

# GENERAL AGREEMENT ON TARIFFS AND TRADE

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## SUMMARY RECORD OF THE SEVENTH MEETING

Held at the Palais des Nations, Geneva  
on Tuesday, 19 November 1968, at 3 p.m.

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

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1. <u>Restrictions applied contrary to GATT and not covered by waivers - summing up by Chairman</u>	

As a summing up of the discussion that had been held at the previous meeting, the Chairman read the following statement<sup>1</sup>:

"There was general agreement with the view expressed by the Director-General concerning the inequity and anomaly involved in treating countries which apply quantitative restrictions without justification within the GATT more tolerantly than those whose restrictions are consistent with GATT's rules; it was not disputed that the time had come to deal with this problem, which had now been on the agenda of sessions for many years past and on which even the reporting of restrictions in force had been far from adequate.

"In the context of the need for GATT to address itself to solutions of acute problems, while preparing the groundwork for larger initiatives towards trade liberalization, the importance of a new and concrete initiative in the area of

<sup>1</sup>Also circulated as document W.25/7.

removal of quantitative restrictions was also recognized. In particular, some delegations noted that adoption of a procedure for dealing definitively with residual restrictions could offer significant help in warding off pressures for new protectionist measures.

"It was also recognized that the ultimate aim was removal of restrictions, so that care should be taken to ensure that the course adopted did not simply regularize the continuance of restrictions. In this connexion, several countries stressed the need to press for programmes for removal of restrictions, to be sparing in the grant of waivers, to look to the duration for which waivers were granted, and to make sure that rights of contracting parties under Articles XXII and XXIII were in no way impaired. The importance of periodical reviews of progress towards liberalization was also stressed. In this connexion it was proposed that some form of consultation procedure be established to consider residual restrictions perhaps along the lines pursued by the Committee on Balance-of-Payments Restrictions.

"Some countries saw in the hard core nature of the restrictions a reason for dealing with them through existing machinery of the main committees of GATT.

"Certain other countries were unable to support the New Zealand proposal as it would lead to consideration of quantitative restrictions on agricultural imports in a context which precluded simultaneous consideration of other measures of agricultural support, often far more harmful in their disruptive trade effects, simply because such other measures took different forms. They therefore favoured the use of existing machinery, which would enable the agricultural problem to be dealt with as a whole within the Agriculture Committee, referring other restrictions either to the Committee on Trade in Industrial Products or to the Committee on Trade and Development, as appropriate.

"Some countries, whilst stressing the structural and social difficulties underlying the residuals still in force and sharing to some extent the feeling that new machinery might not be conducive to real progress, expressed strong interest in further moves towards trade liberalization and declared themselves open to suggestion as to the procedures which might offer the best prospects of achieving substantial results."

## 2. Application of Article XXXV to Japan

Mr. NAKAYAMA (Japan) said that since the discussion of this item at the last session of the CONTRACTING PARTIES, the Government of Malta had notified its decision to disinvoke Article XXXV with respect to Japan, and he wished to convey his Government's appreciation to the Government of Malta. However, it was regrettable that, with this exception, the situation had not improved since last year. On the contrary, a new contracting party had invoked Article XXXV with respect to Japan. He drew the contracting parties' attention to the fact that some thirty countries continued to invoke this Article against Japan. This abnormal state of relations posed a delicate problem for his country; it also went counter to the efforts of GATT towards the development of normal trade relations. He once more appealed to the good sense of the countries concerned for an early disinvocation of the Article.

Mr. SWAMINATHAN (India) said that for many years his country had joined in the appeal for disinvocation of Article XXXV in respect of Japan. India had extremely cordial relations with Japan and their mutual trade had been increasing. This had been of great benefit to his country, not only for the exchange of trade, but also for the technical assistance India had received. Japan had applied intermediate technologies of development and had instituted research on development in such an efficient manner that many developing countries wishing to build up their own economies could perhaps profit by mutual exchange with Japan. He therefore suggested that those countries still invoking Article XXXV reconsider the matter as early as possible.

Mr. CURTIS (Australia) said that his delegation sympathized with Japan's desire to secure disinvocation of Article XXXV and therefore commended the position of the Japanese Government in this matter to those contracting parties which still applied the Article.

Mr. KIRKWOOD (Canada) said that in the statement by the representative of Japan under item 14, it was suggested that there was a relationship between the question of disinvocation of Article XXXV and the ability of the Japanese Government to move forward at a more rapid rate in the removal of Japan's residual import restrictions. His delegation regarded it as important that a positive approach be taken to both these questions. He strongly urged that those countries currently invoking Article XXXV with respect to Japan should take steps to regularize their relations with this major contracting party.

Mr. BARTH (Norway) speaking on behalf of the five Nordic countries, said that it was their hope that the GATT would move into a situation in which Article XXXV would no longer be invoked against Japan.

Mr. BRODIE (United States) reaffirmed his Government's continuing interest in the normalization of trade relations with Japan.

Mr. LACZKOWSKI (Poland) said it was paradoxical that Japan, one of the few countries in rapid development, still had to face quantitative restrictions and other types of difficulties from some thirty contracting parties. He joined in the appeal for the removal of these restrictions.

Mr. EASTERBROOK-SMITH (New Zealand) said that when Japan acceded to the GATT in 1955, New Zealand was one of the countries which invoked Article XXXV. Subsequently, his country had entered into a bilateral arrangement with Japan which provided for reciprocal most-favoured-nation treatment and for certain procedures to apply in the event, or threat, of market disruption. Their experience under the trade arrangement had been such that in 1962, New Zealand withdrew its invocation of Article XXXV and since then had enjoyed full GATT relationship with Japan. Since this disinvocation there had not been any serious market disruption problems caused by imports of Japanese goods. He mentioned New Zealand's experience because it could be of help and interest to those contracting parties which so far had not felt able to overcome their reservations about entering into full GATT relations with Japan. He urged the contracting parties concerned to reconsider their decision.

Mr. BARBOSA (Brazil) said that his Government also no longer applied Article XXXV to Japan.

The CHAIRMAN added his appeal to contracting parties still invoking Article XXXV in respect of Japan to find an early solution as this would contribute to a main objective of the GATT of removing restrictions and barriers to trade.

Mr. NAKAYAMA (Japan) thanked the contracting parties for their support and repeated that early disinvocation would be of benefit to all.

3. Provisional accession of Tunisia and the United Arab Republic (L/3087 and L/3088)

The CHAIRMAN said that the arrangements for the provisional accession of Tunisia and the United Arab Republic would expire on 31 December 1968. During the current year, it had not been practicable to proceed with negotiations for full accession and the two Governments therefore had requested extensions of the provisional accession arrangements. To facilitate consideration of these requests the secretariat had prepared draft procès-verbaux prolonging the Declarations on provisional accession for a further year.

The CONTRACTING PARTIES approved the texts prepared by the secretariat (Annex 1 of documents L/3087 and L/3088) and agreed that the procès-verbaux be opened for acceptance by the parties to the Declarations.

The CONTRACTING PARTIES also adopted the decisions (Annex 2 of the two documents) extending until 31 December 1969 the invitation to the two Governments to participate in the work of the CONTRACTING PARTIES.

The CHAIRMAN then drew attention to Annex 3 in each of these documents wherein the present status of the Declarations was set out. He said that the majority of the parties to the original Declarations had not accepted the extensions for 1968, and that delegations concerned should bring this situation to the notice of their Governments. The new extension for 1969 should be accepted promptly if formal GATT relations between their governments and the provisional acceders were not to be interrupted.

Mr. BENGHAZI (Tunisia) thanked the contracting parties for having accepted the request submitted by his Government.

Mr. KHALLAF (United Arab Republic) also thanked the contracting parties for having accepted their request and added that it was his Government's wish to continue its efforts to achieve full accession to the General Agreement. In this connexion, his delegation had submitted to the secretariat an aide-mémoire on their trade policies and relations with GATT. His delegation was at the disposal of all other delegations to prepare the ground for a meeting of the Working Party as soon as possible.

4. Modifications and rectifications (L/3062/Add.1)

The CHAIRMAN recalled that, at the last session, the CONTRACTING PARTIES had decided to abandon the Protocol Amending Part I and Articles XXIX and XXX. The principal consequence of that Protocol not entering into force was the loss of the amendment to Article XXX which would have provided a new procedure for the formal amendment of schedules following modifications made effective under Article XXVIII and other provisions of the GATT. The problem was explained in document L/3062 where it was proposed by the Director-General that an improved procedure replacing that which would have been established under the amendment of Article XXX, should now be set up by a decision of the CONTRACTING PARTIES. The Director-General's proposal, which was now before the CONTRACTING PARTIES for consideration, was set out in document L/3062/Add.1. In preparing this draft decision, the secretariat had had the benefit of expert assistance from legal advisers of a number of governments and also contacts with many permanent missions in Geneva.

The CHAIRMAN drew attention to one point which required explanation. The procedure provided for the circulation of draft certifications and the lapse of a period of sixty days during which contracting parties might raise objections on grounds specified in the decision; if there were no such objections, a draft would become a formal certification, thus introducing the specified changes into the authentic texts of the Schedules. It was understood that some parties were concerned that a period of sixty days should not include a holiday during which it would not be practicable for them to carry out the task of checking the details of the draft. He had been asked to state for the record that the secretariat would take account of this problem, and would ensure that holiday periods, such as the month of August, would not be counted within the sixty-day periods.

Mr. NAKAYAMA (Japan) said that his Government had no difficulty in accepting the proposed decision.

The Decision on Modifications and Rectifications, proposed in L/3062/Add.1, was adopted.

5. Trade in cotton textiles (L/3120)

The CHAIRMAN recalled that Article 8(c) of the Arrangement Regarding International Trade in Cotton Textiles required the Cotton Textiles Committee to review the operation of the Arrangement annually. The Committee had met in October and had conducted the annual review for 1968. Its report was contained in document L/3120.

The DIRECTOR-GENERAL, as Chairman of the Cotton Textiles Committee, presented the report on the review. As a result of the liberalization effected by certain importing countries in connexion with the extension of the Arrangement, improvements had been introduced in its administration. Some relaxation in import controls

and some increases in the levels of restraint or in the ceilings established under bilateral agreements had been secured. Certain bilateral agreements had been concluded under Article 4 in lieu of Article 2 restrictions. However, as was recorded in the report, some exporting countries had continued to be somewhat dissatisfied with the way in which the Arrangement was operated. They had referred inter alia to problems connected with excessive categorization, administration of quotas and licensing procedures. They had maintained that the Arrangement should be looked on as a transitional and temporary measure. It had been pointed out that existing restrictions on cotton textiles should be more rapidly eliminated and that this type of arrangement should not be extended to other fields. Certain importing countries had also referred to difficulties encountered by them in the implementation of the Arrangement.

In compliance with the conclusions adopted by the CONTRACTING PARTIES at their twenty-fourth session, importing countries participants in the Arrangement had reported to the Committee the steps taken by them to facilitate adjustments in their domestic industries. Following discussion in the Committee, it had been felt that the material reported by the participating countries should be further supplemented. Referring to paragraph 96 of the report, he said that it had been agreed that the secretariat, in consultation with delegations, should undertake inter alia a study of adjustments to facilitate the discussion at the next review, which would take place sometime before 30 September 1969. At that time discussions would also have to be initiated regarding the future of the Arrangement. He drew attention to the fact that the Committee was required, under Article 8(d) of the Arrangement, to meet not later than one year before the expiry of the Arrangement (30 September 1970) in order to consider whether the Arrangement should be extended, modified or discontinued.

In conclusion, the Director-General said that, after consultations with delegations, a questionnaire would be sent to both importing and exporting countries participants in the Cotton Textiles Arrangement to enable the secretariat to obtain the relevant information to prepare a report on adjustments.

Mr. AHMED (Pakistan) said that the cotton textile industry was one of the main sources of Pakistan's foreign exchange earnings. His country had a heavy adverse balance of trade with some of the developed market economy countries. The question of trade in cotton textiles was, therefore, a matter of direct and continuing concern to his country and it was important that, through substantial exports of cotton textiles and made-up goods, Pakistan should have an opportunity to increase its limited foreign exchange earnings. He pointed out that the understanding had been that the restrictive régime permitted by the Arrangement was of a transitional and temporary nature. The goal to be achieved was the progressive relaxation of restrictions with a view to their final elimination. Progress so far had been rather slow. His delegation attached the utmost importance to the early realization of this goal and therefore urged that the pace of progress be accelerated and all appropriate action taken to eliminate these restrictions

before the expiry of the present Arrangement. As long as restrictions under the Arrangement continued to be applied, the trade opportunities of developing countries like Pakistan would continue to be severely restricted. This would adversely affect its balance-of-payments position and its economic development. A practical way to improve the position would be for the developed countries to grant increased and meaningful quotas to the developing countries in their markets, and global quotas in appropriate cases in place of the existing country quotas so that all developing countries could have a fair opportunity to compete freely on merit. The quotas should be free from the many conditions and other administrative difficulties which were presently being experienced to enable their full utilization by the developing countries.

Mr. Ahmed said that the reports received so far on the measures taken by the importing countries to facilitate adjustments in their domestic industries showed that while certain countries had made a little progress, no tangible action had been taken by others. These structural adjustments generally appeared to proceed on a casual basis. This did not hold out much promise to realize the objectives of the Arrangement in providing greater opportunities for exports from the developing countries. The pace of these adjustments should therefore be accelerated, the more so as an important consideration underlying the extension of the Arrangement had been to allow further time for carrying out the necessary structural adjustments. He hoped that efforts being made presently in this respect would gather momentum and that the coming months would witness substantial advances towards solving the problems of the cotton textile industry. He was glad to note that the secretariat had been entrusted with the task of supplementing the existing material on adjustment measures so that it could form the basis of a more comprehensive discussion at the next review. He hoped that the importing countries concerned would furnish the necessary material as soon as possible, so that in turn the secretariat study could be circulated to the participating countries well in advance of the next meeting of the Committee, which he expected to be an important one.

Mr. YUNG CHUNG (Republic of Korea) said that his country had agreed to the extension of the Arrangement on condition that the Arrangement was of a transitional nature and that it would be administered in a more flexible manner, with due regard to the export interests of the developing countries. Many developing countries had stated in the reports of the Committee that the liberalization of trade in cotton textiles by the importing countries had not given satisfaction and that there was room for improvement in the administration of the Arrangement. His delegation wished to emphasize that importing countries should co-operate more positively with the developing exporting countries with a view to enabling them at least to utilize fully the quota allocated to them. In this connexion, he urged the importing countries to alleviate problems that arose from categorization, to provide for carry-over and carry-in and to leave

the administration of quotas entirely in the hands of exporting countries. Mr. Yung Chung said that he would expect that at the next meeting of the Committee attention should be focussed on the difficulties which many developing cotton textile exporting countries were facing. He added that progress in the field of structural adjustment measures taken by the importing countries seemed to be very minor. His delegation therefore felt that an overall analysis of the adjustment measures taken by the importing countries should be made available for consideration by the Committee.

Dr. KHALLAF (United Arab Republic) said that after the Arrangement had been extended, restrictions were imposed on exports from his country. He therefore expressed the hope that importing countries would resort only to the restrictive articles of the Arrangement in very limited cases and only where this was justifiable. He stressed the importance his delegation attached to the measures of adjustment which should be taken by the importing countries in a systematic way and more expeditiously with a view to normalizing in the very near future the flow of international trade in cotton textiles. Dr. Khallaf said that the Arrangement should be looked upon as a provisional instrument designed to remedy a special situation and it should not, therefore, be extended to other fields of textiles.

Mr. SWAMINATHAN (India) said that he would merely pinpoint the difficulties that the exporting developing countries were facing due to the categorization and the division and sub-division of cotton textiles items which could be exported by them. Referring to adjustment measures, he said that some documentation had already been circulated and a study had been entrusted to the secretariat. In his view, this study should be related to the objectives which were contained in the Arrangement. His delegation had said repeatedly that the developing countries had for many years put up with a situation in which the restrictive part of the Arrangement had received greater attention by the importing countries than the other provisions contained in the preamble relating to the development of the developing countries and the expansion of their exports. This situation had been accepted because the economic and political compulsions under which the Arrangement was proposed were recognized. But many appeals had been made that the time had come when the preambular part should be given more attention. In this respect he was pleased to reiterate that in the last two years or so there was much more evidence that this was being done by the developed countries. He stressed the importance his delegation attached to the preambular provisions which recognized that "such action should be designed to facilitate economic expansion and promote the development of less-developed countries possessing the necessary resources, such as raw materials and technical skills, by providing larger opportunities for increasing their exchange earnings from the sale in world markets of products which they can efficiently manufacture". He expressed the hope that this part of the preamble would be put into full force and implemented.



In conclusion, Mr. Swaminathan drew the attention of the CONTRACTING PARTIES to Article 1 of the Arrangement and said that in his view a serious attempt should be made to ascertain what adjustments were necessary in the pattern of production and trade so that the developing countries which possessed the raw materials and the skills and which could efficiently produce cotton textiles should be allowed to expand their production and exports of cotton textiles and to increase their exchange earnings. The study therefore should be directed to this particular objective to assess how far adjustments had progressed and what further steps were needed to secure greater progress in adjustments.

Mr. NAKAYAMA (Japan) said that he would confine his remarks to emphasizing the fact that the Arrangement had been drawn up to deal with the special problems of cotton textiles and should not in any way lead to the negotiation of similar arrangements concerning other textiles categories. In this respect he drew the attention of the CONTRACTING PARTIES to the provisions of Article 1 of the Arrangement.

The CHAIRMAN, summing up, said that in order to observe the provisions of the Arrangement, the next meeting of the Committee should be held before 30 September 1969. The study being prepared by the secretariat on adjustment measures should be made available in time for that meeting and the contracting parties should help the secretariat by providing the necessary material.

The CONTRACTING PARTIES adopted the Committee's report.

6. Caribbean Free Trade Association (L/3074)

The CHAIRMAN stated that several contracting parties in the Caribbean area had entered into an Agreement to establish a Caribbean Free Trade Association. The text of the Agreement, as reproduced in document L/3074, had been submitted to the GATT pursuant to paragraph 7(a) of Article XXIV.

Mr. ARCHIBALD (Trinidad and Tobago), speaking on behalf of the member States said that the Caribbean Free Trade Association, or CARIFTA as it was known, comprised Barbados, Guyana, Jamaica, Trinidad and Tobago, the Associated States of the West Indies - Antigua, Dominica, Grenada, St. Kitts-Nevis-Anguilla, St. Lucia, and St. Vincent and Montserrat. All were Commonwealth countries. It had become effective in the summer of 1968.

It could be seen that CARIFTA embraced an area of common historical ties with similar problems - an area which had, for generations, worked together and played together. Thus, it was natural and probably inevitable that these countries should evolve some form of regional economic co-operation to overcome the problems which were repeating themselves in varying degrees of gravity in one part or another. There was, however, no sense of aloofness; Article 32 of the Agreement provided for the accession of other countries.

The objectives of the Association were to promote the expansion and diversification of trade in the area by the elimination of tariffs and other barriers among CARIFTA members and to ensure that the benefits of free trade were equitably distributed. Annex A to the Agreement, referred to in Article 2, which listed the objectives, gave the text of a resolution adopted by the Heads of Governments at a Conference on Regional Integration. This resolution expressed the political will of member territories in regard to closer economic co-operation in the region.

In accordance with Article 4, tariffs on goods of area origin had been eliminated, but in view of the different stages of development and accepting the necessity for a transitional period to facilitate adjustment to the new situation, there were exceptions to the principle of complete, immediate removal of trade barriers. The Reserve List of Commodities set out in Annex B was one such exception. This list provided for a more gradual elimination of import duties by the less-developed countries of the area, which were allowed a ten-year period instead of five years.

Annex D afforded a second exception to the general principle. It provided for the progressive elimination of the effective protective element in revenue duties as applied to certain imported goods. Here also the time differential in favour of the less-developed countries was introduced.

The basic materials list, appearing as schedule to Annex C, set out the products by SITC classification to be regarded as originating wholly within the CARIFTA area when used, as described, in a process of production within the area. This list recognized the fact that the development of industries in member territories would, to a great extent, depend on raw materials imported from outside the area.

There was also an Agricultural Marketing Protocol which lay down marketing arrangements as a means of encouraging trade among CARIFTA members in the commodities listed in an annex. This Protocol was designed to be of assistance particularly to the less-developed countries in the area whose economies were almost wholly dependent on agriculture.

These Annexes and Protocols illustrated the efforts all members of the Association had made to strike a delicate balance between the needs of the area as a whole and the problems which individual countries faced, while respecting their obligations to the international community and to the GATT in particular. To this should be added that Article 12 of the Agreement called on the member territories of the Association to act in accordance with their international obligations with respect to dumped or subsidized imports.

Another important article was Article 21, which dealt with the difficult balance-of-payments problem. It allowed a member territory to introduce quantitative restrictions on imports - among member territories for the purpose of safeguarding its balance of payments. The Article also empowered the Council of the Association to take account of the interests of all member countries and to devise special procedures to attenuate or compensate for the effect of any restrictive measures brought about through balance-of-payments difficulties.

Thus CARIFTA had from the outset eliminated barriers to substantially all the trade within the area and would, by strengthening the economies in the area, contribute to the expansion of trade both among member territories and with other countries. Member territories were prepared to co-operate fully with the CONTRACTING PARTIES, to enter into whatever further consultations they might request and to make available all necessary information.

Mr. DUNNETT (United Kingdom) said it was a pleasure for him to commend the Caribbean Free Trade Association to the CONTRACTING PARTIES. The United Kingdom Government was responsible for representing in the GATT the interests of the seven Associated States of the Windward and Leeward Islands, and in that capacity the United Kingdom delegation fully associated itself with the remarks of Mr. Archibald. Beyond that, however, lay the long historical association that linked the United Kingdom with every one of the signatories of this Agreement.

Having examined the text of the Agreement, his Government was well satisfied that it met the criteria of Article XXIV of the GATT. It established a free-trade area which covered substantially all the trade between the participants and there was a firm plan and schedule for its achievement. Contracting parties would note that the few exceptions to the immediate achievement of free trade were related to the needs of the less-developed members of the Association.

Closer economic association in the Caribbean had taken a long time to mature. There had been disappointments, but now he felt sure that CARIFTA would play an important part in increasing the flow of trade within the area and thus contribute to its greater economic prosperity. He wished to pay tribute to the statesmanship of all the leaders of governments in the area who had exerted the political will to bring it to fruition.

The CHAIRMAN said that the CONTRACTING PARTIES would no doubt wish to refer the Agreement to a working party for examination under the relevant provisions of the General Agreement.

Mr. BEECROFT (Nigeria) stated that his Government recognized that the most effective way of expanding trade among developing countries was through regional integration. Nigeria had been foremost in promoting this concept in Africa and therefore congratulated the Governments signatories of the CARIFTA for their decision. He particularly welcomed the provision which envisaged special treatment for the less-developed members of that organization. This was a concept which his Government had advocated in several organizations. His delegation took note that the Agreement had been submitted to the CONTRACTING PARTIES in conformity with paragraph 7(a) of Article XXIV of the General Agreement and looked forward to participating in the working party.

Mr. PRADHAN (India) said that his delegation welcomed this sub-regional arrangement and wished its participants all success in attaining the objectives of the Agreement, namely to strengthen the economies and expand trade in the area. The Indian delegation had taken particular note of the additional point that efforts were also directed towards expanding trade with developing countries whether participating in this sub-regional arrangement or not. The Indian delegation looked forward with great interest to the work of the working party and wished to be associated as a member.

Mr. AZEREDO DA SILVEIRA (Brazil) stated that his delegation viewed with great sympathy the formation of the Caribbean Free Trade Association.

Mr. BRODIE (United States) stated that the United States delegation wished to serve on the working party.

Mr. KIRKWOOD (Canada) said that Canada enjoyed a close and friendly relationship with the countries associated in CARIFTA and was certainly most interested in the efforts of those countries to develop a viable free-trade area. The suggestion to convoke a working party in the customary way was welcomed and Canada would wish to be represented on it.

The CHAIRMAN said that the establishment of a working party having met with general approval, the following terms of reference should be appropriate:

"To examine, in the light of the relevant provisions of the General Agreement, the Caribbean Free Trade Agreement and to report to the CONTRACTING PARTIES."

This was agreed and the Chairman invited contracting parties wishing to participate in the working party to inform the secretariat.

Mr. Beecroft (Nigeria) was appointed Chairman of the working party.

The Chairman further suggested that to expedite the examination of the Agreement, contracting parties wishing to ask questions concerning its interpretation or implementation should submit them in writing to the secretariat; a questionnaire would be prepared by the secretariat for submission to the member States. The questions and answers would be distributed and the working party would then be convened.

7. European Economic Community

Mr. HIJZEN (European Economic Community)<sup>1</sup> emphasized that since 1958 the Community had made a point of informing the CONTRACTING PARTIES, at each of their annual sessions, of all aspects of progress and developments in setting up the customs union that were of interest to GATT, and had also furnished statistical data to supplement such information. Each year these statistics had shown a positive correlation between progress in the EEC's economic integration and expansion of trade with third countries.

Although at the outset the creation of the common market had given rise to certain fears and apprehensions among their partners, one might well consider after the ten years that had elapsed that such fears had not proved correct and that the objective set forth in Article 110 of the Rome Treaty had become effective.

Since 1 July 1968, the customs union had been fully achieved and had become effective with respect to industrial products, one and a half years ahead of the schedule established by the Rome Treaty. With respect to agriculture, where free movement of products was being introduced at a different pace under a continuing and progressive process in relation with the gradual establishment of a common organization of the market, the time schedule provided for in the Treaty had been observed. As of 1 July 1968, 47.6 per cent of the Community's agricultural production and 49.1 per cent of its intra-trade had been liberalized. Since then, the entry into force of common prices for sugar, dairy products and bovine meat had increased these percentages to 86.1 and 75.2 per cent respectively.

In practical terms, that new stage signified the complete abolition of customs duties on industrial products as between the Six and the implementation of the external tariff of the Community by means of a third and last approximation of national tariffs with the common customs tariff as it resulted from the application, on the same date, of 40 per cent of the Kennedy Round reductions.

At a time when one might have feared that the Community feeling of solidarity might lead the member States as a whole to postpone the tariff reduction dates, this Community spirit of solidarity in fact had acted in the direction most favourable to the interests of third countries. This had been the first test case in which the Community countries could demonstrate their ability and determination to use their solidarity as an instrument for safeguarding the liberalization and development of trade.

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<sup>1</sup>The full text of Mr. Hijzen's statement was circulated in document L/3124.

The establishment of the common market had also made the adoption of certain measures necessary to prevent any deflection of trade and evasion of duties. For that reason, the Community had brought into effect on 1 July 1968 regulations relating to a common definition of the concept of the origin of goods and of valuation for customs purposes.

National tariff quotas, applications for which had reached a peak in 1962 (278 requests) had been declining steadily in recent years, with only seventy-seven requests in 1967 and sixty-six in 1968 (104 such requests were granted in 1962 and sixty-one in 1967) and had further declined this year as twenty-six national tariff quotas only had been granted, other requests having been met in the form of Community tariff quotas (sixteen) or duty suspensions (twenty-one). Duty suspensions on 139 items had been introduced for 1968, of which thirty-seven involved full suspension.

Having achieved its customs union, the Community had now to consolidate it by completing the harmonization of customs legislation, eliminating technical obstacles to trade, and progressively eliminating tax frontiers. Above all, the Community had to build up an economic union as a prerequisite for the smooth operation of the customs union, establish the common policies provided for in the Treaty, complete the common agricultural policy and structure it in such a way that it could go beyond the stage of instituting the means of action, complete the process of unifying or harmonizing policies on trade, social matters, competition and transport, and undertake new activities in the field of industrial policy.

All those aspects were primarily matters of internal consolidation, but at the same time the consequent simplification presented obvious practical advantages for the establishment and implementation of plans and projects of exporters and investors in third countries, and should be beneficial to economic and trade expansion in general.

This was, however, a long-term undertaking, but the time had come to recognize that within the meaning of Article XXIV of the General Agreement the customs union of the Six had been achieved. The economic and political fact of the existence of the common market had become an irreversible element closely woven into the texture of GATT relationships. The obligations of the member States under the General Agreement were now very largely identical with the obligations of the Community itself.

From the aspect of the practical and pragmatic assessment of results over the ten years that had led to the achievement of the customs union, one could see that the evolution of the facts furnished all the necessary replies to the questions raised by the CONTRACTING PARTIES with respect to the Rome Treaty in 1958. To throw some light on those results, without a lengthy enumeration of statistics, the EEC were distributing a booklet in which each delegation could at leisure look up the figures in which it was interested. But he would emphasize

once more that despite the decline in the relative share of third countries in the trade of the member countries - which was a normal consequence of the establishment of a common market - Community trade with other countries had also benefited very substantially from internal expansion, as might be seen from the growth rates recorded since 1958: 90 per cent on the import side and 100 per cent on the export side. All geographical areas had shared in this increase in Community imports, as indeed had all categories of products.

The Community's trade deficit and its exchanges with developing countries had been growing over the past few years and had passed the \$3,000 million mark. Far from attempting to reduce this deficit, the Community viewed it as a healthy trend and was encouraging it in various ways (for example, non-phasing of tariff reductions, duty suspensions).

He thanked delegations for their patience in listening to his lengthy statement and to those in earlier years. The common market had now been fully achieved within the meaning of the provisions of Article XXIV of the General Agreement, so that in future he would no longer have the pleasure of taxing in this way their patience and attention. From now on, he said, it would be the Community's activities, its active co-operation in the pursuit and achievement of the objectives of GATT that would bear testimony.

Turning to the evolution of the Association of African and Malagasy States with the Community, Mr. Hijzen stated that here, too, the Community had reached a stage for stocktaking and reflection. The Association had now ten years' experience behind it. The Yaoundé Convention was due to expire on 31 May 1969, and negotiations for its renewal would have to be commenced before the expiry date. The preparatory work and consideration in this regard were based on a two-fold concern - on the one hand to adapt the existing provisions to their objective, and on the other hand to take account of changes in the economic situation in recent years, particularly so far as the problem of trade between industrial countries and developing countries was concerned.

The Association's trading system included a set of reciprocal obligations intended to secure trade expansion. It was acknowledged that results so far in this respect had fallen short of the hopes and expectations of the associated States. This trading system had not enabled them to increase their share in the Community market, but it had nevertheless enabled them to retain that share. That finding alone would be sufficient justification for the existing system, having regard to the particular responsibilities that the Community felt in duty bound to undertake towards those countries, pending an adequate and equitable solution that would also bring into play international responsibility.

Mr. PETROUTSOPOULOS (Greece) said that during the past year the progressive attainment of the customs union between the EEC and Greece had been continued (L/3143). As from 1 July 1968 imports of industrial goods from Greece into the market of the Community were duty free. Agricultural products, which were of particular interest for Greece, benefited at the present stage of reductions from 85 to 100 per cent of the basic customs duties. The following concessions should be mentioned: duty-free imports of tobacco and raisins, which were the main export products from Greece; reduction of the customs duties of 85 to 100 per cent for fresh or canned fruit and vegetables; tariff quotas for some kinds of wine on which customs duties were applied which were identical with the intra-Community duties; and a régime with a lump-sum cut of \$5 per ton for olive oil and full exemption for olives.

Imports of industrial products from the Community into Greece benefited as from 1 November 1968 from a tariff reduction of 50 per cent with the exception of products which were submitted to a slower rate of liberalization. The customs duties for those products had been reduced by 15 per cent as from 1 November 1967. In the agricultural field the liberalization was also following the programme which had been established by the Association Agreement. Since 1 November 1967 the Community enjoyed a level of liberalization of 75 per cent of the private imports in 1958 and the opening of global quotas for non-liberalized products.

Concerning the alignment of the customs tariff of Greece to the common tariff of the Community, a first move had been carried out on 1 November 1965 for the products which were submitted to the rhythm of a tariff liberalization of twelve years. For agricultural products which were not covered by Annex III to the Association Agreement, the application of the common customs tariff had been belated. As to the products of Annex I to the Agreement which were submitted to a slower rhythm of liberalization (twenty-two years), the first move would be taken on 1 May 1970.

Finally, he stressed that the trade between Greece and the non-member countries of the EEC had clearly increased. That progress was particularly important with respect to the trade between Greece and the developing countries.

Mr. AKINCI (Turkey) gave a summary (L/3142) of the implementation of the Association Agreement with the EEC in the course of the past year. The developments during the years 1967-1968, had on the one hand to do with tariff quotas opened by the member States for four Turkish products and on the other hand with new products on which certain facilities of access to the market of the Community had been granted.



In November 1966 the Council of the Association had decided to increase for 1967 the volumes of the quotas for tobacco, raisins, dried figs and hazelnuts. In 1967 those quotas were used for tobacco with 83.6 per cent - 1.6 per cent higher than in 1966; for raisins with 76 per cent - 2.5 per cent under the rate in 1966. With regard to dried figs, the rate of utilization of quotas was 82.5 per cent, which was 15.5 per cent less than the rate for 1966. For hazelnuts the quota had been fully used. In addition to this tariff quota (18,700 tons) the Community had imported 3,984 tons of hazelnuts in the course of 1967. As from 1 January 1968 the national tariff quotas for tobacco had been changed into Community quotas. The customs duty applicable within this quota was zero. The national quotas provided for the three other products had been changed into Community quotas on 1 July 1968. The customs duties applicable were 4.7 per cent for dried figs and 2.5 per cent for hazelnuts. Raisins were duty free. The volumes of the quotas had remained the same as in 1967 for all four products.

To a number of products (about 5 per cent of the total exports from Turkey to the EEC) the Association Council had granted new disposal facilities. These facilities consisted in opening national tariff quotas at a reduced customs duty level or in granting inter-Community duties for certain fish and sea-foods, for certain good quality wine and for certain textile products. Turkey had also been granted tariff preferences for table grapes and citrus fruits. Finally, tariff reductions which had taken place as a result of the Kennedy Round for certain hand-made carpets had been implemented as from 1 December 1967. National tariff quotas for certain textiles had been replaced by Community quotas as from 1 July 1968.

With regard to the Ankara Agreement, the Association Council would in the near future examine the possibility of proceeding from the present preparatory phase to the transitional phase. The CONTRACTING PARTIES would be informed of the results of these efforts.

Mr. EBONGO (Cameroon) referred to the forthcoming negotiations concerning the renewal of the Convention of the Association of Yaoundé. In order not to prejudge the state in which the eighteen African and Malagasy States intended to negotiate, they would abstain from any joint statement in reply to the statement of the representative of the Community. As delegate from Cameroon, however, he wished to make a few comments with regard to the negative aspects of the trade between the eighteen countries and the EEC. This balance must be taken into account, he added, referring to the criticism in the past of the "discriminatory nature of that association".

He made an appeal to the understanding of the other developing countries to revise the approach in which they had considered that association. The eighteen African and Malagasy States were among the least developed countries and they would hardly understand that in the moment when different forms of aid existed

the preferences given by the EEC countries to them should be opposed by those who should be in favour of their development. They hoped, therefore, for the solidarity of all developing countries at this session of the CONTRACTING PARTIES in coming to a more constructive criticism which might help to promote an instrument which could be a model for other associations.

The eighteen countries appealed to the developed countries, not members of the EEC, which were inclined to criticize and to attack the association, for the same feeling of understanding. With regard to certain developed countries which were important trade partners of the eighteen associated States, he emphasized that the imports of investment goods from those contracting parties had shown hardly any decrease and that the fiscal conditions for the import of capital equipment were extremely favourable.

Finally, he requested the common market partners to draw the conclusions from the balance sheet of the Association, as presented to the CONTRACTING PARTIES, in order to find a positive basis for the negotiations on the renewal of the Yaoundé Convention.

Mr. NDONG (Gabon) said that his country, as one of those involved in the renegotiation of the Yaoundé Convention, had followed a liberal trade policy and was aware of its responsibility as a contracting party to GATT. In pursuing this liberal trade policy, his country would take into account its need to establish adequate structures for production and export. It was with this idea that his country had opened relations with the EEC. They intended to develop them without neglecting the interests of their major trading partners.

The question on the agenda could signify a legitimate desire for information by contracting parties alarmed to see a new system of discriminatory trade set up and therefore wishing to influence it. He added that the associated States found themselves involved in an unprecedented situation, inasmuch as it meant giving the contracting parties, if not the ideas behind the major dispositions of the future convention of the Association, at least an indication of the main features. There were, however, many contracting parties which had had to negotiate bilateral arrangements and on no occasion had it been attempted to have consultations in advance. In the case in question, the major ideas of the members of the Yaoundé Convention were well-known. It was also well-known that in spite of their association with the EEC, the African and Malagasy States were just able to maintain an acceptable level of exports to the Community. After all, in spite of the Yaoundé Convention, the EEC had in the Kennedy Round granted tariff concessions on products of great interest to the trade of the associated States. Finally, he stressed that in the case of the creation of a new Association Agreement with the EEC, his country was prepared, in accordance with the other associated States and only at that time, to give all clarification or all information to dissipate the concern which might arise among the contracting parties.

Mr. BRODIE (United States) welcomed the report by Mr. Hijzen and, in particular, the indications he had given which reflected the Community's continuing interest in liberal trade policies. Nevertheless, his delegation wished to express its concern over certain developments which, he believed, should be and were shared by other contracting parties. His Government considered the Community's common agricultural policy and its discriminatory preferential trading arrangements to be the important problem areas. His Government continued to be concerned by the growth of uneconomic agricultural production in the European Community as a result of regulations in effect and by proposals which would extend the present system to new sectors. His Government would hope that the current debate within the Community over its agricultural policy would lead to the adoption of policies which neither provided further undesirable development of farm production in the Community nor shifted to other producers an inequitable share of the burden of adjustment.

The United States Government was seriously concerned about the spread of discriminatory preferential trading arrangements, and regretted in particular that the European Community continued to demand reverse preferences from its developing country associates. His Government wished to express its deep disappointment that recently some associated countries had abandoned their traditional most-favoured-nations policies by agreeing to extend reverse preferences to the Community. Others, his Government was pleased to note, had not done so. In this connexion, his Government strongly hoped to see included in a renegotiated Yaoundé Convention, provisions that existing preferences would be subsumed in any generalized preference scheme. His delegation also urged that no new action on preferential arrangements, by developed countries for developing countries, be accorded by the Community which, in addition to their other adverse effects, would further complicate the possibility of reaching agreement on a generalized preference scheme. It was his Government's view that the GATT member countries negotiating new preferential agreements or changes in such agreements should provide the CONTRACTING PARTIES with an opportunity to consult prior to placing them in effect. Finally, as his Government had stated on previous occasions, the United States reserved its rights under GATT in connexion with any adverse trade effects arising from the European Community's discriminatory preferential trading arrangements.

Mr. NIOUPIN (Ivory Coast) said that he would submit a few ideas as to the feeling of the African and Malagasy States which were associated with the European Economic Community. At the time of their association these States were not independent, but in 1960 when most of them had become independent they freely confirmed this decision which had been taken on their behalf. The associated States recognized that the association had not only been necessary for their development but that it also had represented the most appropriate form of assistance. He stressed the value and stimulating influence of the association in the financial and technical fields and also in foreign trade. As to the financial and technical co-operation he emphasized the permanent adaptation to the specific needs and requirements of each of the associated States. From the financial point of view the associated countries had appreciated the efforts of adaptation of the assistance to their particular requirements. Thanks to the

economic and social investments it had been possible to overcome certain bottlenecks which would otherwise have paralyzed most of their efforts. Through the impulses given by the assistance for production and diversification of production, the associated States had launched an effort for improving their traditional structures, for the diversification of their economies and for the expansion of their trade. They could maintain at a practically constant level the volume of their exports to the Community. This was the only trade effect of the protection which the associated countries enjoyed in the market of the EEC. If this protection had been suppressed, under the fallacious pretext of respecting certain rules, without replacing it by anything tangible and concrete, guaranteeing equivalent advantages, the spirit of the rules one attempted to respect would have been violated. The objective of GATT which was the expansion of trade would not be respected. The trade expansion of countries, which were among the most under-developed, would be disrupted in favour of other developing countries which were in a more favourable position. He stressed again that it must be borne in mind that they were practically the poorest of the developing countries. He emphasized that it could not be said that all developing countries had reached the same level of economic development and must be placed on an equal footing. The situation of the associated African and Malagasy States could not be described as discrimination, although there was a tendency to do so. Such discrimination could then be found everywhere in bilateral relations, in all forms of assistance, regional and otherwise, given by any developed country throughout the world to any group of developing countries. Those who maintained such a position were not working in favour of the cohesion and coherence of developing countries in general; they were trying to create discord. They should bear in mind that the eighteen developing countries which were on the eve of renewing their association with the EEC would make every possible effort to defend themselves. A positive way of dealing with these problems would be to consider in totality the real situation of all developing countries.

In summing up he said that other countries had found other ways of adapting to their own needs and to their own temperament. As far as the eighteen African countries were concerned they thought that they had found a solution well adapted to their position, to their needs and to their temperaments.

Mr. AZEREDO DA SILVEIRA (Brazil), speaking also on behalf of the delegations of Argentina, Chile, the Dominican Republic and Uruguay, said that they were not in agreement with the view expressed in the statement by the delegation of the Ivory Coast. The Latin American countries had never refused to fight for the unity of the developing countries, but they were not in favour of discrimination. No developing country really benefited from discrimination. They believed that this problem should be negotiated mainly among developing countries. The Latin American delegations had been trying to do so.

Mrs. ZAEFFERER DE GOYENECHE (Argentina) referred to the very important statement by the European Economic Community and suggested resuming the discussion on this item at a later meeting. Her delegation wished to have an opportunity to examine the EEC statement in detail and to be able to carry out some comparisons with regard to some of the statistical data given in the booklet which had been distributed. The statement by the Community indicated a positive

correlation between the progress of the Community and the development of trade relations with third countries. In another part of the statement it was said that all geographical zones and all products were sharing in that increase. Her delegation wanted to have time to consider those points, and to make some comments on questions which were very acute in her country. She therefore requested time for reflection over Mr. Hijzen's statement that this would be the last time that the representatives of the Community would report to the CONTRACTING PARTIES.

Mr. ADEBANJO (Nigeria) emphasized that there was a refrain which ran through all reports the CONTRACTING PARTIES had reviewed up to now, and that was that the trade of the eighteen associated African countries with the European Economic Community had not been increasing. Moreover, they were also losing their competitive position with respect to certain products. His Government supported the view of the Ivory Coast in respect of the eighteen countries. He pointed out that some other developing countries granted preferences to the United States and that the United States even had certain preferential arrangements with Latin American countries. The idea of granting preferences by developed countries to developing countries had been universally accepted. He would therefore suggest that developed countries who were not already conceding preferences should think of doing so before appropriate provisional agreements were made for extending the scope and content of existing arrangements. Those concessions of developed countries could be regarded as a kind of interim measure. At a later stage the question of the harmonization of preferences could be profitably discussed. He referred to Australia, which had already done something for developing countries. The content and scope of this type of agreement could be widened. Then the CONTRACTING PARTIES would be in a position to give a sort of universal blessing to this type of arrangement. Finally, he referred to the special position of the eighteen African countries which had even been recognized by the World Bank. In the latest report of the Bank it had been stated that the development in Africa would be stepped up within the next few years.

Mr. SWAMINATHAN (India) referred to the apprehensions which had been expressed by many countries in respect of the effects of the Rome Treaty on the trade of third countries when it had been presented to the CONTRACTING PARTIES in 1958. He was aware of the problems which the Community was still facing. His delegation was gratified at the impressive list of concessions which the Community had been able to grant to other contracting parties, for instance suspensions of duties, from which his country had benefited in a number of cases. His delegation, and, he was sure, other delegations, welcomed the assurance contained in the statement of Mr. Hijzen (European Economic Community) that having become an integrated customs union and a common market now the Communities were in a position to turn their attention towards promoting the objectives of the General Agreement. His delegation looked forward to the practical implementation of that assurance.

There was a climate of imaginative change and progressive mutual assistance in the world and in the light of this fact his delegation wished to make a few suggestions, which he would like the delegates from the European Communities and the member countries to take with them and think about and help in implementing. Firstly, he suggested that simultaneously with their own still existing internal preoccupations, the Communities might give more time and rapid attention to the

solution of the difficulties of other contracting parties, particularly of the developing countries. As examples, they might consider an early complete implementation of the Kennedy Round tariff reductions, especially in the case of developing countries. Secondly, the Community might reduce the very large duties which still applied to certain export items of special interest to developing countries. The delegate of the European Communities had pointed out that the average of customs duties on industrial products was now only about 10 per cent. There were, however, some items of special interest for some developing countries which had very much higher customs duties - up to 25 per cent in some cases. The Communities should give early attention to the reduction of those duties. In this connexion, he mentioned cotton textiles, jute manufactures, fibre products, unmanufactured tobacco and certain processed agricultural products. Thirdly, the member countries and the Community itself should try to do some import promotion for the products of developing countries and generally expand their trade with the developing countries.

His second major suggestion was that the Communities should now feel ready to accept completely the implications of Part IV of the General Agreement, not only in principle but also in fact and in law. As a third major point, he suggested that, being an association of some of the most economically strong and important countries in Western Europe, the Community should play an important rôle in getting the developing countries to expand trade with one another and to achieve progress in whatever way they could - he emphasized the words "in whatever way they could" - in regard to the establishment of a generalized system of non-reciprocal preferences in favour of the developing countries. As a possibly relatively minor suggestion, but one which was of great importance to some developing countries, he expressed the hope that Greece and Turkey, which had only a small number of export items, would expand the scope of their exports. Tobacco was of great importance to both countries, and they should be able to sell a great deal of this product. However, expanded sales affected the exports of tobacco by other developing countries like India, Malawi and some other countries. Solutions should be found by the Community which, while they did not affect Greece and Turkey, would help countries like India, perhaps Pakistan, Malawi and others, which were also tobacco exporters.

Mr. NIOUPIN (Ivory Coast), replying to some of the comments that had been made, emphasized that the eighteen African and Malagasy States which were associated with the EEC had always had a constructive attitude in all discussions. He therefore reaffirmed all that he had said in his earlier statement.

Mr. HIJZEN (Commission of the European Communities) thought there was some confusion as to the purpose of the discussion. The information which the Community had been giving for years was in strict relation to its progress towards a customs union. The question of the policy of the European Economic Community was a different subject. There was no reason why the future policy of the Community should be the subject of a specific and particular discussion. However, a number of questions had been asked. The representative of the United States, for example, had made a few comments on agricultural policy and had expressed certain hopes. The Community did not refuse discussion of these questions or of any problems the CONTRACTING PARTIES were faced with, but, referring to the work which

had to be carried out in the Agriculture Committee, Mr. Hijzen pointed out that discussion of the agricultural policies of all contracting parties was quite a different matter from a discussion of only the agricultural policies of the European Economic Community. The Agriculture Committee was the place to discuss agricultural policies. The limit of the subject and of the item of the agenda should be borne in mind in order to bring the necessary order into the discussions. He had taken note of what the representative of the United States had said, as to his fears and difficulties with regard to a certain number of actions by the Community in the agricultural field, and he was certain that there would be an opportunity of returning to these points on many occasions. Concerning the second remark of the representative of the United States, regarding the trading arrangements between the EEC and a number of developing countries, he referred to the statements of the representatives of Nigeria and the Ivory Coast. This question had already been discussed at great length and the CONTRACTING PARTIES would have every possibility to discuss it again if these agreements were submitted to the CONTRACTING PARTIES. Mr. Hijzen added that he would report the remarks of the representative of the United States to his authorities in Brussels. With regard to the remarks of the delegation of Argentina he referred to page 104 of the booklet of statistical data distributed by the EEC; it showed that 33 per cent in 1958 and 43 per cent in 1967 of the total exports of Argentina were exports to the Community. He thanked Mr. Swaminathan (India) for his friendly statement and said his suggestions and remarks would be reported to Brussels. Referring to the comparison between the average Community tariff and the customs duties which were applied to certain products from India he stressed the difficulty of drawing such comparisons. Another comparison could also be drawn, namely between the relatively low average EEC tariff and that of other countries.

Mr. Hijzen queried the necessity to reopen the discussion on this item. He had replied to some of the statements made and the representative of Argentina could ask his questions directly to him and perhaps in the future in the Agriculture Committee. On the other hand, there were many other points which required careful preparation for the following meetings, and the time-table presented certain difficulties for him. He therefore wished to know whether a reopening of the discussion was in fact the wish of the CONTRACTING PARTIES.

The CHAIRMAN suggested that the possibility should remain open for a further discussion of this item and this was agreed.

8. Ceylon waiver - duty increases (L/3079)

The CHAIRMAN recalled that, in January 1967, the Government of Ceylon had been granted a waiver permitting the maintenance of certain import duties above those bound in the Ceylon Schedule. The waiver would expire on 31 December 1968 and the Government of Ceylon had requested an extension of the time-limit and also an extension of the commodity coverage including some additional items on which duties had been increased recently. The communication from the Government of Ceylon had been distributed in document L/3079.

Mr. PERERA (Ceylon) said that his Government's request was not correctly expressed in document L/3079. Ceylon had been given a waiver in 1961 in connexion with certain increases in duties, and this had been extended from time to time, the last extension being in 1967. In the meantime, the Government of Ceylon had undertaken a rationalization of tariffs consequent on its adoption of the Brussels Tariff Nomenclature and a measure of liberalization necessary for the development plans. The Government had not completed this tariff exercise, but certain duties announced in August in connexion with the annual budget for 1968/69 had affected Schedule VI, both most-favoured-nation duties and preferential duties. The summary effect on Schedule VI was shown in the table on pages 3 and 5 of document L/3079.

In the case of the most-favoured-nation tariff, the total value in 1967 of the trade in the bound items was Cey Rs 237 million. Of this trade the duties affecting Cey Rs 101 million worth of trade were now either below the bound rates or had been eliminated. Trade worth Cey Rs 72 million was at the bound rate. This left a balance of Cey Rs 64 million which had been affected by the changes introduced in the recent budget. Value of the trade moving under the preferential tariff items was Cey Rs 49 million in 1967. Of this value only Cey Rs 2.5 million's worth of trade was affected by the changes, while Cey Rs 46 million's worth of trade was now coming at lower tariffs than the bound duties or duty free. The contracting parties would see from these figures the degree of liberalization that had been carried out.

Document L/3079 contained requests for a number of waivers. His Government was now revising these requests and wanted only one waiver to cover higher duties on forty-five items out of the 122 items in the most-favoured-nation tariff and on five out of the forty-seven items in the preferential tariff. His delegation had submitted to the secretariat full details of the items affected and was prepared to present them to any working party which might be appointed. As pointed out earlier, the tariff exercise was still proceeding and there were prospects of the bound rates of duty being restored when the exercise was finished. In view of this, he suggested another possible course of action for the CONTRACTING PARTIES. That was to note at this session that the changes referred to had taken place and give his Government time until next year to present the final outcome of the changes which would then make the object of a request for a waiver, if any, of the bound items affected.



It was agreed to establish a Working Party with the following terms of reference and membership:

"To examine the report submitted by the Government of Ceylon relating to its increases in bound duties and to report to the CONTRACTING PARTIES at this session."

Membership:

Burma	European Communities	Sweden
Cameroon	India	United Kingdom
Canada	Japan	United States
Ceylon	Kenya	Uruguay
Czechoslovakia		

Mr. A. Perdon (France) was appointed Chairman.

9. France and Germany waiver - Saar Territory (L/3091)

The CHAIRMAN said that the Governments of France and Germany had submitted their eleventh annual report under the waiver granted in 1957, permitting the maintenance of a special régime for their trade relations with the territory of the Saar. The report had been distributed in document L/3091.

The CONTRACTING PARTIES took note of the report.

10. Malawi waiver - renegotiation of Schedule (W.25/5)

The CHAIRMAN recalled that at the last session the CONTRACTING PARTIES had granted a waiver to the Government of Malawi permitting the application of new rates of duty pending the conclusion of renegotiations under Article XXVIII, and pending the examination of changes in margins of preference. The Government of Malawi had been prepared to conduct the negotiations during the early part of 1968, but it had not been practicable to carry out this work at that time, with the result that the extension of the waiver until the end of June 1969 was now requested.

Mr. LOVATT (Malawi) said that his delegation regretted having to request a prolongation, particularly as it had been confident a year ago of being able to complete the negotiations in time. Unfortunately, pressure of other business had made this impossible. He said that if a prolongation of the time-limit was granted it was his Government's intention to send a negotiating team to Geneva early in 1969 and he hoped that during the period allowed the negotiations would be completed.

Mr. BRODIE (United States) said his delegation supported the extension of the waiver. However, a concordance from the old to the new Schedule was necessary in order to carry out the Article XXVIII negotiations and the examination of the changes in the preferential margins arising out of the new customs tariff. He hoped that such a cross-reference would be provided at an early date so as to facilitate full agreement on the new Schedule.

The CHAIRMAN then drew attention to document W.25/5 in which the secretariat had prepared a draft decision to extend the waiver until 30 June 1969.

The decision was adopted by ballot.

11. Chile waiver - renegotiation of Schedule (L/3123)

The CHAIRMAN recalled that, by the Decision of 30 December 1966, the CONTRACTING PARTIES had granted a waiver to the Government of Chile permitting the application of rates of duty in its new customs tariff without prior completion of negotiations for the modification of GATT concessions. The negotiations were to be completed by the end of 1967, but at the last session the time-limit had been extended until the end of the present session. As explained in the communication from the Government of Chile, (reproduced in L/3123) some of the negotiations had not yet been completed. Therefore, a further extension until 30 June 1969 was requested.

Mr. BESA (Chile) said that his Government's request was essentially due to lack of time to complete the negotiations. He said that his delegation had every hope of concluding the negotiations by June 1969.

It was agreed to grant a further extension of the time-limit for the completion of negotiations and the Chairman requested the Director-General to prepare a draft decision for consideration at the next meeting.