

# GENERAL AGREEMENT ON TARIFFS AND TRADE

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## SUMMARY RECORD OF THE ELEVENTH MEETING

Held at the Palais des Nations, Geneva,  
on Friday, 17 November 1967, at 3 p.m.

Chairman: Mr. K.B. LALL (India)

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### 1. Economic problems of Chad (L/2912, Section VI)

The CHAIRMAN introduced Section VI of the report of the Committee on Trade and Development (L/2912) which dealt with this subject on the basis of a report submitted by a Working Party appointed by the Committee at the beginning of 1967.

Mr. RAVEAU (Chad) thanked all contracting parties which had participated in this work in the Committee on Trade and Development for the attention and effort that they had devoted to the economic problems of his country. The economic problems faced by Chad were but an instance of the general problems of developing countries regarding which solutions were being sought at the present session of

the CONTRACTING PARTIES. Consequently Chad attached as much importance as any other delegation to the deliberations of the present session directed towards finding solutions to the urgent and serious economic problems of developing countries. Chad was fully convinced of the efficacy of the GATT mechanism in this regard and gave its total support to the general proposals presented by the Director-General and by the developing countries. He recalled the circumstances which had led his country to present its problems for discussion at the Committee on Trade and Development and recapitulated the special difficulties and problems of his countries which had been the subject of an exhaustive examination in the Working Party. Apart from an exceedingly low level of per capita income the country was dependent for export earnings on a single commodity. The geographical location of the country and the lack of infra-structure were such as to place insuperable difficulties in the way of its economic development. Chad was, therefore, in dire need of financial and technical assistance to supplement its own resources. He then outlined the findings of the Committee and the Working Party as set out in paragraph 30 of L/2912 as well as the concrete proposals of the Committee as set out in paragraph 31 of that document.

In conclusion the representative of Chad reaffirmed his country's full confidence in the positive attitude of the CONTRACTING PARTIES and expressed the hope that the recommendations of the Committee would be put into effect.

Mr. MILANOVIC (Yugoslavia) stated that his delegation fully supported the suggestions and proposals of the Committee on Trade and Development and this for two particular reasons. Firstly, being a member of the Committee Yugoslavia was fully aware of the extremely serious economic situation of Chad, and secondly, as a contracting party Yugoslavia was desirous of affording the fullest support to the implementation of Part IV of GATT.

Mr. BRODIE (United States) stressed the seriousness of the economic problems of Chad and commended that all delegations carefully examine the report of the Committee and the suggestions contained therein.

Mr. TOURE (Mauritania) said that his country had been following with interest the efforts made by Chad in enlisting the assistance of the CONTRACTING PARTIES under the terms of Part IV of the General Agreement and was gratified to see the outcome. He would urge that all contracting parties explore the possibilities of rendering substantive assistance to Chad in regard to the problems which had been identified by a Committee of GATT.

Mr. SWARUP (India) expressed his country's sympathy with the serious difficult economic situation of Chad and supported the adoption of the suggestions of the Committee on Trade and Development set out in paragraph 31 of its report.

Mr. ADEBANJO (Nigeria) said that as a neighbouring country, Nigeria was fully conversant with the problems of Chad and would like to support fully the aforementioned suggestions.

Mr. DJIBO (Niger), referring to the similarity between his country and Chad in geographic position and in economic condition, stated that any proposals that might be put forward with a view to helping Chad to solve its economic problems would receive full-hearted support from his country.

Mr. STEDTFELD (Federal Republic of Germany), speaking on behalf of the member States of the Community, who took part in the work of the Committee, expressed admiration for the efforts made by Chad to overcome its difficulties. The delegations concerned would recommend to their governments to give the most sympathetic consideration to any proposals aimed at helping Chad to solve those problems and to promote its economic development.

The CHAIRMAN, summing up the discussion, commended the work of the Committee on Trade and Development on this subject which, in his view, should provide encouragement to all developing countries interested in seeing the GATT become effective in helping them to solve their difficult economic problems.

The CONTRACTING PARTIES approved the suggestions set out in paragraph 31 of the Committee report, and thereby decided:

- (a) to draw the attention of governments to the analysis contained in the Working Party report (COM.TD/44), especially to the contributions which external assistance in the areas mentioned in that report could make to the economic growth and the development of Chad;
- (b) to instruct the secretariat to forward the text of the Working Party report to other international organizations concerned for such action as they might wish to take in respect of the conclusions contained therein; and
- (c) to request the secretariat to keep the situation of Chad under review and to bring to the attention of the Committee on Trade and Development any further developments relevant to the provisions of Article XXXVIII.

2. Disposal of commodity surpluses (L/2889 and Add.1)

The CHAIRMAN recalled that, as in previous years, contracting parties engaging in surplus disposal or liquidation of strategic stocks had been asked to report thereon under the two Resolutions of 4 March 1955. Four contracting parties (Australia, Canada, United Kingdom and United States) had responded to this request and the information submitted had been distributed in L/2889 and Addendum 1.

Mr. VAN WIJK (Netherlands), referring to the report by the United States, noted that, in terms of present policy, food aid could no longer depend on surplus stock but required production programming. Thus whilst Public Law 480 was intended as a temporary instrument to provide aid and promote consumption, the new Food for Peace Act represented a permanent policy instrument for combating the growing world food problem. In essence, the new legislation had substituted for its surpluses the reserve acreage which could be returned to production for domestic consumption and commercial and food aid exports. It was to be assumed that "reserve acreage" referred to commodities such as wheat but not to dairy products; thus wheat and dairy products were the two commodities in which the situation in the United States had been reversed in a single year. Six months before there had been concern over the prospects of a shortage but now substantial surpluses had emerged. The report submitted by the United States authorities (L/2881) on the Agricultural Adjustment Act indicated that surpluses had recurred for butter, cheese and non-fat dry milk.

The Netherlands delegation strongly supported the view expressed in the report submitted by the United States on its surplus disposals that "the shift away from a surplus disposal operation does not eliminate the need for safeguards for normal commercial trade". In this connexion he expressed his Government's gratitude for the conscientious manner in which the United States authorities had adhered to the procedures for consultations on surplus disposals, both bilaterally and multilaterally in the Food and Agriculture Organization Committee on Surplus Disposal.

Mr. van Wijk noted that the new legislation provided for long-term credit sales, as had Title IV of Public Law 480, and retained "usual marketing provisions". In addition it was provided that "as required, an agreement may also specify quantities of specific commodities to be purchased commercially from the United States". Long-term credit sales for dollars could in themselves have adverse effects on normal commercial trade flows but these would certainly be aggravated by any stipulation concerning obligatory commercial purchases from the United States. The report did not contain any details concerning the working of this requirement and, in particular, whether it had been extended to dairy products, but it seemed evident that these provisions could have harmful effects for other suppliers particularly if the percentage reservation for commercial imports from the United States were high. For this reason the Netherlands felt that the multilateral consultation procedure in the FAO Committee on Surplus Disposal should be strengthened so as to safeguard the interests of other trading nations. The Netherlands was prepared to contribute towards efforts to bring about such stronger procedures.

Mr. ASTRAWINATA (Indonesia) referring to the report by the United States, drew attention to the section dealing with disposals of rubber. He noted that in 1967 natural rubber prices had been at their lowest level for eighteen years, a matter of considerable concern to producer countries for whom natural rubber was a major source of export earnings. It had been estimated that a decline in natural rubber prices of 1 cent per lb. represented a loss in export proceeds for all natural rubber producers of \$49 million per annum. The decline in natural rubber prices was attributable to causes other than disposals, particularly to competition from synthetic rubber, but Indonesia was of the view that the existence of a substantial stockpile aggravated the situation. The Indonesian Government fully appreciated the manner in which the United States Government consulted with natural rubber producers before liquidating stockpiles, but he would wish to refer to the recommendation of the recent meeting of natural rubber producers in Kuala Lumpur to the effect that the United States Government should reduce its stockpile releases to a minimum and that no releases should be effected at less than 20 cents per lb. ex depot. In the present declining market, caution should be exercised in stockpile disposals and he was confident that the countries concerned would continue to co-operate fully in arresting and reversing the present downward trend in natural rubber prices.

Mr. OSMAN ALI (Pakistan) referred to the sections of the report by the United States dealing with cotton which was one of the two main exports of Pakistan and a major source of foreign exchange earnings. The world cotton market had, for a number of years, been burdened with heavy surpluses and Pakistan welcomed the efforts undertaken by the United States to bring about a better market balance and to dispose of its surpluses without undue disruption of world trade. Pakistan was particularly interested in the Four-Year Upland Cotton Programme involving direct payments to farmers as an incentive to reduce acreage below the national minimum allotment. This programme had resulted in diversion away from cotton amounting to 30 per cent of allotment acreage in 1966 and 33 per cent in 1967. Despite these efforts by the United States and the expansion of consumption through market promotion, the Commodity Credit Corporation's (CCC) stocks were still at the fairly high level of 5.8 million bales and it was to be hoped that the United States administration would continue in its efforts to bring about a better market balance and to reduce surpluses.

As regards prices, Mr. Osman Ali noted that the basic support prices for the 1966 upland cotton crop had been set at 21 cents per lb. for middling one inch. This price had been reduced to 20.25 cents per lb. in 1957. There had thus been a considerable price reduction from the 29 cents per lb. level in 1965. The reduced prices had as their object the disposal of CCC stocks at competitive prices on the domestic and export markets. As United States pricing policy affected prices generally, this downward trend could have serious

effects on the economies of developing countries heavily dependent on cotton for export earnings, and, whilst it would not be desirable to maintain prices at an unduly high level because of the increasing competition from substitutes and synthetics, he trusted that the interests of the cotton growers would be kept in mind in connexion with the formulation of future pricing policy.

Mr. PETRIE (Canada) noted that the surplus problem with regard to certain commodities had recently become less acute mainly because of the rising need for food aid and the increased availability of financial resources to meet it. However, there would be no justification in relaxing efforts to avoid adverse effects of surplus disposal on commercial trade but rather these developments should make it possible to achieve greater observance of the 1955 GATT Resolutions to which Canada attached great importance. In view of his country's continued interest in opportunities to examine international experiences in commodity disposal operations, he would urge that the item be kept on the agenda for future sessions of the CONTRACTING PARTIES.

Major-General WIJEYEKOON (Ceylon) referred to the report by the United States Government and drew attention to the situation as regards rubber. There had been a spectacular increase in the production of synthetic rubber in both the United States and Western Europe and this had been coupled with releases of natural rubber from the United States stockpile. While competition from synthetics constituted a more fundamental factor in the market situation its combination with disposals had resulted in sharp price reductions and loss of foreign exchange earnings for the natural rubber producers. Ceylon appreciated the manner in which the United States authorities had consulted with natural rubber producers on stockpile releases. In June 1966, the United States had agreed to limit releases to 170,000 tons per year and, following further representation from producers had reduced the annual rate of releases to 120,000 tons from January 1967. With the continuation of the downward trend in prices, the United States Government had in the first quarter of 1967 reduced the limit to 70,000 tons. There was a close connexion between prices and stockpile releases and it was his view that the United States Government could assist natural rubber producers by reviewing its stockpile release programme with a view to affecting a standstill on releases.

Major-General Wijeyekoon then referred to sales under Public Law 480 of soyabean and cottonseed oil. Ceylon would not wish to query such surplus disposals made in the interests of less-developed countries requiring them, but it was essential that they should not be contrary to the interests of less-developed countries attempting to increase their export earnings. It had to be borne in mind that disposals could lead to changes of tastes in markets where edible oils from developing countries had traditionally been accepted.

It was appreciated that the United States Government had adopted the safeguard that the recipients of Public Law 480 commodities should import commercially at least that quantity which they had imported in the past. Nevertheless, it had to be noted that exports of copra from Ceylon to India had declined from 58,000 tons in 1962 to about 11,000 tons in 1966, while imports into India of soyabean oil had increased from 1,200 tons in 1962 to over 40,000 tons in 1965 and were probably even higher in 1966.

Ceylon was concerned with the possible effects of a change in procedure in connexion with disposals by the United States. The United States Government had proposed that India should buy commercially a quantity of vegetable oil and copra equal in value to exports by India of edible vegetable oil and extract of groundnuts (oil equivalent). India's export of vegetable oils were thus tied to imports of vegetable oil and copra. While it was not yet possible to assess the consequences of such a measure it was felt that it could affect sales of Ceylon copra in India, the largest market.

Mr. PRESS (New Zealand) observed that the disposal of surpluses was covered by other items on the CONTRACTING PARTIES' agenda notably by the Working Party on the United States Waiver and under item 3(b). As the Netherlands' representative had remarked the new United States policy had not, with respect to dairy products, resulted in a switch from surplus production to acreage reserve. Production and stocks of dairy products were increasing in the United States and, for this reason, he attached great significance to the assurance given in the United States report that the provisions as regards the safeguarding of normal commercial trade would continue under the Food for Peace Act as in the past since the shift away from surplus to acreage reserves did not eliminate the need to safeguard normal commercial trade. While New Zealand had not always agreed with United States practices as regards disposals, it had no cause for complaint concerning notification of and consultation on proposed transactions. In this connexion, he was interested by the suggestion of the representative of the Netherlands that the authority of the FAO Committee on Surplus Disposal should be strengthened because when the New Zealand representative on this Committee had recently suggested that disposals by the European Economic Community should be considered there, the representative of the Netherlands on the Committee had indicated that this matter should more appropriately be raised in the GATT as he was now doing.

The introductory paragraph 2 of the Resolution of 4 March 1955 concerning disposal of surpluses underlined the danger of damage of such disposals to the interests of commercial suppliers. The terms of this paragraph certainly applied in the case of the present situation on butter. At the nineteenth session, the New Zealand representative had drawn attention to the lack of definition of "surplus" and "surplus disposal" and had expressed the hope that countries would, nevertheless, report transactions effected by means of subsidy and necessitated by high internal support policies. It had to be admitted that this request had not met with the approval of some of the contracting parties. There was however a basic imbalance of obligations in a situation where some contracting parties accepted the need to report and to carry out consultations whilst others did not. It was his hope that the CONTRACTING PARTIES at their twenty-fifth session would take this matter up formally.

Mr. HALL (Australia) stressed the importance his country attached to the observance of principles governing surplus disposal. He welcomed the careful and meticulous manner in which the United States had reported and conducted consultations on proposed disposals both from stockpiles and with respect to agricultural products. In view of the decline in the international markets for lead, zinc and tin the assurance given by the United States concerning meaningful consultations on the liquidation of strategic stocks assumed particular importance. While it was difficult to define surpluses and over time different emphasis was placed on different aspects of the problem, it was generally accepted that the concept involved disposals which were not possible under normal marketing terms. The emergence of surplus problems affected countries other than the United States and he shared with the representative of New Zealand the anxiety over surpluses generated in Europe. He hoped that other countries would be as careful as had been the United States in connexion with disposals and would submit themselves in the same manner to the rules and procedures of the GATT.

Referring specifically to the Food for Peace Act, Mr. Hall expressed concern over the shift from local currency transactions to long-term dollar credits which could not but have implications for commercial purchases by recipient countries. The need to repay the credits would subtract from foreign exchange available for commercial purchases in future years.

Mr. LOVATT (Malawi) said that his country was concerned over disposal transactions by the United States on tobacco, particularly in such traditional markets of Malawi as West Africa. It felt that concessional sales by the United States would establish United States leaf in these markets which would not otherwise be possible and there was some evidence of reductions in Malawi's sales during the currency of concessional transactions by the United States. Whilst shipments by the United States under Public Law 480 and the

Food for Peace Act were usually accompanied by a "normal marketing requirement" so as to provide for the maintenance of commercial sales, these were often coupled with a stipulation that a certain percentage of commercial purchases should be made from the United States and thus constituted a form of tied sale. He would urge the United States to consider carefully the need for this device particularly in connexion with tobacco which was not a necessity. He recognized the efforts made by the United States to enter into consultations, but suggested that it might wish to consider holding consultations at an earlier stage in the arrangements for effecting non-commercial transactions since, by the time it came to discuss it with other interested suppliers, a particular transaction was often too advanced for the United States Government to retract easily from undertakings given to the potential recipient.

Mr. RAVEAU (Chad) referred the CONTRACTING PARTIES to the statement he had made in connexion with the economic problems of Chad.

Mr. MARTIN (Argentina) underlined the importance his Government attached to the observance by countries indulging in surplus disposal of the Principles of the FAO and the GATT Resolution. Argentina's experience in connexion with consultations with the United States over disposals by that country to traditional Argentinian markets had generally been satisfactory. Whilst it was necessary to take steps to avoid surpluses, to the extent that surplus disposals were required they should not affect the normal trade of commercial suppliers, particularly those which did not resort to subsidies.

Mr. SWARUP (India) said that the whole problem of surplus disposal must be viewed in the light of the need to satisfy consumer requirements in developing countries which could not otherwise be met because of the non-availability of the necessary foreign exchange. He wished to thank those developed countries which had made available to India imports on concessional terms. As had been indicated previously, India would attempt to maintain its commercial purchases from developing countries to the best of its ability. It was not possible for him to confirm the information provided by the representative of Ceylon concerning that country's trade in copra with India but he suggested that this matter could be dealt with bilaterally. He noted that at the recent Algiers meeting certain measures had been agreed whereby developing countries could help one another. His Government had already taken certain steps to this end, and was considering others.

Mr. BRODIE (United States) welcomed the generally favourable comments that had been made concerning the manner in which his Government conducted consultations on disposals and observed the interests of other suppliers. In changing emphasis from surplus production to acreage reserves, the United States would continue to observe its past practices as regards notification

and consultation. As regards cotton the United States had more than any other major producer striven to bring about market stability by moving the burden of stocks and surplus production, resulting from the growth in output in other countries. There had been a sharp cut-back in the United States production and this year acreage under cotton was the lowest for over a century. Cotton production in the United States was now less than domestic requirements and this had resulted in a reduction in stocks, which was continuing, and had contributed to a strengthening of prices. As regards a request by Ceylon that the United States impose a standstill on releases from its stockpile of natural rubber, he pointed out that the 70,000 tons was only sufficient to meet the United States Government's own requirements and to make purchases on the commercial market to meet these needs whilst the stockpile existed, would be hard to justify.

Mr. Brodie agreed with those representatives who had suggested that the existing multilateral procedures for consulting on surplus disposals needed strengthening and enlarging to cover other countries. He suggested that, in future, transactions for food aid, such as those provided for under the newly negotiated International Grains Arrangement, and those which might form part of international arrangements for other products should be taken into the ambit of consultation procedures. It might also be useful to include, in such consultations, disposals of surpluses arising from domestic price support policies and transactions involving a mixture of commercial and non-commercial terms. Reports on disposals in the strict sense of the term did not provide the CONTRACTING PARTIES with a balanced view of world trade since other transactions, such as those he had mentioned, had significant effects on international commerce. He suggested that this matter be considered at the next session of the CONTRACTING PARTIES and that, in the meantime, governments should submit periodic reports even if negative.

The CHAIRMAN noted that a number of speakers had expressed appreciation of the manner in which governments with surpluses had discharged their responsibilities to commercial suppliers. Concern had been expressed, however, over the impact of the new long-term dollar credit provisions in the United States legislation on the commercial sales of other suppliers. The basic problem in this connexion was the inability of developing countries to acquire sufficient foreign exchange to meet, commercially, their import requirements. Suggestions had been made to extend the scope of reporting under this item and he would propose that the secretariat be asked to seek such additional information for future sessions.

This was agreed.

3. Trade in cotton textiles (L/2712, L/2821, L/2853, L/2892 (cont'd))

The CHAIRMAN recalled that, at an earlier meeting, the Chairman of the Cotton Textiles Committee had presented the Committee's reports (L/2712 and L/2821). There had been some discussion of this matter and it had been agreed to come back to this item to allow the representatives of Pakistan and India to deliver their statements.

Mr. OSMAN ALI (Pakistan) said that the cotton textile industry was one of the two major industries of Pakistan and that the foreign exchange earnings from the export of cotton textiles constituted an important element in its balance of payment. Therefore, the trade policies of developed countries with regard to cotton textiles had a very serious effect on Pakistan's efforts to implement its development plan. Since the decision was taken to extend the Arrangement, his delegation had been having bilateral discussions with certain major developed countries to work out full details of the broad agreements reached before this decision was taken. However, it might surprise the CONTRACTING PARTIES that a number of questions of considerable importance still remained outstanding. He said that he would refrain from commenting on the experience they had had with certain major developed countries, in the course of the bilateral discussions, but would express the hope that these countries would show greater understanding of their problems and that his delegation would not be faced with new difficulties. He regretted that the industrialized countries, despite their vast resources, had not yet found means of dealing with their domestic protectionist interests which would conform fully with the provisions of the General Agreement.

Mr. Osman Ali recalled that in his statement on items 3 and 4 of the agenda, he had said that Article 1 of the Arrangement provided that, "it may be desirable to apply during the next few years special practical measures of international co-operation which will assist in any adjustment that may be required by changes in the pattern of world trade in cotton textiles". He therefore suggested that the secretariat, with the assistance of governmental experts, might undertake a study of the adjustments which had taken place in the textile industry of the developed countries, behind the shelter of the Arrangement, and attempt an analysis of the possible effects of these adjustments on the export opportunities of developing countries. He urged that this study be a part of the programme of work which was being drawn up under item 3 of the agenda. He had noted, with concern, the tendency which seemed to be developing, that the subject of cotton textiles was so special and so disagreeable that it should, more or less, be excluded from the mainstream of the work of the CONTRACTING PARTIES. He said he was very anxious

that this question come back to the forefront of the work of the CONTRACTING PARTIES, as the policies of many developed countries regarding cotton textiles constituted a major deviation from both the spirit and the text of the General Agreement. He hoped that the CONTRACTING PARTIES would give sympathetic consideration to his suggestion. It had been proposed that there was no need for the annual review, envisaged under Article 8(c) of the Arrangement, to take place this year and that it should be held in the latter part of 1968. At this stage, he would be willing to go along with this proposal but would like to reserve the right of his country to invoke Article 8(c) of the Arrangement in the Council if it became necessary to do so.

Mr. SWARUP (India) said that his delegation was in general agreement with the observations and suggestions made by certain exporting countries, more particularly by the delegates of the United Arab Republic, Brazil and Pakistan. He thought that the Arrangement Regarding International Trade in Cotton Textiles was passing from a difficult and disagreeable phase into one which reflected better recognition of the difficulties of importing countries and the urgent and crucial needs of the exporting developing countries and of the necessity for a more balanced reconciliation between these needs and these difficulties. The omission of the prefix "Long-Term" from the title of the Arrangement seemed a happy augury and gave hope that, at the end of its further three-year existence, it would be possible to think in terms of dispensing with the renewal of the present Arrangement which still contained some inequitable restrictions. His Government, after participating in bilateral and multilateral discussions, had accepted the extension of the Arrangement until 30 September 1970 on certain understandings. These discussions had resulted in certain understandings between India and the main importing countries and would, in due course, be notified to the GATT secretariat. His delegation had noted with satisfaction that the important nations of the world had shown awareness of India's problems, and in the true GATT spirit, were endeavouring to work out mutually acceptable solutions. These solutions and understandings were being accepted by India in a spirit of confidence in the continuing sympathy and liberal spirit of the importing countries. Thus, any measure to circumscribe these understandings by excessively rigid interpretation would hardly be conducive to the maintenance of this confidence. From this point of view, it was necessary to study how the evolving concepts of Part IV of the GATT and special treatment to products coming from developing countries which possessed natural resources and technical skills, could be implemented in regard to this important item. In this respect, his delegation trusted that the philosophy contained in the preamble to the Arrangement for special treatment to less-developed countries would guide the importing countries in administering the quotas.

Mr. Swarup pointed out that his country, owing to the exigencies of its economic situation, structural handicaps in its textiles industry and high domestic prices of raw materials, had genuine difficulties in enlarging its sales in foreign markets, and that a great deal of promotional effort and expenditure would be needed. Thus, a double filter of quotas and high tariffs, to regulate its exports of cotton textiles was excessive and basically unfair. His delegation, therefore, believed that there was a strong case for extending preferential tariff treatment to imports of cotton textiles from developing countries. In view of the keen competition from other fibres and from other sources, the tariffs in industrially advanced countries should be eliminated or drastically reduced in favour of developing countries. Positive measures should also be taken by the developed importing countries to encourage flexibility and diversification of India's exports as these were, at present, confined only to few categories. He trusted that, in accordance with Article 1 of the Arrangement, steps would be taken during its extended period to put under way necessary adjustments in the industries of the advanced countries, so that they might admit more imports from developing countries thus enabling them to earn substantial additional foreign exchange for their development needs. The true solution of the problems of the textile industries in the developed countries did not lie in short-term palliatives like restrictions on imports from developing countries which hurt them severely, but in a sound long-term programme ensuring rapid restructuring of the industries of the developed countries. These were matters which still needed to be constantly studied and kept under review, if the current of interacting interests of mutual benefit to importing and exporting countries and the mutual trust and confidence now established were to be maintained. His Government's subscription to the extended Arrangement was an act of faith and they could only trust that this confidence would prove justified; he stressed that no new restrictions or arrangements, except those specifically agreed upon, should be introduced. Concluding, he said that his delegation was in agreement with the suggestion made by the Director-General that the next meeting of the Cotton Textiles Committee should take place in the latter part of 1968.

The CHAIRMAN, summing up, said that the CONTRACTING PARTIES had been informed of the extension of the Cotton Textiles Arrangement for a period of three years, i.e., until 30 September 1970. All the parties to the Arrangement had subscribed to its extension. He hoped that this would provide a breathing space for adjustments in the production structure and trade in this important item to be made and that, after 30 September 1970, it would be possible for all participants to conform to the provisions of the General Agreement in respect to trade in cotton textiles. The CONTRACTING PARTIES had also noted the suggestion by the Chairman of the Committee that the next

review of the operation of the Arrangement should take place in the latter part of 1968 but before the twenty-fifth session. The delegate from Pakistan had reserved the right to invoke an earlier discussion should that become necessary and had suggested that a study of the adjustments which had taken place in the textile industries of the developed countries should be undertaken to ensure that the objectives of the Arrangement were carried out. The Chairman therefore, expressed the hope that during this year and before the next review was conducted some thought would be given to this study and that this matter would be brought up for a more comprehensive discussion when the review took place.

This was agreed.

The CONTRACTING PARTIES adopted the Committee's report on the fourth annual review, (L/2712, pages 1-12).

4. European Economic Community - Rome Treaty and Agreements of Association with Greece, Turkey and African and Malagasy States

Mr. HIJZEN (Commission of the European Communities<sup>1</sup>) said that in view of the complete achievement of a common market in the industrial and agricultural sectors, set for 1 July 1968, his report would not be limited to information on the events that had occurred since the last session, but would include projections for the future. This should, however, not be considered as a precedent, nor as grounds for discussing the Community's decisions regarding the future.

He stated that, in accordance with the decisions adopted by the Council on 26 July 1966, the free movement of industrial goods would be attained with the complete elimination, on 1 July 1968, of intra-Community duties, the level of which was at present equivalent to 15 per cent of the basic duties.

In the agricultural sector, tariff demobilization would take place in phases, as provided for by the regulations establishing the common organization of markets. With respect to other products, listed in Annex II to the Rome Treaty, measures had been taken in order to achieve free movement to the fullest possible extent by 1 July 1968. Intra-Community duties on unmanufactured tobacco had been reduced, in two successive stages, to 20 per cent of the basic duty. In accordance with the regulation establishing supplementary provisions for the common organizations of markets in the fruit and vegetables sector, on 1 January 1967 the member States had eliminated the intra-Community duties on products covered by the regulation. Simultaneously, the common customs tariff had become applicable to these products.

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<sup>1</sup>The statement has been distributed in document L/2923.

The Council had also decided that the common customs tariff for industrial products would become applicable on 1 July 1968. The alignment of national duties towards the common tariff had been achieved to the extent of 60 per cent. Therefore, a considerable effort remained to be made by the member States in order to achieve complete alignment, particularly, if one took into account the combined effect of that alignment and the simultaneous application of the first two phases of the Kennedy Round reductions. It should be readily understandable why the Community had not wished to complicate these adjustments further, and had selected the date of 1 July 1968 for implementing the tariff reductions resulting from the Kennedy Round.

As to unilateral duty suspensions, the duties on a series of primary products imported from third countries had been suspended until 31 December 1967. Under Article 28 of the Treaty, the duties had been suspended totally or partially on products of interest to developing countries. These comprised grapefruit sections and a quinine derivative, as well as a number of various condiments and spices in respect of which the duty suspension had been renewed for a further year. The Community had also extended for one year the duty suspension on tea, maté and tropical timber, and at the same time had extended the arrangement on these products agreed with the United Kingdom. In 1966-67, applications and concessions granted for tariff quotas had continued to decline; principally because of duty suspensions. Intensive efforts had still to be made towards harmonization in very many fields, such as the rules for determining customs value, customs legislation, frontier formalities etc.

The decisions relating to the common agricultural policy were also directed towards attainment of a common agricultural market by 1 July 1968. The common agricultural policy system had been further completed by new common organization of markets. These applied to vegetable oils and fats; to the completed and reinforced structure of the organization of the market for fruit and vegetables, and included an outline of principles for the organization of the market for sugar. Community financing had been put into operation, especially with the Community Fund assuming its functions. The level of common prices had been fixed for main agriculture products. With the implementation of the common price any levy or other customs duties would be eliminated on exchanges between member States, whereas imports from third countries would be subject to the compulsory imposition of common tariff duties by the member countries. Community prices would be substituted for national prices. In this way, a single liberalized market had already been set up for cereals, pork, eggs, poultry meat, rice and olive oil. Subject to a few amendments by the introduction of the single market the basic features of the systems in force had been maintained as regards price and trading arrangements and general structure.

As to other fields of common policy, it had to be mentioned that important progress had been achieved by the adoption of a common system of levy on added value. This common system would place undertakings on a common footing, as regards turnover tax, in international trade.

With regard to the evolution of the Community's trade, Mr. Hijzen said that the substantial deficit in the trade balance, visible since 1962, had barely decreased in the last two years and in 1966 was still at a level of \$1.323 million. As in previous years the excess of imports from the developing countries and from the United States had again largely contributed to this imbalance.

In 1966, total imports from third countries had increased by 7.5 per cent, a faster rate than in 1965 (6.4 per cent), while the economic growth within the Community as a whole had remained almost stationary (4 per cent). The rate of increase in intra-Community trade had also slowed down. Imports from EFTA had slightly increased, while exports to this zone had noticeably deteriorated. Imports from the United States and exports to this country had both increased since 1965.

The developing countries had benefited in 1966 by an increase of 7.4 per cent in imports by the Community, compared with 7 per cent in 1965, whereas the increase of imports from Western industrialized countries taken together had amounted only to 6.7 per cent. The sharpest increase had been noted for imports from State-trading countries. No significant change had been observed in the respective shares of the major economic zones in the Community's imports since 1964. The developing countries retained a share of 37 per cent. In spite of a relatively high degree of self-sufficiency the Community was still the leading world importer of agricultural products. These imports were expected to increase still further. This did not, however, exclude that changes might take place in their composition. The increased share of food products and animal feeding stuffs in total imports was particularly striking.

Imports of products dealt with under common organizations of the market were continuing to follow a rising curve. In 1965 cereal imports had been 83.4 per cent above their 1958 level, thus accounting for one sixth of the increase in imports of food products. This expansion had particularly favoured the United States. The Community's imports from developing countries had increased at a much faster rate than those of other industrialized countries. Since 1961, the Community had become the principal customer for the developing countries which disposed of about one quarter of their exports on the Common Market.

The Community was, in her commercial policy, particularly concerned to strike a satisfactory balance between her special responsibilities for the development of the associated African and Malagasy States and the interests of other developing countries. However, the share of the associated States in total EEC imports remained slight, compared with that of other groups of developing countries. It had fluctuated during the last three years around 2.5 per cent by volume, against 9 per cent for Latin America and 20 to 24 per cent for the other African countries.

The index of changes in EEC imports of nineteen vegetable products and seven mining products regarded as important to developing countries showed, for 1965-66, that the tariff system applied by the Community towards the associated States enabled them, at most, more or less to maintain their proportionate share in the Community's imports by offsetting the insufficiency of their competitive capability. It was therefore important to ascertain appropriate collective measures to ensure the growing participation of these countries in world trade and to stabilize their export earnings.

Mr. BRODIE (United States) expressed concern on certain trade policies of the European Economic Community, in particular in the field of agriculture, and on the growing numbers of preferential arrangements under association agreements. The United States was disappointed that the Kennedy Round had failed to lead to any substantial liberalization of the agricultural policy of the Community. It was especially concerned about the protectionist evolution of this policy and its adverse effects on the trade interests of traditional suppliers both to the Community and other countries. Thus the proposed common regulations on tobacco would, if adopted, have very serious consequences for United States exports to the Community. With regard to the association arrangements set up under the Yaoundé Convention, Mr. Brodie reiterated his Government's doubts that these arrangements could be considered as free-trade areas under Article XXIV. There were also other, even more fundamental, objections against this Convention. Such selective preferential treatment extended by developed countries to developing countries tended to overlook the legitimate interests those developing countries discriminated against by these arrangements, and to divide the world into zones of interest. There was also no reason why the developing countries should pay the developed countries by according to the products of these preferential tariffs or quotas. The benefits thus accorded to developed countries involved an economic burden on the developing countries which these could ill afford to pay. Though the African countries associated with the Community were free not to discriminate against third countries, such discrimination continued to exist. However, those associated African countries who were Members of the GATT, or applied it on a de facto basis, were under an obligation to eliminate quantitative restrictions except as permitted by the General Agreement and to apply remaining restrictions on a non-discriminatory basis.

In conclusion, Mr. Brodie suggested that third countries should be given an opportunity to comment on the effects on their trade caused by the Yaoundé Convention. An appropriate arrangement should be made to bring these comments to the attention of signatory States of the Yaoundé Convention so that they could take them into account before the forthcoming renegotiations of the Convention.

Mr. DARSA (Indonesia) expressed satisfaction that the EEC had achieved some progress in the elimination of tariff and non-tariff trade barriers. The imports of the Community showed an increasing trend both generally and as far as imports from developing countries were concerned. There had been an increase in 1966 of 7.4 per cent as compared with an increase of 7 per cent in 1965. His country continued, however, to be concerned about the discrimination practised by the Community with regard to her trade with other developing countries. Especially, when the higher common external tariff would come into force Indonesia's exports of certain key products to the Common Market would suffer from this discrimination. Mr. Darsa explained that the Community was the most important of Indonesia's four major markets. Indonesia's exports to the EEC amounted to US\$180 million, its exports to the United States, Japan and the United Kingdom to US\$167 million, US\$129 million and US\$22 million respectively. Indonesia's trade with the Community would worsen, especially with regard to palm oil and tapioca, if the Community did not find ways and means to reduce or eliminate trade barriers for these products. So far Indonesia's endeavours to this purpose had not been successful. It was, however, hoped that the Community would recognize the difficulties which Indonesia was facing and give them her utmost consideration.

Mr. BARBOSA (Brazil) said that Brazil shared many problems with the African States associated with the EEC and realized that these States should have the full support of the international community. Nevertheless, it was difficult for her to accept the Yaoundé Convention. The support extended to the associated African States by the Community should not be given in a way that damaged the interests of other developing countries. Furthermore, the Yaoundé Convention was based on a system of reciprocal preferences between developed and developing countries. This was contrary to the principles agreed upon in Algiers where seventy-seven developing countries had reiterated their desire that discriminatory preferences be eliminated. Mr. Barbosa expressed the desire that before the Yaoundé Convention would be renegotiated these problems should be considered in GATT so that third developing countries could put forward their opinions on the subject.

Mr. ADEBANJO (Nigeria) said that the preferential arrangements established under the Yaoundé Convention did not affect the trade of other developing countries. World trade was being hampered by much more fundamental obstacles than these preferential arrangements. The figures given by Mr. Hijzen (EEC) showed clearly that the trade between the Community and the associated African States was shrinking. These countries had shared only 2.5 per cent of the Community's imports whereas the Community's imports from Latin America had amounted to 9 per cent and those from the other African States to 20 to 24 per cent. In respect of nineteen agricultural products essential for the exports of

less-developed countries, trade of the associated States with the Community had fallen to 99 per cent since 1964 whereas the exports of certain third developing countries to the Community had increased. Especially those countries who in the past had most complained about the Yaoundé Convention had had the greatest increase in trade with the Community. Mr. Adebajo reminded the CONTRACTING PARTIES that the African States associated with the EEC were the least developed among the developing countries, a fact to which particular attention had been given at the Algiers Conference. Instead of allowing the trade of the associated African countries to decline a collective effort should be made, also by the other developing countries which were much more favoured than those.

Mr. MILANOVIC (Yugoslavia) said that the common agricultural policy of the EEC was of great concern to his country, since Yugoslavia exported large quantities of agricultural products to the Common Market. These exports amounted to 40 per cent of her total exports to the Community. Especially in the field of tobacco the policy of the Community caused great difficulties for Yugoslavia's exports which were actually decreasing. Beef exports to the Community were hampered by high protection and uncertainty as to the Community's policy in this field. Last year, for instance, import charges on beef varying between US\$80 and US\$200 per ton, depending on the type of meat, had been so high that at a certain moment exports to the Community had to be stopped. This situation had been all the more serious since Yugoslavia's beef production had been oriented towards the Community. Other difficulties had arisen since Italy had introduced a differential treatment for corn shipped by sea and corn imported over land.

Mr. NISIBORI (Japan) congratulated the Community for the steady progress it had made. In his opinion, however, customs unions and free-trade areas evolved in a manner that affected adversely the trade of third countries. The best solution for a sound development of world trade would be, corresponding also to GATT principles, to apply a liberal and non-discriminatory treatment on a global basis. He hoped that the Community would orient its trade policy in a manner conducive to the harmonious development of international trade.

Mr. TOURE (Mauritania) said that he was concerned about the negative comments made by some contracting parties on the Yaoundé Convention. The position of these States did not conform to reality. In 1965 and 1966 the trade of the associated countries with the Community had fallen to 97 and 99 per cent respectively of what it had been in previous years, whereas the imports of the Community from those countries who had expressed so much concern about the Yaoundé Convention, had increased. The associated countries were now at a stage of development where the elimination of the preferential system established under

the Yaoundé Convention and liberal measures applied strictly would deprive them of their markets in the Community. They had never refused to find, within the GATT framework, a formula to eliminate discrimination. But they could not accept that such efforts led to their elimination from world markets. Besides, the preferential arrangements between the Community and the associated African countries were not the only ones in the world. Though they hurt least they were the only ones spoken about. The problem, dealt with already at the 1964 UNCTAD Conference, was how to organize world markets without hurting anyone. It was not exact that the Yaoundé Convention had been criticized, at the Algiers Conference. Mr. Touré said that he doubted whether the negative attitude of some States vis-à-vis the Yaoundé Convention was motivated by economic reasons only. These countries should revise their view and make concrete proposals to stabilize and increase African trade.

Mr. NIOUPIN (Ivory Coast) said that he was surprised at the persistence with which the Yaoundé Convention was brought up in GATT every year. This was inadmissible since the matter had been discussed before. With regard to the criticism of the Yaoundé Convention, he questioned whether the preferential customs duties, thanks to which the associated States maintained their position in the Common Market, were really discriminatory. If this were true then there would always be discrimination towards other developing countries when a developed country helped a particular developing country. These preferential duties were just a form of development aid which the associated States had negotiated. There was no reason to question these preferential duties, and not the other types of regional aid. Elimination of the preferential arrangements established under the Yaoundé Convention would amount to throwing the associated States naked on to the international markets. An integral liberalization would be the law of the jungle as had been stated by others who now combated the Yaoundé preferential arrangements. It was not true that the Yaoundé Convention contradicted the Charter of Algiers. The Convention was not only much older than the Charter of Algiers, but had even been appraised at the Algiers Conference, where the developing countries had tried to find a modus vivendi and satisfactory solutions for all. Mr. Nioupin opposed the proposal that a future renewal of the Yaoundé Convention should be negotiated in GATT. He said that this would lead to examination and criticizing all future agreements in this forum.

Mr. DONOVAN (Australia) said that with the completion of the common agricultural policy the European Guidance and Guarantee Fund was entering into a new stage of operation. Nobody was aware of all its implications. The Community itself was studying the new situation arising from the operation of the Fund. Because of the importance of the Community and the size of the Fund many countries had a real concern on the possible effects of the Fund's operation on international trade. This was particularly true of Australia who exported many products to which

the Fund applied. It was therefore hoped that the Community would share the results of the study with GATT. Mr. Donovan suggested that the CONTRACTING PARTIES should also be given an opportunity to study in some detail the operation of the Fund. During the discussion of item 3 of the agenda it had been proposed to bring up to date in Committee II or another GATT organ, the relevant data of national policies influencing the trade in commodities which were important to international trade. In the course of this up-dating information on the operation of the Fund could also be supplied. Aspects of the Fund's operations such as restructuring agriculture, intervention procedures and export refunding were relevant elements of national policies which influenced the pattern of trade and therefore would come into the general terms of reference for the suggested studies.

Mr. DJIBO (Niger) supported the views expressed by Mr. Touré (Mauritania), Mr. Adebajo (Nigeria) and Mr. Nioupin (Ivory Coast). He added that the association of the eighteen African countries with the Community should be allowed to bear all its fruit for these States. So long as no better solution had been found, on the international level, it was safer for these countries to stay within an existing and approved organization.

Mr. AMEYAU (Togo) and Mr. RAVEAU (Chad) said that they also wanted to support the views expressed by the representatives of Niger, Mauritania, Nigeria and the Ivory Coast.

Mr. HIJZEN (European Communities) said that he had taken note of the hopes expressed by Mr. Nisibori (Japan). It was also one of the Community's objectives to contribute to a harmonious development of world trade.

With regard to the comments on the Community's agricultural policy he stated that so far the imports of agricultural products to the Community had increased every year. Agricultural imports would also continue to increase when, next year, the common agricultural policy would be fully implemented. The same was true for tobacco, another product for which organized markets did not yet exist in the Community but would be implemented in the future. In view of the Community's continuous increase of imports of agricultural products and its persistent balance-of-trade deficit, the preoccupation with the Community's agricultural policy might not be as serious as one might believe.

In the field of corn imports, the differential treatment criticized by Mr. Milanovic (Yugoslavia) had been established with regard to the different transportation costs of imports by sea and imports by land. These measures were not discriminatory, in fact, they had been designed to avoid discrimination.

With regard to the Agricultural Guidance and Guarantee Fund, Mr. Hijzen explained that it was simply a part of the budget of the Community, created to meet certain financial situations arising from the common agricultural policy. Similar institutions existed in almost all countries. There was no more reason to submit the Fund operations to a study by the CONTRACTING PARTIES than the agricultural budgets of other countries. He assured the CONTRACTING PARTIES that the operations and expenses of the Fund were not secret, but well covered by publications and charts.

He protested against blaming the Community for not having dismantled its trade barriers in the field of agriculture. In the Kennedy Round the Community had offered to make commitments on its entire agricultural policy, without exception. Unfortunately other contracting parties had not responded.

As for the Yaoundé Convention Mr. Hijzen repeated that 37 per cent of the Community's imports came from the developing countries, but that only 2.5 per cent of these imports were supplied by the associated African countries. Furthermore, these States were the least developed among the developing countries. Under these circumstances he questioned the objective of the negative comments made on the Yaoundé Convention.

The objections raised about what was termed discrimination against non-associated developing countries were surely of theoretical inspiration, and did not have a clear objective, unless it was thought sensible and worthwhile to allow all developing countries to share the 2.5 per cent of Community imports which were the object of preferential arrangements with the least developed among the developing countries. Such a step would only cause great harm to the associated countries without giving real advantages to the other developing countries. The Community was always prepared to consider measures which aimed at increasing the imports of developing countries to the Common Market. But it would not abandon the existing arrangements with the associated African States unless a comparable solution promising better results were found.

The CHAIRMAN thanked Mr. Hijzen for his statement and for his reply to the comments made. The Community had proved to be an organization open for everyone to see what it did. It had also been very reassuring to hear that the Community pursued the same objectives as GATT.

As to the comments on the Yaoundé Convention he said that those who had expressed concern about it had certainly not meant to criticize matters which had been fully discussed with the CONTRACTING PARTIES before. He regretted that in spite of the arrangements under the Yaoundé Convention the trade of the associated countries with the Community did not increase. This showed that the Convention had not provided fully adequate solutions. Something further had to be done to help these countries develop their trade. The problem of reciprocal preferences had been dealt with at the Algiers Conference. He hoped that steps would be taken, not merely to defend principles or pursue benefits at the expense of others, but to find solutions which would help equally all developing countries to develop their trade.

Mr. PETROUTSOPOULOS (Greece) gave a survey on the economic developments under the association of Greece with the European Economic Community. During the last two years the association had pursued the plans provided for by the Convention of Athens aiming at the establishment of a customs union between Greece and the Community. Greek exports of industrial products to the Community had benefited, since 1 July 1967, by a tariff reduction of 85 per cent compared with the basic duties of 1957. These products had been exempted from quantitative restrictions since the Convention had come into force, on 1 November 1962. Exports of agricultural products of particular interest to Greece and listed in Annex III of the Convention, benefited by a tariff reduction of 70 per cent in the case of liberalized commodities, and of 75 per cent in other cases. These products were also progressively being exempted from quota regulations.

Agricultural products imported from the Community to Greece, such as those listed in Annex III of the Convention, benefited from a tariff reduction of 40 per cent. Agricultural products of the categories mentioned in paragraph 2 of Protocol 13 of the Convention enjoyed, since 1 November 1967, a reduction of 25 or 30 per cent, depending on the product. Finally, commodities enumerated in the list annexed to Protocol 13 benefited, since the same date, from a reduction of 15 per cent.

The progressive implementation of the association agreement did not affect the development of trade of third countries with Greece. Imports from the Community to Greece had amounted, in 1963, to US\$320 million and had reached, in 1966, US\$504 million, thus increasing by 57.5 per cent in three years. Imports from third countries had totalled US\$484 million in 1963, and US\$719 million in 1966. This amounted to an increase of 48.5 per cent.

These figures showed that the development of exports from the Community to Greece had not been detrimental to Greek imports from third countries since these imports had also increased considerably over the same period.

5. Association between the European Economic Community and Nigeria (L/2774)

The CHAIRMAN recalled that the text of the Agreement signed in July 1966 between the European Economic Community and the Government of Nigeria had been transmitted to the CONTRACTING PARTIES for their information in document L/2774. In June 1967, the Council of Representatives had decided to set up a working party to examine the Agreement. Fourteen contracting parties had indicated that they wished to participate in the Working Party and several contracting parties had submitted questions concerning the provisions of the Agreement and its implementation. It had, however, not yet been practicable to convene the Working Party. There was thus no action the CONTRACTING PARTIES need take at the present session. Regarding future action, the Chairman suggested that when the Working Party had met and drawn up a report, the report would be presented to the Council which would, if necessary, submit it to the next session of the CONTRACTING PARTIES.

It was so agreed.

6. Article XVI:4

The CHAIRMAN recalled that at one of the plenary meetings earlier in the week the CONTRACTING PARTIES had been asked to consider whether they would wish to draw up a new declaration providing for a standstill on the granting of subsidies on imports of non-primary products. Such a declaration would be open for acceptance by contracting parties which had not accepted the ban on such subsidies through signature of the Declaration Giving Effect to the Provisions of Paragraph 4 of Article XVI. Only two delegates had responded to his enquiry: the representative of Canada had suggested that it might be just as well to have a new declaration opened for acceptance, and the representative of Norway had suggested that perhaps all that need be done was for the CONTRACTING PARTIES to adopt a recommendation. Rather than decide hurriedly upon a course to follow, it would seem a wise precaution to give contracting parties some more time to consider the form and substance of this matter. The matter was not urgent and he therefore suggested that a decision not be taken at this session. If, at a later stage, delegations found that they wished to put forward concrete proposals these could be considered by the Council of Representatives.

Mr. PETRIE (Canada) said that his delegation appreciated that the standstill provision had largely proved to be a disappointment. It could certainly not be singled out as an important provision of the General Agreement; as could be seen from the Annotated Agenda only one contracting party had accepted it. However, this was not a time for the CONTRACTING PARTIES to be dismantling part of the machinery, albeit a relatively ineffective part, established in GATT for the purpose of reducing disruptive trading practices. His delegation, of course, supported the proposal that the matter not be examined further at the present session, but hoped however, that there would be an opportunity to discuss this again, possibly in the Council of Representatives.

This was agreed.

7. Uruguay/Import Surcharges (L/2880, W.24/16)

The CHAIRMAN said that by Decision of 14 December 1965 the Government of Uruguay was authorized to maintain until the end of this session certain surcharges on imports of items on which the customs duties were bound in the Uruguayan schedule. The Government of Uruguay had requested an extension of this waiver for a period of six months for reasons explained in document L/2880. In order to facilitate discussion of this matter, and in view of the little time that remained before the close of the session, the secretariat had provided a draft decision (W.24/16), which might be considered in the event that the CONTRACTING PARTIES agreed, in principle, to grant the extension.

Mr. GROS ESPIELL (Uruguay) said that the principal reason for requesting an extension of the waiver was the difficulties his Government was having with the balance-of-payments situation. This situation fully justified the request for an extension of the prior decision of the CONTRACTING PARTIES: this would require new consultations. In the meantime, institutional and political changes had occurred in Uruguay in March 1967; there had been a plebiscite for a constitutional reform and general elections and there would be modifications of the law of 17 December 1959 which was the legal basis for decrees which had led to the present waiver. In view of the new economic measures which were being undertaken, aimed at bringing about a greater degree of liberalization of imports - to date imports amounting to \$70 million had already been liberalized and, before the end of the year, this figure would attain \$150 million - and of the 6 November 1967 monetary devaluation, the Uruguayan Government felt compelled to request a reasonable delay before engaging in consultations. The six month's extension would allow his Government to prepare these consultations so as to present those elements and the series of new measures, which were being elaborated to regulate the legal régime of Uruguay's foreign trade, which would allow the CONTRACTING PARTIES to judge the situation clearly. On 27 October 1967 his delegation had provided the GATT secretariat with all the necessary documentation on Uruguay's actual import régime.

Mr. BARTH (Norway) said that it was his delegation's impression that this was not the last time the CONTRACTING PARTIES would be concerned with this waiver. Speaking on behalf of the four Nordic countries - Denmark, Finland, Sweden and Norway - he stated that they were not in a position to vote in favour of an extension of this waiver as long as Uruguay maintained the elements of flag discrimination in its surcharge legislation.

Mr. MARTIN (Argentina) said that his Government was aware of the very great efforts the Uruguayan Government was making at the moment to redress its economic situation and, in view of this, his delegation thought that the CONTRACTING PARTIES should extend the waiver for six months.

Mr. VAN WIJK (Netherlands) said that his Government was in the same position as the Nordic countries - it could not accept the element of flag discrimination in the Uruguayan law of 1960.

Mr. COLMEIRO (Spain) supported the Uruguayan request for an extension and said that the CONTRACTING PARTIES should take into consideration the difficulties which the Uruguayan Government had to face at the moment.

The CHAIRMAN noted that the extension requested was only for six months, pending the review by the Government of Uruguay of various aspects of its foreign trade policy. The draft decision provided for an examination of the surcharges and of the balance-of-payments reasons for their imposition. This examination would be carried out early in 1968, in conjunction with Uruguay's consultation on balance-of-payments restrictions under Article XII. The statements made by the Nordic delegation and the Netherlands would be recorded. The Chairman requested the secretariat to distribute ballot papers for a vote to be taken under Article XXV.

Mr. GROS ESPIELL (Uruguay) thanked the CONTRACTING PARTIES for their support. With respect to the objections raised by the Nordic delegations and the Netherlands he reiterated that his Government did not consider the measures taken to protect its merchant marine as discriminatory; nevertheless it would elaborate a new statute which it hoped would be more satisfactory and would not raise any further objections.

The Decision was adopted by fifty votes in favour and four abstentions.

8. Uruguayan Schedule - afores (L/2879 and Add.1)

It was noted that the delegation of Uruguay had withdrawn this item from the agenda for the session.

9. Negotiations under Article XXVIII paragraph 1 (W.24/12)

The CONTRACTING PARTIES agreed to extend the time-limit until 30 June 1968 for the conclusion of negotiations which had been undertaken under the procedures of paragraph 1 of Article XXVIII.

10. Agreements on the importation of educational, scientific and cultural materials

Mr. BEHRSTOCK (Divisional Director of UNESCO) said that the UNESCO had arranged for a meeting to be held at the Palais des Nations to review the operation of two UNESCO international agreements intended to reduce tariffs

and trade obstacles to the circulation of educational, scientific and cultural material. He recalled that it was the CONTRACTING PARTIES at their Annecy session in 1949 which had recommended to UNESCO the formulation of what was now known as the Florence Agreement, later adopted by UNESCO and now having fifty-three contracting parties. Since UNESCO had worked very closely with contracting parties and with the GATT secretariat on the elaboration of this Agreement, it had thought fit to convene this review meeting in Geneva to allow governments to send experts as well as representatives from GATT delegations to participate in this review which would begin on Monday, 20 November.

The meeting closed at 6.30 p.m.