

GENERAL AGREEMENT ON TARIFFS AND TRADE

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SUMMARY RECORD OF THE TWELFTH MEETING

Held at the Palais des Nations, Geneva
on Monday, 20 November 1967, at 10.15 a.m.

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

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1. Malawi Schedule - renegotiation (L/2816 and L/2917)

The CHAIRMAN recalled that, at the meeting of the Council on 6 November 1967, the representative of Malawi had presented a request by his Government for authorization to maintain in effect increased duties on items bound in Schedule LVIII and increased margins of preference, pending the completion of renegotiation of such increases and the examination of its new customs tariff. The Council had appointed a Working Party to examine the request; its report had been distributed in document L/2917.

Mr. LYRTOFT-PETERSEN (Denmark), Chairman of the Working Party, said that, after having carefully studied the request of the Government of Malawi, the Working Party had agreed to recommend to the CONTRACTING PARTIES that they grant Malawi the requested authorization. The Working Party had prepared a draft decision, which was attached to the report.

The report of the Working Party was adopted.

The Decision was adopted by 57 votes in favour and none against.

2. Latin American Free Trade Association (L/2913)

Mr. MARTIN (Argentina), speaking on behalf of contracting parties to the GATT, members of LAFTA, said that total trade of LAFTA countries had grown by \$2,862 million from 1962 to 1966. Three quarters of this increase represented trade with third countries. It was clear that LAFTA was not an obstacle to the expansion of trade with non-participants. Intra-area trade had risen by 122 per cent, from \$659 million in 1961 to \$1,460 million in 1966. The process of liberalization maintained its rhythm. During the 1966 negotiations 72 per cent of concessions were granted on products not previously subject to concessions. Quantitative restrictions were all but eliminated for negotiated products. As of 1 January 1967, the breakdown of negotiated products was as follows: 80 per cent belonged to the chemical and steel industries, machinery and apparatus sector, and electrical equipment and agricultural sectors; 7 per cent to the extraction industries; 4 per cent were precision instruments; 2 per cent to the textile industry; 2 per cent to the plastic and rubber industries; 2 per cent were transport material; 1 per cent to the leather industry and 1 per cent were miscellaneous products. He noted the important decision taken by Latin American heads of State to implement progressively, starting in 1970, a Latin American Common Market on the basis of the Central American Common Market and LAFTA.

Mr. BRODIE (United States) said it was gratifying to hear of the expansion of trade both within the area and in respect of third countries. He thought that the decision to transform the free trade area into a common market was a historic one and he expressed the hope that the GATT secretariat would continue to make available to this grouping the benefit of such technical expertise as the Latin American countries might require.

Mr. LATIMER (Canada) welcomed the progress made in dismantling trade barriers within LAFTA. He expressed concern over the tendency in certain cases to increase tariff rates for third countries which on occasions had had significant trade diversion effects.

Mr. MARTIN (Argentina) said that there was no common external tariff in LAFTA. Each country was, in principle, free to establish its tariff rates towards third countries at a level it considered most desirable. In any case the experience of LAFTA showed that third countries had been major beneficiaries of the development of trade resulting from the higher level of economic activity which LAFTA had stimulated.

The DIRECTOR-GENERAL said that he had agreed with the Executive-Secretary of LAFTA that both organizations should work closely together and had assured him that he could count on the maximum assistance of the GATT secretariat.

The CONTRACTING PARTIES took note of the report.

3. Status of protocols

(a) Protocol Amending Part I and Articles XXIX and XXX (L/2873)

The CHAIRMAN said that in document L/2873 the Director-General had called attention to the fact that the Protocol Amending Part I and Articles XXIX and XXX, which had been drawn up twelve years ago, had not entered into force owing to the failure of one contracting party to append its signature. The country concerned was Uruguay.

Mr. GROS ESPIELL (Uruguay) said that the necessary legislative action required for the acceptance of this Protocol was still awaited. In 1966 a message had been sent to Parliament requesting ratification, and again in 1967 a message stressing the urgency of the matter had been sent to Parliament. It was hoped that Parliament would answer in the near future.

Mr. WYNDHAM WHITE (Director-General) reminded the CONTRACTING PARTIES that this was not only the twentieth anniversary of the Agreement, but also the twelfth year in which the contracting parties desire to amend the GATT had been frustrated by the circumstances which were now being examined. He had had a series of discussions with the Uruguayan authorities on this matter and fully appreciated the difficulties with which they were confronted. They would therefore appreciate that the suggestions he would now put forward were in no way a criticism of their efforts to obtain the legislative action needed to bring the Protocol into force. However, it was time to end an anomalous situation and examine the consequences of abandoning the Protocol. It appeared that the essential purposes of the Protocol could be achieved through other means, the most important of which was the procedure for legalizing rectifications and modifications to the schedules of tariff concessions.

The Director-General suggested that the CONTRACTING PARTIES decide to abandon the Protocol if, by 31 December 1967, it had not entered into force. The CONTRACTING PARTIES could then take other measures to salvage the more significant provisions of the Protocol. After studying the matter he was convinced that this could be done without loss of the substance of the Protocol. However, it was complicated and a good deal of careful drafting would be required. He proposed that he be requested to prepare proposals for consideration by the Council of Representatives.

The CHAIRMAN, summarizing the proposal, said that, if by 31 December 1967 the Protocol Amending Part I and Articles XXIX and XXX had not entered into force, the Protocol would be abandoned and the Director-General would prepare solutions to arrive at the same result and submit them to the Council for consideration.

It was so decided.

(b) Protocol Introducing Part IV (L/2870)

Mr. WYNDHAM WHITE (Director-General) referring to his report in L/2870 that seventeen contracting parties had not yet accepted the Protocol Introducing Part IV on Trade and Development, said that one major contracting party had stated that its inability to accept the Protocol was due to the fact that its provisions did not go sufficiently far. He recalled that, when drafting Part IV, it had always been considered that this was a beginning only and that the CONTRACTING PARTIES, through the Committee on Trade and Development, would progressively ameliorate Part IV as a broader consensus was reached among governments as to the most constructive means of dealing with the problems of less-developed countries. He suggested that those countries whose unwillingness or reluctance to accept Part IV was due to the fact that it did not go far enough, should formulate the types of amelioration that they had in mind to make the Protocol acceptable to them.

Mr. BESA LYON (Chile) said that he expected Parliamentary approval of Part IV in the course of the coming week.

Mr. SAW HLAING (Burma) said that if his Government had not yet accepted Part IV it was not due to its disagreement with its contents, but to the slowness of the Governmental machinery. He hoped that approval would be secured in the near future.

Mr. GROS ESPIELL (Uruguay) said that pending Uruguay's acceptance of Part IV, it had accepted on 15 December 1966 the Declaration on the de facto Application of Part IV, and hoped that the time limit for acceptance would be extended.

Mr. KAMPAORE (Upper Volta) said that his country's final acceptance of Part IV was merely a matter of internal constitutional ratification. He hoped this would be done before the end of the session.

Mr. STEDTFELD (Federal Republic of Germany) said that his Government had submitted the Protocol to its Parliament, which had ratified it. The instrument of ratification would be deposited shortly. In the meantime the provisions of Part IV would continue to be applied.

Mr. SWARUP (India), referring to those countries which had not accepted Part IV because they considered it as not going sufficiently far, said that his Government had never considered Part IV as a complete effort to adapt the GATT to the problems of the less-developed countries.

Mr. MAHMOOD (Pakistan) supported the proposal by the Director-General.

The CHAIRMAN noted that several contracting parties required time to complete the necessary legislative action. He therefore suggested that the closing date for acceptance, which expired at the end of this session, should be extended until the close of the following session. He referred to document W.24/26 which contained a draft decision prepared by the secretariat for this extension.

The Decision was adopted.

The Chairman then said that seven of the governments which had not accepted the Protocol had subscribed to a Declaration providing for the de facto implementation of the provisions of the Protocol, but this Declaration would also expire at the close of the session. It was clearly desirable that the seventeen contracting parties which had not yet accepted the Protocol should, in the meantime, undertake to apply its provisions on a de facto basis. In the past this undertaking had been given orally at meetings of the CONTRACTING PARTIES. He proposed that the delegations concerned should request their governments to consider the possibility of notifying to the Director-General their intention to apply the provisions of Part IV on a de facto basis pending their acceptance of the Protocol and that the Director-General be requested to communicate with these governments to enquire whether they were prepared to give this undertaking. He would, of course, inform the CONTRACTING PARTIES of the responses to his enquiry.

This proposal was approved.

4. Financial and administrative questions (L/2872 and L/2919)

The CHAIRMAN said that the report of the Committee on Budget, Finance and Administration, contained in document L/2872, had been submitted to the Council of Representatives on 6 November. The Council had approved the report, including all the recommendations and the draft resolution on expenditure in 1968, and recommended its adoption by the CONTRACTING PARTIES.

Mr. BRODIE (United States) drew attention to paragraph 10 of the report and suggested that the twenty-fifth session could possibly be shortened.

Mr. WYNDHAM WHITE (Director-General) remarked that it was for the governments and not the secretariat to decide on the length of the sessions. He cautioned against a hasty decision on this matter as the increasing number of contracting parties and the growing complexity of the problems dealt with called for careful examination. Past experience had shown that three to four weeks were certainly necessary. It was likely that in the future more and not less time would be needed. He suggested that the Council could examine the matter.

Mr. SOMMERFELT (Norway) speaking on behalf of the four Nordic countries, stressed their satisfaction at the way the Kennedy Round was handled within the budget allocation. He considered the 1968 budget and recommendation realistic and reasonable.

The draft resolution was approved and the report was adopted.

The CHAIRMAN then drew attention to a note by the Director-General in document L/2919 on changes in the organizational structure of the secretariat involving certain grading adjustments.

Mr. WYNDHAM WHITE (Director-General) said that the regradings that had been proposed had only marginal implications on the budget and that it was his thought, though not a commitment, that they could be absorbed in the 1968 budgetary appropriations. Only if this expectation were not fulfilled would he present the matter to the Council; but he was confident that this would not be necessary.

The proposal in paragraph 4 of document L/2919 was approved and the authority requested in paragraph 5 was granted.

Mr. LERENA (Argentina) raised the question of the wider use of the Spanish language in the CONTRACTING PARTIES' work and asked whether this could be expected to take place with the staff facilities provided for under the 1968 budget.

Mr. WYNDHAM WHITE (Director-General) said that the secretariat had so far made every effort within its possibilities to give satisfaction to the Spanish-speaking delegations and that within the limitations of the present budget it would continue to do its best. The matter would be kept under review to see where improvements could be made.

Mr. MUNOZ VARGAS (Spain) supported the Argentine request and expressed appreciation of the secretariat's efforts in this direction.

5. Schedule of Finland - specific duties (L/2908)

The CHAIRMAN recalled that the Government of Finland, in document L/2908, had referred to its decision, taken with the concurrence of the International Monetary Fund, on 12 October 1967, to change the par value of its currency and had requested the CONTRACTING PARTIES for their concurrence, pursuant to paragraph 6(a) of Article II of the General Agreement, with an increase of the specific duties contained in its Schedule. The Government of Finland had explained that the exchange rates for foreign currencies, in terms of markkas, had been raised by 31.25 per cent. The International Monetary Fund had informed the CONTRACTING PARTIES by letter of the new par value of the Finnish markka, established on 12 October with the concurrence of the Fund. The representative of the Fund had confirmed that the resulting increase in the number of markkas equivalent to one United States dollar, was 31.25 per cent. The Government of Finland had indicated in document L/2908 that the increase in specific duties, which it envisaged, would not exceed 31 per cent. In order to facilitate consideration of the request the secretariat had prepared a draft decision which had been distributed in document W.24/15.

Mr. YRJO-KOSKINEN (Finland) called the attention of the CONTRACTING PARTIES to document BOP/R/5 and especially to its Annex II, where the reasons for the change of the par value of the Finnish markka were outlined. In conformity with Article II:6(a), his Government requested the CONTRACTING PARTIES to authorize Finland to adjust the specific duties in its Schedule to correspond to the new par value. The adjustment would not impair the value of concessions granted to contracting parties. The measure was designed to bring the incidence of the Finnish specific duties in harmony with the post-devaluation incidence of the ad valorem duties.

The CONTRACTING PARTIES adopted the decision.

6. Schedule of Chile - renegotiation (L/2918)

The CHAIRMAN recalled that the CONTRACTING PARTIES had granted the Government of Chile a waiver from its obligations under Article II in order to permit the entry into force of a new customs tariff prior to the completion of renegotiations of bound items. The negotiations, which were to be completed

by the end of 1967, were in progress but it seemed unlikely that they could be completed within the time-limit. Therefore the Government of Chile had requested, in a communication reproduced in document L/2918, that the waiver be extended until the end of the next session. In order to facilitate consideration of the request the secretariat had provided a draft decision in document W.24/17.

Mr. BESA LYON (Chile) said that his delegation had tried, with the co-operation of the other contracting parties concerned, to conclude the negotiations within the time-limit. Due, inter alia, to the pressure of work during the final stage of the Kennedy Round negotiations, this unfortunately had not been possible. Therefore his Government was obliged to request an extension of the validity of the waiver.

The text of the draft decision was approved and the Decision to extend the waiver was adopted by fifty-eight votes in favour and none against.

7. France/Germany/trade with the Saar (L/2914)

The CONTRACTING PARTIES took note of the annual report submitted by the Governments of France and Germany, on their trade with the Saar in 1966, as required by the waiver granted in 1957.

8. Import restrictions applied contrary to GATT and not covered by waivers (L/2740, L/2749, L/2837 and W.24/22)

The CHAIRMAN recalled that in the debate on 16 November (SR.24/10) the representative of New Zealand had reviewed the history of consideration of import restrictions inconsistent with the GATT and had suggested that the issue finally be faced. He had accordingly introduced a proposal to deal with this problem which had been circulated in document W.24/22. This was now before the CONTRACTING PARTIES for consideration.

Mr. PRESS (New Zealand) referred to his earlier intervention on this subject and said that he wished at this point only to add one new consideration. In a meeting of the Drafting Group which had been preparing a paper on the future work programme of the CONTRACTING PARTIES, the question had been raised whether to include an appeal to contracting parties to dismantle residual restrictions rapidly. After it had been pointed out there that a more specific way of proceeding in this question was open to the CONTRACTING PARTIES through action on the New Zealand proposal the appeal had been omitted from the Drafting Group's paper. He felt that contracting parties might wish to bear this understanding in mind in acting on his proposal.

Mr. MAHMOOD (Pakistan) reiterated the strong support of Pakistan for the New Zealand proposal.

Mr. SWARUP (India) was not sure that the deadline needed to be set so far in the future as 31 December 1968 but was happy to support the New Zealand proposal as submitted.

Mr. MILANOVIC (Yugoslavia) supported the New Zealand proposal.

Mr. STEDTFELD (Federal Republic of Germany) speaking on behalf of the member States of the Community, said he was surprised at the suddenness of the proposal now under consideration. All countries of the EEC had very much in mind the need for removal of the residual restrictions in question. They were accordingly prepared to accept that the proposed panels offered a valid way of continuing the search for pragmatic solutions. They were even ready to examine the New Zealand proposal, notwithstanding its sudden and somewhat rigid character, but he was sorry that it was impossible to obtain instructions from the authorities involved in time to take a position on the proposal before the end of the session.

Mr. MUNOZ VARGAS (Spain) recalled that his Government had already supported the New Zealand proposal. He wished to state that this support continued, though Spain would be willing to see a little more flexibility in the time-limit by which residuals should be removed or authorized under waivers.

Mr. RIVERO (Peru) supported the New Zealand proposal.

Mr. BARBOSA (Brazil) supported the New Zealand proposal and remarked that he could not see in what way it was rigid. It provided three options for a country maintaining residual restrictions: it might choose to remove them, to apply for a waiver which would authorize their continuance, or to agree, in consultation with the CONTRACTING PARTIES, on programmes for their removal over a period of time. Accordingly, Brazil maintained its support for the proposal.

Dr. HARB (United Arab Republic) supported the New Zealand proposal.

Mr. THRANE (Denmark) stated that Denmark could not support New Zealand on this proposal which appeared to him somewhat rigid and which also singled out one form of restriction for special action whilst leaving many other restrictions and measures untouched. Denmark's quantitative restrictions had to be maintained not because Denmark's farmers could not otherwise compete on production costs but because Denmark's treasury could not compete with all the treasuries of the world which were pouring out subsidies for exports of farm products. It was because of this situation that Denmark felt the proposal would be unjust to countries in this particular position.

Dr. GROS ESPIELL (Uruguay) said he had already indicated how inadmissible it seemed to Uruguay that quantitative restrictions in violation of GATT should continue, not only to the detriment of the trade of individual countries but also to the detriment of the GATT itself. He repeated his support for the New Zealand proposal, which he considered neither rigid nor revolutionary but simply a measure to implement international obligations which all contracting parties had undertaken.

Mr. de BIEDMA (Argentina) also supported the proposal.

Mr. JONES (United Kingdom) expressed his country's understanding for New Zealand's motives, but felt that the short notice and the time factor built into the proposal did constitute an element of rigidity. He also felt that adoption of the proposal might contribute little to resolving the very real complexities in the situations accounting for the remaining restrictions. The United Kingdom's few residual restrictions covered situations where there were considerable difficulties which the government was trying to overcome. His Government was prepared to consult regarding the restrictions under normal GATT procedures. As proof of their intent, two restrictions not yet notified to the CONTRACTING PARTIES had been removed this year and would be notified. As a whole there was need for recognition of the trade problems remaining. Some restrictions were linked to other non-tariff barriers and would doubtless be included within the scope of work to be undertaken in that area; the agriculture committee, which would no doubt be set up, would likewise look at broader problems which account for many of the restrictions. Finally, he noted that, as the Director-General had mentioned, the procedures of Article XXII were always open to aggrieved parties.

Mr. LATIMER (Canada) agreed that the problems were complex and wondered whether a little more flexibility might not be introduced into the proposal by urging the countries concerned to remove whatever restrictions they could during 1968 and agreed to consult in 1968 on those they were obliged to retain.

Mr. NISIBORI (Japan) stated that he agreed with what had been said by the representatives of the EEC and Denmark. He wished to underline, however, that he was not opposed to removal of barriers, a policy which Japan would continue to pursue vigorously. His reservations arose from the sudden nature of the proposal and its rigidity; Japan would continue its efforts towards removal of restrictions and stood ready to consult under existing procedures.

Mr. ASTRAWINATA (Indonesia) expressed support for the New Zealand proposal, which appeared to him reasonable and flexible.

Mr. DONOVAN (Australia) noted again his disappointment that even the reporting of restrictions fell so far short of what was desirable and mentioned his interest in having more adequate reports submitted, particularly by France. The present procedures had always been intended as simply one step in a process which the New Zealand proposal now carried to the next stage. As such he confirmed Australia's support.

Dr. TREU (Austria) explained that Austria would have considerable difficulty in accepting the New Zealand proposal even though Austria would not be affected directly because of the progress already made in eliminating quantitative restrictions on industrial items. As the Austrian notification in L/2740/Add.5 showed, the last industrial items had been freed since the end of 1966 and only a few agricultural restrictions remained for the same reasons that had been given

by the representative of Denmark. The very fact that the CONTRACTING PARTIES would be dealing separately with the problems of agriculture showed well enough that no automatic rigid proposal could help much. He doubted that progress would have been more rapid in past years if the proposal had been in effect. The use of Article XXII had enabled good results to be obtained and could be used if necessary concerning the remaining restrictions. Though he shared the feelings of those who had referred to the surprise element in the proposal, he felt the main consideration to be borne in mind was that fiscal, social and political difficulties could not be dealt with effectively by imposition of deadlines.

Dr. SANCHEZ-GONZALEZ (Cuba) supported the proposal of New Zealand, which did not appear to him to be at all rigid.

Mr. PRESS (New Zealand) addressed himself to the three criticisms of his proposal that had been put forward. In view of the very long history of this problem in GATT, the proposal could be regarded as sudden only by those who had thought that the time for enforcing the rules would never come. His proposal had now been before the CONTRACTING PARTIES for four full days, in the course of which he would have thought views might have been formulated. It had also been argued that the proposal was rigid, but the contrary was the case since three alternatives were open to affected countries: they could terminate the restrictions, seek a waiver or consult regarding a programme for removal of the restrictions. There could of course be no guarantee that a waiver would be accorded, yet many countries had applied for waivers and accommodation had usually been found. Finally, there had been references to the need for pragmatic solutions; to that criticism, he could only reply that he regarded his proposal as nothing if not pragmatic.

The CHAIRMAN noted that contracting parties had, happily, affirmed their desire to do away with restrictions and to complete the liberalization process. Considerable progress had been made in the desired direction since the present procedures were adopted in 1960, but some hard-core restrictions remained, particularly in agriculture, where fundamental difficulties appeared to play a larger part than in industrial products. In his view, the New Zealand proposal was really not difficult to accept since, far from setting a final date for the removal of the restrictions, it offered two possibilities for reaching agreement on their continuance for a time. He believed, however, that a consensus had not yet been reached. There were two possible courses. The CONTRACTING PARTIES could adopt the New Zealand proposal and note the reservations which had been expressed. Alternatively, the CONTRACTING PARTIES could refrain from taking a decision, but express their desire and hope that the liberalization process would be completed by the end of 1968, either through removal of the restrictions or through agreement upon a programme for their removal, and take up on the next session the question how to deal with cases not taken care of by this procedure.

Mr. STEDTFELD (Federal Republic of Germany) asked for postponement so that the second course could be examined by the EEC countries.

The CHAIRMAN suggested, and the CONTRACTING PARTIES agreed, that this matter would remain open for further consideration at a later meeting.

The meeting adjourned at 12.45 p.m.