

# GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

C/M/5

30 March 1961

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COUNCIL

## MINUTES OF MEETING

Held at the Palais des Nations, Geneva  
on 24 March 1961

Chairman: Mr. J.H. WARREN (Canada)

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### 1. Membership of Council

It was noted that Indonesia had requested to be co-opted as a member of the Council for the present meeting.

### 2. Adoption of agenda (C/11)

The agenda proposed in document C/11 was adopted.

### 3. Uruguayan import surcharges (L/1426 and Corr.1, Add.1 and 2)

At the meeting of the Council on 28 February (C/M/4) the representative of Uruguay put forward a request from his Government for a waiver from the obligations of Article II to permit the application of surcharges to certain items included in Schedule XXXI. The text of the statement then made by the representative of Uruguay was distributed in document L/1426/Add.1. It was decided to consider this request at the present meeting of the Council.

The International Monetary Fund, which had been invited to consult with the CONTRACTING PARTIES under Article XV in connexion with this question, submitted a statement which was read to the Council. In this statement the Fund explained that, in recent years, Uruguay had experienced unfavourable balance-of-payments developments and a substantial reduction in gold and net foreign exchange reserves. From the end of 1957 to the end of 1959 gold and net foreign reserves were reduced by approximately one third and a similar percentage reduction occurred during 1960. Despite a recent improvement, resulting in large part from a movement of inventories of wool, the measures applied by Uruguay to restrict imports, including the import surcharges, did not go beyond the extent necessary at the present time to stop a serious decline in Uruguay's monetary reserves. The Fund statement went on to say that certain of the causes of inflationary pressures during 1960 had now disappeared or were being felt with less force; in particular, foreign exchange was no longer being sold at less than the Bank of Uruguay's cost. Nevertheless, continued attention to the stabilization programme was vital to the achievement of internal and external stability by Uruguay. The likely fiscal effects of the various measures undertaken, including the import surcharges, did not appear to be in excess of what was required to assure the success of the programme.

During the discussion that followed a number of representatives expressed their support for Uruguay's request for a waiver, in some cases indicating the sort of terms and conditions which, in their view, such a waiver should contain. At the same time, the hope was expressed that the expected new Uruguayan customs tariff would be developed and published expeditiously. There was comment on the provision for flag discrimination in Article 9 of the Uruguayan Decree of 29 September 1960 (L/1426). The representative of Norway, because of this provision, said that his delegation would be unable to vote in favour of a waiver. The representatives of Sweden and Denmark supported the Norwegian viewpoint in regard to flag discrimination, but stated that they would be unable to indicate at the present meeting of the Council what their Governments' final attitude to Uruguay's request would be. The representatives of the United Kingdom and Greece, and of Belgium who was speaking on behalf of the six Member States of the EEC, expressed their support in principle for a waiver but stressed that this should in no way be interpreted as condoning flag discrimination or be taken as a precedent should similar cases arise in the future. On the other hand, the view was also expressed that the question of flag discrimination was outside the competence of GATT and should not be taken into consideration by the CONTRACTING PARTIES.

Finally, the Council approved the text of a draft decision (Spec(61)106as amended) granting Uruguay a temporary waiver from the provisions of Article II, for submission to the CONTRACTING PARTIES.<sup>1</sup>

#### 4. Marketing of butter in the United Kingdom

In a communication (L/1432) dated 20 March 1961 the New Zealand Government requested the CONTRACTING PARTIES to arrange, under paragraph 1 of Article XXV, a multilateral consultation on the butter situation with interested

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<sup>1</sup> Before the end of the Council's meeting, the representatives of several contracting parties indicated that they were in a position to vote on the decision on behalf of their governments; ten voted in favour and one abstained. Postal votes will be sought from all other contracting parties.

importing and exporting countries. The communication made reference to the recommendations<sup>1</sup> of the Working Party on Commodities in 1958 and 1959 regarding the use of the provisions of Article XXV for arranging consultations on such matters.

The representative of New Zealand, having stressed the importance of butter to New Zealand's export trade and the very serious effects of the fall in London butter prices on New Zealand's balance of payments, foreign exchange reserves and economic situation generally, said that his Government wished to see a co-operative, multilateral effort to rectify the present situation, which was one of special urgency. The problem was not an appropriate one for Committee II which was primarily seeking long-term solutions; what was necessary was an early alleviation of the immediate and short-term difficulties. The New Zealand Government hoped that participation in the consultation would be on a broad basis and that all interested countries, including exporters and importers, would agree to participate. In the consultation, account should be taken of the work already done, and the recommendations made, by the OEEC in this field.

Having heard the views of other representatives supporting the New Zealand request, the Council agreed:

- (a) that there should be a consultation, as requested by New Zealand, and that this should be held in the week beginning 17 April 1961;
- (b) that all contracting parties and associated governments, interested either as exporters or importers of butter, should be invited to participate in the consultation, and that the Executive Secretary should discuss with the contracting parties principally concerned whether countries which were not contracting parties could with advantage also be invited to participate.

5. Arrangements for sessions of the CONTRACTING PARTIES (C/M/4)

(a) Ministerial meeting

At the meeting of the Council on 28 February it was agreed that, at the Council's present meeting, further consideration should be given to the question of a Ministerial meeting in the autumn of 1961.

The Executive Secretary expressed the view that a decision to hold a Ministerial meeting at any particular time should be based on a reasonable certainty that the facts and issues to be put before Ministers would be clearly defined. Adequate preparation was an essential prerequisite for a Ministerial meeting. For this reason it might not be desirable to fix precise dates for the meeting at the present time.

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<sup>1</sup>BISD 7S/44 and 8S/84.

All the representatives who spoke were in favour of a recommendation being made to the CONTRACTING PARTIES that there should be a Ministerial meeting and many of these representatives stressed the importance of there being adequate and careful preparation, so as to give the best chance of success. Issues should be sufficiently refined to enable Ministers to address themselves to specific policy questions. Some representatives were not in favour of the dates for the meeting being left too imprecise, as this could easily give rise to delays; they favoured a recommendation proposing the autumn of 1961 as the period for the meeting. One representative expressed the view that Ministers should not meet until the Dillon round of tariff negotiations was completed or had reached a satisfactorily advanced stage, while others pointed out that non-tariff, as well as tariff, matters urgently required the attention and decision of Ministers.

The United States representative said that the United States Under-Secretary of State for Economic Affairs would be prepared to attend the meeting.

In reply to an enquiry, the Executive Secretary explained that those newly-independent States covered by the Recommendation of 18 November 1960 were normally invited to be represented by observers at sessions of the CONTRACTING PARTIES. Their representation at a Ministerial meeting, however, was a matter which could appropriately be considered at a later date, when preparations for such a meeting were being discussed and put in hand.

The Council agreed to recommend to the CONTRACTING PARTIES<sup>1</sup> that a Ministerial meeting be held in the autumn of 1961, at or about the time of the nineteenth session, the exact timing to be discussed, by the Council and the CONTRACTING PARTIES when they meet in May, in the light of the progress of the work of the CONTRACTING PARTIES.

(b) Question of a session of CONTRACTING PARTIES in May 1961 (3/10)

In November 1960 the CONTRACTING PARTIES decided that their eighteenth session should be held from 1-20 May 1961. At its meeting on 22 February - 2 March, the Council discussed whether there was need for the CONTRACTING PARTIES to meet before October 1961, and agreed that this question should be further considered at the present meeting.

Following an explanation by the Executive Secretary of the agenda items listed in document C/10, views in the Council were divided on the question of whether or not there should be a session of the CONTRACTING PARTIES in May.

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<sup>1</sup>Before the end of the Council's meeting, the representatives of sixteen contracting parties indicated that they were in a position to vote in favour of the recommendation. Postal ballots will be sought from all other contracting parties.

Some representatives were of the opinion, in the light of the Executive Secretary's statement, that a session of the CONTRACTING PARTIES in May was unnecessary. In taking this view they were influenced in particular by their expectation that, by May, the progress in the tariff negotiations and in the work of Committees II and III would not be such as to warrant consideration by the CONTRACTING PARTIES. Other representatives, however, considered that there should be a session of the CONTRACTING PARTIES; in particular it was suggested that the agenda should include consideration of the progress made in the tariff negotiations. One representative said that his government could not see that there had been any developments since the seventeenth session which would justify recommending a change in the decision then taken by the CONTRACTING PARTIES that they should hold a session in May 1961.

It was agreed to recommend to the CONTRACTING PARTIES that they should hold a short session from 15-19 May and that, this should be preceded by a meeting of the Council from 8-12 May.<sup>1</sup> It was further agreed that contracting parties should be invited to propose items for the agenda of the session.

6. Article XXXV review - establishment of working party (C/M/4)

During its meetings from 22 February - 2 March, the Council agreed on the terms of reference of the working party to be set up to carry out the review of the operation of Article XXXV requested by Japan at the seventeenth session of the CONTRACTING PARTIES. In the expectation that the eighteenth session of the CONTRACTING PARTIES will be in May, the Council noted that the working party will be established by the CONTRACTING PARTIES at that time. In this connexion the representative of Austria said he was now able to withdraw the reservation recorded on page 6 of document C/M/4.

7. Renegotiations under Article XXVIII:1 - establishment of closing date (C/M/4)

It was agreed that the time limit in the Decision of 19 November 1960 for renegotiations under Article XXVIII:1, should be extended until 19 May 1961.

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<sup>1</sup>Before the end of the Council's meeting the representatives of sixteen contracting parties indicated that they were in a position to vote in favour of the recommendation: one contracting party voted against it. Postal ballots will be sought from all other contracting parties.