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GENERAL AGREEMENT ON TARIFFS AND TRADE

SUMMARY RECORD OF THE NINTH MEETING

Held at the Palais des Nations, Geneva
on Monday, 25 November 1968, at 3 p.m.

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

1. Border Tax Adjustments

The CHAIRMAN said that, following a request by the Government of the United States, the Council had appointed, in March 1968, a Working Party to examine various problems arising in connexion with tax adjustments at the frontier to compensate for internal taxes. He called on the Chairman of the Working Party to present an interim report on the work accomplished so far.

Mr. THRANE (Denmark), Chairman of the Working Party, said that the Working Party had held five meetings. The first had been devoted to general statements; these had been summarized in the secretariat's note on the meeting (L/3009). In the opinion of the United States delegation there were three main types of problem which should be examined, and dealt with, by the Working Party. First, these rules did not neutralize the effects of taxes on trade but were instead export promoting and import restricting for indirect tax countries; second, increases in border tax

adjustments - either on the argument that the move was from under-compensation to full compensation or as a result of a changeover from one form of taxation to another - placed other countries at a trade disadvantage; third, the present GATT rules were ambiguous or silent on certain points. In the view of the United States delegation, the trade effects of border tax adjustments exacerbated the existing multilateral trade and payments adjustment problem. The United States Government requested all countries to refrain from increasing the level of their border tax adjustments pending completion of the work of the Working Party. This was particularly urgent because of the proliferation of additional border tax adjustments without any special limit to their scope and magnitude. They expressed the hope that the conclusions which the Working Party would reach would take the form of recommendations to change certain aspects of the GATT rules and new interpretations of existing rules, although their ideas on appropriate recommendations were not fixed.

Other members of the Working Party expressed their willingness to co-operate actively in the work provided for under the terms of reference and in examining the questions raised by the United States. They considered that the questions before the Working Party involved the fundamental rules and practices of GATT, they also involved a re-examination of universally accepted rules dating back to the inception of indirect taxes. They emphasized the complexity of fiscal questions and their effects, which touched on all aspects of the economy and influenced countless factors involved in economic activity and price formation both internally and in international trade. The complexity of these matters was confirmed by studies made in other multilateral fora. It was considered that it would be appropriate, in particular to examine whether the countries relying predominantly on direct taxes were at a disadvantage compared with those for which those taxes were less important. In addition, it was recalled that tax matters were traditionally the responsibility of parliaments, which jealously guarded those prerogatives and generally refused to allow them to be the subject of international negotiations.

It was the general feeling that it was essential to examine the GATT rules on border tax adjustments and the practices of contracting parties with relation to such adjustments before drawing conclusions on possible trade effects and recommendations to deal with them.

At its second meeting the Working Party conducted a preliminary examination of the provisions of the General Agreement relevant to border tax adjustments. This examination concentrated on the legislative history of the rules and their interpretation and was conducted on the basis of a paper prepared by the secretariat. This paper, and a summary of the main points raised at the meeting, are contained in the note on the meeting (L/3039). The Working Party agreed that the main articles it should consider were, on the import side, Articles II and III and, on the export side, Article XVI. Other relevant articles included Articles I, VI and VII. During the discussion on the legislative history there was general agreement that the main provisions of the GATT represented the codification of existing practices. However it was also argued by some members that there seemed to have been a coherent approach and that there were no inconsistencies of substance between the different provisions, even if the question of border tax adjustments was dealt with in different articles, and that the philosophy behind these provisions was the ensurance of a certain trade

neutrality. The Working Party noted some points on which the interpretation of the rules was uncertain or on which the rules were silent. Members of the Working Party also suggested that certain of the existing provisions should be re-examined. The Working Party agreed to return to this question at a later stage, it being pointed out, inter alia, that an examination of the border tax practices of contracting parties would throw light on the way in which countries interpreted the GATT rules.

The third meeting was largely spent in preparing the procedures for this examination and the documentation which would be required. A note on this meeting has been circulated in L/3048. Contracting parties have been requested to supply factual information in writing. For contracting parties which are also members of the OECD this supplements information contained in the documentation of that organization, since that documentation has been made available to the Working Party. Other contracting parties have been asked to complete a questionnaire based on that used by the OECD. Many contracting parties have already supplied the information requested of them; the Working Party would be grateful if other contracting parties could also provide this information. A special questionnaire has also been circulated to members of the Working Party asking for information on a short list of products of export interest to developing countries.

At the fourth meeting the Working Party started its examination of border tax practices. Members of the Working Party and some observers explained their tax systems and border tax practices, using as a basis a list of questions drawn up by the Working Party - these questions and a summary of the discussions have been circulated as L/3125. This process was continued at the fifth meeting, held during the present session. The Working Party has examined cascade turnover taxes, general single-stage taxes at the manufacturing, wholesale and retail levels and added-value taxes. At its next meeting it will go on to examine selective excise taxes, changes in border tax adjustments and some other miscellaneous questions.

The Working Party observed that its work to date had been carried out in an atmosphere of active co-operation and that it had already covered much ground in its intensive work. In this regard the Working Party recognized that the problems under its examination were of major importance and that its activities deserved high priority. The Working Party had so far carried out an examination of the legal provisions of GATT and of border tax practices which had brought out the fact that tax adjustments were applied in practically every country and that their magnitude, which of course varied in relation with the incidence of indirect taxation in the various countries, was such that it was important to ensure that such adjustments were properly applied and were not exploited for reasons of protection. The work done so far had brought out the extreme complexity of this question, and that fact accounted for differences of views that might sometimes prove to have been based on misunderstandings; it was desirable to clarify these by means of a sincere and frank effort of mutual comprehension. The Working Party in particular recognized the need to find mutually acceptable solutions if problems were found to exist in the course of the Working Party's examination.[1]

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[1] Mr. Thrane's statement has been distributed in L/3138.

Mr. BRODIE (United States) referred to his Government's concern about the problems of border tax adjustment. Work to date had been carried out in an atmosphere of co-operation and intensive activity, as the Chairman of the Working Party had noted in his interim report. Much ground had been covered in the examination of this complex, but most important, question. The United States' views on this subject were expressed in some detail in the statement made on 30 April 1968 by their representative on the Working Party. It was their hope that, in the course of the work, pragmatic and equitable solutions would be found at an early date to the problems posed in that statement. They were urgently concerned that the problems inherent should not be allowed to exacerbate the basic trade and payments difficulties of the United States and other countries in the next few years. The United States delegation had tried to explain some of the difficulties encountered and to indicate a number of approaches which might be followed. Technically, his delegation believed that modifications of the adjustments at the border were in fact possible. They noted in this regard that the present proposal by the Federal Republic of Germany to adjust its border tax rates under its tax on value added was supporting evidence.

He hoped that the results of the multilateral discussion in the Working Party would soon take the form of a consensus that the present rules needed to be adapted and re-interpreted, and that a code of practices was required. He added that they remained open-minded about the nature of the solutions, but convinced of the need for action. His delegation therefore hoped that other countries at this session would join them in urging the Working Party to proceed expeditiously toward the objective of finding mutually acceptable solutions to those problems which were found to exist.

Mr. GARRONE (Italy), speaking on behalf of the European Economic Community, thanked Mr. Thrane for the clarity of his report which reflected the work accomplished during five meetings and supported the views expressed by him in the last part of this report. He added that the member States of the EEC would continue to take an active part in the Working Party because they recognized the importance and the particular interest of this work for all contracting parties to GATT.

Mr. STEDTFELD (Federal Republic of Germany), commenting on the point raised by the United States delegate regarding tax measures planned by the Government of the Federal Republic, said that these were legal measures which had to pass through Parliament. As the discussion by Parliament would not start until the following day, he would hesitate at this stage to enter into the details of the planned measures but he would confine himself to the specific character of these measures as against normal border tax adjustments. His Government had proposed to the legislative bodies to grant a bonus of 4 per cent on imports and to impose a tax of 4 per cent on exports which so far had not been charged with turnover tax. These measures were designed to secure the stability of internal prices against influences from abroad and, at the same time, would contribute to the solution of international monetary problems.

Mr. Stedtfeld said that these measures would not, in principle, affect border tax adjustment as set forth in the Added-Value Tax Law for their turnover taxation. The Federal Republic had kept to the accepted rules of this adjustment not least on account of the guidelines of the European Communities relating to the added-value tax. This had become evident also by the fact that the new tax measures would be provided for in a separate law and the prevailing provisions on border tax adjustment within the framework of the added-value tax would remain untouched. These measures were to be regarded as a special action; the special character of these was reflected inter alia in the fact that tax privileges for imports and the tax burden on exports were only valid for a limited period of fifteen months. Furthermore, the Federal Government would be authorized to remove them in certain circumstances.

He said that the planned tax measures should be regarded as closely connected with the efforts of other countries to overcome difficulties in the monetary field. They were part of an action, integrated into an international co-operation designed to overcome these difficulties, and should not be assessed in isolation. On the contrary, these measures could only be looked at and be appreciated in connexion with the various efforts for the improvement of the international monetary situation and thus for the improvement of the conditions for a further growth of world trade.

The CHAIRMAN thanked Mr. Stedtfeld for informing the CONTRACTING PARTIES of the measures planned by his Government. He presumed that there would be no objection on behalf of the Government of the Federal Republic to submit in writing the decision taken by the Bundestag to the GATT so that this could be taken into consideration when the measures were passed.

Mr. KIRKWOOD (Canada) said that his delegation considered the work of the Working Party important and endorsed the United States' suggestion that the Working Party should proceed expeditiously in search of mutually acceptable solutions for such problems as it might identify.

Mr. NISIBORI (Japan) said that his Government had participated in the discussions of border tax adjustments with great concern, as in its view, the study of this problem might be concerned with the basic rule pertaining to the present world trade system. The discussion in the Working Party had so far been useful and enlightening on many important problems involved. Since close international co-operation was now much more necessary than ever before in the GATT and other fora in order to secure the stability and sustained growth in world trade, his delegation recognized in particular that the problem of border tax adjustments deserved high priority in this regard. However, he stressed that this problem must be dealt with cautiously and the discussion in the Working Party must continue step by step in accordance with its terms of reference in view of the wide scope to be covered and the highly technical nature of the problem. His

delegation concurred with the hope of the United States delegate that the work of the Working Party would proceed as expeditiously as it reasonably could, without, however, running the risk of coming to unduly hasty conclusions. Finally, he stressed that in any case a solution to this problem must be sought in the direction of not having any new trade barriers.

Sir EUGENE MELVILLE (United Kingdom) said that his Government attached importance to the work of the Working Party and looked forward to the early completion of its analysis in accordance with its comprehensive terms of reference. The United Kingdom would continue to co-operate fully in the work and give sympathetic consideration to any proposals that might be put forward for dealing with the problems affecting the general agreement that were found to exist.

Mr. RYAN (Australia) felt that the Working Party had made useful progress in this matter and hoped that it would continue its considerations of the remaining items in its terms of reference as expeditiously as possible having regard of course to the complicated technical problems involved.

The CHAIRMAN thanked Mr. Thrane for his report.

2. Consular Formalities (L/3089 and Add.1, L/3090 and Corr.1)

The CHAIRMAN said that contracting parties which regularly required consular formalities in connexion with importation had again been invited to submit reports on their present practices and their future policy vis-à-vis the Recommendation adopted by the CONTRACTING PARTIES that all such consular formalities be abolished. In response to this request reports had been received from two of the eight countries concerned and these had been reproduced in document L/3089 and Add.1. In document L/3090 the secretariat had attempted to provide an up-to-date tabulation of the situation of consular formalities in force in the various countries.

Mr. BARBOSA (Brazil), referring to the information concerning Brazil contained in document L/3090, confirmed that the requirement of consular fees had been abolished on a reciprocal basis. He said that in the case of air cargo the bills of lading did not need to be legalized. The Brazilian authorities now accepted as satisfactory proof of origin any one of the following documents: a certificate issued either by a customs authority or a chamber of commerce in the country of origin, the commercial invoice authenticated by the exporters themselves, or any other document acceptable as satisfactory proof. Referring to note 6 on page 4 of the document, he said that the wording used - "heavy penalties are still in effect for documentary errors" - was too strong. In the case of errors or omissions the exporter was invited to present a corrected document. Only in case he did not comply with this requirement was a fine imposed.

Mr. GUILLEN (Peru) stated that Peru intended to revise the procedures at present in force concerning consular formalities and that the preparation of the necessary reform had been entrusted to a special committee. The Government of Peru would certainly inform the CONTRACTING PARTIES of the outcome of this work as soon as it was completed. In so far as the present situation was concerned, he reported some progress concerning trade within the Latin American region. There Peru had made two recommendations: one aimed at speeding up the international movement of goods through the elimination of consular intervention required for transport documents, and another aimed at replacing the requirement of the consular certification of invoices by a more flexible provision.

Mr. GROS ESPIELL (Uruguay) expressed his regret that the letter "R" placed in front of Uruguay in document L/3090 indicated that some retrogression had occurred since 1962, a statement which did not seem fully justified. But without entering into further discussion on this point, he indicated that it had already been decided in principle to eliminate the requirement of consular invoices and that he was hopeful that this decision would be implemented in a rather short time.

Mr. BRODIE (United States) stated that the United States continued to believe that consular formalities put an unfair and unnecessary burden on the trade of other contracting parties. The United States representative therefore urged again that countries still requiring consular formalities remove them as soon as possible. He expressed disappointment that in the face of general efforts to remove consular formalities, the Government of Peru had doubled its consular legalization fees, which it was hoped would be eliminated or at least reduced at the earliest possible time.

Mr. HORN (Finland), on behalf of the five Nordic countries, noted with satisfaction the progress some countries had made towards a removal of consular formalities. He expressed concern that many countries still maintained such formalities and that one or two countries had even increased their requirements. He also expressed disappointment that of the eight countries which were expected to submit reports on their progress towards the abolition of consular formalities, only two had in fact done so in time for this session. He invited those countries which were not able to submit such reports in time to inform the CONTRACTING PARTIES as soon as possible, if necessary orally, of the progress made towards abolition since the last session. Mr. Horn also expressed the hope that the newly-established Committee on Trade in Industrial Products would make a serious attempt to remove consular formalities, together with non-tariff barriers. This possibility should, however, not make redundant the system by which the CONTRACTING PARTIES follow up this question themselves, and regularly review the progress made by the countries concerned, a procedure which should continue. He finally suggested that the secretariat prepare in addition to the review of the situation in countries which regularly require consular formalities (as contained in document L/3090) a review of those countries which require consular formalities in special circumstances only.

Mr. KIRKWOOD (Canada) said that the Canadian point of view was that consular formalities had a disproportionately inhibiting effect on trade, and particularly on the trade of new and small firms which wish to enter export markets. Consular fees should in no case exceed the cost of the clerical operation involved. The Canadian delegation wished to make it quite clear that it continued to feel that the removal of consular formalities was an important element in the liberalization of trade.

Mr. DUNNETT (United Kingdom) said that his delegation had noted with satisfaction that progress had been made by a number of countries towards the removal and simplification of consular formalities. He referred in that connexion in particular to the measures taken by Brazil and to such encouraging statements as those just made by the delegate of Uruguay. He regretted, however, that, as noted in document L/3090, some retrogression had also occurred. The Government of the United Kingdom was still concerned that further steps be taken towards the total elimination of fees and formalities at an early date. He urged those countries which were in the process of considering such reforms to give priority to these actions so that the eventual elimination of the provisions which were a real hindrance to trade might be more speedily achieved.

Mr. SCHNEBLI (Switzerland) said that the utility of consular fees and formalities, which were not a justified burden on the economies of the exporting countries, was not easy to recognize. He also wanted to draw to the attention of the countries having recourse to such requirements that considerable administrative expenditure was involved in running such a system, not always in proportion to its utility. He suggested that the Committee on Industrial Products should be entrusted with the study of this matter in order to achieve their elimination in the not too distant future.

The CHAIRMAN said that the recommendations to remove consular formalities stemmed from 1952 and had been discussed ever since. There was no doubt that some progress had been made, but there was no doubt either that still more could be done and countries were invited again to conform with the recommendations. In particular those countries where measures to remove consular formalities were pending should feel encouraged to bring these measures to a satisfactory conclusion.

Regarding the procedure to follow in future, he felt that it might be time to introduce some changes. He suggested that the Council should examine the whole question in a more substantial manner before the twenty-sixth session of the CONTRACTING PARTIES. There should be no doubt that the inventory of non-tariff barriers would continue to refer to consular formalities.

It was so agreed.

3. Ceylon Waiver - Duty Increases (Report of Working Party - L/3136)

Mr. PERDON (France), Chairman of the Working Party, presented the report contained in document L/3136. The Working Party had agreed to recommend the grant of a waiver for two years, as requested by the Government of Ceylon, with a provision for reporting to the twenty-sixth session, and had prepared a draft decision as set out in an annex to the report.

The CONTRACTING PARTIES approved the text of the decision recommended by the Working Party. The Decision was adopted by ballot.

The report as a whole was adopted.

4. Status of Protocols (L/3107 and Add.1, W.25/11)

The CHAIRMAN said that a report by the Director-General on the status of various protocols not yet accepted by all contracting parties had been distributed in document L/3107 and Add.1. Section I of this document dealt with protocols which were drawn up and opened for acceptance between 1955 and 1962. These protocols still lacked acceptance by Uruguay and/or Nicaragua. The first two, namely the Protocol Amending the Preamble and Parts II and III, and the Protocol of Rectification to the French Text, had closing dates for their acceptance and this should again be extended to enable Uruguay to accept them. Section II of the document dealt with the Protocol Introducing Part IV. According to the addendum to this document the Protocol had now been accepted by Greece and Burma, thus leaving only six contracting parties which had not accepted it.[1] The closing date for acceptance of this Protocol should also be extended. In Section III it was noted that the closing date for acceptance of the Geneva (1967) Protocol had been extended by Decision of the Council until 31 December 1968. The four countries concerned, which had signed the Protocol "subject to ratification" were, in fact, implementing their Kennedy Round concessions and, therefore, their acceptance of the Protocol by confirming their signatures would be merely the completion of a formality. Nevertheless, the closing date for this Protocol should also be extended.

Mr. GROS ESPIELL (Uruguay) said that his Government had promulgated a law on 5 November of this year authorizing the ratification of the protocols, and would proceed now with the deposit of instruments of ratification.

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[1] On 29 November the Chairman announced that the Protocol had been accepted also by Nicaragua.

Mr. NARASIMHAN (India) said his delegation wished to urge the Government of France to ratify Part IV as soon as possible.

The CHAIRMAN referred to document W.25/11/Rev.1, wherein the secretariat had provided a draft decision extending the closing date for acceptance of the four protocols referred to above.

The decision in document W.25/11/Rev.1 to extend until the twenty-sixth session the closing date for acceptance of the four protocols was adopted.

5. Chile Schedule (L/3123 and W.25/20)

The CHAIRMAN recalled that at the previous meeting the CONTRACTING PARTIES had agreed to extend the waiver which had been granted to Chile in 1966 permitting the application of increased duties on bound items pending the renegotiation of concessions. As requested the Director-General had prepared a draft decision and this had been circulated in document W.25/10.

The CONTRACTING PARTIES approved the text of the decision and it was adopted by ballot.

6. Brazil Schedule (L/3130 and W.25/9)

The CHAIRMAN recalled that a waiver had been granted to the Government of Brazil in 1967, permitting the application of rates of duty of the new customs tariffs where these were in excess of the duties bound in Brazil's GATT Schedule pending completion of renegotiations under Article XXVIII. The negotiations were to be completed by the end of this week but, since some further time was required, the Government of Brazil had requested, in document L/3130, an extension of the time-limit until 30 March 1969.

Mr. AZEREDO DA SILVEIRA (Brazil) said that Brazil's commitments in Schedule III were spread over hundreds of tariff items representing a trade value of hundreds of millions of dollars. This was the first material difficulty confronting the Brazilian negotiators and their partners. In spite of the liberalizing nature of the economic reforms embarked upon by his Government since April 1964, which comprised, among other things, the dismantling of restrictions on foreign trade, the elimination of excessive rates of duty, the reduction of the level of duties on a considerable number of products, the new Brazilian customs tariff, which had motivated the initial request for the waiver, had necessarily to reflect certain adjustments in production sectors which had developed since the 1957 tariff. As a consequence, the binding of some tariff items had to be reconsidered. This was a problem of a qualitative nature which had now been solved and there were only quantitative problems left to be faced.

The CHAIRMAN referred to document W.25/9 wherein the secretariat had provided a draft decision for consideration.

The CONTRACTING PARTIES approved the text of the decision proposed by the secretariat and the Decision was adopted by ballot.

7. Balance-of-payments import restrictions

(a) Reports approved by Council (BOP/R/19-25)

The CONTRACTING PARTIES adopted the reports (documents BOP/R/19-25) of the Committee on Balance-of-Payments Import Restrictions on its consultations under Article XII or Article XVIII:B with Iceland, Israel, New Zealand, Peru, the United Arab Republic, Uruguay and Yugoslavia, as recommended by the Council of Representatives.

(b) More recent consultations (BOP/R/27-29)

Mr. PETRIE (Canada), Acting Chairman of the Committee, presented the reports of the Committee on its consultations with Spain, Finland and South Africa.

The three reports were adopted.

(c) The expanded consultation with Ghana (BOP/R/26)

Mr. PETRIE (Canada), Acting Chairman of the Committee, presenting the Committee's report on its consultation with Ghana, recalled that the CONTRACTING PARTIES had agreed at their twenty-fourth session that "the consultations on the balance-of-payments and other trade and development problems of developing countries provided for in the General Agreement should give particular attention to the possibilities for alleviating and correcting these problems through measures contracting parties might take to facilitate an expansion of the export earnings of these countries". This conclusion had been reached on an initiative of the Director-General designed to ensure that consultations held with developing countries might better serve to explore ways in which the policies of the country consulted and of other countries might contribute to a more sustained growth of the export earnings of the consulting country and thus to the alleviation of its balance-of-payments problems.

The first Article XVIII consultation within this re-oriented framework had taken place in September with Ghana. With a view to assisting the Committee, the secretariat had prepared a paper (BOP/83/Rev.1 and Add.1) which supplemented the background material normally supplied by the International Monetary Fund for Article XVIII consultations. This paper contained a detailed summary of the main features of Ghana's external trade, including notes on individual commodities, Ghana's export marketing and promotion arrangements and the possible contribution of other countries to the expansion of Ghana's export earnings. The paper had helped to focus attention on specific measures that both Ghana and its trade partners might take to help achieve equilibrium through measures to improve productivity and ability to export as well as to pinpoint the major impediments in external markets to expanding Ghana's exports.

The discussions of the Committee broadly followed the plan for Article XVIII consultations approved by the CONTRACTING PARTIES, but also provided for a full exchange of views on production, marketing and export prospects and possibilities in different sectors of Ghana's agriculture and industry with a view to finding ways of alleviating Ghana's balance-of-payments problems and reducing its reliance on certain types of restrictions. This included examination of both short- and long-term measures which might be taken by Ghana and her trade partners to augment available resources.

The broader framework in which the Article XVIII consultation with Ghana was held had enabled the Committee to gain some useful insights on such matters as Ghana's problems in diversifying her exports and increasing earnings from exports, and in focussing attention on obstacles to export expansion which other countries could help to overcome. It also had enabled the Committee to take account of certain important factors affecting Ghana's balance-of-payments situation, such as organization of export promotion, access to markets, development of regional trade, as well as of the various heavy demands on scarce foreign exchange and of ways in which more effective use might be made of current earnings to obtain increased essential imports.

This experience confirmed the value of the initiative taken by the CONTRACTING PARTIES in terms of providing a more positive consideration of developing countries' balance-of-payments problems, and a more intensive examination of possibilities for overcoming these difficulties through effective diversification of export trade and expansion of export earnings. These consultations placed no new burden or obligation upon the consulted countries, but were intended to focus attention on problems of expansion of their exports, in particular those problems to the solution of which contracting parties, and especially developed contracting parties, might be able to contribute. As such, these consultations provided a useful procedure available to those less-developed countries which wished to take advantage of it.

Mr. ASMAH (Ghana) said that Ghana's experience in this first consultation under the expanded programme might be useful to the work of the CONTRACTING PARTIES in any future consultations. The consultation had proved useful as it had covered all aspects of the Ghanaian economy. He thought it desirable that for future consultations secretariat documents should reach contracting parties early enough for careful study. His delegation would support any move aimed at reducing the frequency of such consultations.

The Ghana Government was doing everything within its means to increase its export earnings and to reduce its balance-of-payments deficit. In the past discussion and examination in the Balance-of-Payments Committee had centred round internal policies while neglecting external factors like opportunities for export earnings. One should not lose sight of how much the balance-of-payments position really influenced internal policies, especially of developing countries

which depended so much on export earnings for their economic development. The experience gained so far had clearly shown that much of Ghana's efforts depended on the policies of its trading partners, especially in the field of access to their markets not only of primary products but also of processed and semi-processed goods. Undoubtedly contracting parties could help the development of less-developed countries, like Ghana, in the spirit of Part IV of the General Agreement.

Over the years, Ghana had tried to move away from temporary shelter for its balance-of-payments position in the form of import restrictions to a more positive approach of a dynamic nature by expanding its export trade. In the course of this exercise, Ghana had endeavoured to establish industries in which it had absolute or highly comparative advantages of production. It had also intensified its export promotion activities especially in the field of participation in foreign trade fairs and exhibitions. But if progress in expanding its export earnings had not been as fast as it would wish, it was mainly because of the tariff and non-tariff barriers applied by some countries to its exports as was shown in the report on the consultation with Ghana. It was for this reason that his Government welcomed the new emphasis placed on the consultations under Article XVIII. It served to identify clearly the problem areas and therefore the measures which were necessary to correct the situation. The results of such a consultation could provide very useful material to the consulting country, not only in matters affecting its balance-of-payments problems but also in other forms having to do with its economic development and the resulting problems and issues in which other countries might be interested.

Finally, Mr. Asmah said that through the Committee's report delegations had the opportunity to understand Ghana's problem and he hoped they would persuade their governments to remove the barriers affecting Ghana's export trade so that the objectives of the consultation could be realized.

Mr. BRODIE (United States) said that in his delegation's view some of the topics covered in the summary of discussion on the expanded part of the consultation appeared to fall outside the frame of reference of the GATT, and it was their understanding that the statements in this section were not formal recommendations to governments. His delegation continued to feel, however, that the Article XVIII consultations should focus not only on the traditional topic of consultation but should give particular attention, as the delegation from Ghana had just pointed out, to the measures that contracting parties might take to facilitate an expansion of export earnings of these countries. He believed that the consultation with Ghana had confirmed the value of the expanded consultations and warranted continuing their use with other developing contracting parties which had occasion to consult under Article XVIII.

Mr. NARASIMHAN (India) said that India, as a member of the Balance-of-Payments Committee for twenty years, had had a refreshing experience in the consultation with Ghana. He recalled that the CONTRACTING PARTIES had decided on the expanded programme for consultations with developing countries because it had become clear that under the previous procedures they had come to look at the problems of the developing countries as part of a routine and had failed to appreciate fully the complex economic, social, political and human problems involved and which led to balance-of-payments difficulties. His delegation was pleased that the experience in this first consultation had been helpful and constructive. It had been possible during the discussions to get a more clear and precise idea of Ghana's external trade problems. It was important that documentation should be circulated well in advance of a consultation and that it should take into account the material available in other bodies, such as UNCTAD, IMF and FAO, which dealt directly with certain other aspects of the country's economy and with the commodities of interest to the country.

Mr. NISIBORI (Japan) said that it was his delegation's belief that for the purpose of improving difficult situations in which developing countries might find themselves, it was most useful to find out the areas where special efforts were required to overcome the problems impeding economic development and to determine whether other trading partners could contribute. The agreement reached at the twenty-fourth session of the CONTRACTING PARTIES in regard to Article XVIII consultations was very appropriate and the experience in the consultation with Ghana had proved useful.

Mr. COIDAN (UNCTAD) stressed the interest of UNCTAD in the activities of GATT in the field of import restrictions designed to correct disequilibria of balance of payments and to assist economic development of the developing countries. The United Nations was following with attention and sympathy the efforts of the CONTRACTING PARTIES to expand the framework of their consultations with the developing countries in order to include, in particular, the examination of the objectives of development plans of the consulting countries, the study of their requirements with regard to investment, the efforts which they were making or which they proposed to make in the field of diversification of national production, the amount and form of assistance which was necessary for them, and their possible participation in regional integration plans. This was a large group of questions which had to do with the fields of economics, finance and commercial policy, and which gave rise to numerous problems and difficulties. UNCTAD felt that it was its duty to help in finding solutions to these problems.

In this connexion, the Secretary-General of UNCTAD had asked him to make known to the CONTRACTING PARTIES that he had taken note with very great interest, and with satisfaction, of the proposal of the Director-General of GATT to enlarge the scope of these consultations with the developing countries. This should indeed give these countries the possibility of drawing particular problems to the notice of the contracting parties and thus would make it possible for GATT to take such appropriate measures as may be possible within the framework of

the General Agreement. Such consultations would inevitably give rise to general problems of commercial policy which were of direct interest to UNCTAD. Furthermore, the studies which UNCTAD had already carried out, like those which it was now undertaking, on trade prospects of developing countries could be of very real use for these consultations. It therefore seemed desirable to examine the means by which the secretariat of UNCTAD could make an effective contribution to these consultations, and to consider closer co-operation in this connexion between the secretariats of GATT and of UNCTAD.

It was his understanding from the statement made by the Chairman of the Committee, that the form of the expanded consultation would not be decided in a final manner during the present session but would be defined at a later stage in the light of the experience of later consultations. UNCTAD was concerned to contribute to the best of its ability to the accomplishment of concrete results. The work carried out by UNCTAD in the different fields of trade expansion and economic development and in particular with regard to the studies which it had carried out on exports, prospects for manufactures for a certain number of developing countries and with regard to the participation of these countries in regional integration agreements, together with the other work in the fields of trade and economic development of developing countries, would be a useful contribution to GATT work. He hoped that the CONTRACTING PARTIES would be able to respond to the wish expressed by the Trade and Development Board to see a harmonious development of the activities of GATT and UNCTAD.

The report on the consultation with Ghana was adopted.

The CHAIRMAN thanked the representatives of the International Monetary Fund for their valuable assistance in the conduct of all these consultations during the year and in particular in relation to the consultation with Ghana.

(d) Chairmanship of the Committee

The CHAIRMAN informed the CONTRACTING PARTIES that Mr. Voutilainen (Finland), who had been Chairman of the Committee on Balance-of-Payments Import Restrictions since 1964, had now been appointed a Director of the Bank of Finland and would not be available to continue as Chairman of the Committee. He asked the representative of Finland to convey the thanks for the CONTRACTING PARTIES to his Government and to Mr. Voutilainen.

The Chairman proposed that Mr. F. Petrie (Canada), who had served as Acting-Chairman of the Committee at several recent meetings, should succeed Mr. Voutilainen as Chairman.

This was agreed.

(e) Composition of the Committee

The CHAIRMAN suggested that the composition of the Committee on Balance-of-Payments Import Restrictions, which had been unchanged since 1964, should be reconsidered by the Council of Representatives. Meanwhile, it should be noted that Denmark would be replaced by Sweden as a member of the Committee.

8. European Economic Community (L/3124)

The CHAIRMAN invited comment on the statements made by representatives of the Commission of the Community and of the Governments of Greece, Turkey and Ivory Coast, at the meeting on 19 November.

Mr. KIRKWOOD (Canada) congratulated the Community and its members on the various substantial achievements of the past year. His delegation had noted the suggestion that the Customs Union of the Six had been achieved within the meaning of Article XXIV of the General Agreement, but regarded this assertion as somewhat premature. The Community was still in the process of evaluation of the common agricultural policy including the regulations for fisheries products. That had not yet been fully elaborated and the Community, he believed, did not anticipate that it would be completely in place before 1970. Only when this stage had been reached would it be possible to determine whether the arrangements for agricultural products met the requirements of Article XXIV, paragraph 5(a), that duties and other regulations should not on the whole be higher or more restrictive than the general incidence of those applicable previously in the constituent territories. Further, the Community was currently engaged in the renegotiation of the Yaoundé Convention. In addition, arrangements were in effect or under consideration whereby other countries might associate themselves with the Community. Although such arrangements themselves would presumably continue to be examined by the CONTRACTING PARTIES, it was necessary to take all of those relevant matters into account for assessing, with reference to the provisions of Article XXIV, the implications of the development of the Community in its relations with contracting parties. It was on such grounds that they regarded as premature the suggestion that the Customs Union of the Six had been fully achieved, within the meaning of the provisions of Article XXIV. Accordingly, his delegation was concerned by the indication that the Community did not expect to continue to report annually to the CONTRACTING PARTIES. For contracting parties to concur, might imply their agreement that the provisions of Article XXIV had been fully met. This would be a judgment which they had not in fact made and one which Canada would regard as premature.

Mr. LERENA (Argentina) explained the reason for his delegation's request to reopen the discussion on this point. More than a third of the importing capacity of Argentina was derived from the sale of agricultural products to the countries of the European Economic Community. He stressed the support his country had given to the enormous effort made by the six countries, since they were aware of the meaning and importance, both political and economic, of the union which was now a concrete and irrevocable fact. He supported the representative of Canada in welcoming the success which had been achieved by the Community and congratulated

the member States and the Commission on always having been able to find, even in difficult moments, a way to continue and go ahead with the process. Often, since the first consultation in the middle of 1960, his country had, together with other countries exporting agricultural products, expressed doubts and concern to the Commission and to the member countries of the Community. Those doubts had never been directed to the objective expressed in the Treaty of Rome but to the system in the agricultural sector which had made provision for machinery which would be able to set up a protectionist grouping. He recalled that Mr. Mansholt had said to the European Parliament that the preferences granted among the member countries were not justifiable except to the extent they led to an increase of productivity, to effective rationalization and to a reduction of costs. They could not entirely agree with what had been said by Mr. Hijzen (European Economic Community) - that the fears which they had expressed had not materialized and that the objectives had been confirmed. He emphasized again their concern with the consequences which for some countries were involved in the agricultural policy of the Community. In many cases these had discriminatory effects on third countries. They had also seen how the rates of self-sufficiency, e.g. in cereals, had increased from 85 per cent to 95 per cent in 1967. This implied a damaging effect for third countries which was contrary to the objectives of the Treaty of Rome and to the spirit of Article XXIV of the General Agreement. Today it was practically impossible for Argentine exporters to make plans to export cereals, meat, fruit, fats, oils, etc. to the Community.

A new factor which had unforeseeable effects on their trade with the six countries and also endangered traditional possibilities of Argentina in other markets was that the Community was beginning to export its surpluses. In the experience of Argentina with regard to trade in products subject to joint regulations, it was a valid proof that the implementation of the agricultural policy had harmed their country even if overall exports had increased. Many of those increases which had taken place would even support their statement. Sales of chilled meat and special frozen high quality meat cuts, which should grow with the increase of purchasing power in the Community, were constantly falling, even in relation to the total consumption of the Six. There were also reductions of sales in other sectors, principally in processed agricultural products. On the other hand, there had been an increase in the sales of fodder and industrial meats. As for the figures on page 104 of the statistical booklet of the EEC, which the representative of the Community had referred to, they only showed the share of the Community in the trade of Argentina. He could not find the figures for the share of Argentina in the external trade of the Community, yet those were the figures to be used in order to analyze the real situation.

In his statement at the meeting on 19 November, Mr. Hijzen had said that all geographical regions and all types of products had benefited from the increase in demand in the Community. He had not attempted to analyze that assertion because he had not had all the appropriate data. Confining himself to the case of Argentina, he wanted to give some figures which confirmed, in an undeniable manner, his country's concern. While total imports of the Community had increased between 1962 and 1967 at a rate of 3 per cent, 11 per cent, 9.2 per cent, 8.3 per cent and 3.5 per cent in comparison with each preceding year, exports from Argentina to the Community had developed as follows: an increase of 3.9 per cent between 1962 and 1963, 7.8 per cent between 1963 and 1964, then there had been a decrease between 1964 and 1965 and 1965 and 1966 of 1.8 per cent and 1.9 per cent respectively and exports had increased only by 0.9 per cent between 1966 and 1967. Consequently, the share of Argentina in the total imports of the Community had been declining constantly, from 1.5 per cent in 1962 to 1.1 per cent in 1967.

The representative of the European Economic Community had informed the CONTRACTING PARTIES that the customs union was completed with regard to Article XXIV of the General Agreement and that the Community would not continue to inform the CONTRACTING PARTIES about the progress and developments taking place in implementation of the customs union and that this should also apply with regard to the effects on the trade with third countries (paragraphs 4 and 5(a) of Article XXIV). He asked whether silence from the CONTRACTING PARTIES could not be interpreted as acceptance that the conditions of Article XXIV had been complied with. The CONTRACTING PARTIES had felt that it would be more advisable to seek practical and constructive solutions and to leave to one side on a provisional basis the legal aspect and the confrontation of ideas on compatibilities. Since then the legal discussion had not been reopened nor would there be any justification in reopening it at this session. But it should not be closed either. Article XXIV did not distinguish between agricultural products and industrial products and it did not refer merely to customs duties but also to trade regulations. The use of trade opportunities depended on many fluctuating factors; there were countries which made better use of them and others which made less use of them, but all countries had their prospects. That was why Article XXIV did not speak of results but of the factors of protection which hinder trade. In the agricultural sector, Community trade regulations had been established taking into account the supplies in member countries which had found their justification in circumstantial problems of the balance-of-payments situation. A system which would perpetuate and consolidate those temporary restrictions could not be underwritten by implementation of Article XXIV of the General Agreement. Furthermore, the European Communities were now considering two questions such as the renewal of the Agreement of Yaoundé and the commercial agreements with other European countries which might also have a great implication with regard to the effects for non-participating countries. He added that he had said this merely to make it quite clear that in no way did his Government give up any of the rights accruing to it under the General Agreement, and particularly under Articles XVI, XXII, XXIII and XXXVI.

He expressed his confidence in the future development of the Common Market and the disposition of the authorities of the Commission and of member countries to consider the problems of his country. They were convinced as well that it was through a joint effort that mutually acceptable solutions would be found.

Mr. NJOTOWIJONO (Indonesia) welcomed the assurance that the Community countries would use their solidarity as an instrument for safeguarding the liberalization and development of trade, particularly with developing countries. This assurance, however, had not dispelled the concern of his Government with regard to the unfavourable tariff treatment of Indonesian export commodities. He referred in this connexion to a statement by the Indonesian Minister of Agriculture, who had said that due to the high tariff of the Common Market, Indonesia was losing 15 to 20 million dollars per annum. He emphasized that the EEC had been an important trading partner of Indonesia. No less than 40 per cent of the total exports of Indonesia went into the market of the Community. The EEC was also a major supplier to Indonesia. He stressed the great importance Indonesia attached to the EEC and referred in this connexion to a special envoy his Government had accredited to the EEC.

The concern of his country stemming from the maintenance of high customs duties had not been alleviated. After the conclusion of the Kennedy Round, high tariffs and non-tariff barriers were still being maintained for products of export interest to Indonesia. He referred to his visit to the capitals of the countries of the European Economic Community with a view to seeking ways for alleviating the effect of the application of the common external tariff for palm oil as the result of the entry into force of the common agricultural policy on 1 July 1967. Among various proposals he had made in Brussels for accommodating the Indonesian interests had been a request not to discriminate between palm oil and other vegetable oils which were exempted from duties. He had received no positive answer and the situation remained as before. Palm oil was not the only Indonesian export commodity in this situation but also tobacco, manioc or tapioca products, pepper and other products. In spite of the disadvantageous position of the Indonesian export commodities, the volume of their exports to the Common Market continued to increase. This increase, however, was not connected with a proportional increase in export earnings. Export earnings of palm oil continued to decrease in spite of the fact that the quantity exported was increasing. This was partly due to the decline of the world market price of palm oil, which was at present 40 per cent below the peak in 1966, and partly the result of the fact that Indonesia had to sell its palm oil in the Common Market at a discount to offset the import duty.

The EEC was not the only market where Indonesian export commodities were subject to discriminatory treatment. On the other hand, his country was grateful to some of the developed countries which had granted tariff concessions for certain products of particular interest to Indonesia. Referring to the general question of preferences for exports from developing countries, he said that some time would be required to find appropriate solutions. He appealed to the EEC and other countries to recognize the Indonesian difficulties as an urgent and serious problem. His Government hoped that in dealing with this problem the EEC would show the same understanding as in the meetings of the Intergovernmental Group on Indonesia, and that it would be in a position to accommodate Indonesia's interest in the shortest time possible without injuring the present position of the developing countries associated with the Common Market.

Mr. BRODIE (United States) agreed with the views expressed by the Canadian delegation that the achievement by the EEC of a common external tariff and the abolition of internal tariffs for industrial products did not relieve the Community of its responsibility of reporting annually to the CONTRACTING PARTIES on developments under the Treaty of Rome. His delegation noted in this connexion that no decision had been taken by the CONTRACTING PARTIES as to whether full implementation of the trade provisions of the Rome Treaty would in fact constitute a customs union under the provisions of Article XXIV of the GATT. And second, they did not believe that the Community itself would claim that the trade provisions of the Rome Treaty had been fully implemented. Over and above those purely legal considerations they believed there was the further consideration that the developments within the European Community, the most important regional grouping of GATT members, were of vital concern to the CONTRACTING PARTIES and the future of GATT. His delegation would therefore urge that the Community continue its practice of providing reports to the CONTRACTING PARTIES at annual sessions.

Mr. NISIBORI (Japan) said that nobody could deny that the European Economic Community was now the most important regional grouping of GATT members. Therefore, even setting aside a judgment whether the EEC had, or had not, achieved the stage of a customs union within the meaning of Article XXIV of the General Agreement, his delegation would like to associate itself with the Canadian and United States delegates in expressing the hope that the Community would continue its practice of providing reports to the CONTRACTING PARTIES at their annual sessions.

Dr. RYAN (Australia) reserved the position of his delegation with regard to the question whether or not the stage reached by the EEC complied with the requirements of Article XXIV of the General Agreement.

Mr. LUYTEN (European Economic Community) said that the comments which had been made could be placed in two categories: those relating to Article XXIV or customs union questions and those which concerned specific aspects of the Community's import régime or trade policy.

He recalled that the Rome Treaty item had never been placed automatically on the agenda of annual sessions of the CONTRACTING PARTIES. It was the EEC which each year had taken the initiative to have this question placed on the agenda and submitted an annual statement. This was somewhat different from the practice which was followed by other customs unions, such as the Benelux or the Belgium/Luxemburg Economic Union, or perhaps the customs union which existed between Switzerland and Liechtenstein. Those unions were not of the same size; but this was a formal question. The problem of the automaticity of the inscription of a question on the agenda was a subject of lengthy discussion at the fourteenth session of the CONTRACTING PARTIES. It had then been decided that every time the member countries of the EEC submitted a report in conformity with the provisions of Article XXIV, paragraph 7(a), the question would be placed on the agenda. When no such report was submitted but a contracting party deemed that certain acts had occurred which seemed to justify the submission of such a report, then that contracting party would be in the position to request inscription of the question on the agenda. In order that all contracting parties should have the possibility of invoking that procedure, it had been agreed at the fourteenth session that the Director-General would inform the contracting parties individually whether or not the EEC intended to submit a report. At the meeting on 19 November his delegation had communicated its intention of no longer taking this initiative in the future.

As stated on 19 November, as far as the Community was concerned, the customs union was now fulfilled in view of the provisions of Article XXIV of the General Agreement. Paragraph 8, in particular 8(b) said that a free-trade area was understood to mean a group of customs territories wherein the duties and other restrictive legislation of commerce were eliminated on substantially all products originating in such territories. Those conditions were more than fulfilled today, and the statement made by the representative of Canada, which was supported by other delegations, did not lead to any other conclusion. Even for agricultural products there was free trade for 86 per cent of production and for 75 per cent of intra-Community trade. As Article XXIV did not mention any distinction between agriculture and industry, his delegation believed that this question was thus settled.

Several delegations had reserved their position on these legal points and had recalled that the CONTRACTING PARTIES had taken no decision with respect to the customs union under the Rome Treaty. The Community took the view that no express verbal decision was required, because that was nowhere mentioned in Article XXIV of the General Agreement.

Another question had been raised, whether the Yaoundé Agreement or other possible agreements of association did not justify the maintenance of a system of annual reporting. As to that question, he said that the discussion on annual reporting only concerned the question of the Rome Treaty and not the question of associations, which could continue to be dealt with as before. He recalled in particular, that for the past five years the Association of the African and Malagasy States was settled by the Yaoundé Agreement itself.

Turning to the references by the representative of Argentina to the provisions of paragraphs 4 and 5(a) of Article XXIV, he recalled that paragraph 4 took up general principles which, according to the text of Article XXIV and in particular the first sentence of paragraph 5, should be considered as automatically fulfilled if the provisions of paragraphs 5 to 8 were fulfilled. The reference to paragraph 5(a), as related to the policy on agriculture, did not seem to be applicable because paragraph 5(a) spoke of general incidence of the customs duties and regulations which must not on the whole be higher than a certain level.

Any contracting party wishing to raise a question in respect of Article XXIV was free to do so and the Community would be ready to answer. Moreover, they were of course at the disposal of individual delegations to give them any information they might request. Further the committees which the CONTRACTING PARTIES had set up at the previous session provided a mechanism which gave ample possibility for discussing or raising any question relating to any particular aspect of the policies of any contracting party and, of course, also those of the Community.

Many of the questions which had been raised did not refer to Article XXIV but were rather questions concerning the application of some of the policies of the Community. The representative of Argentina had stressed the great importance of the EEC's market for his country. The Community was fully aware of this and welcomed the increase in Argentina's exports to the markets of the EEC. Today the EEC took 43 per cent of Argentina's exports as compared to only 33 per cent in 1958. The imports of Argentina from the Community had levelled off at 25 per cent of total Argentine imports during the past ten years. To the remark that the share of Argentina in the Community's import trade had declined from

1.5 per cent to 1.1 per cent, he replied that the Community could not be held responsible if some other suppliers had obtained an increased share in their markets. In the trade with Argentina the Community had a deficit of $49 million in 1950, of $109 million in 1960 and since that period $300 to $400 million. These were the relevant figures and it was in conformity with the spirit of Article XXIV that the whole of the trade of the Community should be examined. The concern expressed by Argentina had already been communicated on a bilateral level to the competent authorities of the Community which would certainly examine them in more detail. Questions of this kind in the GATT would be treated more appropriately in a more general framework, as had been suggested by the representative of the United States in speaking of certain problems raised with respect to the United States waiver.

In reply to the comments by the representative of Indonesia concerning the tariff questions, Mr. Luyten recalled that they had carried out a certain exercise under Article XXIV, paragraph 6, within which they had reached an agreement with Indonesia on the basis of previous bindings. This Indonesian problem did arise in the sector of oils and fats in general, as a more global problem which concerned not only the Community, which was a net importer of those products, but all trading nations. As to the prices for these oils, he said that the importance of the Community in world trade was not such that it alone could determine the level of prices, for example of palm oil.

The CHAIRMAN said it would be a rather strange session of the CONTRACTING PARTIES if there had not been on the agenda the possibility of discussing, in one way or another, developments in the European Economic Community. He supposed the most appropriate way to proceed would be to ask the Council to look into the actual legal position and to decide how the matter should be dealt with at the twenty-sixth session.

It was so agreed.

9. Latin American Free Trade Association (L/3128)

Mr. BESA (Chile) presented a report by the contracting parties belonging to the Latin American Free Trade Association (L/3128), and described developments since the last session. He recalled that the purpose of the Treaty of Montevideo was the formation of a free-trade area among eleven Latin American countries as the first step towards a wider programme of economic integration. To achieve their purpose LAFTA members had to overcome the less-developed aspects of their economies as well as all the other obstacles common to such integration processes. This meant that the Association had had to face a multiplicity of problems such as deficiencies in intra-regional transport and communications, lack of information on regional markets, disparities between different national foreign

trade systems and policies, the lack of uniformity in matters concerning tariff and statistical nomenclatures, differences in administrative practices, etc. Yet after nearly eight years of experience, LAFTA had become an instrument of enormous importance to the development of Latin America. It had made both governments and entrepreneurs aware of the continent's potential and, through the promotion of commercial contacts, it had given dynamism to various forces interested in the progress of the continent as a whole.

In 1967, total intra-regional trade had reached the sum of US$1,414 million, which represented 114 per cent increase over 1961 when the Montevideo Treaty had come into force. But total intra-regional trade in 1966 had amounted to US$1,459. This could be explained by the fast growth of trade in the previous five years - consisting mostly of commodities - and by the fact that the traditional mechanism of negotiations had proved too complex and slow when the Association had started liberalizing trade in the field of more sophisticated products. Nevertheless, of more than 10,000 concessions granted up to date, 1,000 had been negotiated in 1967 which meant a 10 per cent increase over those achieved in 1966. Of the concessions made in 1967, over one half were for chemical products and related industries, mechanical and electrical equipment, metals and metal manufactures. Another aspect of the 1967 LAFTA activities were the complementary agreements in some industrial sectors. These agreements had been drawn into the Montevideo Treaty so as to further the process of regional economic integration and were listed on pages 17 to 20 of the report (L/3128). A complementary programme in the automotive industry was presently operating and it had given very positive results to the countries participating in it.

Mr. Besa pointed out that all the efforts to increase trade among the Association's members had in no way impeded the growth of trade between them and the rest of the world. Significantly, the value of their trade with the rest of the world had risen by US$2,111 million from 1962 to 1967. In 1967 this trade had yielded a deficit for LAFTA, and the continuation of this situation was a matter of concern to them. They trusted that, in the near future, action taken by their partner countries in GATT would lead to the elimination of this deficit.

Mr. BRODIE (United States) said he would have commented on the report had it been available sooner.

The CONTRACTING PARTIES took note of the report.

10. Central American Common Market

The CHAIRMAN said that only one contracting party - Nicaragua - participated in the Central American Common Market. Some time ago the secretariat had reminded the Nicaraguan Government that the CONTRACTING PARTIES would appreciate receiving a statement on developments in the Common Market in recent years, but so far no statement had been received. He noted the absence of a report for this session.

Mr. BRODIE (United States) regretted that no report had been presented. The fact that the Central American Common Market was a showcase example - for which his Government had high regard - increased their interest in having full and complete reports.

11. Arab Common Market (L/3113)

Mr. ZOULFICAR (United Arab Republic) presented a report on progress achieved in the Arab Common Market (L/3113). The participation of the United Arab Republic in the Council of Arab Economic Unity and in the Arab Common Market was proof of his Government's belief in the importance of economic integration between developing countries. He was glad that the CONTRACTING PARTIES, through their approval of the Arab integration plans, had made it possible for the United Arab Republic to participate fully both in the Arab Common Market and in GATT. He then drew the attention of delegates to four aspects of the progress report.

Firstly: the programme of work of the Council of Arab Economic Unity had been carried out as planned with regard to trade liberalization and economic development. Agricultural and animal products and national resources originating in the area would be free from all import and export restrictions as well as from all customs duties from 1 January 1969. The liberalization programme would be accelerated for industrial products. From 1 January 1969 the annual tariff cuts would be 20 per cent instead of 10 per cent. Complete elimination of tariffs and non-tariff barriers was to be achieved on 1 January 1971 instead of on 1 January 1974 as originally planned.

Secondly: as trade and development were inseparable issues, the Council of Arab Economic Unity was not only a trade but also a development organization. Co-ordination in the agricultural and industrial fields among the merber States was being studied. It was hoped that the plans for an Arab Payments Union could be implemented in the course of 1969. Arrangements for freedom of movement of nationals of the member States with effect from 1 October 1968 had been approved. Plans for the harmonization of customs legislation had also been drawn up and the ways of implementing them were being examined.

Thirdly: the implementation of the Arab integration plans had resulted not in trade diversion but in trade creation. He was confident that the Arab Common Market would enhance not only trade and development in the area but also commerce between the area and the contracting parties.

Fourthly: the Arab Common Market having entered into force only in 1965, there had not yet been time enough to make a proper evaluation of the effects of tariff reduction. Nevertheless, trade between the United Arab Republic and the other member States had increased from LE 4.07 million in 1964 to LE 8.15 million in 1965 and LE 8.31 million in 1966.

In conclusion Mr. Zoulficar stated that the decisions of the Council of Arab Economic Unity with regard to the implementation of the Arab Common Market were compatible with the engagements of the member countries under the General Agreement.

The CONTRACTING PARTIES took note of the report.

12. Central African Economic and Customs Union

Mr. NDONG (Gabon) recalled that in December 1964, in Brazzaville, the Federal Republic of Cameroon, the Central African Republic, the Republic of the Congo (Brazzaville), the Republic of Gabon and the Republic of Chad, had signed the Treaty creating the CAECU. Since that date trade among the member States, and between them and other contracting parties to the GATT, had grown substantially. Customs barriers among member States had been abolished. If some member States eventually withdrew from the CAECU, as the Central African Republic and the Republic of Chad had envisaged doing by January 1969, the other member States would continue to pursue the task that had been started. With this in mind the Heads of State of Cameroon, Congo and Gabon had held two meetings this year, in Port Gentil in June and in Yaoundé last month, to restructure the 1964 Treaty and to renew it for three more years. As soon as formal agreements were reached by these three States they would duly be communicated to the CONTRACTING PARTIES.

Mr. A. EBONGO (Cameroon) complemented the statement of the delegate of Gabon by summarizing the activities accomplished by the Union. In matters concerning legislation the Union had established a customs tariff, a common customs code, and the definition of the notion of the origin of products, etc. Concerning industrialization, the Union, which in 1963 had less than 100 industries, now had 300 industrial enterprises. The withdrawal from the Union of some member States in the future should be attributed to geographical factors more than to an absence of political will to co-operate. Specific measures and action in the field of geography would greatly help to diminish disparities between the member States. The Cameroon was actually applying this remedy by constructing the "Trans-camerounais" railway which would bring Chad and the Central African Republic closer to the sea.

13. Council of Representatives - Chairman's proposal

The CHAIRMAN said that there should be possibilities of shortening considerably the agenda for the CONTRACTING PARTIES in the ordinary sessions, so that they could concentrate on matters of major importance. In recent years the amount of intersessional activity had increased to such an extent that the Council should give greater assistance to the CONTRACTING PARTIES in guiding the various

Committees and Working Parties and, when necessary, in taking action. This problem of streamlining the activities of the CONTRACTING PARTIES had been taken up in 1960 and had resulted in the Decision of 4 June 1960 which set out the functions of the Council. The Council, in effect, had authority to take action on all matters of concern to the CONTRACTING PARTIES other than final decisions under paragraph 5 of Article XXV. Thus, it seemed to him that the Council should be asked to undertake, between this session and the next, the maximum amount of work that it could within its competence, so that the twenty-sixth session could concentrate on trade matters of major importance.

The CONTRACTING PARTIES agreed to this suggestion.

14. Expansion of trade - Appointment of Drafting Group

The CHAIRMAN suggested that a Drafting Group be established to prepare for the resumed discussion later in the week on items 3 and 14 of the agenda.

The following terms of reference and membership were agreed:

"In the light of the CONTRACTING PARTIES' discussion of items 3 and 14 of the agenda, to prepare a summary of conclusions for consideration by the CONTRACTING PARTIES at the meetings from 27 to 29 November."

Membership

Argentina
Australia
Brazil
Canada
Chile
European Economic Community
India
Ivory Coast
Japan
New Zealand
Nigeria
Sweden
Trinidad and Tobago
United Kingdom
United States
Yugoslavia

Mr. Sommerfelt offered to preside over the meetings of the Group.