

GENERAL AGREEMENT ON TARIFFS AND TRADE

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SUMMARY RECORD OF THE SIXTH MEETING

Held at the Palais des Nations, Geneva
on Monday, 18 November 1968, at 3 p.m.

Chairman: Mr. S.Chr. SOMMERFELT (Norway)

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1. Expansion of trade¹

The CHAIRMAN said that the following would seem to him to be the most important observations and proposals put forward in the discussion:

A. General

1. The contracting parties had emphasized their determination and political will to pursue trade policies conducive to further trade liberalization in line with the principles and objectives of the General Agreement.

2. They had all recognized that an essential first task was to ensure the full implementation of the Kennedy Round results, to avoid the impairment of these results by restrictive measures and to resist protectionist demands vigorously. The importance of the conditional Chemicals Agreement coming into force as soon as possible was stressed.

3. They wanted the main Committees in 1969 to move from the stage of study to that of seeking out possibilities for action, so that they could embark upon new negotiations, whether on a broad or on a more limited basis, as soon as the moment was politically right.

¹The Chairman's summing up was circulated in document W.25/6.

B. Trade in industrial products

4. A number of contracting parties had stressed that the Committee on Industrial Products should always be looking for possibilities for negotiation on tariff or non-tariff barriers, or on groups of non-tariff barriers.

Tariffs

5. Contracting parties had expressed the hope that the secretariat study on the tariff situation as it would be when all Kennedy Round concessions have been fully implemented would be ready early in 1969 so that possible lines of action could then be investigated. There was some support for certain tentative ideas put forward, i.e. possible reduction of high tariffs combined with elimination of low tariffs; tariff reduction in certain sectors. The possibilities offered by the broader concept of the "sector approach" had been referred to.

6. Representatives of developing countries had emphasized the need for: (a) the accelerated implementation of Kennedy Round reductions on additional items of importance to them; (b) the highest priority to be given to problems created by peak tariffs, differential tariffs and specific tariffs affecting the exports of developing countries.

Non-tariffs

7. All countries had expressed themselves in favour of the establishment of sub-groups, so that substantive work on non-tariff barriers could proceed at the meeting of the Committee on Industrial Products proposed for January.

8. There had been support for the suggestion that the Committee on Industrial Products examine the feasibility of multilateral non-tariff negotiations.

9. Contracting parties had agreed to give special attention in the Committee to non-tariff barriers affecting exports of developing countries. The representatives of those countries had stressed that, in examining such barriers, the Committee should take due account of their special problems. They had urged that technical arrangements be made for their securing detailed information on non-tariff barriers affecting their exports. The point was made that consideration be given to the possibility of setting up small intergovernmental groups of interested countries to examine, on a priority basis, particular barriers affecting less-developed countries.

10. Both as regarded tariffs and non-tariff barriers the point had been made that the CONTRACTING PARTIES should lay down guidelines and target dates for the Committee on Industrial Products in 1969, and that the Committee should report its provisional findings on possibilities for action in the tariff and non-tariff field to the Council before the twenty-sixth session.

C. Trade in agricultural products

11. There had been agreement on the conclusions reached by the Agriculture Committee, in particular those concerning the programme of discussions that the Committee had agreed to hold during the second phase¹ of its work, on problems of international markets and production policies.

12. There had been support for the views expressed in the report by the Chairman of the Committee that, while recognizing the great complexity of the work undertaken by the Committee, this phase of the work programme should be carried through as rapidly as possible so that the Committee could proceed to the active search for mutually acceptable solutions.

13. It had also been emphasized that, whenever a favourable opportunity arose and without waiting until the third phase² of the programme was reached, contracting parties might suggest acceptable solutions to problems of international trade in agricultural products whenever it appeared that there was a common desire to evolve and implement such solutions.

14. The following specific suggestions had been put forward by a number of delegations:

- (a) the need for discussions starting immediately on bovine meat because of the widespread difficulties that were significantly affecting international trade in this product, and the establishment of a group on bovine meat;
- (b) discussion and implementation of the Canadian proposal on the pressing problem of export pricing and market disruption, as set forth in the annex to document COM.AG/11, and establishment of a permanent working group for this purpose;
- (c) establishment of an ad hoc group to seek possibilities for achieving a standstill on certain trade and production policy measures in specific agricultural sectors.

D. Developing countries

15. In view of the continuing decline in the developing countries' share of world trade and the urgent need for a substantial growth in the export earnings of these countries, much stress had been put by contracting parties on the need for priority consideration to be given to the problems of the developing countries.

¹Consideration by the Committee of the preparatory work in order to arrive at the identification of the principal problems.

²Discussion of the means whereby mutually acceptable solutions to these problems could be achieved.

A suggestion had been made that there should be an emergency programme, including the possibility of negotiations, to cope with problems in the field of tariff and non-tariff barriers.

16. He had noted that the activities of the Committee on Trade and Development would, in future, benefit from the active participation of all developed contracting parties.

17. He had already referred earlier in his summing up to the preoccupations and suggestions of the developing countries in the field of tariffs, non-tariff barriers and temperate-zone agriculture.

18. As regarded residual restrictions, many developing countries regarded vigorous or decisive action by the CONTRACTING PARTIES as a crucial test of GATT's effectiveness in removing obstacles to their export trade. These countries had indicated their support for proposals aimed at the establishment of target dates and a time-table for the removal of remaining restrictions.

19. Attention had been drawn to the deteriorating situation of vegetable oil and oilseed producers in developing countries. It had been suggested by one representative that priority action should be taken in respect of this group of products within the framework of the Committee on Trade and Development.

20. Many contracting parties had emphasized the need for more vigorous GATT action towards the attainment of duty-free entry for tropical products. The need to eliminate or remove duties on items, such as tea, as well as tariffs affecting semi-processed and processed tropical products had been stressed. A reference had also been made to the responsibility of the CONTRACTING PARTIES in bringing about the elimination or reduction of internal charges and revenue duties affecting tropical products.

21. It had been suggested that the institutional rôle of the Committee on Trade and Development should be strengthened by making it a focal point for review and action in respect of problems of developing countries, irrespective of where within the GATT such problems were generally considered.

22. Many contracting parties had suggested that consideration be given to the rôle that GATT might play in facilitating the introduction of a non-discriminatory scheme of special tariff treatment for exports of developing countries. The need for GATT showing adequate flexibility in accommodating such arrangements had also been stressed.

23. Many contracting parties had welcomed the progress being made by developing countries within the framework of the Trade Negotiations Committee in exploring possibilities for the expansion of their mutual trade, and had indicated their intention of looking at the results of these efforts in a constructive and forward-looking spirit.

24. Some developing countries had referred to the need for elaborating appropriate international measures of support within the framework of GATT that would help to ensure that the results of negotiations between developing countries bring practical benefits for the trade of these countries.

25. In their overall appraisal of the activities of the CONTRACTING PARTIES in relation to their trade and development problems, developing countries had expressed appreciation for the measures adopted by many contracting parties in pursuance of Part IV. They had stressed, however, that their expectation of vigorous and co-ordinated policy action in terms of the provisions and objectives of Part IV had remained largely unfulfilled.

26. Reference had also been made to certain specific problems such as the more effective application of the principle of non-reciprocity.

27. Some representatives of developing countries had proposed that the CONTRACTING PARTIES recommend the setting up of a working party that would examine difficulties in securing effective implementation of Part IV and advise on procedures to secure more effective and systematic action.

2. Import restrictions applied contrary to Gatt and not covered by waivers (L/2981. and Add. L/3084, L/3114). (See also statements by certain delegations in debate on Item 3. SR.25/5)

The CHAIRMAN, in opening the debate on this item, recalled that it was now eight years since the CONTRACTING PARTIES had adopted procedures for dealing with import restrictions maintained by contracting parties inconsistently with the provisions of the General Agreement and without having obtained authorization from the CONTRACTING PARTIES. Notifications had been coming in since that time and the secretariat had recently circulated a note concerning operation of the notification procedure which was before the CONTRACTING PARTIES. Meantime, the question of continued maintenance of illegal restrictions had been on the agenda of every session since 1960 and at the last session it had been agreed that governments should prepare to deal definitively with the problem at this session. To this end the Government of New Zealand had submitted proposals which had been distributed in L/3084. He therefore called on the representative of New Zealand to present his Government's proposals which might then be debated.

Mr. EASTERBROOK-SMITH (New Zealand) reviewed the history of efforts made in GATT to deal with the use of quantitative restrictions, a subject to which more of GATT's articles were devoted than any other. He reminded contracting parties that as long ago as the early 1950's it had become apparent that even the many clauses permitting exceptional use of quantitative restrictions were not sufficient to cover all the needs of particular countries and that a "hard-core waiver" procedure had been established, although only one country had ever applied for such a waiver. After many countries could no longer justify maintenance of restrictions on balance-of-payments grounds, the reporting procedure for what had come to be known as "residual restrictions" was devised in 1960, and a year later a Panel had inquired into the adequacy of notifications and had submitted a report containing detailed suggestions as to the information which should be included in notifications. As that report had been adopted by the CONTRACTING PARTIES one would have thought that countries maintaining residual restrictions

had accepted the responsibility to make notifications in accordance with the clear and detailed procedure agreed to. Such had not been the case, however, and as shown in L/3114 reporting had been largely ignored by some contracting parties and had failed to a serious extent to serve a useful purpose. Subsequently, efforts to deal with remaining restrictions had been made in the Kennedy Round, but essentially the problem remained unsolved and it now threatened, with the rise of new protectionist pressures, to have serious effects on fulfilment of Kennedy Round achievements. It had been said in the earlier debate on expansion of trade that the process of liberalization of trade could not stand still, that either there was progress or risk of slipping back from what had been achieved. Here was certainly an area in which progress could easily be made, even without awaiting the adoption of new initiatives, simply by beginning to apply the General Agreement more fully than had been done up to now, and that was the purpose of New Zealand's proposal. The representative of New Zealand then took up the various criticisms that had been made of this proposal when it was first suggested at the twenty-fourth session and noted that even if it could then have been said to have been introduced on too short notice, after the long history of this item on the agenda, the same could certainly not be said now. Secondly, the proposal was not rigid, as had been claimed, since it offered more than one alternative to those maintaining residual restrictions. Finally, it was as pragmatic a proposal as could be devised. Equity and mutual interest in greater trading opportunities both argued for definitive action in this matter, and certainly New Zealand's own past experience suggested that bilateral consultations were not effective in obtaining removal of restrictions. What was needed was a framework which would make it necessary to justify positions in regular consultations on a multilateral basis, in the way in which countries invoking Article XII were obliged to do. Past history of action on waiver applications should overcome any doubts of countries which might need to apply for relief of a temporary nature, subject to annual consultation. Waivers could not, in New Zealand's view, give legal cover to the restrictions and there would thus be no lessening of pressure for their removal; on the contrary, pressure would tend to be increased. To those who would prefer a context which would permit simultaneous consideration of other agricultural protective measures such as subsidies, New Zealand could only point to the permissive provisions of GATT with respect to use of anti-dumping or countervailing duty action and say that New Zealand fully shared their desire to move ahead in those areas also but felt that it would be counterproductive to refuse an opportunity to move ahead in one area on the ground that there were other areas not covered. It could only improve prospects in other areas to have agreed to progress in this one. Finally, New Zealand felt that this problem was a very urgent one and wished to underline their view that the deadlines set were reasonable in the circumstances. To a point raised during the debate of Item 3, Mr. Easterbrook-Smith wished to add that his delegation did not share the view that existing committees in the GATT were the appropriate bodies to which to confide work on this problem. The restrictions here in question were clearly illegal in terms of the obligations of all contracting parties and if the CONTRACTING PARTIES failed to face up to its clear responsibilities at this session, Governments everywhere would certainly draw their own conclusions.

Mr. AZEREDO DA SILVEIRA (Brazil) said that his delegation gave full support to the proposal of New Zealand, as it had also done at the last session. Brazil felt that the proposal was indeed flexible, possibly even too much so, but should nevertheless be retained. He paid tribute to the statement of the Director-General on residuals and reiterated his own delegation's strong feeling that it was high time that those applying illegal restrictions submitted to a consultation of the kind which countries having balance-of-payments difficulties were obliged to accept.

Mr. WOUN GIE KIM (Korea) referred to his delegation's statement on the New Zealand proposal in the debate on trade expansion in which the New Zealand proposal had been endorsed and welcomed. Korea had been concerned to find in its study of the reports of the Committee on Trade and Development that a number of products of interest to Korea were still under restriction with no target date for removal set. His delegation likewise welcomed the statement by the Director-General and agreed that it was inequitable to ask countries invoking Article XVIII to consult about their restrictions while not asking the same of others.

Dr. KHALLAF (United Arab Republic) said that he could add nothing to the clear, correct and concise statement on this subject already given by the Director-General. His delegation was ready to accept any solution which would ensure rapid removal of these restrictions according to a precise plan and schedule. This should be the objective of the present session and as a contribution to that objective, his country would support the New Zealand proposal.

Mr. KIRKWOOD (Canada) recalled that Canada had already made known its support of the New Zealand proposal. Its principle could not fail to be accepted by all and it was now a question of taking practical steps to apply the principle. Problems would be inherent in the process no matter which way was chosen, but because of the importance of the objective, directly reflecting the essential spirit of the General Agreement, Canada appealed to all contracting parties to make a special effort to respond positively.

Mr. SWAMINATHAN (India) stated that India had been as patient as possible with respect to the maintenance of the many residual restrictions which hampered its export trade and would never wish to embarrass any contracting party which had good reason to maintain a particular restriction. The conclusion was, however, inescapable that present arrangements did not provide sufficient stimulus to countries to seek and find possibilities for further liberalization. It had been heard too often and too long with respect to too many restrictions that particular countries would "keep in mind" the question of relaxation. UNCTAD had also addressed itself to this thorny question and there had been efforts to set targets in time for the complete removal of restrictions. India adhered to the principle of those proposals and urged that the CONTRACTING PARTIES not be led into an exercise which might result simply in legalizing and hence perpetuating the restrictions in question. Many developing countries, including India, had parliaments at home which were watching and awaiting with growing concern developments in regard to removal of these

restrictions. The developed countries were not the only ones where political forces were at work. The new protectionism of which the representatives were aware was very likely, unfortunately, to take the form of new quantitative restrictions. He therefore hoped very much that whatever action was taken would serve to sound a note of serious warning, strong and loud ensuring that full multilateral consideration was given to the question of speedy removal of residual restrictions.

Mr. RISTIC (Yugoslavia) agreed that there was need for more energetic and systematic action with respect to the quantitative restrictions maintained inconsistently with the provisions of GATT, especially in connexion with the new programme for liberalization of trade, as the representative of Yugoslavia had stated when that subject was under discussion. Yugoslavia had found the New Zealand proposal acceptable but considered that it would be preferable to establish a working party which might report back to the CONTRACTING PARTIES before the end of the present session concerning the terms on which such a proposal might be adopted.

Mr. DE RIVERO (Peru) noted that in the years since 1958, when the programme for trade expansion had first been adopted, good work had been accomplished in gathering information concerning the extent and operation of residual restrictions on products of interest to developing countries but no practical results had been obtained. Peru had been able to make an estimate that some \$41 million of its export trade encountered barriers of this kind. The New Zealand proposal had much appeal, with its target date for removal of restrictions, its requirement that programmes for liberalization be prepared or waivers requested by a fixed time, and its arrangements for consultations to ensure that progress was made. He felt however that resort to waivers should be exceptional and that the rule should be progress towards elimination. If waivers were requested, the CONTRACTING PARTIES should make sure that their duration was limited, and that they were non-renewable, that there was regular review of progress towards removal of restrictions and that the right of other countries to have recourse to the appropriate provisions of GATT was not abridged in case the continued maintenance of restrictions impaired benefits accruing to particular countries. It was his further view that if no progress were made in obtaining adoption of the New Zealand proposal, developing countries should give serious consideration to the further remedies which they might be able to obtain under Article XXXVII, paragraph 2, since failure to act favourably on the New Zealand proposal could scarcely be interpreted otherwise than as violation by the developed countries maintaining restrictions of Article XXXVII obligations, vis-à-vis developing countries and of the obligations of Articles XI vis-à-vis all contracting parties. Consequently he supported the New Zealand proposal but reserved the right to have recourse to the provisions of Part IV or to the agreed procedures of conciliation after next year.

Mr. NAKAYAMA (Japan) gave full support to the objective of promotion of liberalization of trade, and noted that Japan had made progress in that direction over the past year, even though certain restrictions, as had been reported to the secretariat, did remain. Notwithstanding the continued existence of Japan's various residual restrictions which had often been explained in different GATT meetings, he emphasized that Japan's rapid economic growth had permitted a substantial increase in the volume of Japan's imports. This same rapid economic growth had, however, left in its wake difficulties for a number of small and medium-sized enterprises, not to mention the difficulties of Japan's agricultural producers where problems were especially acute because of the small size of landholdings and unfavourable natural conditions. With regard to the question of agriculture, he noted that GATT already had an existing committee with a broad mandate which could well take up the agricultural question as a whole, although Japan was naturally anxious to hear what others had to suggest on the point. Japan had another interest in the matter, however, for the old question of discrimination, open or hidden, had by no means been resolved, and the continued existence of discrimination was without doubt a very serious obstacle to Japan's own further liberalization efforts, not only because of the commercial considerations involved but also as a matter of national feeling. Japan was grateful to friends everywhere who had been working to eliminate such restrictions, but restrictions did nevertheless continue in force in a good many cases. For example one country practiced discrimination concerning twenty to thirty products; several others concerning from forty to seventy; and in one country the number was over 100. He would have more to say on this subject under Item 17 - the invocation of Article XXXV against Japan. At this stage he simply wanted to say that to some extent discriminatory restrictions had been the price of obtaining disinvocation of that Article.

Concerning the steps which should now be taken to resolve the problem of import restrictions, he wished to counsel moderation and full attention to the particular characteristics of individual cases, including social as well as economic needs. It was with this in mind that Japan had listened with sympathy to a speaker who had cautioned against any purely legalistic solution. In sum, his Government had firmly decided to intensify its efforts to achieve a larger measure of liberalization, was open to suggestion and would study carefully views expressed by others in order to find practical, constructive solutions for this important problem.

Mr. PERERA (Ceylon) stated that as a small contracting party which had frequently had occasion to request waivers from the obligations of GATT for matters which sometimes seemed almost too small to merit such notice, Ceylon had never understood why other and larger countries had not been obliged to do the same with respect to their measures inconsistent with the GATT. He hoped that appropriate arrangements would be made now to see that those measures came under the surveillance of the CONTRACTING PARTIES and that pressure was maintained for their early removal.

Mr. BAFFOE (Ghana) reminded the CONTRACTING PARTIES that Ghana had supported the New Zealand proposal last year and reaffirmed that support.

Mr. GARCIA-INCHAUSTEGUI (Cuba) stated that his delegation saw in the New Zealand proposal an opening towards a solution of an important matter, namely the restrictions maintained by certain developed countries inconsistently with the GATT, and as such Cuba supported the plan suggested in L/3084.

Mr. THRANE (Denmark) speaking on behalf of all five Nordic countries, affirmed that his group had much interest in New Zealand's proposal as they had always favoured measures to promote trade liberalization. The subject was a very important one, though complex, and merited careful attention. The Nordic countries could not, however, look at the problem of residuals affecting agriculture in isolation from agricultural policies as a whole, and they felt that singling out quantitative restrictions for special attention would be unreasonable in that there were other measures, in practice even more harmful, which would be left aside in the process. The Nordic countries therefore believed that the best solution for agricultural residual restrictions would be to deal with them in the Committee on Agriculture, where a concerted view of the whole field of measures impeding agricultural trade could be had. Other restrictions could be referred to the Committee on Trade in Industrial Products or could continue to be dealt with by the Committee on Trade and Development, as appropriate.

Mr. FRANCAVIGLIA (Italy) speaking for the six countries of the European Economic Community, referred to the statement he had already made at an earlier meeting, when he had discussed both Items 3 and 14 on the view that the two items should be linked. He recalled the Community position, stated at that time, that even though it was legally conceivable to discuss quantitative restrictions, separately from the general questions of furthering the work programme of the CONTRACTING PARTIES, it appeared preferable to discuss it in relation to the work of the committees concerned with industrial and agricultural trade respectively. As a restriction still in force must obviously reflect the existence of very substantial economic considerations, no purely legalistic decision would suffice; to the contrary, a solution should be found, within the framework of existing committees, starting from the economic bases of the problem. The members of the Community had noted that many delegations appeared to prefer a more legalistic approach and had, accordingly, supported New Zealand's proposal, but they wondered whether this would really bring the desired goal within reach. They still felt that their own approach was more realistic and more apt to lead to a practical solution than any purely legalistic one. In proposing that the question of residual restrictions be taken up in the work of the three main existing committees - here he recalled that from now on all members of the Community without exception would take part in that work - they had in mind that objective examination of the restrictions, in depth, could best take place in those three committees. This would be particularly true with regard to the interest of the developing countries in many of the restrictions in question, and here collaboration between committees might prove to be a useful supplement. The main requirement was, no doubt, for a will to make progress; if all who had spoken in favour of furthering trade liberalization at the debate on that item

would follow this up with concrete and positive action in the principal existing committees the problems would be resolved to the mutual satisfaction of all.

Mr. VIDAL (Uruguay) stated that his country strongly supported the New Zealand proposal. It was noted that it had undergone slight changes, as to time-limits, as compared with the earlier version, and such points might bear discussion. On the basic idea Uruguay was however in agreement, as well as with the views presented by the representative of Peru concerning the procedures of Article XXXVII, paragraph 2. The idea of a working party had been suggested, and Uruguay agreed that that would be the best way of proceeding. His country did not agree with the view of the European Economic Community and much preferred that the question be dealt with now, through a small working party, which could make concrete proposals to the CONTRACTING PARTIES for definitive solution of this problem.

Mr. LACZKOWSKI (Poland) said that Poland had suffered a great deal from discriminatory restrictions and strongly supported the New Zealand proposal. He saw no contradiction between the so-called legal approach and the practical one and felt that attainment of practical solutions would be aided by solution of legal problems. If the residual problem were remitted to the Committees on Industrial Products and Agriculture, he feared much time would be consumed and that it would be harmful to developing countries and developed countries alike to leave the problem unsolved much longer. The Committee proposed by New Zealand could be given flexibility through its terms of reference. But, as the representative of Uruguay had said, the problem must be resolved during this session. Finally, he drew attention to the question of elimination of restrictions and to their notification, which as could be seen from L/3114, had been quite inadequate.

Mr. BESA (Chile) considered that the New Zealand proposal hardly required further justification in the light of the general feeling already expressed that residual restrictions could not continue indefinitely without seriously undermining the validity of the fundamental rules of GATT. Chile certainly supported the proposal, but wished to join those who had cautioned that the goal should be the quickest possible removal of the restrictions without stopping too long over the procedure by which the action should be obtained. The wide support which had been expressed should aid in finding a pragmatic solution which would give the certainty of further discussion in one forum or another on how to obtain the elimination of these restrictions as quickly as possible and to subject the remainder to the procedures of the General Agreement.

Dr. RYAN (Australia) said that the Government of Australia had used the year's interval since New Zealand had first made its proposal to give careful consideration to the proposal and the problem to which it was addressed. The approach had been a pragmatic one, how best to ensure continued movement towards further liberalization of trade. Against this background, Australia strongly endorsed the principle underlying the proposal, namely that the abolition of all quantitative restrictions contrary to GATT was a desirable objective. Fuller information about residuals still in force was an assential part of the process

and it might be desirable that the countries maintaining the restrictions provide it in the Agriculture Committee where it could be useful to the general work of the Committee. Beyond that stage however, there was still much to be said in favour of establishing some form of consultation procedure, perhaps along the lines pursued by the Committee on Balance-of-Payments Restrictions. Certainly Australia shared the view expressed by the Director-General that there was "something inequitable and anomalous about a procedure whereby contracting parties invoking articles of the GATT as justification for certain restrictions have to submit to consultation and examination, while contracting parties applying restrictions inconsistently with GATT seem to be treated more tolerantly". A consultation procedure might establish something more equitable in a true GATT spirit. But the real test would of course lie beyond, in whether or not the sum total of barriers to trade was reduced.

Mr. LERENA (Argentina). Argentina had already expressed its support for action along the lines of the New Zealand proposal during the debate on Item 3. It constituted, for them, a useful basis for a systematic and adequate solution to the problem which it might be useful to discuss in a working party at this session. Certainly it would not be constructive to follow the procedure suggested by the representatives of the European Economic Community, even though there were common points between the work of the main committees and the residual question. To put the latter into those committees would incur the risk of the passage of many more years of inaction. With reference to the question of the secretariat's review of notifications of import restrictions he had noted that Argentina appeared as a country which had not made a separate specific communication on this subject, it was in part because his Government felt that the more urgent and important part of this question was the maintenance of restrictions by developed countries rather than the maintenance of very limited restrictions consistent with Article XVIII of the Agreement, as was the case with Argentina's restrictions.

The information required for such a notification had been given in connexion with the work of the party on Argentina's accession and the secretariat could easily prepare the notification required. What was of greater concern was the lack of notification by France, and Argentina had noted with pleasure the statement made in the debate on Item 3 to the effect that all members of the European Economic Community would now co-operate in the work of the developing countries on residuals; he hoped that this would lead to practical effects as regarded the restrictions still maintained by France.

Mr. WILLENPART (Austria) felt that in discussing further steps needed with respect to restrictions maintained inconsistently with GATT and not covered by waivers, the considerable progress made in the past should not be forgotten; his country had practically liberalized all remaining restrictions of this nature in the industrial field, that was within chapters 25 to 99 of the Brussels Nomenclature, there being only two remaining exceptions. Secondly, he agreed with previous speakers that the remaining restrictions were of a hard-core nature and that their early removal might create difficulties. Austria agreed, however,

that steps should be taken, and that a distinction should be made between the procedure for industrial products and that for agricultural products falling within chapters 1 to 24 of the Brussels Nomenclature. This distinction was based on the fact that in the industrial area the main obstacles to trade consisted of quantitative restrictions and tariffs whereas in agriculture the nature of the remaining obstacles varied from product to product and from country to country. In this view Austria agreed entirely with the Nordic countries; Austria agreed that the Committee on Trade in Industrial Products could well handle the industrial restrictions in the course of its non-tariff barrier work; and, as for agricultural restrictions, it would be far preferable to take up quantitative restrictions in the Committee on Agriculture where parallel attention could be given to control of excessive export subsidization. On industrial restrictions, the representative of Austria suggested that the panels established last year to examine quantitative restrictions maintained on industrial products of particular interest to developing countries might be given a broader mandate to cover all import restrictions.

Mr. BRODIE (United States) recalled the statement of his delegation in the debate on Item 3, in which he had stated the United States' strong belief that contracting parties must find effective ways of finally eliminating all restrictions maintained contrary to GATT. One of the most effective arguments which GATT's friends could make to those now seeking ways of obtaining new protection would be to point to a new and tangible programme for removal of quantitative restrictions, such as the New Zealand proposal or something close to it. To the United States, the proposal as it stood offered ample flexibility to meet all problems. The United States further agreed that any transitional waivers which might be granted should have terminal dates. It should also be understood that no waiver would impair the recourse which countries might have to Articles XXII and XXIII and that bilateral consultations might also be sought and had. Generally speaking, and subject to these understandings, the United States found the New Zealand proposal satisfactory.

Sir EUGENE MELVILLE (United Kingdom) said that his delegation shared the concerns which had been expressed by others in regard to the long continuance of the anomaly and weakness which the existence of residual restrictions represented and agreed that the CONTRACTING PARTIES should no longer shirk the issue. His Government saw the problem in the light of two considerations, one general and the other procedural. The general problem was really posed by the extent of progress already made in the removal of restrictions. As a result, remaining restrictions in many cases reflected deep-rooted economic and social problems, either of the country maintaining the restrictions or of others. In the United Kingdom case, it would be found that perhaps in the majority of cases the interests involved were those of developing countries. Although this should not be taken to mean that the restrictions were immutable, it did mean that root causes would need to be taken into account. As to procedure, the representative of the United Kingdom noted that GATT had machinery, some of it new, which might be utilized to good effect with resulting avoidance of duplication. A case could thus be made for resolving to see how this problem might be brought within the

exercises being undertaken in the Industrial Products Committee and the Agriculture Committee. However, the United Kingdom delegation had an open mind and was ready to join in consideration of any new ideas likely to lead to practical results. The only specific point the United Kingdom wished to make at this stage on the New Zealand proposal as drafted was that they regarded the date of 30 June 1969 as unrealistic.

Mr. COLMANT (France) stated that he wished to refer to the question of the notifications of restrictions in order to state that, as he had already told the Director-General, France would submit a negative list of restrictions in force, in conformity with the procedures adopted in 1960-62. He also wished to confirm what had been said earlier by the spokesman for the six countries of the Community, that France as well as the other Community countries would now be participating in the work of the Committee on Trade and Development.

The CHAIRMAN suggested that he present a summary of this debate to the CONTRACTING PARTIES at their next meeting as an aid to further consideration of the problem.

3. The impact of commodity problems upon international trade (L/3092)

The CHAIRMAN, referring to document L/3092, which the secretariat had prepared to provide background for discussion of this item, said that it focussed attention on the most recent developments in international trade as well as international co-operative action in the broad commodity sectors of temperate zone agricultural products, tropical products and certain raw materials and non-ferrous metals.

Mr. GARCIA-INCHAUSTEGUI (Cuba) said that he did not consider it necessary to recall the impact of commodity problems upon the trade of developing countries depending principally on these products. In his view a contradictory situation existed in the international commodity trade. When there was a question relating to commodities produced exclusively in the developing countries, the developed countries rather than undertake to remove obstacles to trade, proposed diversification programmes, to be financed mainly by contributions given by developing countries. In regard to agricultural products produced both in developed and developing countries the situation was entirely different. The developed countries, instead of diversifying their production, embarked on policies of subsidies for products which were uneconomical to produce. In the past few years notable progress had been made in regulating international trade in sectors of particular interest to developing countries through international commodity agreements. While recently some headway had been made on the Cocoa Agreement, the conclusion of the International Sugar Agreement was a step forward in the direction of solving some of the impending problems in this sector. The latter agreement should be supported by the developed contracting parties in particular, not only because of its general benefits, but also because it was the result of joint efforts at international level and fulfilled the objectives of Part IV of the GATT.

Mr. LERENA (Argentina) said that the item under discussion should receive careful consideration by the CONTRACTING PARTIES. He recalled that the first review of this item had been made by GATT in 1961 when a special group was established to analyze the situation under three broad headings. The first, included those problems stemming from short-term fluctuations, both in volume and value of trade. The second dealt with problems arising from decreased export earnings and inadequate expansion of trade. The third involved an analysis of long-term trends of price and volume as well as terms of trade. He believed that the studies made by the ad hoc group at that time were very serious and objective and gave rise to hopes for many countries who essentially depended on such products for the expansion of their trade and development. The conclusions reached by that group were later referred to different committees which analyzed the problem in the following years. This had culminated in the action of the CONTRACTING PARTIES for the expansion of international trade and had finally led to the Kennedy Round. Since that time practically nothing had been done with regard to these problems. The negotiations that followed had not produced the expected results. Since then, however, the problem of production and trade in these commodities had been further aggravated. This was confirmed by GATT's report on "International Trade 1967" and the FAO and UNCTAD studies on commodities. These reports clearly showed that the countries which had suffered most in the wake of these developments were the developing countries, the impact on some being particularly marked. He, therefore, did not consider it useful that such annual reviews should be continued by the CONTRACTING PARTIES, for they were too general and superficial. The CONTRACTING PARTIES, moreover, had neither adequate documentation to analyze the problems more thoroughly, nor the time or orientation to seek appropriate solutions. He was inclined to favour a more detailed examination of commodities by the CONTRACTING PARTIES especially at this time when the new programme of expansion of trade was being examined. In his opinion a general analysis would not only make it possible to determine the true nature of the problems, but would also help in underlining the impact on different countries. Such an approach would also facilitate the work of the standing committees which were likely to be established in accordance with the programme of expansion of international trade. He was not in a position to make any concrete proposals in this connexion, but could make a suggestion for general consideration at the present session of the CONTRACTING PARTIES. The suggestion was to establish once again a group to study the problem of commodities with the specific terms of reference "to examine these problems in general and to make appropriate recommendations for the consideration of the Committees on Trade and Development, on Industrial Products and on Agriculture and the Special Group on Tropical Products". He believed that there was a gap in the existing programme of action which the CONTRACTING PARTIES could more appropriately examine under Item 3 of the agenda "Expansion of trade".

Concluding, the CHAIRMAN said that his initial reaction to Mr. Lerena's proposal was that perhaps the problem could be referred to the Council of Representatives for re-examination. His concluding remarks, however, pointed to the desirability of considering this question under Item 3 of the agenda. He was himself inclined to leave the matter for the third week of the session to see how the discussion developed on this point.

4. Disposal of commodity surpluses (L/3109/Rev.1)

The CHAIRMAN recalled that the present item enabled contracting parties to review each year their experience under the two Resolutions adopted in 1955, which established guidelines and procedures for consultations in order to safeguard the trade interests of third parties in the event of the disposal of agricultural surpluses or the liquidation of strategic stocks. The reports received from contracting parties which had engaged in disposal or liquidation activities during the past year were reproduced in document L/3105, and Add.1. On the present occasion the Director-General had put forward a proposal for a review of the notification and consultation procedures in respect of surplus disposals (document L/3109).

The DIRECTOR-GENERAL, introducing his proposal, retraced the history of the existing procedures. For a number of reasons, including the growing volume and geographical spread of these operations, the absence of a clear definition of the concept of the term surpluses, and the failure of certain contracting parties to respond to the request to report, these procedures had become increasingly inadequate over the years. The CONTRACTING PARTIES had therefore suggested - notably at their twenty-fourth session - that the scope of reporting under the present item be extended and that the secretariat seek the relevant additional information. The response by contracting parties, as documents L/3105 and Add.1 showed, had been limited. Realizing that an extension of the scope of reporting could not be achieved by a mere lengthening of the questionnaire, and bearing in mind the attempts by the FAO in respect of a related subject, he had made the proposals contained in document L/3109.

Mr. BRODIE (United States) said that in accordance with the secretariat's request (L/3063) the present United States report (document L/3105/Add.1) on disposal of agricultural surpluses included the latest data on export payments for various products, in addition to the usual information about the PL-480 programme. The United States had provided this expanded information since it believed reports to GATT on the full range of extra-commercial transactions were essential to enable governments to have a more accurate picture of concessional and "gray area" transactions and to judge how the scope of consultation procedures might need to be broadened. In a situation where (a) stocks formally and legally designated as surplus had declined in importance, (b) markets were being affected by new and widespread accumulations of stocks not formally designated as "surplus", and (c) various devices and arrangements were being used to provide extra-commercial and concessional terms and transactions, timely reports and adequate opportunity for consultations had become of increasing importance to all contracting parties. He stressed that the criterion for coverage of particular transactions should not be the particular type of concessional feature utilized, such as acceptance of non-convertible currency, special pricing below the market rate, long-term credits, subsidies, etc., but rather the potential for damage to commercial trade. The United States, in contrast to most other contracting parties, had complied faithfully with the obligations of the 1955 Resolution on reporting, and attention in this regard had focussed almost entirely on the United States despite an increasing volume of transactions outside normal

commercial trade. The United States had the right to expect others to meet GATT reporting requirements, in respect of all transactions which fell outside commonly accepted definitions of commercial trade. If contracting parties considered they had nothing which required reporting, they should be obliged to submit negative reports. The United States delegation, therefore, supported the Director-General's proposal to have the Agriculture Committee consider how to strengthen the reporting and consultative procedures. In doing so, the Agriculture Committee should focus in particular on a redefinition of reporting requirements with the object of achieving complete coverage of all non-commercial agricultural export trade. It was his delegation's understanding that the proposal concerned only the disposal of agricultural surpluses and not the liquidation of strategic stocks which had been the subject of a separate resolution in 1955, and where, in the view of the United States, no review of procedures was required.

Mr. VON VERSCHUER (European Economic Community) said that the proposals created a link between the Resolution of 1955 and the Agriculture Committee. He recalled that the Committee's work programme provided for the examination of measures and mechanisms influencing imports and exports and, in particular, of problems connected with non-commercial transactions. The Committee was free to request its members to provide any complementary information it deemed necessary. Moreover, according to the general work programme, the stage of identification of problems would be followed by a stage of discussion of the means whereby mutually acceptable solutions to the problems could be achieved, and by a report to the CONTRACTING PARTIES. It could therefore be assumed that these discussions would also bear on the means of finding solutions to the problems of surplus disposals and, to underline the importance they attached to this, the CONTRACTING PARTIES could ask the Agriculture Committee to bear in mind the 1955 Resolution in this context. Improved procedures might in fact be one of the means towards mutually acceptable solutions, and subject to small textual changes, the Community could therefore accept the Director-General's proposals.

Mr. KIRKWOOD (Canada) said that his country, a major exporter of primary products, had long been concerned with the possible disruptive effects of surplus disposal activities. The problems which had given rise to the GATT resolutions in 1955 had since largely disappeared, in particular due to recurrent food shortages, the wider use of food in aid and development programmes and the increased financial resources allocated to the latter. At the same time, consultation procedures to ensure that surplus disposal transactions would not displace normal commercial marketings had been improved. As a result, discussion of this problem by the CONTRACTING PARTIES had become rather perfunctory. Recently, however, the problem had re-emerged for certain commodities. Disposals had been carried out through what might be considered traditional methods, but also by means which did not involve governments or government agencies actually taking surpluses in stock. Frequently the line between commercial and non-commercial transactions was not at all clear and it was understandable that some contracting parties might, for reporting purposes, have some difficulty in defining what constituted surplus disposal. The impact of excess supplies of certain commodities

on world markets was none the less very apparent and the CONTRACTING PARTIES clearly had a responsibility in that area. There was a definite need for periodic reviews of trends with respect to surplus disposal and of the efficacy of the GATT principles and procedures in fulfilling the intent of the 1955 Resolution. Canada therefore supported the proposal of the Director-General. It was assumed that account would be taken of work being done in other forums, particularly that of the Working Party established by the FAO Committee on Commodity Problems to examine the functions and future activities of the FAO's Sub-Committee on Surplus Disposal.

Mr. EASTERBROOK-SMITH (New Zealand) expressed his full support of the suggestions put forward by the Director-General.

Mr. LERENA (Argentina) considered that the questions of surplus disposals needed further analysis so as to provide sufficient guidance to countries engaging in such activities. In spite of past consultations in certain aspects, problems continued to arise for traditional exporters. Argentina had found itself displaced from markets, including those in its own vicinity, by subsidized exports from other suppliers. At present no consultation procedures applied to such transactions. Pointing to the particular responsibility of GATT in that area, he saw the Director-General's proposal as a practical manner of dealing with the problem, and therefore supported it.

Mr. AHMED (Pakistan) referred to the world surpluses of cotton in past years, which had been the cause of great concern to developing countries who produced and exported cotton. His country had been watching with interest and appreciation the continued efforts by the United States Government to reverse the upward trend of the cotton surpluses with a view to bring about a better market balance and to dispose of surpluses without undue disruption of the world market. The results of these efforts had been encouraging and it was gratifying to note that surpluses of cotton had declined and that stocks were coming down to a normal level. He welcomed this situation, but considered that it should be kept under review so that steps might be taken to ensure that if surpluses arose again, they would be disposed of in a manner which did not adversely affect the export earnings of the developing countries concerned. In this connexion, he also expressed the trust that in the formulation of its pricing policy the United States Government would continue to keep in view the interests of cotton producing developing countries.

Mr. RYAN (Australia) referring to the report submitted by his authorities (in document L/3105) stressed that none of the aid by Australia had been given in order to reduce surplus stocks, and that no surplus disposals had taken place. He thanked the United States for its full report. He supported the Director-General's proposal; this however should not mean that the existing procedures should be disregarded or that the 1955 Resolution should be left in abeyance.

Mr. SWAMINATHAN (India) supported the Director-General's proposal. He expressed his country's gratitude to the United States, Canada, New Zealand, Australia and others who had donated or made available on concessional terms foodstuffs that India had badly needed but would not have been able to buy

commercially because of balance-of-payments difficulties. Particular attention must be paid to surplus disposals of products such as tobacco or cotton which were of special interest to developing countries. The Agriculture Committee might, when considering the disposal problem, also look at the question of the creation and control of surpluses, and in the longer term also at the restructuring of world agriculture in a way that would allow developing countries to grow their own food as well as to increase their export earnings.

Mr. DUNNETT (United Kingdom) recalling his delegation's views on the rôle of the Agriculture Committee, said the terms of reference made it primarily an exploratory rather than a negotiating body, although any solutions that might suggest themselves in the course of its work could also be taken into account. He hoped that the term "establish procedures" would not be taken to mean that the Agriculture Committee would necessarily undertake consultations. Further, he assumed that the Committee would not be asked to consider problems related to non-agricultural commodities. He recalled that at the twenty-fourth session the CONTRACTING PARTIES had authorized the Council to supervise all aspects of the Work Programme; he therefore suggested that it might be more appropriate for the Agriculture Committee to report and make recommendations to the Council rather than report to the CONTRACTING PARTIES. He hoped these considerations could be taken into account before making a final decision on the proposal.

Mr. BESA (Chile) stated that the questions in regard of surplus disposal needed to be studied in depth; he therefore supported the Director-General's proposal. He pointed out that in certain cases, surpluses had been disposed of so as to help the development of countries such as his, which had a long-term contract agreement with the United States in this respect. This particular aspect should be taken into consideration, so as to avoid - or compensate for - any prejudice that might arise for less-developed countries from any action taken in respect of surplus disposals.

Mr. PERERA (Ceylon) said his country had been affected by surplus disposals. He supported the proposal of the Director-General, and added that the principle of non-interference with normal commercial channels of trade must be maintained.

The CHAIRMAN said that support for the proposal put forward by the Director-General was fairly general. He asked the secretariat to revise the text in the light of the comments made, to enable a decision to be taken in the following week.