

GENERAL AGREEMENT ON TARIFFS AND TRADE

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SUMMARY RECORD OF THE THIRD MEETING

Held at the Palais des Nations, Geneva,
on Tuesday, 5 April 1966, at 3 p.m.

Chairman: Mr. J. LACARTE (Uruguay)

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1. Trade of less-developed countries (concluded) (L/2614)

Dr. MARTINS (Austria) said that his country had taken a keen interest in the work of the Committee on Trade and Development, and in the activities of the GATT Trade Centre. Austria had been co-operating with the Centre and had been sharing with it the experience gained by the Austrian organizations in the field of trade promotion, and the assistance which Austria provided appeared to have been valuable to the Centre. Another aspect of the Committee's activities which his delegation had followed with particular interest was the work carried out in the Ad Hoc Group on Legal Amendments. Austria would support adoption of the draft decision on Article XXIII proposed by the Committee.

Mr. ASTRAWINATA (Indonesia) recalled the statement by the leader of his delegation at an earlier meeting. He had noted with satisfaction the indication given by Japan of the further measures taken to comply with the 1963 Ministerial Conclusions, and the decision by the Swedish authorities to reduce or remove import duties on certain tropical products. It was to be hoped that other developed countries would follow the Swedish example at an early date.

His delegation was appreciative of the progress made in the Group on Legal Amendments in devising new procedures but regretted that the draft decision on Article XXIII did not provide for compensation to the developing countries for

the loss of trading opportunities resulting from measures applied inconsistently with the General Agreement. He supported the view of Brazil and Uruguay that work should be continued to resolve this issue as well as the question of amending Article XVIII to permit the use of import surcharges for balance-of-payments reasons by less-developed countries.

The trade and aid studies relating to Uganda and Nigeria had shown how the economies of developing countries were affected by developments beyond their control in world markets for primary products, and the extent to which trade barriers and the lack of adequate finance were hampering the development of their trade. The findings of the Expert Group provided, indeed, another strong argument for the full and early implementation of the 1963 Ministerial Conclusions and also for the provision of developmental finance on a larger scale than hitherto. As long as international commodity trade continued to be characterized by instability and a price structure disadvantageous to the developing countries, the least that should be done was to remove trade barriers to imports from these countries and to make available adequate international financial assistance on terms which did not jeopardize the development of the recipient countries. The trade and aid studies had also shown that the lack of adequate foreign exchange resources hampered considerably the expansion of trade among developing countries. Here again, the need for international financial co-operation and assistance was obvious. His delegation supported the recommendations set out in paragraph 52 of the report regarding follow-up action on the trade and aid studies.

In conclusion, Mr. Astrawinata welcomed the Uruguayan invitation for the Committee to hold a meeting in Montevideo.

Mr. CADAXA (Brazil) said that, while agreeing that the procedures embodied in the draft decision on Article XXIII represented a positive step, his delegation was of the view that the original concerns of the sponsors of the proposals had not been fully met. While it accepted the compromise reflected in paragraph 10 of the draft decision, the Brazilian delegation could support its adoption only on the understanding that further work would be carried out with a view to resolving the two issues referred to in (ii) and (iii) of paragraph 41 and in Annex II to the report. On the subject of trade information and export promotion, Mr. Cadaxa welcomed the information contained in document L/2573 on the training facilities and the technical assistance provided by the GATT. It was the intention of his Government in future to take fuller advantage of these facilities. He suggested that the GATT training courses should also cover such problems as financing, invisibles and maritime transport and that United Nations experts in these fields might be invited to lecture on these topics.

Mr. CHAUMET (France), referring to paragraph 20 of the report concerning institutional arrangements for dealing with the remaining residual restrictions of certain contracting parties, enquired whether the intention was to set up a new working party to take over the work of the Group on Residual Restrictions which had been established under the aegis of the Committee on Trade and Development, or to establish a working party for the specific purpose of dealing with the special cases referred to in paragraph 20.

Mr. SWARUP (India) stated that India's adverse trade balance had increased alarmingly to an amount equal to two-thirds of total export earnings in 1964/65, as compared with approximately one half of total export earnings in 1960. Over the same period, debt repayment obligations had risen by as much as five times. Further, notwithstanding the progress made in recent years by a number of contracting parties in import liberalization, as much as four-fifths of the simple manufactured products exported by India continued to be restricted in one form or another in one of the major industrialized countries. A decision calling for the removal of these barriers had been taken some time ago, and it was thus not a question of a new decision being taken by the CONTRACTING PARTIES but of ensuring that the earlier decision was implemented. From the few data cited by him one could easily understand why his delegation attached such great importance to immediate action being taken by the countries concerned.

The Indian delegation had been heartened by the positive attitude taken by contracting parties in dealing with some of the major issues before the Committee and by the progress made in a number of fields, for example, the agreement reached on the use of preferences among less-developed countries which envisaged the negotiation by developing countries of concrete proposals and arrangements. It was unfortunate, however, that the same pragmatic approach had not been brought to bear on the proposals for the amendment of Article XVIII to permit the developing countries to use import surcharges for balance-of-payments purposes. Since there was apparently no disagreement on the overall objective of assisting the developing countries to expand their trade and of providing them with the necessary flexibility, it should be possible for the CONTRACTING PARTIES to resolve the technical or legal difficulties. A fresh and renewed effort should be made to overcome the remaining problems.

Mr. BOSCH (Uruguay) suggested that, as delegations were not yet ready to submit concrete proposals on new procedures regarding residual restrictions, the Council might be authorized to study proposals submitted to it, possibly through an expert group as had been proposed by the representative of Israel. The draft decision on procedures under Article XXIII had been submitted to the CONTRACTING PARTIES on the understanding that the two outstanding proposals, set out in Annex II of L/2614, would be further studied. He thanked all the delegations which had supported the proposal to hold a meeting of the Committee on Trade and Development in Montevideo. His Government would, insofar as possible, accept whatever date and programme might be chosen by the CONTRACTING PARTIES.

Mr. RAZAFINDRABE (Madagascar) drew attention to paragraph 32 of the Committee's report, which records the view of less-developed countries represented in the Group on Expansion of Trade Among Less-Developed Countries, that preferences among developing countries should be granted and applied on a non-discriminatory basis and that the less-developed countries should be in a position to exchange preferences with other less-developed countries in general and not only in the context of regional schemes of integration. He pointed out that at the present time a number of developing countries in Africa had established, or were in the process of establishing, sub-regional economic groupings with a view to facilitating through such co-ordination not only the expansion of trade between their respective countries but also to promote their social and economic development. These groupings were in conformity with the provisions of Article XXIV of the General Agreement. In trade with third countries such considerations as the balance-of-payments situation and the protection of infant industries would, of course, continue to be relevant for the formulation and implementation of the commercial policies of the different countries concerned. While he recognized the merits of establishing preferences among less-developed countries on a general and non-discriminatory basis, it would be premature to envisage that African countries such as Madagascar would have no difficulty in adhering to such schemes. However, the next step in the evolution of the integration movements in Africa might well be an extension of the sub-regional groupings to a regional arrangement covering the whole of the African Continent, in which due account would be taken of sectoral problems, such as those relating to cotton textiles. On the other hand, developing countries should of course not be debarred from the possibility of concluding appropriate arrangements with other developing countries for the exchange of preferential treatment on a selective and temporary basis.

The CHAIRMAN said that several points in the report of the Committee required specific action viz.:

Re. Paragraph 13 (tropical products)

The CHAIRMAN noted that the Committee had expressed the hope that the import duties and charges affecting tropical products, which were the subject of the 1963 Ministerial Conclusions, would be dealt with satisfactorily in the current trade negotiations.

Mr. SWARUP (India) suggested that the CONTRACTING PARTIES request the Trade Negotiations Committee to take steps to establish a list of tropical products comprising two parts, i.e. products on which action should be taken in advance of the conclusion of the Kennedy Round and products on which action might be taken upon completion of the Kennedy Round. The CONTRACTING PARTIES should invite all developed contracting parties to take action to give effect to the 1963 Ministerial Conclusions in respect of the tariff treatment of tropical products before 1 July 1966. His delegation believed that this was an area in which joint action by industrialized countries would be possible.

Mr. BRODIE (United States) said that his Government was not in a position to enter into a commitment as to the implementation of concessions to be granted in the Kennedy Round before the conclusion of the negotiations. Nevertheless, his delegation would be prepared to consider proposed arrangements that would invite governments which were in a position to do so to take such action as suggested by the Indian delegate.

Mr. SWARUP (India) said that, in addition to forwarding the statements and views expressed in the Committee for the attention of the Trade Negotiations Committee, the CONTRACTING PARTIES should take a specific decision to keep this matter on the agenda of the Council. Industrialized countries should be invited to present concrete proposals in the near future.

The CHAIRMAN recalled that the Ministerial Conclusions did not cover all tropical products but only the specified six products, and noted that in the context of the Kennedy Round there already existed a complex of undertakings and commitments which could be applicable to the products in question.

Mr. SWARUP (India) observed that it was time that the CONTRACTING PARTIES reviewed the action taken on the Ministerial Conclusions and took steps to ensure their complete implementation. While this might be left to the Trade Negotiations Committee, new machinery for reviewing developments in the field of tropical products should, nevertheless, be instituted.

The CHAIRMAN suggested that the CONTRACTING PARTIES ask the Trade Negotiations Committee to take due note of the contents of paragraph 13 of the report and of the debate on this matter in this session. In addition, the CONTRACTING PARTIES could

remind the governments concerned of the commitments which they had undertaken in 1963. The Kennedy Round was an important means of implementing the Conclusions, but other avenues and procedures might also be useful. For example, the Committee on Trade and Development might resume its consultations with governments.

Mr. LANGE LAND (Norway) said that his delegation was not authorized to undertake new obligations, such as to put into force concessions in advance of the completion of the Kennedy Round, though it was willing to consider proposals in this regard.

Mr. SWARUP (India) said that his suggestion involved no obligations for contracting parties, as it would not go beyond the obligation already undertaken by Ministers of industrialized countries in 1963.

Mr. AOKI (Japan) said that his delegation would fully support the proposal made by the Chairman, but was not in a position to support the Indian proposal.

Mr. AYUB (Pakistan) considered that it would be useful to draw the attention of the governments concerned to the 1963 Ministerial Conclusions and urge that they gave full effect to these undertakings by a specific date. There did not seem to be any advantage in passing this question on to the Trade Negotiations Committee.

Mr. RAZAFINDRABE (Madagascar) recalled that it had been with much difficulty that the United Nations Conference on Trade and Development had agreed two years ago on recommendations concerning tropical products analogous to the provisions in the 1963 Ministerial Conclusions of GATT. He felt that the time had not yet come for a follow-up on the problem, which was of direct concern to African countries.

Mr. SCHLOSSER (Commission of the European Economic Community) considered that it would be desirable to bring this matter to the attention of the Trade Negotiations Committee for two reasons. First, the 1963 Ministerial Conclusions had found, in fact, their operational expression in the Resolution adopted at the meeting of the Trade Negotiations Committee at ministerial level held in 1964. Secondly, the EEC countries had faithfully implemented what had been undertaken in the 1963 Ministerial Conclusions. However, if a new target date had to be fixed, this would extend their reservations made to the Ministerial Conclusions. It would therefore be more appropriate to transfer the matter to the Trade Negotiations Committee.

Mr. KALFORS (Sweden) reminded the CONTRACTING PARTIES of the fact that his delegation had always felt that it would not be practicable to select a number of products and ask all the countries concerned to take action concerning them. The idea behind the initiative taken by Sweden and other Nordic countries a year ago was to try to obtain maximum results by inviting contracting parties to take action on the products in respect of which they were specifically able to do so. It would be very difficult for contracting parties in general to agree on fixed dates when

they would remove the various trade barriers maintained by them on tropical products. The best thing that could be done at the moment would be to ask the Trade Negotiations Committee to activate the negotiations on tropical products in the Kennedy Round, to remind the governments concerned of the Ministerial Conclusions in respect of the tropical products, and to ask them to explore the possibility of joint action and of advance entry into force of some concessions.

Mr. PINCH (United Kingdom) considered that, as a practical matter, there already existed a new target date for the fulfilment of the Ministerial Conclusions, i.e. the date for the completion of the Kennedy Round. Certain delegations would find it difficult to accept any conclusions at the moment on wider measures of tackling this problem. Meaningful proposals might come forth in the coming months and it would be wise merely to ask the Committee on Trade and Development to review the matter in the coming year.

Mr. SWARUP (India) said that the implementation of the Conclusions on tropical products might indeed be entrusted to the Trade Negotiations Committee, but the Committee on Trade and Development should keep this matter under review. He did not think that the mere reference in paragraph 13 of the report to the trade negotiations could be regarded as implying a target date. His delegation would prefer a specific target date, but if this were not possible, this matter could perhaps be left to the next meeting of the Committee on Trade and Development.

The CONTRACTING PARTIES agreed:

- (i) to request the Trade Negotiations Committee to take due note of the contents of paragraph 13 as it related to tropical products and of the debate on this item during the session;
- (ii) to remind the governments concerned of the commitments they had undertaken in 1963; and
- (iii) to invite the Committee on Trade and Development to resume its consultations with governments.

Re. Paragraphs 13 and 19 (import restrictions)

The CHAIRMAN noted that in paragraph 13 the CONTRACTING PARTIES were invited to consider what further steps should be taken to implement the Conclusions concerning import restrictions. Some contracting parties had not observed the target date set in these Conclusions for the elimination of the specified restrictions by the end of 1965. In paragraph 19 the Committee had suggested that the CONTRACTING PARTIES should consider whether governments maintaining import restrictions on products notified to Committee III as being of export interest to less-developed countries, should be invited, as part of a comprehensive review of

the position, to give indications of solutions which they themselves might propose for dealing with the problem: for instance, they might wish to adopt agreed liberalization programmes with specified target dates, or they might decide to have recourse to waiver procedures.

The Chairman enquired whether the CONTRACTING PARTIES would agree that the governments concerned should be invited to give immediate consideration to the elimination of the restrictions in question and to report by June 1966 on compliance; and, further, that the Committee on Trade and Development should be instructed to review the reports received and make recommendations. The reports could also be conveyed to the Trade Negotiations Committee.

Mr. BRODIE (United States) said that, the circumstances being widely divergent, it would be unrealistic to expect that governments could, on the strength of any simple procedures, be made to remove their restrictions simultaneously. The quota restrictions maintained by the United States on sugar, wheat and wheat products, cotton and cotton textiles, peanuts and dairy products, for instance, were not "residual", since they were not inconsistent with the terms on which it was applying the General Agreement. None of these restrictions therefore fell within the purview of the 1963 Ministerial Conclusions, although they were subject to a very close examination and consultation, multilaterally and bilaterally in the GATT and elsewhere. His Government could not foresee their removal by any fixed date. On the other hand, such products as wheat, dairy products and cotton textiles were the subject of negotiations in the Kennedy Round and it was hoped that the results of the negotiations would be of benefit to exporters of these products. The suggestion made by the Chairman that governments should be invited to give immediate consideration to the elimination of these restrictions was acceptable to his delegation if it were not construed as a commitment, since it would not be realistic to assume that this consideration would result in their elimination within a short time.

The proposals of the Chairman concerning import restrictions were agreed.

Re. Paragraph 20

On the suggestion of the Chairman, the CONTRACTING PARTIES agreed that governments which had not yet undertaken to apply Part IV of the General Agreement should be urged to participate in the work of the Committee and to co-operate with it in the exploration of possibilities of liberalizing their imports in so far as these were of concern to the Committee.

Mr. SWARUP (India) recalled that in the 1963 Ministerial Conclusions, Ministers from some contracting parties had expressed the view that more positive measures were necessary to increase export earnings of developing countries as a whole. He suggested that such contracting parties be invited to notify the Director-General in a few months time what positive measure they had in view, so that these proposals could be examined.

The CHAIRMAN proposed that the notification mentioned by the representative of India should be addressed to the Director-General by June 1966 and should be conveyed to the Committee on Trade and Development for its consideration.

The CONTRACTING PARTIES agreed to the proposals made by the Indian representative and the Chairman.

Re. Paragraph 44

The CONTRACTING PARTIES adopted the decision on procedures under Article XXIII set out in Annex I of the report.

In response to enquires by Mr. BOSCH (Uruguay) and Mr. DO IAGO (Brazil), the CHAIRMAN stated that, in adopting the report of the Committee later at the meeting, the CONTRACTING PARTIES would be endorsing the Committee's intention to continue with work on the two outstanding issues mentioned in paragraph 46.

Re. Paragraph 48

On the suggestion of the Chairman, the CONTRACTING PARTIES took note of the statement in paragraph 40, but considered that the freedom of the Group on Legal Amendments to revert to the problem of import surcharges would not be unnecessarily limited. The secretariat was requested to make a further study of the issues involved and it was agreed that the Group would be convened when its Chairman judged that enough material was available to warrant useful discussion.

On the proposal of Mr. SWARUP (India), the CONTRACTING PARTIES also agreed that the Committee on Trade and Development be authorized to receive and consider any proposals that might be put forward by less-developed countries for improving the provisions of the General Agreement which were of relevance to the work of the Committee.

Re. Paragraph 52

On the proposal of the CHAIRMAN the CONTRACTING PARTIES endorsed the conclusions and recommendations of the Committee concerning the development plan studies of Nigeria and Uganda.

Re. Paragraph 54

The CONTRACTING PARTIES agreed in principle, to accept the invitation of the Government of Uruguay to the Committee on Trade and Development to hold a meeting in Montevideo and that it be left to the Committee to decide on the date and agenda for the meeting.

The report was adopted.

The CHAIRMAN congratulated the Chairman and members of the Committee for the intensive and useful work they had done over the past year on matters of such great importance to the CONTRACTING PARTIES.

Mr. LALL (India) said that he was most grateful for the appreciative references which had been made to the work of the Committee. As its Chairman, he felt pleasure in congratulating all its members, whether from developed or less-developed countries, for the contribution they had made to giving meaning and content to the provisions of the new Articles on Trade and Development. The discussion had shown that the Committee would have to do a great deal of further work in the coming year to prepare the ground for further advances to be made in relation to the trade and development of the less-developed countries.

2. Relations between the GATT and UNCTAD

The DIRECTOR-GENERAL recalled that in Part IV the CONTRACTING PARTIES had pledged themselves to seek collaboration with the United Nations Conference on Trade and Development on matters of trade and development. The UNCTAD Secretariat had hitherto been largely engaged in organizing its work and it would not perhaps have been appropriate for the CONTRACTING PARTIES to raise with them the question of arrangements for collaboration as provided for in Part IV. The situation now seemed to be such that this would be both appropriate and desirable. It was inevitable that both the CONTRACTING PARTIES and the Board of UNCTAD should, in terms of their respective concerns and responsibilities, find themselves engaged in the establishment of work programmes in relation to the trade and development problems of the developing countries which, in many instances, tended to overlap. This in itself was not necessarily undesirable, or to be avoided at all costs, because the problems were complex and their solutions might often justify parallel study in more than one forum. There was, however, an evident need to ensure that the examinations carried out in the GATT and the UNCTAD were on complementary lines and pursued with the objective of securing some co-ordinated result.

The Director-General stated that the Secretary-General of UNCTAD and he himself had, of course, been aware of this problem and had discussed it from time to time in informal consultations. He had had the opportunity of discussing this question recently with Dr. Prebisch, as well as with the Chairman of the Board of UNCTAD, and with the Chairman of the CONTRACTING PARTIES. They had come to the conclusion that constructive co-operation between the CONTRACTING PARTIES and the UNCTAD Board in the study of problems in the field of trade and development might most satisfactorily be ensured through the setting up of a programming committee composed of senior officials with responsibilities for guiding the study and discussions of these matters in the two bodies. He felt that it would not be appropriate at this point to go into any detailed consideration of the composition of such a body, or of the terms of reference which might be given to it. What he had in mind, however, was that the function of such a committee would be to compare and examine the projects and proposals under consideration, or proposed for consideration, in the GATT and UNCTAD respectively, which related to the trade problems of less-developed countries, with a view to achieving a harmonious degree of constructive collaboration and to avoiding wasteful duplication. The last point was worth emphasizing because some of the duplication would involve a very heavy strain on resources, especially those of the less-developed countries, and would, therefore, be particularly wasteful from their point of view.

The Director-General requested the authority of the CONTRACTING PARTIES, acting pursuant to Part IV, to pursue conversations with Dr. Prebisch and the Chairman of the Board of UNCTAD on the general lines of the proposition he had just outlined, naturally keeping the Chairman of the CONTRACTING PARTIES and the

Chairman of the Trade and Development Committee fully advised of developments. It was his understanding that, if this approach were to be endorsed at this session by the CONTRACTING PARTIES, Dr. Prebisch would be prepared to put a similar proposal to the Board of UNCTAD.

In conclusion, the Director-General stated that in addition to this proposal for institutional co-operation he was, of course, continuing to try to bring about the maximum co-operation at the secretariat level. He had recently discussed with Dr. Prebisch what appeared to be a rather interesting and fruitful approach, namely that, in some areas, which they might try to define together, the secretariats of the two bodies might undertake joint studies on matters of concern to both organizations for presentation to either GATT or UNCTAD, as would be most appropriate in the light of their respective responsibilities and programmes. This he felt would bring to bear the expertise of both secretariats on problems of common concern, and, in so far as they submitted agreed recommendations to governments, he would hope that the combined endorsement of Dr. Prebisch and himself would give them a greater right to careful consideration by governments than, perhaps, a recommendation presented by one of them alone.

Mr. VALENZUELA (Chile) congratulated the Director-General for the initiative he had taken in suggesting ways for securing increased co-operation between the GATT and UNCTAD. His delegation would enthusiastically support such co-operation along the lines suggested.

The CHAIRMAN also welcomed the suggestions made by the Director-General which, he felt, would facilitate fruitful co-operation between the two organizations. He suggested that the CONTRACTING PARTIES should authorize the Director-General to explore the possibilities of increased co-operation along the lines he had suggested.

This was agreed.

3. New Zealand/Australia Free Trade Agreement (L/2628 and Corr.1)

The CHAIRMAN recalled that a Working Party had been appointed by the Council to examine the New Zealand/Australia Free-Trade Agreement of 31 August 1965 in the light of the relevant provisions of the General Agreement. The report of the Working Party was contained in L/2628 and Corr.1.

Mr. LANGELAND (Norway), the Chairman of the Working Party, outlined the structure of the report and drew the attention of the CONTRACTING PARTIES to paragraph 18 containing the text of conclusions submitted for their consideration.

Mr. BRODIE (United States) said that his delegation had participated in the work of the Working Party and their views were contained in its report, particularly in paragraph 15. They would support the adoption of the report and the conclusions contained in it.

Mr. PRADHAN (India) drew attention to paragraph 6 of the Working Party's report, in which his delegation had pointed out that Schedule A to the Agreement included some items of export interest to less-developed countries alone and had expressed apprehension that inclusion of such items might have adverse effects on exports of these items, particularly in their processed and semi-processed forms. Perhaps similar items of particular and exclusive trading interest to other less-developed countries were to be found in Schedule A and they would share the concern of his delegation. It was not possible at that time for them to assess the extent of the adverse effects that were likely to be caused as a result of the progressive elimination of duties on such items between the parties to the Agreement. His delegation was reassured by the statements that had been made to the effect that the Governments of the two countries would be able to give prompt and sympathetic consideration to their problems and concerns in due course. He concluded by saying that, subject to this, his delegation would support the adoption of the report and the conclusions contained in it.

Mr. SCHWARZMANN (Canada) said that his delegation had participated in the deliberations of the Working Party and was prepared to support the adoption of the conclusions contained in its report. While he did not wish to repeat all the points that had been made in the Working Party, he wished to recall that his delegation had expressed concern over questions connected with the administration of quantitative restrictions, the special measures referred to in Article 3 and base rates for the reduction and elimination of tariffs. His delegation attached importance to the assurances received from the parties to the Agreement on these points, which went some way to alleviating their concern. They welcomed the procedures that had been suggested by the Working Party and looked forward to continuing consultations in due course, as agreed by the parties to the Agreement.

Mr. SKAK-NIELSEN (Denmark) said that his delegation had participated in the Working Party and that its views were in part reflected in paragraph 15 of the report. His delegation noted from the conclusions contained in the report that the Governments of the two parties had agreed to report to the CONTRACTING PARTIES. He enquired whether these reports would be made annually.

Mr. PRESS (New Zealand), speaking on behalf of the parties to the Agreement, said that it was his understanding that the Working Party, being fully conscious of the circumstances, understood that at the moment it would not be productive to fix a precise time for a report to be submitted on the matters to which reference

was made in the conclusions. During the meetings of the Working Party, the representative of the parties to the Agreement had explained in detail the steps they were taking to implement the Agreement and to establish the free-trade area. The first review of the commodity coverage of Schedule A would take place two years after the entry into force of the Agreement, i.e. on 1 January 1968 and steps had already been taken looking towards the addition of items to that Schedule. It would be open to any contracting party to ask for a report at any time.

Mr. SKAK-NIELSEN (Denmark) said that his delegation felt that it would be desirable to have a report following the first review and thereafter annually as more progress was made.

The CONTRACTING PARTIES noted an assurance by Mr. PRESS (New Zealand) that the parties could agree to this.

Mr. RYDFORS (Sweden) said that, while his Government welcomed the initiative which had been taken, certain features of the Agreement gave rise to some hesitation. His delegation would support the adoption of the conclusions contained in the report. He expressed the hope that consideration of a report from the parties at an early session of the CONTRACTING PARTIES would alleviate the concerns which his Government felt.

The CONTRACTING PARTIES adopted the following conclusions (as contained in paragraph 18 of the report of the Working Party):

"Noting that the Governments of New Zealand and the Commonwealth of Australia have, in accordance with paragraph 7(a) of Article XXIV of the General Agreement on Tariffs and Trade, informed the CONTRACTING PARTIES that an interim agreement leading to the formation of a free trade area was concluded on 31 August 1965 by the Governments of New Zealand and the Commonwealth of Australia, and entered into force on 1 January 1966,

- "(a) the CONTRACTING PARTIES have examined, in accordance with the procedures of Article XXIV, the Agreement, and have taken cognizance of the information submitted by the parties to that Agreement in this connexion;
- "(b) the CONTRACTING PARTIES have taken note of the provisions of the Agreement and of the stated intention of the Governments of New Zealand and the Commonwealth of Australia to establish a free-trade area as defined in paragraph 8(b) of Article XXIV;

- "(c) the CONTRACTING PARTIES, whilst appreciating the circumstances which render it difficult for the two Governments to agree immediately upon a sufficiently comprehensive plan and schedule, invite them to give serious consideration to doing so as soon as possible;
- "(d) the CONTRACTING PARTIES note the intention of the Governments of New Zealand and the Commonwealth of Australia to report to the CONTRACTING PARTIES further on this point and more generally on the formation of the free-trade area."

and adopted the report.

Mr. PRESS (New Zealand), speaking on behalf of the parties to the Agreement, thanked the CONTRACTING PARTIES for their helpful understanding which had resulted in the adoption of the conclusions submitted by the Working Party. The parties had been completely frank in their statements and in answering questions to the best of their ability. Both Australia and New Zealand had taken part in the original drafting of the General Agreement and had been contracting parties from the outset. They deferred to no one in their respect for the provisions of the GATT and had been very conscious that their Free-Trade Agreement might in one respect be regarded as being deficient in terms of Article XXIV. He referred to the absence of a comprehensive plan and schedule which had quite understandably been drawn to their attention by the CONTRACTING PARTIES. The Agreement had a time schedule for the elimination of duties on items included in its Schedule A, and it had a plan for the progressive addition of items to that Schedule, but this did not enable contracting parties to assess at this stage within what period a comprehensive free-trade area would be achieved.

The parties had explained why they had not found it possible to provide a complete plan and schedule and had emphasized that they realized that this imposed on them an even stronger obligation to demonstrate their good intentions and that they would be judged by their actions pursuant to the Free-Trade Agreement. They were confident that when they reported to the CONTRACTING PARTIES, as they had undertaken to do, and they gained experience and assurance in the operation of the Agreement, the CONTRACTING PARTIES would find that their confidence had not been misplaced.

4. United Kingdom/Ireland Free-Trade Area (L/2633 and Add.1)

The CHAIRMAN said that the Working Party, which had been appointed by the Council to examine the United Kingdom/Ireland Free-Trade Area Agreement of 14 December 1965, had submitted its report in document L/2633 and Add.1.

Mr. MENDES CADAXA (Brazil), Chairman of the Working Party, presented the report. He recalled that the Government of the United Kingdom had notified the CONTRACTING PARTIES of the conclusion of the Agreement, in accordance with Article XXIV:7(a) of GATT, and that the Council had instructed the Working Party to examine it in the light of the relevant provisions of GATT. During the meeting of the Working Party members had obtained supplementary information and clarification of certain aspects of the Agreement as indicated in the report. The views expressed in the Working Party on the compatibility of the Agreement with the provisions of GATT were recorded in the report, which also contained, in paragraph 28, the text of conclusions which the Working Party wished to submit to the CONTRACTING PARTIES for their consideration.

Mr. BRODIE (United States) said that the Agreement contained a comprehensive plan and schedule in the sense of Article XXIV which made it a valid interim agreement for the formation of a free-trade area. He particularly appreciated that the parties had stated that they were going to make limited use of the escape provisions and that there were prospects of an increase of the percentage of trade covered by the free-trade arrangements. He also welcomed the fact that the Agreement replaced previous bilateral agreements which had impeded Ireland's accession to GATT.

Mr. PRADHAN (India) said that India welcomed the formation of the free-trade area and commended the adoption of the Working Party's report and the draft conclusions. He wished to refer to one feature of the Agreement which in the Indian view had discriminatory effects on the exports of less-developed countries; the problem was dealt with in paragraph 19 of the report. In terms of paragraph 4 of Article X of the Agreement, the Government of the United Kingdom and the Government of Ireland had entered into an agreement on trade in cotton textiles which had been reproduced on page 107 of L/2552/Add.1. Under this agreement it had been provided that the Government of Ireland should in 1966 restrict the export to the United Kingdom of grey cloth manufactured out of yarn imported from "restricted territories" and finished cloth manufactured out of greys imported from "restricted territories" and finished in the Republic of Ireland. The so-called "restricted territories" were mainly the developing countries. The agreement further provided that the Republic of Ireland might in 1966 impose similar restrictions on imports from the United Kingdom. In this connexion, his delegation had taken note of the assurance given by the representative of Ireland in paragraph 25 of the report of the Working Party and had also noted the assurance given by the two Governments in paragraph 27 "that they would in implementing this provision have due regard to the rights and interests of the contracting parties and would give sympathetic consideration to any representations they might make".

Mr. SCHWARZMANN (Canada) said that his delegation appreciated the importance of the free-trade arrangements, particularly for expanding Ireland's trade, and considered them with sympathy. It had taken note of the assurances given with regard to the agreement on store animals and carcass meat, in paragraph 16 of the report. Canada supported the adoption of the draft conclusions.

Mr. SCHLÖSSER (Commission of the EEC) recalled that a representative of the Community had actively participated in the discussions in the Working Party. He had no further observations to make at the present stage, but he would not want silence to be interpreted as an acceptance of the legal arguments presented by the United States delegation for adopting the report as well as the draft conclusions; he wished to stress that he did not accept those arguments.

Mr. MAHMOOD (Pakistan) said that he shared the concern voiced by the representative of India with regard to the arrangements for the trade in cotton textiles referred to in paragraph 19 of the report. He hoped that the parties to the Agreement would take due account of the trade interests of third countries, and of less-developed countries in particular.

The CONTRACTING PARTIES adopted the following conclusions (as contained in paragraph 28 of the report of the Working Party):

- "(a) The CONTRACTING PARTIES take note of the United Kingdom/Ireland Free-Trade Area Agreement, providing for the establishment by 1 July 1975 of a free-trade area between the two countries.
- "(b) The CONTRACTING PARTIES note that Ireland is not currently bound by the provisions of the General Agreement and welcome, therefore, the intention of the Government of Ireland to accede to it; they note the contracting parties may wish to re-examine certain questions relating to the Free-Trade Area Agreement in the light of the negotiations for Ireland's accession.
- "(c) The CONTRACTING PARTIES have, at the present time, no recommendations which they wish to make under paragraph 7 of Article XXIV to the Government of the United Kingdom.
- "(d) The CONTRACTING PARTIES welcome the readiness of the Governments of the United Kingdom and Ireland to furnish regularly further information as the evolution of the United Kingdom/Ireland Free-Trade Area proceeds."

and adopted the report.

Sir EUGENE MELVILLE (United Kingdom) thanked the CONTRACTING PARTIES for the sympathetic consideration given to the United Kingdom/Ireland Agreement. The importance of the Agreement from the point of view of world trade and in comparison with some other regional groupings was rather limited. For Ireland it was, nevertheless, a bold step to open its market for United Kingdom products. For the United Kingdom the economic importance of the Agreement was much less, but it had a special significance when seen against the background of the long relations between the United Kingdom and Ireland. The United Kingdom welcomed Ireland's decision to accede to GATT as another important step in closer economic relations between Ireland and Europe and hoped that the CONTRACTING PARTIES would, when examining Ireland's accession, show the same sympathy and understanding as they had shown when examining the Free-Trade Area Agreement.

Mr. KENNAN (Ireland) said that the Agreement represented a milestone in Anglo-Irish relations as well as in the economic development of Ireland. It should also be seen as a step towards the eventual participation of Ireland in a wider European grouping. Certain trade arrangements between Ireland and the United Kingdom had previously constituted an obstacle to the accession of Ireland to GATT. These difficulties would be removed when the Free-Trade Area Agreement entered into force, and Ireland was looking forward to the completion of the negotiations for its accession to GATT.

5. Accession of Yugoslavia (L/2562)

The CHAIRMAN recalled that, in October 1965, a Working Party had been established to consider the request of the Government of Yugoslavia for full accession to the General Agreement under Article XXXIII. The Working Party's report (L/2562) had been considered by the Council at its March meeting. The Council had recommended that the report be adopted and that the CONTRACTING PARTIES give their approval to the texts of the draft decision and protocol for accession, annexed to the report. The Government of Yugoslavia was engaged in tariff negotiations with certain contracting parties and, when these were completed, a schedule of concessions to be granted by Yugoslavia would be annexed to the protocol. It was proposed that the CONTRACTING PARTIES should now approve the text of the Decision and Protocol; at a later stage, when the schedule of concessions had been completed and annexed to the Protocol, the final Decision under Article XXXIII would be submitted to a vote. Since the negotiations would not be completed before the close of the session, he suggested that the Council be authorized to arrange for the vote to be taken by postal ballot. Finally, the Chairman drew attention to the fact that the Government of Yugoslavia had submitted a communication (L/2610) in reference to paragraph 22 of the report.

Mr. SMID (Czechoslovakia), Mr. ASTRAWINATA (Indonesia), Mr. MORENO (Cuba), Mr. SKAK-NIELSEN (Denmark), Mr. AYUB (Pakistan), Dr. MARTINS (Austria), Dr. HARB (United Arab Republic), Sir EUGENE MELVILLE (United Kingdom), Mr. VALENZUELA (Chile), Mr. LERENA (Argentina), Mr. SCHLOSSER (Commission of the EEC), Mr. BOSCH (Uruguay), Mr. RYDFORS (Sweden), Mr. EMRE (Turkey), Mr. BRODIE (United States), Mr. TOURE (Mauritania), Mr. SCHWARZMANN (Canada), Mr. LALL (India), Mr. LANGELAND (Norway), Mr. HARAN (Israel), Mr. ENCINAS (Peru), Mr. OBIORAH (Nigeria), Mr. DO LAGO (Brazil), and Mr. GROOP (Finland) expressed the support of their delegations for the full accession of Yugoslavia, at an early date, on the terms envisaged in the draft decision and protocol. Many of these representatives alluded to the important rôle that Yugoslavia had played in the work of the CONTRACTING PARTIES during the period of her provisional accession. Some representatives also mentioned the fact that their countries had entered into tariff negotiations with Yugoslavia, which, they hoped, would be soon completed.

The CONTRACTING PARTIES adopted the report of the Working Party (L/2562), approved the texts of the Decision and Protocol, and authorized the Council to submit the Decision to a vote, pursuant to Article XXXVIII, after the completion of the Protocol by the annexing of the results of the negotiations.

Mr. KOPCOK (Yugoslavia) thanked all concerned for their work in connexion with Yugoslavia's accession. Yugoslavia had welcomed the opportunity afforded in the Working Party to explain its foreign trade system; the full accession of Yugoslavia was the result of a lengthy process of adaptation of this trade system in accordance with its economic development needs. Yugoslavia regarded the GATT as an effective instrument for overcoming many problems of international trade and had co-operated with contracting parties in ensuring the removal of difficulties in their mutual trade. Yugoslavia had fully observed her obligations under the Declaration on Provisional Accession, and this made her full accession possible. His delegation had commenced tariff negotiations for accession, and he was sure that trading partners would, in these, display the same spirit of understanding as they had in the Working Party. He thanked those representatives who had spoken in support of Yugoslavia's full accession, and said he would inform his Government of the discussion that had taken place. He was sure that relations between Yugoslavia and contracting parties would now become even more mutually beneficial.

The meeting adjourned at 6.30 p.m.