deputy Executive Secretary in the absence of Mr. Mathur (India), the Chairman of the Working Party, to present the Working Party's report.

Mr. ROYER (Deputy Executive Secretary) said that the Working Party had considered three points in connexion with this item. Firstly, the second annual report by the Government of Nicaragua under the Decision of 13 November 1956, relating to the formation of the Central American Free Trade Area; secondly, questions raised by the Government of Nicaragua, relating to the

implementation of the General Treaty for Central American Economic Integration; and thirdly, the report submitted by Nicaragua under the Decision of 20 November 1959 relating to the application by Nicaragua of a temporary increase in certain customs duties. With regard to the first point the Working Party had noted that the Treaty relating to the Central American Free Trade Area had entered into force on 2 June 1959 and in this short period the Treaty had had little effect. With regard to the second, the Working Party had examined very closely the arrangements in connexion with the speeding up of plans for a common market to be made effective within five years instead of ten years as was originally proposed. In connexion with the equalization of Central American tariffs, the Nicaraguan tariffs needed some adjustments, and the Working Party noted that this would be done progressively, not with the use of a mathematical formula but on an item-by-item basis. Finally, the Working Party consulted with the International Monetary Fund in connexion with the examination of the report submitted by Nicaragua relating to the application by that country of a temporary increase of certain customs duties.

Mr. Royer said that, after lengthy discussions on these matters, the Working Party in its conclusions had not found it necessary to comment specifically on the Central American Free Trade Area, but in connexion with Nicaragua's application for a three-year waiver to enable that country to implement the provisions relating to the General Treaty for Central American Economic Integration, the Working Party recommended that this request be granted by the CONTRACTING PARTIES, and submitted a draft decision for consideration by the CONTRACTING PARTIES. In conclusion, the Working Party, in the examination of the surcharges on certain items applied by Nicaragua for balance-of-payments reasons, concluded that in the light of the information furnished by the IMF it had no specific recommendations to make to the CONTRACTING PARTIES at this juncture. The Working Party suggested, however, that Nicaragua be requested to make a report to the CONTRACTING PARTIES on the implementations of the increased duties.

The CHAIRMAN expressed the gratitude of the CONTRACTING PARTIES to the representatives of the International Monetary Fund for their assistance and collaboration in the conduct of the consultation.

The report of the Working Party was approved.

The Decision was adopted by 34 votes in favour and none against, with one abstention.

4. Nicaragua-El Salvador Free Trade Area (L/1583)

The CHAIRMAN said that under the Decision of 25 October 1951 relating to Nicaragua's participation in a free trade area with El Salvador, the Government of Nicaragua was required to submit an annual report to the CONTRACTING PARTIES. The report for 1961 had been distributed in document L/1582.

The CONTRACTING PARTIES took note of the report.

5. European Economic Community - Common Tariff (L/1479)

The CHAIRMAN recalled that the report of the Tariff Negotiations Committee (L/1479) was presented and discussed at the eighteenth session. It was noted that there was a fundamental difference of opinion between the six member States of the EEC on the one hand and a number of contracting parties on the other, as to the interpretation to be given to paragraph 5(a) of Article XXIV. In these circumstances the conclusions of the Tariff Negotiations Committee were regarded as having a tentative character and it was left for the Council to decide whether the question should be placed on the agenda for the nineteenth session or left until the twentieth session.

When the Council considered this matter at its meeting in September it was suggested that the main issue was a question of legal interpretation and that if governments wished to pursue this matter the CONTRACTING PARTIES should consider what procedures should be followed to resolve the legal problem. Until this question was resolved, the Council felt it would not be helpful to continue other work or studies.

Mr. VALLADAO (Brazil) said he wished to summarize the position that his delegation had been obliged to take with respect to Article XXIV:5(a) and the European Economic Community. It appeared to his delegation that the statements made on this matter during the present session as well as in previous meetings had as their purpose, on the one hand, to obtain information from the EEC and on the other, to protest against the privileged treatment afforded to certain associated overseas territories of the EEC under the Rome Treaty. The statements made by Brazil on these matters showed that his delegation was dissatisfied with the premises which the EEC had used to define their position. From the first occasion on which the Rome Treaty was discussed in the GATT, his delegation had, however, expressed the concern that unless attention was paid to the way in which the Rome Treaty was implemented, the interests of outside countries such as Brazil would be unfavourably affected.

Referring to the association of overseas territories with the EEC, Mr. Valladao said that Brazil was not opposed to any advantages that might accrue to these countries under the provisions of the Rome Treaty, but the Brazilian delegation had always defended the point of view expressed in the Haberler Report that the formation of a customs union should not result in trade diversion. Brazil had now realized that since all the practical measures which had been proposed had not borne fruit, the only remaining course was to **turn** to the text of the General Agreement.

Mr. Valladao quoted a statement in which Professor Halstein, President of the EEC, had stated that the 16 per cent duties on coffee, for example, had a very serious adverse effect upon the countries of South America and Central America with respect to those associated countries of Africa. Mr. Valladao said that this statement was a very serious one, and his delegation was considerably alarmed that such a statement should come from the EEC. The Brazilian delegation sympathized with the associated African countries which were confronted with immense problems. His delegation wished to point out, however, that Latin America was itself confronted with similar problems.

Mr. Valladao said that the Working Party set up to examine the problem of the Common Tariff had failed to reach a conclusion on the matter, and at the last Council meeting the Executive Secretary had stressed that the difficulties in connexion with this problem were essentially of a legal nature. During discussions the EEC had found it advisable to inform the Working Party that it would maintain its position regarding the criteria of "legal duties" despite the fact that the rest of the Working Party were in favour of the duties that were actually applied. He said that this situation had created a serious problem and his delegation could not approve the customs union of the EEC directly or tacitly because if the principle implicit in the EEC's position was accepted a serious precedent would be created.

Referring to document L/1479, the Brazilian delegate recalled that several countries including Brazil had submitted statistical data to support **their** arguments. The Working Party on the other hand had indicated the urgent need of statistics from the EEC. Some time had now elapsed and despite repeated requests to the EEC on this matter, there had been no change in the situation since the first time the matter was presented to the CONTRACTING PARTIES. He recalled that the Uruguayan representative at a previous meeting had asked for the setting up of a working party to consider this question. The Brazilian delegation was in agreement with this suggestion and wished to be included in any such working party appointed to deal with Article XXIV:5(a) in connexion with the EEC.

In conclusion, Mr. Valladao referred to a statement made by the Executive Secretary during the last Council meeting. The Executive Secretary had said that even if it had been possible for the secretariat to produce the statistics suggested, the result of any statistical exercise would only support the view, with which he thought there was no disagreement, that the incidence of the Common Tariff was higher than that of the rates actually applied by the member States at the time of the entry into force of the Treaty of Rome. The Executive Secretary had added that quite apart from this fact, it would be inappropriate to embark on a statistical exercise since, as he had said, what was really involved was a legal problem and if it were desired to pursue this problem, the CONTRACTING PARTIES should consider what procedures should be followed. Mr. Valladao expressed the hope that the CONTRACTING PARTIES would consider the problem of the Common Tariff in the light of the Executive Secretary's statement.

Mr. FARINDE (Nigeria) said that it was clear from the report of the Tariff Negotiations Committee that discussions on the Common Tariff under Article XXIV:5(a) had reached a dead end. It was the opinion of his delegation that since the EEC had not to their knowledge refuted the Executive Secretary's statement as quoted by the Brazilian delegate, the EEC must be deemed to have subscribed to this fact. Mr. Farinde said that it should be remembered that the terms of reference that were given to the Working Party had restricted their activities to tariffs only, and that it was possible that, even had the Working Party's endeavour resulted in a finding favourable to the Community, the "other regulations of commerce" and the agricultural policy of the Community might yet show that in fact the Community's practices were incompatible with

Article XXIV:5(a). Any action now taken by the CONTRACTING PARTIES on this matter would create an important precedent and would be of special significance. It would seem that even recourse to legal measures had been denied contracting parties.

Mr. Farinde referred to the association of the African territories with the EEC, and said that his delegation wished to assure those countries and territories that Nigeria had taken this matter up on the basis of principle, for in an international organization that regulated certain activities of its members, these activities should conform to the regulations. The Nigerian representative invited the secretariat to give an opinion as to whether similar problems had arisen in other organizations, and if so how they had been dealt with. He said that his delegation appreciated the fact that the General Agreement was being applied only provisionally.

The CHAIRMAN said that discussion of this item would be resumed at the following meeting.

The meeting adjourned at 6 p.m.