

# GENERAL AGREEMENT ON TARIFFS AND TRADE

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Twenty-Third Session

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## SUMMARY RECORD OF THE ELEVENTH MEETING

Held at the Palais des Nations, Geneva,  
on Wednesday, 6 April 1966, at 10 a.m.

Chairman: Mr. J.A. LACARTE (Uruguay)

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### 1. Rwanda Schedule (L/2598)

The CHAIRMAN observed that Rwanda had acceded under Article XXVI:5(c) on 1 January 1966 and he would, therefore, take the opportunity of welcoming Rwanda as a contracting party.

Mr. MUNYANEZA (Rwanda) said that, in acceding to the General Agreement, Rwanda had taken into account the important work of the CONTRACTING PARTIES on the trade of developing countries. Since its accession, Rwanda had examined its obligations under the General Agreement, including the Schedule of concessions negotiated by Belgium for the then single customs territory of Burundi, Congo (Leopoldville) and Rwanda, before these States acquired their independence. Following

the independence of the Congo in 1960 and of Rwanda and Burundi in 1962, far-reaching changes had been effected in their intra-trade relations. With the introduction of the new Congo currency in 1960, it had been found necessary to dissolve the customs union of the three territories. Subsequently, the customs union between Rwanda and Burundi had also been dismantled. These changes had, of course, necessitated considerable modifications in Rwanda's tariff. The Rwanda Government was currently conducting a currency reform which, in its turn, would entail tariff changes. In order to regularize its position as regards its GATT Schedule, Rwanda was ready to conduct renegotiations under Article XXVIII:1.

The CONTRACTING PARTIES took note of Rwanda's intention to avail itself of the procedures of Article XXVIII:1 for renegotiations in the second half of 1966.

2. Ceylon duty increases (W.23/5)

The CHAIRMAN recalled that, at an earlier meeting (SR.23/3), it had been agreed that the Government of Ceylon should be granted a waiver to cover the duty increases which were applied on certain bound items in August 1965. The waiver was to be for a short period, until the Committee on Balance-of-Payments Restrictions had consulted with Ceylon and action had been taken on that Committee's recommendations. The secretariat had been requested to prepare the text of a draft decision and this had been distributed in document W.23/5.

The CONTRACTING PARTIES adopted the decision by forty-nine votes in favour and none against.

3. Newly-independent States (L/2580, L/2626)

The CHAIRMAN recalled that, under the Recommendation of 18 November 1960, GATT relations were maintained on a de facto basis in respect of five newly-independent States. As reported in L/2580, the applicability of the Recommendation in respect of Algeria, Congo (Leopoldville) and Mali would expire at the end of the session. A letter had been received from the Government of Algeria (L/2626) indicating its desire to enter into negotiations for accession to the General Agreement, and requesting an extension of the de facto arrangement. The Director-General had written to the Governments of the Congo (Leopoldville) and Mali in January concerning their future relations with the GATT, but replies had not been received.

Mr. STUYCK (Belgium) hoped that the Congo (Leopoldville) and Mali would also soon be in a position to accede to the General Agreement.

The CONTRACTING PARTIES agreed to extend until the end of the twenty-fourth session the applicability of the Recommendation for the de facto application of the GATT in respect of Algeria, Congo (Leopoldville) and Mali. It was also agreed that

the application by Algeria for accession should be referred to the Council which could make all necessary arrangements, in accordance with the procedures adopted at the twenty-second session.

4. Luxemburg agricultural import restrictions (L/2625)

The CHAIRMAN recalled that in 1955 the CONTRACTING PARTIES had granted to the Government of Luxemburg a waiver from the provisions of Article XI which authorized the maintenance of restrictions on imports of certain agricultural products. This waiver had been reviewed in 1960 and the CONTRACTING PARTIES had agreed that it should be reviewed again after a further five years. This second review had been carried out by a working party appointed by the Council of Representatives, and the Working Party's report had been made available in document L/2625.

Mr. SWARUP (India), Chairman of the Working Party, presented the report. The review had been carried out on the basis of a report submitted by the Government of Luxemburg on the implementation of the Decision (L/2479). The representative of Luxemburg had explained the difficulties faced by his country's agriculture and the efforts of his Government aimed at reforms in the agricultural sector. The Working Party recognized the serious and basic nature of the problems faced by Luxemburg's agriculture which had originally led to the granting of the waiver in 1955. While the Working Party agreed that the problems raised by the continued maintenance of the waiver were not so much those of material damage to international trade, but were problems of principle, it expressed its regret at the slow rate at which the Luxemburg Government had removed the restrictions. Since the last review in 1960 only one item, namely apples, had been removed from the list of restrictions. The Working Party recommended that the waiver be reviewed again in 1970, and expressed the hope that by that time the Government of Luxemburg would be able to eliminate or at least to relax the restrictions that still remained. In the meantime, the contracting parties would expect to receive annual reports from the Government of Luxemburg on the implementation of the Decision.

The report of the Working Party (L/2625) was adopted.

5. Financial and administrative questions

(a) Statement on the final 1965 Budget position (L/2590)

The CHAIRMAN drew attention to the Director-General's statement (L/2590) and in particular to paragraph 6, which showed that excess expenditure had been incurred in certain sections of the Budget, and paragraph 8, which indicated ways and means of financing this excess. The statement also listed those contracting parties which were in arrears in the payment of their contributions. Since the distribution of

the statement, Argentina had paid her contribution in full, and Chile and Greece partially. He drew the attention of the contracting parties concerned to the fact that it was necessary to levy contributions in advance, and they should, therefore, be paid at an early date.

Mr. HARAN (Israel) asked what progress had been made in the examination of possible changes in the scale of contributions.

Mr. SCHNEBLI (Switzerland), Chairman of the Committee on Budget, Finance and Administration, replied that this matter had not yet been resolved. The Committee recognized that the present method of assessment was not entirely equitable and had sought to devise a more acceptable method. A study of this matter would be undertaken in the course of the next few months, and would probably be considered by the Committee at its next regular meeting.

The CONTRACTING PARTIES noted the statement on the final budget position for 1965 (L/2590) and approved the proposals contained in paragraphs 6 and 8 thereof.

(b) Supplementary estimates for International Trade Centre (L/2602)

The CHAIRMAN recalled that, at an earlier meeting (SR.23/7), the CONTRACTING PARTIES had discussed and taken note of the report by the Group of Experts concerning the Trade Information and Trade Promotion Advisory Services (L/2574). The financial aspects of the Experts' report had been referred to the Committee on Budget, Finance and Administration, which had submitted a report thereon in document L/2602.

Mr. SCHNEBLI (Switzerland), Chairman of the Committee on Budget, Finance and Administration, presented the report. The additional expenditure (\$113,350) could not be covered by savings on other items or by transfers from the Working Capital Fund, and the Committee had recommended that most of the amount be met by a supplementary contribution by contracting parties. To avoid such recourse to supplementary contributions in future, the Committee was examining the possibility of including in future budgets provision for "unforeseen expenditure".

Mr. CHAUMET (France) indicated that he would have to reserve the position of his Government as regards these recommendations.

The CONTRACTING PARTIES adopted the report (L/2602) and approved the recommendations in paragraphs 8 and 9 thereof.

The CONTRACTING PARTIES agreed to the immediate derestriction of the report by the Expert Group (L/2574).

6. Derestriction of documents (L/2564/Rev.1 and Add.1)

The CHAIRMAN noted that the Council of Representatives had considered a proposal by the Director-General that a wider range of GATT documents, including summary records and Council minutes, be derestricted so as to facilitate greater public knowledge of the GATT and a better understanding of its aims and objectives. Certain amendments had been made by the Council, which had recommended the adoption by the CONTRACTING PARTIES of the amended proposals contained in document L/2564/Rev.1. At its recent meeting, the Committee on Balance-of-Payments Restrictions had recommended that certain of the Committee's documents should also be derestricted (L/2564/Rev.1/Add.1).

The CONTRACTING PARTIES adopted the proposals contained in L/2564/Rev.1 and Add.1.

7. United States import restrictions on agricultural products (L/2631 and Add.1)

The CHAIRMAN recalled that earlier in the session the report by the Government of the United States (L/2604) under the Decision of 5 March 1955 had been referred to a Working Party for examination (SR.23/3). The report of the Working Party had been distributed in document L/2631 and Add.1.

Mr. SWARUP (India), Chairman of the Working Party, said that the examination of the report had given members of the Working Party an opportunity to ask questions and to comment on the United States policy which had prompted the United States Government to invoke the provisions of the waiver and to maintain import restrictions on four groups of commodities for more than eleven years. They had recognized the restraint shown by the United States in the use made of the waiver, which was open-ended in time, and in its field of application. While appreciating certain relaxations in the past, members of the Working Party had expressed disappointment that for some time no further relaxations had been made. They had drawn particular attention to the present change in the situation in the dairy sector. The improved market situation, in their view, made the time particularly propitious for the United States to dispense with the waiver. The importance for developing countries of increasing their export earnings had also been stressed and a plea had been made in this connexion to remove the import restrictions on peanuts, so as to create improved export opportunities for the developing countries concerned. There had been a discussion on some possible implications of the new Food and Agriculture Act which will come into operation by the beginning of the next crop year. The replies of the United States delegation were set out in the report.

Mr. Swarup drew particular attention to the United States recognition of the changed situation in the field of dairy products and to the reasons why, so far, restrictions had been maintained. These were set out in paragraph 22 of the report.

The United States delegation, in the final paragraph of the report, again affirmed the intention promptly to terminate any restriction imposed when it was found that circumstances requiring the action no longer existed. In fact, as had been foreshadowed in paragraph 23, the United States representative had been able, after the closure of the examination, to announce certain relaxations of dairy import restrictions. The Working Party had not had the opportunity to take note of this announcement or to comment on it, but it had been circulated in an addendum to the report (L/2631/Add.1).

Mr. LYRTOFT-PETERSEN (Denmark) said that during the discussions in the Working Party the United States representative had stated in his concluding remarks that the application of the waiver and the possibilities of modifying or relaxing the dairy import restrictions under Section 22 of the Agricultural Adjustment Act were then under intensive study in Washington, and that he hoped that his delegation would soon have an announcement to make on this subject. This statement, of course, had given rise to expectations that the United States Government would take steps in the immediate future to increase substantially the quotas on dairy products. From the notification in document L/2631/Add.1 it appeared, however, that the United States Government only proposed to enlarge the quota for Cheddar cheese. Denmark had hoped that the United States Government at this time would have taken more substantial action with regard to the waiver, the existence of which for a period of eleven years had had unfortunate implications for the expansion of international trade. In the view of his Government there was no longer any convincing justification for the maintenance of certain of the restrictions. This was especially the case as far as butter was concerned, for which product uncommitted Government stocks were now, practically speaking, eliminated. In these circumstances his delegation felt that it should be possible for the United States Government to increase substantially the present tariff quota for butter to, in any case, the amount of the tariff quota which had been negotiated some twenty years before. The present quota on butter, which had remained unchanged since 1955, only amounted to about 0.05 per cent of the United States' consumption.

Mr. WINTERMANS (Netherlands) recalled that the Working Party had been told by the United States representative that the quota for imports of a particular kind of cheese would probably be substantially enlarged. His delegation welcomed this, but regretted that no full liberalization could be achieved and hoped that the steps taken by the United States authorities were a prelude to further steps leading to full liberalization. It was questionable whether, in the circumstances presently prevailing in the United States, both as regards crops and dairy products now covered by the waiver, the invocation of the waiver was still necessary or justifiable. As far as crops were concerned, the fact that domestic production or marketing restraints were being applied might entitle the United States to avail itself of the provisions of Article XI:2(c), and thus to dispense with the waiver.

As regards dairy products, the market situation within the United States had changed so drastically that even under Section 22 of the Agricultural Adjustment Act intervention in respect of imports was not justified. It had been written into the waiver eleven years ago that the United States Government intended "promptly to terminate any restrictions imposed, when it finds that circumstances requiring this action no longer exist".

There was a further new element, namely the implementation of the 1965 Food and Agriculture Act as from July next, the effects of which might be to eliminate the need for quotas for price reasons. The United States representative had told the Working Party that it might be found desirable to maintain restrictions on a contingency basis, to be invoked, for instance, as a defence in addition to the normal tariff against subsidized exports. It had been pointed out in the Working Party that the General Agreement contained sufficient safeguards against such practices. The statement of the United States delegate raised the question as to whether the CONTRACTING PARTIES themselves should not express an opinion on the maintenance of restrictions in these circumstances. As it would be difficult for the CONTRACTING PARTIES to do this without further information, he would ask the United States delegate whether he would agree to notify the CONTRACTING PARTIES of the new 1965 Food and Agriculture Act and to engage with them in consultations on this Act under the standing procedures, i.e. in Committee II, at an early date. The outcome of such consultations would put contracting parties into a still better position than they were in today to express their opinions concerning the justification for the continued existence of the waiver. For the present, he wished to leave aside what legal possibilities existed for action on the part of contracting parties. He concluded by expressing confidence in the established consultation procedures of the GATT, which, in conjunction with the traditional co-operative attitude of the United States Government, would enable the CONTRACTING PARTIES to prepare themselves for taking a decision on the fundamental problem of revoking or maintaining this eleven years old, and perhaps outlived, waiver.

Mr. SAKELLAROPOULO (Canada) said that the announcement made by the United States in L/2631/Add.1 was important to Canada since Canada had a major interest in Cheddar cheese, especially aged Cheddar cheese. This action removed a discrimination of longstanding and placed Cheddar cheese on the same basis as other speciality cheeses in the United States market which over the past years had enjoyed some relaxation of Section 22 quotas. Canada had pressed the United States on this matter for a long time and this action went a long way towards removing the problem so far as Canada was concerned.

Mr. OBIORAH (Nigeria) said that peanuts were a tropical product which in the United States, as elsewhere, were used for two purposes, i.e. as oil and as an edible nut. In paragraph 14 of the report, the representative of the United States was recorded as having said that it was not necessary to take action on peanut oil because it competed with soyabean oil. He felt that this was the very reason why peanut oil should be allowed to enter the United States market without restriction. He hoped that the United States would take this into consideration and relax its restrictions.

Mr. DONOVAN (Australia) said he had noted with interest the details of the measures covering dairy products announced by the United States Government. In the course of the annual consultations under this long-lived waiver, many countries had expressed over the years, their strong desire that the United States should liberalize its imports of dairy products. He underlined the remarks of the Netherlands delegate regarding removal of the waiver. At a time when butter and cheese stocks were practically non-existent, with prices rising in the United States and a demand which would permit a considerable expansion of imports without prejudice to the interests of the domestic industry, it was extremely disappointing to exporters of dairy products that the United States should make only a small increase in Cheddar cheese imports and no liberalization at all on butter. The original concessions which the United States gave in its tariffs on dairy products were bought and paid for by exporting countries in good faith. Exporting countries had never received value for these concessions and the latest action by the United States created real doubt whether they ever would. This had serious implications for agricultural exporting countries like Australia and, in fact, for the whole of the Kennedy Round negotiations on dairy products.

When the United States sought the waiver, Australia was one of those countries which took the realistic view that it was better that the United States should operate within the sanctions of the GATT than outside. For that reason, Australia had supported the United States in having the waiver accepted by the GATT. However, to be confronted now with the kind of action taken and to have it represented as a worthwhile concession was an intolerable situation. The position was aggravated by the impression gained that the United States action was motivated more by a desire to stabilize prices in the United States than progressively to liberalize its quota régime, as required under the terms of its waiver, in favour of its trading partners. Given the circumstances of the United States market, it was bad enough to be faced with a minor relaxation limited to Cheddar cheese, but when the relaxation was accompanied by measures to raise substantially the support levels for manufacturing milk this made United States action more unacceptable. The Working Party report indicated the views of members on the consequences of such increases.

As current butter prices in the United Kingdom, the world's major import market, were depressed, the United States could make a major contribution to restoring prices to more remunerative levels if it were to open its market, even to a moderate degree, to world suppliers. It was inconceivable that the United States could not devise a method which would allow increased imports of butter and other dairy products without disruption of the United States market. There were any number of ways in which this could be done, and the Australian Government was very concerned that there was no apparent disposition on the part of the United States to work out acceptable arrangements. Australia's disappointment with the increases in United States support measures was heightened after the discussions in the GATT Dairy Group of the problems affecting world trade in dairy products and the recognition of the genuine need for action to reduce, or at least contain, the levels of support in producing countries. While recognizing, therefore, that the United States had taken at least some action to relax the severe restrictions on Cheddar cheese, his Government was forced to reiterate its extreme disappointment regarding the measures to lift support levels and the fact that nothing had been done to ameliorate the position of other dairy products. As his Government understood the proposals, the Cheddar cheese quota for the balance of the current fiscal year was to be increased by 926,700 pounds from the existing level of 2,780,100 pounds. Further, the United States President had directed the Tariff Commission to report on the advisability of increasing the Cheddar cheese quota from 2,780,100 pounds to 4,005,100 pounds, with the whole of the increase of 1,225,000 pounds to be cheese, made from unpasteurized milk, aged nine months or more. The Tariff Commission was also to report on the need to increase the quota for the year 1966/67 to 8,340,000 pounds, with a special quota additional to this of 1,225,000 for cheese aged nine months or more. It was his Government's understanding that the existing quota made no special provision for aged cheese and it therefore wondered why it was that a special quota of the magnitude mentioned was now proposed for this particular type of Cheddar, rather than to leave the total quota open for all Cheddar cheese.

Mr. PRESS (New Zealand) said that several countries were being hurt by United States action. New Zealand had opposed the granting of the waiver, since it contained no time-limit, and now supported the Working Party's view that, considering the change in the United States situation, the waiver should cease to apply in respect of dairy products. New Zealand did not agree with the view expressed by the United States representative in the Working Party that the United States had to maintain restrictions since the situation might change and it was necessary to take into account the additional requirements arising from various disposal programmes. This argument was far removed from the original basis for granting the waiver. If the United States did not act now to remove the restrictions on imports of dairy products there might be mounting pressure

to reverse the trend towards reduced production with resulting surplus accumulations. The recent action taken was welcomed as an indication of the desire of the United States Government to liberalize imports, but as a percentage of total production the quota was still insignificant, as was the case as well for various other products. The move was in the right direction, but he was sorry that the United States had not found it possible to do more and it had done nothing in respect of butter. Finally, he wished to associate himself with the Australian representative's statement that the United States had been paid in 1947 in valid concessions for action in regard to butter which had never been carried out.

Mr. LERENA (Argentina) said that Argentina had met with the United States and expressed concern over the maintenance of these restrictions and the associated problem of surpluses. The concern which Argentina had expressed under the item on surplus disposal was connected with paragraphs 3, 4, 8, 9 and 15 of the Working Party's report. He welcomed the recent action by the United States, but agreed with the representatives of Australia and New Zealand that these restrictions should be removed or at least all exporters of the product concerned should be treated equally. His Government was especially concerned with the increase in the support level for milk, indicated in paragraph 2 of Addendum 1, since it confirmed the fears of his Government concerning the new Act to replace Public Law No. 480. He repeated the concern expressed in the Working Party's report (paragraph 15) and hoped that the United States, in taking action under the new Law, would take due account of the interests of producing countries.

Mr. AGANAYE (Chad) welcomed the recent action of the United States, mentioned in paragraph 13 of the report, to reduce cotton production. However, these measures were only a beginning and further action was required. Cotton exports were vital to Chad and stable export markets had to be found. He appealed to other consuming countries to take measures to increase consumption of African cotton. Chad wished to participate in all meetings dealing with cotton and cotton products.

Mr. GRUNWALDT (Uruguay) welcomed the moderate steps taken by the United States concerning the waiver and understood and appreciated the actions to be taken by the United States under the Food for Freedom Act. However, there were various causes of concern for his Government including some provisions of the new Act. He hoped the United States in its disposal actions would safeguard the export earnings of developing countries.

Mr. PROPPS (United States) said that he considered the report to be a fair and complete record of the Working Party's discussions. The United States delegation attached importance to the comments that had been made and they would be reported to Washington. It was unfortunate that the announcement concerning Cheddar cheese had come out after the Working Party had completed its technical examination. He recognized that this liberalization would benefit some countries and would disappoint others, especially exporters of butter. However, he hoped that it would be taken as further evidence of his Government's desire to liberalize trade as far as possible.

Mr. Propps said that the representative of Australia had enquired why the quota had not been increased for all Cheddar cheese. He was sorry that he did not know the answer, but he would obtain the information and inform Australia later. The representative of the Netherlands had requested that information concerning the new legislation be sent to the CONTRACTING PARTIES and had expressed the opinion that consultation on this new legislation should be carried out in Committee II. The United States Government would make this information available and as to where it should be examined, his delegation had taken note of the views of the Government of the Netherlands and would, of course, be willing to have it examined in the appropriate body of the GATT. His Government was fully prepared to negotiate on its agriculture policy in the Kennedy Round, including items subject to Section 22 restrictions. Aside from this, his Government was fully aware of its obligations under the waiver and would attempt to live up to them. He pointed out that there was no quota on peanut oil entering the United States.

The CHAIRMAN said that the request by the representative of the Netherlands referred to paragraph 6 of the report, in which the members of the Working Party expressed the desire to have the opportunity to examine the provisions of the new Food and Agriculture legislation under the GATT. The representative of the United States had agreed to submit information concerning this legislation to the CONTRACTING PARTIES as soon as possible. When this information was notified to the CONTRACTING PARTIES it would be decided where the consultation would be held.

THE CONTRACTING PARTIES had heard statements which reflected the serious concern of some countries regarding the situation described in the report; the CONTRACTING PARTIES could not be indifferent to these concerns. He suggested that the United States delegation be invited to urge its Government to give serious consideration to the various matters which had been raised in the discussion and to undertake further consultations with the CONTRACTING PARTIES.

Mr. PROPPS (United States) suggested one refinement to the Chairman's summary of the discussions: United States participation in any consultation should take place under the appropriate and customary procedures that had been

followed in similar cases for other general examinations of agricultural legislation, and, if a consultation were to be conducted in the context of the waiver, this should be done in the manner in which such questions had traditionally been examined when considering reports under waivers.

Mr. WINTERMANS (Netherlands) said that many representatives who had spoken had questioned whether the circumstances under which the waiver was granted eleven years ago still existed. The Netherlands delegation had placed a question before the CONTRACTING PARTIES as to whether the time had not come for the CONTRACTING PARTIES to ask themselves whether the waiver should be continued. The new United States legislation should be considered with a view to answering this very crucial question.

Mr. DONOVAN (Australia) wished to clarify the refinement made by the representative of the United States. He understood that what the representative of the United States had said was that in so far as some of this legislation might need to be discussed in the context of the waiver it would follow the normal waiver procedures, but in so far as it was a question of notifying and examining new changes in agricultural legislation, this would follow other normal procedures of the GATT.

The report contained in document L/2631 was adopted.

8. Arab Common Market (L/2518)

The CHAIRMAN recalled that the CONTRACTING PARTIES had agreed at their twenty-second session that a working party should be appointed to examine the texts establishing the Arab Common Market in the light of the relevant provisions of GATT. Accordingly, a Working Party had been appointed by the Council and its report had been distributed in document (L/2518).

Mr. RYDFORS (Sweden), Chairman of the Working Party, said that the Working Party had found that there were questions of a legal and practical nature which it would be difficult to settle on the basis of the texts before it but which could be more fruitfully discussed in the light of the application of the instruments. It had also been agreed that problems arising from the fact that some members of the Arab Common Market were not contracting parties could also be taken up at a later stage. There had, however, been expressions of full support by members of the Working Party for the aims and objectives embodied in the instruments, and members had emphasized the importance of regional integration in fostering economic development and in promoting trade between the parties to the arrangements and between the parties and third countries.

Mr. GAMAL ELDIN (United Arab Republic) recalled that all the members of the Working Party had expressed their full support for the efforts of the members of the Arab Common Market to integrate their economies with the objective of increasing trade and raising output and improving the standard of living of their peoples. He said that three important steps had been taken since the meeting of the Working Party.

- (a) on 1 January 1966, the second stage of tariff reduction and removal of quantitative restrictions had been reached, thus bringing the level of reduction of these barriers to 40 per cent for agricultural and animal products and raw materials and to 20 per cent for industrial products;
- (b) a project for the unification of customs legislation and regulation had been worked out; and
- (c) on 21 March 1966, the United Arab Republic, Syria and Iraq had withdrawn their whole exceptions lists. Jordan had reduced its exceptions list to sixteen tariff items which were essential for customs revenue purposes.

The participation of the United Arab Republic in the Arab Common Market was a constructive act conforming with the high objectives of GATT. The Government of the United Arab Republic was fully aware of its obligations towards the contracting parties to the General Agreement when it ratified the Agreement on Arab Economic Unity. His Government had been, and would always remain, the best spokesman of the contracting parties before the Council for Economic Unity and it would always do its utmost to ensure that all decisions taken by the Council were in conformity with its obligations towards the contracting parties to the General Agreement.

Dr. EL-BINNA (Council of Arab Economic Unity) stressed four aspects of the economic and trade arrangements between the members of the Arab Common Market.

The first was in relation to the interim arrangements for a free-trade area which would ultimately lead to the creation of a customs union. The removal of duties, taxes and other restrictive measures had, as indicated by the representative of the United Arab Republic, on 1 January 1966 reached the level foreseen in the agreement. The list of products excepted from the liberalization programme, which had been excepted to be fairly lengthy during the first stages of the programme, had already been reduced to sixteen items only.

The second aspect was in relation to the creation of a customs union, the first stage of which would be implemented on 1 January 1970. A project for unified customs legislation had been prepared and special committees and expert groups were studying, inter alia, co-ordination of policies of trade, transport, agriculture and industry, of economic legislation and of financial and monetary policies.

The third aspect related to regional economic planning; the Council of Arab Economic Unity had embarked on a study on co-ordination and harmonization of the development plans of the member countries with the object of increasing complementarity and decreasing competitiveness among them. Special studies were being conducted on the co-ordination of such important industries as textiles, fertilizer, sugar, paper and petro-chemicals. These activities should be seen against the background of the recommendations to developing countries in GATT, and other international bodies, to enhance trade relations among themselves and conduct their economic planning on a regional basis. The Arab countries had found that without proper co-ordination of development plans and harmonization of cost structures it would be very difficult to liberalize trade.

The fourth aspect was that the process of development of the economies of the members of the Arab Common Market would lead to trade creation, not to trade diversion. With increasing industrialization, diversification of production, higher incomes and standards of living and higher growth rates, the member countries would be in a position to expand trade and foster economic co-operation with other countries, especially the developing ones.

In conclusion, Dr. El-Banna said that it was gratifying that members of the Working Party had expressed their support for the aims and aspirations of the Arab countries to co-ordinate their development efforts and to increase trade among themselves in order to raise output and improve living standards.

Mr. AYUB (Pakistan) was grateful for the additional information supplied on the progress of integration. The aims of the Arab Common Market were, in his opinion, fully in conformity with the provisions of GATT and this had been recognized in the Working Party. The programme for the implementation of the Common Market seemed to be practical and realistic. In the light of experience, the ten-year transitional period for the creation of the customs union represented a realistic approach. It was gratifying that the first tariff reductions had been made according to the time-table, and he welcomed the efforts being made to harmonize the development plans of the member countries. The offer made to provide additional information on the development of the Arab Common Market should meet the legal requirements of GATT.

Mr. MILANOVIC (Yugoslavia) said that his delegation considered that economic integration of developing countries merited full support. It was often an indispensable condition for the full utilization of their resources and for the diversification of their economies and thus contributed to the raising of living standards, to full employment and to the promotion of their trade with the rest of the world. Those were all objectives conforming to the aims of the General Agreement. The integration procedure was, of course, complex and time and patience were needed. He congratulated the member countries of the Arab Common Market for the efforts already made and wished them success in their venture.

Mr. MORENO-FERNANDEZ (Cuba), recalling the very good relations of his Government with the member countries of the Arab Common Market, expressed his full support for their aims and aspirations.

Mr. ASTRAWINATA (Indonesia) said that he was confident that the arrangements under discussion would contribute to the development of trade of the member countries. He hoped that the work would be successful, and would also lead to increasing trade with third countries.

Mr. SMID (Czechoslovakia) expressed his support for the economic integration of developing countries and the diversification of their economies. His delegation, which had not participated in the Working Party, shared the views expressed in paragraph 7 of the report and fully endorsed the Working Party's support for the aims of the members of the Arab Common Market.

Mr. PROPPS (United States) welcomed the initiative of the Arab States in approaching their development problems on a co-operative basis and wished them success. He hoped that the exceptions procedure would be used sparingly so that there would be no impairment of progress toward trade liberalization. He was pleased to note, in the report, the undertaking of the United Arab Republic to provide full information relevant to the Common Market, and he had listened with interest to the information just given by their spokesmen.

Mr. EMRE (Turkey) said that the number of items relating to regional integration on the agenda of the CONTRACTING PARTIES was a clear indication of a trend in the world towards economic integration. Turkey regarded this as a forward movement, which should be encouraged. This movement would, however, be even more beneficial for economic prosperity and the expansion of trade, if it proceeded in accordance with the relevant provisions of GATT. Because of historical and traditional ties and geographical proximity, Turkey followed with great interest developments in the Arab countries; it was confident that close economic co-operation and broad regional planning were prerequisites of a rapid development and speedy improvement of the welfare of their peoples. He appreciated the realistic and pragmatic approach of the Arab Governments to complex problems and confirmed that Turkey was prepared to give them all encouragement and support.

Mr. LALL (India) recalled that India had close ties with the Arab countries. He reiterated his full support for their desire to co-ordinate their development and encourage trade between themselves in order to raise their standards of living. He was pleased to learn from the statements of the spokesmen of the Arab Common Market that progress in implementation had been rapid. He hoped that economic growth would make it easier for the member States to increase their trade with other developing countries and with the rest of the world. He drew the attention of the member countries to the experiences of other regional groupings with relation to the trade creating and trade frustrating effects of economic integration; the latter were in his opinion by no means inevitable. Less-developed countries embarking on integration programmes should bear in mind not only the provisions of Article XXIV but also those of Part IV.

Mr. TOURE (Mauritania) said that the co-ordination of the development efforts of less-developed countries was to be welcomed. It should not be overlooked, however, that, in view of their economic structure, they would meet with complex problems. He supported the conclusions reached by the Working Party.

Mr. AMARATUNGA (Ceylon) said that he fully supported the aims of the members of the Arab Common Market. He thanked the representatives of the United Arab Republic and of the Council for Arab Economic Unity for the additional information and clarification supplied and recommended the adoption of the report.

Mr. CISTERNAS (Chile) welcomed the creation of the Arab Common Market and said that Chile, as member of a regional grouping, knew from experience, that the development of intra-area trade was not inconsistent with the development of trade with third countries.

Mr. STUYCK (Belgium), speaking on behalf of the European Economic Community, congratulated the members of the Arab Common Market on their efforts to create an integrated market. He supported the adoption of the report.

Mr. PAPOULIAS (Greece) expressed his support for the aims of the Arab countries. He was confident that the arrangements would lead to increasing trade, both inside the area and with third countries.

Mr. DO LAGO (Brazil) welcomed the integration plans and wished the members of the Arab Common Market every success.

Mr. IPARRAGUIRRE (Spain) hoped that the integration plans would yield maximum results and supported the adoption of the report.

The CHAIRMAN said that in the light of the report and of this discussion the matter could be summed up as follows:

1. The CONTRACTING PARTIES have examined, in accordance with paragraph 7 of Article XXIV of the General Agreement on Tariffs and Trade, the Agreement for Economic Unity among Arab League States, the Convention for Facilitating Trade Exchange and the Regulation of Transit Trade between States of the Arab League, and the Decisions of the Council of Arab Economic Unity establishing the Arab Common Market, the ultimate purpose of which Instruments and Decisions is the establishment of complete economic unity among Arab League States.
2. The representatives who have spoken have expressed their full support for the aims and aspirations embodied in the aforementioned Instruments and Decisions and shared the views expressed by the spokesmen for the members of the Arab Common Market with regard to the importance of regional integration in fostering economic development, and promoting trade both between members of the Area and between the Area and third countries.
3. The CONTRACTING PARTIES have taken note of the aforementioned Instruments and Decisions as well as of the statements made by the representative of the United Arab Republic and of the Secretary-General of the Council of Arab Economic Unity, who participated as an observer, to the effect that the first objective of the parties to these Instruments and Decisions is the establishment, within the time-limit provided for therein, of a free-trade area in the sense of Article XXIV, the next stage being the formation of a customs union.
4. The CONTRACTING PARTIES feel that there remain at this stage some questions of a legal and practical nature which it would be difficult to settle solely on the basis of the aforementioned texts, and that these questions could be more fruitfully discussed in the light of the application of these Instruments and Decisions. For these reasons the CONTRACTING PARTIES do not at this juncture find it appropriate to make recommendations pursuant to paragraph 7(b) of Article XXIV. Furthermore, the fact that not all the parties to these Instruments and Decisions are parties to the General Agreement also raises questions which would more appropriately be taken up at a later stage.
5. This does not in any way prevent the contracting parties which are parties to the aforementioned Instruments and Decisions from proceeding with their plans for free trade in the area and, of course, does not prejudice the rights conferred on the CONTRACTING PARTIES under Article XXIV of the GATT.

6. The CONTRACTING PARTIES also take note of the determination of the countries concerned to integrate their economies and to form a customs union, but feel that it is premature to consider as a customs union, in the sense of Article XXIV:5(a), the arrangements made, since a common external tariff and common regulations of commerce have not yet been completed and could therefore not be examined.

7. The CONTRACTING PARTIES welcome the readiness of the Government of the United Arab Republic to furnish regularly further information as the implementation of the arrangements proceeds, and take note of paragraph 10 of the report of the Working Party concerning the position of Kuwait.

The report of the Working Party was adopted.

Mr. GAMAL ELDIN (United Arab Republic) and Mr. EL-BANNA (Council of Arab Economic Unity) thanked delegations for the sympathy and comprehension they had shown. The adoption of the report was a proof of support for the aims of integration and a recognition of the importance of increasing trade among less-developed countries.

9. Status of Protocols (L/2575 and Corr.1 and 2, W.23/6)

The report by the Director-General on the status of GATT instruments (L/2575) had been examined by the Council which had taken note of the fact that three Protocols, which incorporated amendments to the General Agreement, drawn up in 1955, still required acceptance by a contracting party. The closing date for acceptance of these Protocols had again expired and the Council had recommended that it be extended until the twenty-fourth session. A draft decision to this end had been circulated in document W.23/6.

The CONTRACTING PARTIES adopted the decision (W.23/6).

The CHAIRMAN pointed out that document L/2575 also recorded the present status of the Protocol Introducing Part IV. This Protocol had now been accepted by thirty-nine contracting parties and required a further six acceptances to bring it into force. Fourteen contracting parties had signed the Protocol subject to ratification.

Mr. CADAXI (Brazil) stated that the Brazilian Congress had approved ratification of the Protocol Introducing Part IV so that Brazil's definitive acceptance of it could be expected shortly.

Mr. HUMBERT (Niger) said that his Government had decided to ratify its acceptance of the Protocol. He hoped that it would not have cause to regret this decision, particularly as some delegations appeared to think that the Yaoundé Convention could be re-examined in the light of Part IV. In his view, the new Part IV should not be regarded from an abstract or a doctrinaire viewpoint but as a supplement to action already taken by certain industrialized countries. He hoped that the application of Part IV would lead to the raising of living standards, and more particularly to the introduction of satisfactory and stable prices for tropical products.

Dr. MARTINS (Austria) said that a delay had occurred in his country's definitive acceptance of the Protocol to Introduce Part IV as a result of the dissolution of the Austrian Parliament. The necessary legislation would be presented to the new Parliament so as to bring about final acceptance.

Mr. LALL (India), speaking as Chairman of the Committee on Trade and Development, appealed to contracting parties, which had not already done so, to accept the Protocol to Introduce Part IV as soon as practicable.

The CHAIRMAN also appealed to the delegations of contracting parties which had not yet accepted the Protocol Introducing Part IV to urge their governments to take the necessary action.

10. Negotiations under Article XXVIII (W.23/7)

The CHAIRMAN observed that some of the governments negotiating withdrawal or modification of concessions under Article XXVIII:1, notified in 1963, had indicated that they had not yet been able to conclude their negotiations and had asked for a further extension of the time-limit until 1 July 1966 (W.23/7).

The CONTRACTING PARTIES agreed to the extension requested.

11. Programme of meetings

The CHAIRMAN suggested that it would not at that stage be possible to draw up a programme of meetings for subsequent months. The Working Party on United Kingdom Surcharges would meet shortly after the presentation of the United Kingdom budget, on a date to be agreed, and it could be envisaged that the Council would meet about mid-May, and could then establish a work programme. The Council might also be asked to fix the date for the twenty-fourth session, when the programme of work before the CONTRACTING PARTIES has developed sufficiently for plans to be made for 1967; in so doing the Council might consider the relative merits of spring and autumn sessions. For many years sessions of the CONTRACTING PARTIES had been held in October or November and spring sessions had been instituted only in recent years; it might be found appropriate to revert to autumn sessions.

The Chairman's proposals were agreed.

12. Election of Officers (W.23/8)

The CHAIRMAN observed that it had often been the practice in the past for the CONTRACTING PARTIES to call upon their Chairman to serve for periods beyond his initial one-year term, either for another year, or in some rather special cases, even longer. This practice had been understandable and acceptable when the

organization was relatively small. It had also, to some extent, been unavoidable since the smallness of the organization had limited the field of choice, but circumstances had changed with the great increase in the number of contracting parties to sixty-eight. On the one hand this made it desirable to have a quicker rotation of officers, and on the other it meant that there was now, and in the future would be, a wider choice of persons with the necessary degree of experience in GATT who could be called upon to fill these offices.

In these circumstances, he had suggested to Heads of Delegations that the Rule of Procedure governing the election of officers might contain a provision whereby officers would not be eligible for immediate re-election after serving their initial term. This suggestion had been discussed by Heads of Delegations and it had been agreed, in principle, that Rule 10 should be amended to this end. The Director-General had been requested to prepare a proposal for amendment, taking into account the views expressed during the discussion, and this would be submitted to the CONTRACTING PARTIES for consideration at a later date. Meanwhile there was general agreement among Heads of Delegations that the CONTRACTING PARTIES should, at this session, act in accordance with the principle agreed upon.

The following officers were elected for the ensuing year:

Chairman of the CONTRACTING PARTIES	Mr. K.B. LALL (India)
Vice-Chairmen of the CONTRACTING PARTIES	Mr. R.M. AKWEI (Ghana) Mr. M. AOKI (Japan) Mr. A. WEINHAUER (Switzerland)
Chairman of the Council of Representatives	Mr. R. ROTHSCHILD (Belgium)
Chairman of the Committee on Trade and Development	Mr. C. VALENZUELA (Chile)

Mr. LALL (India) said that although his attendance at GATT meetings had commenced only a relatively short time before, he had been in contact with the work of the CONTRACTING PARTIES for a much longer period whilst in New Delhi. Under his Chairmanship, the Action Committee had not, perhaps, produced the results expected but he hoped that the Committee on Trade and Development would give rise to concrete action. He looked forward to his new post and to collaborating with the Director-General.

Mr. STUYCK (Belgium) speaking on behalf of Mr. Rothschild, thanked the CONTRACTING PARTIES for his election as Chairman of the Council. He also thanked Mr. Skak-Nielsen for the authoritative and effective manner in which he had conducted the business of the Council of Representatives.

On behalf of the member States of the Community, he paid tribute to the tact and dynamism displayed by Mr. Lacarte during his term as Chairman of the CONTRACTING PARTIES. The GATT had benefited from his experience in international relations and from his linguistic proficiency and they hoped that his association with the CONTRACTING PARTIES would continue. Again speaking on behalf of the member States of the Community, he congratulated Mr. Lall on his election as Chairman of the CONTRACTING PARTIES and indicated their pleasure at having his excellent qualities at their disposal.

Mr. CISTERNAS (Chile), speaking on behalf of Mr. Valenzuela, thanked the CONTRACTING PARTIES for his election as Chairman of the Committee on Trade and Development. Mr. Valenzuela was determined to fulfil the duties of his post in the knowledge that he had the support of delegations. He expressed the thanks of his delegation to the outgoing officers and particularly to Mr. Lacarte, who had dedicated all his great qualities to his task.

The CONTRACTING PARTIES agreed to the suggestion of the Chairman that a letter be sent, on their behalf to Messrs. Bresson, Press and Skak-Nielsen, thanking them for their work as Vice-Chairmen of the CONTRACTING PARTIES and Chairman of the Council during the past year.

Mr. WEITNAUER (Switzerland) thanked the CONTRACTING PARTIES for electing him to the post of Vice-Chairman, so soon after accepting Switzerland as a contracting party. He interpreted this as a tribute to Switzerland, which had long felt itself closely linked to the objectives and work of the GATT.

The CHAIRMAN, closing the twenty-third session of the CONTRACTING PARTIES, thanked those who had spoken in appreciation of his chairmanship. On behalf of the contracting parties, he thanked the Director-General, the Deputy Director-General and their staff for their work over the past year. His term of office had made him more aware of the responsibilities attaching to it.

The CHAIRMAN declared the session closed at 1.30 p.m.