

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

SR.26/9
12 March 1970

Limited Distribution

CONTRACTING PARTIES
Twenty-Sixth Session

Page 85

SUMMARY RECORD OF THE NINTH MEETING

Held at the Palais des Nations, Geneva, on
Friday, 27 February 1970, at 11.30 a.m.

Chairman: Mr. SULE KOLO (Nigeria)

	<u>Page</u>
<u>Sub. discussed:</u>	
1. Accession of the United Arab Republic	85
2. Expansion of International Trade:	
Adoption of Conclusions	88
3. Election of Officers	91
4. Closing of the Session	92

1. Accession of the United Arab Republic (L/3362)

The CHAIRMAN recalled that it had been agreed to add to the agenda an item on the accession of the United Arab Republic. The Working Party on the Accession had recently completed its report which was contained in document L/3362.

Mr. BURESCH (Austria), Chairman of the Working Party on the Accession of the United Arab Republic said that the Working Party had held a series of meetings between 9 and 24 February 1970. Its report was now before the CONTRACTING PARTIES in document L/3362.

In examining the request by the United Arab Republic, the Working Party had taken fully into account the work done in 1962 by the Working Party that recommended the provisional accession of the United Arab Republic.

As it appeared from paragraphs 32-34 of the report, the Working Party, with one member dissenting, had reached the conclusion that the United Arab Republic should be invited to accede to the General Agreement under the provisions of Article XXXIII. For this purpose the Working Party had prepared a draft protocol and a draft decision for the accession of the United Arab Republic, and recommended that the CONTRACTING PARTIES adopt the decision and approve the text of the draft of the protocol.

The text of the Protocol of Accession (Annex II) was approved.

Miss HARELI (Israel) put on record that her delegation could not approve the text of the Protocol.

The text of the Decision on the terms of Accession (Annex III) was approved.

Miss HARELI (Israel) put on record that her delegation could not approve the text of the Decision.

The report as a whole was adopted.

The CHAIRMAN said that ballot papers would be distributed for a vote on the Decision contained in Annex III to the report. In accordance to Article XXXIII, the terms of accession required the approval of two thirds of the contracting parties. Representatives who had authority to vote on behalf of their government were invited to do so at the close of the meeting; ballot papers would be sent by post to contracting parties not represented at the session. The result of the vote would be announced when the required number of affirmative votes (51) had been received. Thereafter, the Protocol would be open for signature and the United Arab Republic would become a contracting party thirty days after its acceptance of the Protocol.

Miss HARELI (Israel) said that her Government was not in principle opposed to the accession of the United Arab Republic to the General Agreement provided the United Arab Republic accepted fully the contractual obligations incumbent on all contracting parties.

The Working Party established to examine the request for accession of the United Arab Republic had held only five meetings, but during this short period it had come up against some of the most difficult problems encountered in a GATT Working Party. One of these was the question of State trading. It posed some serious methodological problems from the point of view of the GATT Articles. Other cases of a similar nature had led to thorough and serious efforts in working parties with a view to finding solutions which would be fair to all concerned and compatible with the General Agreement. The discussion had brought out clearly that imports into the United Arab Republic were regulated by a combination of State trading, currency control and reliance on bilateral trade and payments agreements. These special circumstances would have been sufficient reason to seek a satisfactory special solution, but the Working Party had only taken note in paragraph 15 of its report of the assurances given by the representative of the United Arab Republic that their State-trading arrangements would continue to conform fully with the GATT. Some members had said in this connexion (in paragraph 29) that "while there was no reason to doubt the assurances given to the Working Party, ... any departure from the GATT rules by countries relying for their protection essentially on the tariff could be easily detected, but that, in the case of other types of economies there was no way for contracting parties to satisfy themselves that the principles of the General Agreement were always observed, unless some form of regular notification and consultation were provided for in the Protocol of Accession". No such provision had been made in the Protocol.

Another serious problem was the two-fold one of the secondary boycott on the one hand, and the interference with the freedom of transit on the other. There were no economic or development reasons for these measures and none had been

claimed. However, these practices were in violation of the provisions and spirit of the General Agreement and were not compatible with full accession. It had been the main reason which had led the Working Party in 1962 not to recommend full accession for the United Arab Republic. The nature of these practices was again explored at length in the Working Party whose Report was now before the CONTRACTING PARTIES. As in the case of State trading, no mention was to be found of these serious questions in the Protocol.

Her delegation found disconcerting divergencies between the Report of the Working Party and the Protocol, which did not follow from the Report.

Miss Haroli recalled that Israel had supported the provisional accession of the United Arab Republic in 1962 and had never opposed its successive extensions. Under its provisional accession the United Arab Republic enjoyed most-favoured-nation treatment and participated in all GATT activities. The conditions for full accession which the CONTRACTING PARTIES stipulated in 1962 had not yet been fulfilled. Therefore her delegation would abstain from the vote.

Many delegations expressed their support and welcome for the accession of the United Arab Republic. Reference was made to the United Arab Republic's active participation in GATT activities and particularly in the Trade Negotiations Committee for Developing Countries. Some delegations pointed out that they agreed and were satisfied with the explanations given in the report of the Working Party. The following speakers took the floor: Mr. GROS ESPIELL (Uruguay), Mr. McMORRIS (Jamaica), Mr. KASSA-MPSI (Gabon), Mr. AHMED (Pakistan), Mr. ASANTE (Ghana), Mr. PAPIC (Yugoslavia), Mr. EBONGO (Cameroon), Mr. AL ANSARI (Kuwait), Mr. SOETAN (Nigeria), Mr. MUNOZ-VARGAS (Spain), Mr. PASIN (Turkey), Mr. SWARUP (India), Mr. LAI (Malaysia), Mrs. ZAEFFERER DE GOYENECHE (Argentina), Mr. BENES (Czechoslovakia), Mr. STEPHANOU (Greece), Mr. RURALZ (Poland) and Mr. PANDELAKI (Indonesia).

Mr. WEITNAUER (Switzerland), said that his Government welcomed the United Arab Republic as a new full Member of the GATT, bearing in mind the relations that had always existed between this country of renowned old civilization and his own. His country felt that the United Arab Republic, when applying for accession was desirous - as all other developing countries - to accept all the rights and obligations resulting from the General Agreement. This point was of great importance to his country, which lived by its exports and whose economic structures left a large part to the production of consumer goods. Switzerland could but insist that these products also be accorded appropriate export possibilities in the markets of its trading partners. Generally speaking, his country attached great importance to its commercial relations with the United Arab Republic not being in any way adversely affected.

Mr. WILLENPART (Austria) said that his Government welcomed the accession of the United Arab Republic as a full Member to GATT. In this context he referred to Austria's traditional commercial relations with the United Arab Republic. Austria expected confidently that the future development and diversification of its trade with the United Arab Republic would also apply to consumer goods according to their importance in Austria's production and export trade. It was his Government's hope that the rights and obligations of the General Agreement would create a new incentive for the further expansion of trade with this new Member of the GATT.

Mr. GARCIA-INCHAUSTEGUI (Cuba) recalled that his Government's position on the question of boycott was recorded in paragraph 21 of the Report.

Mr. ZULFICAR (United Arab Republic) expressed his thanks to Mr. Buresch, Chairman of the Working Party, for the way the proceedings had been conducted.

He recalled that the delegation of the United Arab Republic had participated since eight years in the activities of the GATT. It would continue to lend its continuous support to the efforts undertaken by the CONTRACTING PARTIES towards the liberalization and expansion of international trade. His delegation had listened with great interest to the opening statements by the Chairman and the Director-General and detected in them GATT's new approach towards the solution of current problems of world trade where the inter-relationship between money and trade was obviously increasing and where there was need for preferential tariff treatment, coupled with the application of standstill provisions for the benefit of developing countries. The importance of the participation of developing countries in the main activities of the contracting parties, especially those directed towards the promotion of trade among developing countries, had been rightly stated by the Director-General. His delegation would continue to participate in these activities as it had during its provisional accession, and would shoulder its greater responsibility as a contracting party for the successful realization of the objectives of GATT. Finally, he expressed his delegation's thanks to the CONTRACTING PARTIES for adopting the Decision for the United Arab Republic's accession.

2. Expansion of International Trade (W.26/5)

The CHAIRMAN recalled that the CONTRACTING PARTIES had established a Drafting Group to prepare a summary of Conclusions on the item Expansion of International Trade, for consideration by the CONTRACTING PARTIES.

The DIRECTOR-GENERAL, Chairman of the Drafting Group, introduced the draft Conclusions (W.26/5). He said that the Group, which had been composed of all the contracting parties desirous of participating in the debates, had devoted considerable effort to its work and had drawn up a text which represented a carefully balanced statement.

Noting that the draft text represented the version which had been agreed upon by all the members of the Group, the Director-General wished to make two points. First, the words "appropriate actions" in the ninth line of paragraph 4, covered any action that might appear to be appropriate at the time, without excluding negotiations or other action directed toward the further reduction of barriers to trade, covering both the agricultural and industrial sectors. He said that as yet no decision was reached as to what the term "appropriate actions" would include. Second, he called attention to paragraph 8 where it was specifically stated that this paragraph "in no way affects existing rights or obligations under the General Agreement and particularly under Article XVIII and Part IV". He wished to state that this was equally true for the other paragraphs in the text.

Mr. BRODIE (United States) called attention to a minor point of fact found in the fourth line of paragraph 2, dealing with the "deterioration of the terms of trade of developing countries", noting that this was not in accord with what the GATT had recorded in its recent Report International Trade 1968, (page 238) where it was stated that since 1963 there had been relative stability with regard to the terms of trade of the developing countries. He also cited from the IMF Monthly Report of Financial Statistics, which, he said, showed some improvement in the terms of trade of developing countries. He did not wish to open up the document for debate but suggested that the phrase might be removed or that the record could show that this sentence did not accurately reflect the facts.

Mr. KOMPAORE (Upper Volta) called attention to the fact that among the developing countries there were those concentrating on an expansion of their export trade while others were even less developed and found themselves exporting a limited number of primary products. He said that with regard to the terms of trade of developing countries these two groups had to be distinguished.

Mr. ASANTE (Ghana) said that in his view the second sentence in the second paragraph was correct and that the figures quoted did not invalidate that sentence. He added that in the modern world, when international trade was generally expanding, relative stability meant in fact deterioration when compared to the situation of other countries.

Mr. BESA (Chile) noted that the Drafting Group had been open to all the contracting parties and suggested that matters of substance should have been discussed in that group rather than in the plenary session.

Mr. EBONGO (Cameroon) compared the pre-war prices of certain commodities in his country with those prevailing in recent times, and noted that the prices of primary products had fallen relative to other prices. He supported the view of the representative of Chile.

Mr. SCHWARZMAN (Canada) said that his delegation regarded this session as marking an important shift in the work of GATT as it moved into a new field of seeking solutions. In his view, this was reflected by the presence of many countries' Ministers. His delegation accepted the document as it stood, and wanted to point out several important elements. First in paragraph 4 there was a directive given at this session for the work programme to be completed by the end of the current year, including the drawing up of proposed solutions and suggested techniques. Second, a basis was thus provided for the CONTRACTING PARTIES in their twenty-seventh session to decide upon appropriate action. Reading the document in the light of the Director-General's remark that "appropriate actions" did not exclude negotiations, his delegation thought that appropriate actions must include negotiation or otherwise it would imply unilateral action. Third, it was clear that the purpose of the appropriate action was to reduce tariff and non-tariff barriers in both the industrial and agricultural sectors. Fourth, with regard to the specific references to the trade of developing countries, world-wide negotiations covering tariff and non-tariff

barriers in industry and agricultural trade would in itself be one of the most valuable contributions towards the development of these countries. He regretted that the Director-General's two principles on agriculture were not included in the conclusions. Referring to the statement made by Mr. Gilbert (United States) in the meeting of 25 February he said that Canada, too, felt that agricultural problems were very important. He concluded by saying that there might be need for ad hoc or interim remedies in some fields.

Mr. N'AN-NGUEMA (Gabon) said that his delegation had participated fully in the work of the Drafting Group and was ready to accept the text as it stood, recognizing that it represented a compromise. In his view, the representative from Upper Volta had put his finger on the problem in distinguishing between developing countries in different stages of development; between those whose exports included manufactures and semi-manufactures and those whose exports were largely composed of primary products. He noted a clear difference between the results in the industrial sector and in the agricultural sector, the latter being the one of greatest interest to most developing countries. He suggested that agricultural subsidies maintained by large countries were very disturbing to developing countries. He concluded by calling attention to the reference to Article XVIII and Part IV in paragraph 8 of the draft Conclusions, noting that these had been placed in the text to preserve the interests of the developing countries.

The CHAIRMAN reminded the representatives that the text before them was the result of a delicate balance arrived at during deliberations that had been open to all delegations, and that the task before the CONTRACTING PARTIES was to adopt the text at this point, noting that statements could be made later.

Mr. BRODIE (United States) said that his delegation did not insist on the removal of the sentence which he had referred to earlier, but would wish the record to show that his delegation did not agree with that sentence, since it inaccurately described the terms of trade.

Mr. HIJZEN (EEC), referred to the remarks of the representative of Canada, stating that for his delegation the text in the draft Conclusions needed no additional interpretation. He was in accord with the interpretation that the Director-General had himself given.

The CONTRACTING PARTIES approved the Conclusions.

Mr. WEITNAUER (Switzerland) said his delegation had taken note of the revised text of paragraph 4 with great interest since it was one of the key paragraphs. His delegation had also noted with interest the supplementary explanations which the Director-General had given as to the exact meaning of certain expressions used. Although his delegation had not followed the progress of the drafting group in its entirety it well understood the difficulties that had to be overcome in arriving at a text that met with everyone's approval. With regard to the task of this organization, he said that it all depended on not missing the right moment, and he stressed the word "right". He added that his delegation saw absolutely no contradiction between the new tasks of GATT and the active efforts being undertaken in the context of Europe for planning solutions to many problems, solutions which would be salutary for the countries in question and for the whole world. Nevertheless, he could not hide the concern which his delegation felt at

there having been need for an explicit declaration by the Director-General that the text in paragraph 4 did not exclude the possibility of future negotiations. It went without saying that thus far, during the twenty-two years of its existence, negotiation was the very essence of GATT activities. He concluded by expressing the firm hope that it would not be the art of drafting but rather the desire for action that would characterize the GATT.

Mr. FOGARTY (Australia) said that the important Conclusions which had just been adopted represented a clear expression of the CONTRACTING PARTIES' desire to pursue energetically the objectives of further trade liberalization, as charted in the Decisions of 1967. His delegation regretted that it had not proved possible to incorporate in these Conclusions an endorsement of the two principles on trade in agricultural products, which the Director-General had suggested at the opening of the session. Fully endorsing these principles, his delegation was heartened by the wide support that had been expressed towards their adoption in the general debate. His delegation would ask those few contracting parties who were unable at the present stage to accept the Director-General's proposal to reflect on the question over the coming months so that when the CONTRACTING PARTIES met again at the next session, or even before, if appropriate, the matter could be given further consideration. In the meantime he expressed the hope that the Agriculture Committee would keep these ideas very much in mind in pursuing its task of seeking mutually acceptable solutions to the problems of international trade in agriculture.

Mr. NORRISH (New Zealand) expressed satisfaction in interpreting paragraph 4 of the Conclusions as signifying that the momentum for progress that had been built up in the past two weeks would now continue. He expressed dissatisfaction, however, with a certain lack of balance in the Conclusions due to the absence of specific reference to problems in agricultural trade, and particularly the absence of the Director-General's two principles. Nevertheless, this absence did not in any way lessen the wide-ranging support which these principles had received in the general debate, nor did it lessen the self-evident responsibility of some countries, or groups of countries, in the field of trade in agricultural products.

Mr. RAIMONDI (Argentina) said that his delegation strongly supported the Conclusions, which represented a compromise but which would be useful for guiding the future work programme of GATT. He reiterated his delegation's support for the Director-General's two principles, which unfortunately had not been included in these Conclusions. Hopefully, the door would be left open to return to these again in the future so that they might eventually be formally adopted.

3. Election of Officers (W.26/4)

On the recommendation of the Heads of Delegations the following officers were elected for the ensuing year:

Chairman of the CONTRACTING PARTIES	Mr. Carlos Besa (Chile)
Vice-Chairmen of the CONTRACTING PARTIES	Mr. Marc Nan-Nguema (Gabon)
	Mr. Charles H. Archibald (Trinidad and Tobago)
	Mr. B.F. Moore (Australia)
Chairman of the Council of Representatives	Mr. Erik Thrane (Denmark)
Chairman of the Committee on Trade and Development	Mr. Augustin Papic' (Yugoslavia)

4. Closing of the session

The CHAIRMAN, in closing the session, said that the Conclusions just adopted showed a determination to carry forward the Work Programme established in 1967. It would be up to the Committees in charge of the various sectors of the Work Programme to push ahead energetically. He was confident that, given goodwill and a forward-looking spirit, concerted progress would be made in the three major areas of action, including the work of the Joint Group on Import Restrictions. While the work in the main bodies was being pursued the Council was again charged with the co-ordination and expansion of the various activities.

The discussion on the Council's report had made clear that the way in which the Council had operated had been appreciated and had greatly contributed to the fact that during this session contracting parties had been able to concentrate on a few selected matters of major importance. The extension of the Council's work should therefore be continued in the coming year.

The agenda and the programme of meetings had given the opportunity to hold informal meetings in which delegations had had preparatory discussions on a number of important problems which would require the attention of the CONTRACTING PARTIES in the foreseeable future. There had been general support for further discussion of this kind.

The Chairman had been pleased that the negotiations by the United Arab Republic for its accession had been successfully concluded and he supported the expressions of welcome.

Before closing the session, he thanked Mme Zaefferer de Goyeneche for her assistance as Vice-Chairman of the CONTRACTING PARTIES.

Mr. BESA (Chile), in accepting his appointment to the office, recalled with affection and respect Mr. Fernando Garcia Oldini, the eminent Chilean and former Chairman of the CONTRACTING PARTIES. Mr. Besa said that the GATT was one of the most exciting endeavours in the international system because of the vital importance of trade as an instrument of well-being and peace. The efforts made to establish a constructive dialogue between nations and to eliminate under-development could just wither away in the GATT, just as in the GATT too real progress could be made towards translating those efforts into positive results.

Mr. Besa said that his new function would only give him satisfaction if he was convinced of having tackled his task efficiently. Government representatives were frequently confronted with the difficulty of deciding between a short-term interest and a long-term interest. Because of the difficulty of striking a proper balance between the two the most convenient solution was sometimes to opt for the short-term interest. Nevertheless, a sense of vision was required that must go beyond the mere question of defending present day interests.

With regard to the mechanics of development, Mr. Besa felt that expansion of markets was feasible if two parallel efforts were made at the same time, one towards liberalization of trade and the other towards increasing consumption capacity throughout the world. Neither of these two parallel and complementary efforts should be sacrificed.

Mr. Besa thanked the CONTRACTING PARTIES for his election and expressed on behalf of all contracting parties appreciation to Mr. Sule Kolo for his admirable chairmanship of the twenty-sixth session.

THE SESSION CLOSED AT 1.20 P.M.