

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

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COUNCIL

25 September - 3 October 1961

MINUTES OF MEETING

Held at the Palais des Nations, Geneva, from
25 September to 3 October 1961

Chairman: Mr. J. LACARTE (Uruguay)

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1. Election of Chairman

Mr. LACARTE (Uruguay) was elected Chairman of the Council for the remainder of 1961.

2. Adoption of agenda and order of business (C/17) (C/1/24)

The provisional agenda (C/17), with the addition of the following items (i) Progress in tariff negotiations and (ii) Haitian tariff reform, was adopted and the proposed programme of work (C/1/24) for the meeting of the Council was approved.

3. Membership of Council

The Chairman welcomed Indonesia as a member of the Council. The representative of Indonesia stressed the willingness of his Government to co-operate in the work of the GATT, particularly in fields related to the economic development of the less-developed countries. Having referred to Indonesia's new development plan and the dependence of the Indonesian economy on the export of raw materials, the representative of Indonesia welcomed the understanding shown by contracting parties regarding the renegotiations in connection with Schedule XXI.

At the request of their representatives, Ceylon and Haiti were co-opted for the discussion of the items of particular interest to their governments.

4. Meeting of Ministers

At its sixth meeting (C/1/6) the Council agreed to recommend to the CONTRACTING PARTIES that a meeting of Ministers should be convened during the nineteenth session. This recommendation, together with the Council's recommendations (C/1/6) regarding the agenda for the Ministers' meeting, was adopted by the CONTRACTING PARTIES at the eighteenth session. Contracting parties were invited to submit by 1 September suggestions as to specific points which might be considered by Ministers, together with proposals for action. It was agreed that the suggestions and proposals submitted by contracting parties would be examined by the Council at its present meeting.

The Executive Secretary made a statement to the Council in which he summarized the present position, as he saw it, in the Programme for the Expansion of Trade.¹ A note by the Executive Secretary to assist the Council in its discussion of the draft agenda for Ministers was also distributed in document C/1/27.

¹The full text of the Executive Secretary's statement will be distributed in document L/157C/Rev.1.

The Council then turned its attention to the question of a draft agenda and other documentation for the meeting of Ministers which would be submitted to the CONTRACTING PARTIES at the nineteenth session. There was considerable discussion as to the content of the draft agenda and the form in which items should be presented to Ministers. A number of representatives urged that there should be a short agenda containing the broad items already agreed to by the CONTRACTING PARTIES (SR.18/4). Ministers should be free to address themselves to any question they wished within the broad framework of the agenda. The reports of the Committees set up under the Programme for the Expansion of Trade should be referred to in the draft agenda as general documentation and to these might be added the document containing the Executive Secretary's statement (L/1570/Rev.1). These representatives proposed that the specific points suggested by certain individual contracting parties for discussion by Ministers should be looked upon as documentation which had been presented by these contracting parties and which was separate from the draft agenda.

Other representatives, however, stressed the need for Ministers to address themselves to concrete issues and for these issues to be clearly defined. In their view, the reports of the Committees under the Programme for the Expansion of Trade should be specifically included in the draft agenda under the relevant agenda items as they represented, as it were, a reporting back to Ministers on the work done under the Programme for the Expansion of Trade inaugurated by Ministers in November 1958. These representatives also considered that documents C/W/27 and L/1570/Rev.1 should go forward as documents for Ministers.

The representatives of New Zealand, Austria, Nigeria and Uruguay¹ stressed the importance their governments attached to the specific points which they had put forward for discussion by Ministers and their wish that these points should be spelt out in the draft agenda.

Against the background of the discussion the Council discussed and approved, with certain amendments, the draft agenda proposed in document C/W/31. The text of the draft agenda, as approved by the Council, has since been distributed in document L/1576.

During the discussion of the draft in document C/W/31 it was understood by the Council that the use of the words "The specific points which have been suggested are the following" in no way precluded contracting parties from putting forward further points for discussion by Ministers if they so wished. In addition, Ministers would, of course, be free to address themselves to any question they wished at the meeting. The draft agenda sent forward by the Council to the CONTRACTING PARTIES and then submitted, with or without modification, by the CONTRACTING PARTIES to Ministers would still only be a draft agenda.

In this connexion the representative of Japan informed the Council that the Japanese Minister might well refer to the question of the application of Article XXXV to Japan. This question, from Japan's point of view, was important in the context of the expansion of world trade.

Finally, the Council approved the text of a communiqué on the subject of the Ministers' meeting for release to the press (Press Release GATT/609).

¹See also statement by Mr. Lacarte (Uruguay) distributed in document L/1577.

5. Residual import restrictions (L/1563, L/1566)

At the seventeenth session the CONTRACTING PARTIES adopted procedures for dealing with residual import restrictions (9S/19); these procedures were considered an arrangement of an interim character. The Council was instructed to review the procedures in the light of experience and to report its views to the CONTRACTING PARTIES at the nineteenth session.

Under paragraph 7 of the procedures, contracting parties were invited to communicate lists of import restrictions which they still maintained; a consolidation of the notifications received was distributed in document L/1563. Paragraphs 8 and 9 of the procedures deal with requests for consultations under the provisions of Article XXII and with possible resort to Article XXIII. Action taken under these paragraphs since the seventeenth session was described in document L/1566.

It was generally accepted in the Council that it was too early to judge the efficacy of the procedures adopted by the CONTRACTING PARTIES. At the beginning of the discussion, a suggestion was made that a working party should be established to examine the notifications so far received from contracting parties and to report to the nineteenth session. The general view, however, was that it was desirable to have more notifications before a fair judgment could be made on the procedures. It was pointed out that contracting parties had, in fact, only been "invited" to submit notifications, but several representatives urged that those contracting parties which had not yet made their submissions should do so before the nineteenth session. In this connexion the hope was expressed that the contracting parties concerned would give the Council an indication of their intentions in this regard.

One representative queried whether a country-by-country examination of the lists of notifications would be the best way for the Council eventually to carry out its task. The restrictions, which primarily concerned the agricultural sector, were only symptomatic of important underlying problems. It might be desirable to await the outcome of the Ministers' discussion of trade in the agricultural sector before deciding how the Council should deal with the matter.

The Council agreed that, in the absence of notifications from a number of contracting parties, it was too early for it to carry out a full review of the operation of the procedures for dealing with residual import restrictions adopted by the CONTRACTING PARTIES at the seventeenth session. In this connexion the Council again invited those contracting parties which had not done so to communicate lists of import restrictions which they still maintain and expressed the hope that such lists would be communicated before the nineteenth session. The Council proposed that, subject to the approval of the CONTRACTING PARTIES, it should carry out the review of the operation of the procedures at an appropriate time in 1962.

6. European Economic Community

(a) Examination of the Common Tariff under Article XXIV:5(a) (L/1479)

At the eighteenth session, the Tariff Negotiations Committee presented a report (L/1479) on its examination of the Common Tariff of the European Economic Community. It had been found that there was a fundamental difference between the six Member States of the Community and a number of contracting parties on the matter of interpretation of paragraph 5(a) of Article XXIV. In these circumstances, the CONTRACTING PARTIES could not come to any firm conclusion and in any case it was noted that all the relevant facts were not yet known. Thus the conclusions of the Tariff Negotiations Committee were of a tentative nature and the CONTRACTING PARTIES deferred final consideration of the matter. The question referred to the Council for consideration at its present meeting was whether this item should be included on the agenda of the nineteenth session or left until the twentieth session.

Certain representatives stressed the importance which their governments attached to this question and urged the inclusion of the item on the agenda of the nineteenth session. They proposed that a working party should be appointed to go into the aspects of the examination which contracting parties at the eighteenth session felt had been inadequately dealt with. The working party should report to the nineteenth session, but it need not start its work until more was known about the outcome of the Dillon round. One representative expressed the view that, as it was necessary to know the results of the Dillon round, any working party established should more appropriately not meet until the nineteenth session.

The representative of Australia wished his Government's views on one aspect of this question to be recorded. He said that the current Article XXIV:5(a) examination had, of course, been confined to the Common Tariff (see Executive Secretary's statement SR.18/4, page 46) and had not dealt with other duties (e.g. variable import levies) or "other regulations of commerce" (e.g. non-tariff barriers). First, as regards non-tariff barriers, Australia and other non-EEC contracting parties had the right, as the Australian delegation saw it, to challenge the EEC on the point of non-conformity with Article XXIV if they considered that the general incidence on trade of those non-tariff barriers which were consistent with GATT was higher than the incidence of similar non-tariff barriers previously maintained by the individual member countries. This was, of course, a separate question from that of non-tariff barriers which were inconsistent with GATT. An examination of the point could be difficult, but it would not be the only difficult question which GATT had faced. Secondly, as regards other duties (variable levies), these ought to be considered along with and alongside the Common Tariff. This, of course, could not be done unless and until some maximum level of these variable duties had been settled.

A number of representatives expressed the view that an attempt should be made to produce more statistics to enable a determination to be made on the difference between the incidence of the Common Tariff and of the applied national tariffs.

The representative of the Commission of the EEC said that the Commission's views on the question of statistics remained the same as at the eighteenth session (SR.18/4, page 53). Following a statement by the representative of Italy that his authorities had doubts about its ability to produce the statistics required and a statement by the representative of the Netherlands that his authorities did not have such statistics, it was recognized in the Council that it would be impossible for the secretariat to produce statistics on the basis suggested.

One representative stressed the seriousness of the situation that had arisen. It was the CONTRACTING PARTIES' task to see that the requirements of Article XXIV were adhered to. The full consideration of certain important aspects of the Treaty of Rome had been put aside. If the impasse regarding the question of interpretation were not resolved, there was the possibility that another part of the GATT would be put aside. Article XXIV provided safeguards for third countries. It looked as though such countries were being put in the position of being unable to claim their proper rights. It was essential that the Council should put in hand some preparatory work so that this item could be fruitfully discussed by the CONTRACTING PARTIES at the nineteenth session. If the views on the question of interpretation expressed in the Working Party were repeated in the Council, perhaps the Council might be able to find its way towards making some definite proposal to the CONTRACTING PARTIES. The issue should not be bypassed by the Council.

The Executive Secretary said that what was at issue was a question of legal interpretation. Even if it had been possible for the secretariat to produce the statistics suggested, the result of any statistical exercise would only support the view, with which he thought there was no disagreement, that the incidence of the Common Tariff was higher than that of the rates actually applied by the Member States at the time of the entry into force of the Treaty of Rome. Quite apart from this fact, however, it would be inappropriate to embark on a statistical exercise since, as he had said, what was really involved was a legal problem. If it were desired to pursue this problem, the CONTRACTING PARTIES should consider what procedures should be followed.

The Council agreed that the secretariat should not be instructed to prepare further statistics and that this item should be included on the provisional agenda for the nineteenth session.

(b) Association of Overseas Territories

Questions arising in connexion with the association of overseas territories with the European Economic Community were discussed at the eighteenth session. This discussion showed that a number of contracting parties

continued to feel considerable anxiety about the relevant provisions of the Rome Treaty and that these anxieties had not been allayed by the commodity consultations nor by the tariff negotiations under Article XXIV:6. The CONTRACTING PARTIES agreed that the matter could not be carried further at the eighteenth session and that the question should remain on the agenda, for further consideration at an appropriate time either by the Council or by the CONTRACTING PARTIES.

Certain representatives requested that this item be included on the agenda for the nineteenth session. Reference was made to the statement of the representative of the Commission of the EEC at the seventeenth session that the Dillon round would give contracting parties the opportunity of demonstrating their desire to contribute to the elimination of trade barriers. No progress had so far been made in the Dillon round in so far as their countries were concerned, these representatives said, and it was not yet possible to pass final judgment. Mention was also made of the significance of the possible enlargement of the membership of the EEC.

The Council agreed that this item should be included on the provisional agenda for the nineteenth session.

7. Marketing of butter in the United Kingdom (L/1514)

Following a request by the Government of New Zealand the Council, at its meeting on 24 March 1961, arranged for a multilateral consultation under paragraph 1 of Article XXV on the situation in the marketing of butter in the United Kingdom. The consulting countries reported to the Council and to the CONTRACTING PARTIES in May. At a second meeting in June the consulting countries requested that this matter should be included in the agenda for the present meeting of the Council; a report on the meeting was distributed in document L/1514. In September a meeting of the principal exporting countries was held in accordance with the procedures laid down in Article XXII:1.

The Executive Secretary, who had been Chairman of the meetings, outlined the reasons for the meetings and the outcome of the consultations among the participating governments. He explained that, at the eighteenth session, the CONTRACTING PARTIES had taken note of the first report (L/1453) on the consultations among importing and exporting countries under Article XXV, held at the request of New Zealand, and invited the participating governments to continue their consultations. A second meeting of these governments was held in June. At this meeting the consulting governments reaffirmed that Article VI could be applied to certain aspects of the situation, and recognized that Article XVI was also relevant, although there were different views as to how this Article should be applied. As a result of this difference of views, the consulting governments decided to invite the Council to consider the work that they had done.

The Executive Secretary then referred, for the information of the Council to further consultations which had been held in September. These were held, at the request of the United Kingdom, with exporting countries under Article XXII:1 and were thus different in character from the earlier consultations. The Executive Secretary said that, at the end of the September meeting, it had been agreed that, if after consultation with interested governments he came to the conclusion that there were good prospects for agreement, he was authorized to reconvene the meeting. Following subsequent consultations with interested governments he had, with great reluctance, come to the conclusion that there would be no purpose for the time being in reconvening the meeting.

The representative of New Zealand expressed New Zealand's deep disappointment that it had not been possible to reach agreement on the butter problem within the framework of GATT; his Government had invoked the GATT consultation procedures in the hope that this would result in voluntary, co-operative action. Having stressed the effects of dumping and subsidization on New Zealand's exports, the representative of New Zealand said there were two aspects of the problem, one short-term and the other longer-term. As the consultations on the short-term problem had not borne fruit, New Zealand would have to rely on other action. The CONTRACTING PARTIES should, however, deal with the longer-term problem. New Zealand would propose that the CONTRACTING PARTIES should consider the adoption, with or without modifications, of the OEEC recommendations and of procedures for keeping under review measures taken under such recommendations. This question was sufficiently important in the context of international trade as a whole for the CONTRACTING PARTIES to consider it at the nineteenth session.

The representatives of Denmark and the Netherlands shared the disappointment expressed by the representative of New Zealand in regard to the outcome of the consultations. The former took note of the concluding part of the Executive Secretary's statement and said that his Government would have to give thought to a possible alternative line of action. The latter said that international action was essential to deal with a problem which, in its pattern, was likely to be permanent. Having referred to the effects of the Netherlands' implementation of one of the OEEC recommendations relating to traditional marginal exporters, the representative of the Netherlands expressed his Government's disappointment that the invocation of Article XXV for the first time in connexion with a commodity problem had not resulted in a successful outcome. The Netherlands, nevertheless, continued to look to the GATT as the forum where such problems could be dealt with. In conclusion, the representative of the Netherlands said his Government would be prepared to participate in further consultations on this problem.

The representative of France expressed the view that it would be disappointing if the CONTRACTING PARTIES did no more than to adopt the OEEC recommendations three years after these had been adopted by the OEEC.

The representative of the United Kingdom said that his Government had under consideration the request from New Zealand and Denmark, for which there existed a prima facie case, for the imposition of anti-dumping and countervailing duties. His Government had thought it right, however, to discuss the situation with exporting countries so as to see if something could be done to afford relief to New Zealand and Denmark while doing the minimum damage to the trade of other exporting countries.

The representative of Argentina said that his Government was prepared to continue in any attempt to find a solution to this problem. Such a solution, however, must be within a fair and equitable framework, so that sacrifices by some exporting countries would not result in advantages for others.

The representative of Poland said that his Government was prepared to participate in further work aimed at seeking a multilaterally acceptable solution.

The Council noted the report (L/1514) on the second consultation under Article XXV, which was held in June 1961. It also took note of the comments made by the Executive Secretary, for the information of the Council, on the subsequent consultations under Article XXII held in September.

The Council noted that, at the request of New Zealand, an item entitled "Longer-term solutions to butter marketing problems" would be included on the provisional agenda for the nineteenth session of the CONTRACTING PARTIES.

3. Arrangements regarding international trade in cotton textiles (L/1535)

At its meeting on 16 June 1961 the Council, following a request from the United States, convened a meeting on arrangements regarding international trade in cotton textiles. The meeting was held from 17-21 July 1961 and the report on the meeting was distributed in document L/1535.

The Executive Secretary, Chairman of the meeting in July, referred briefly to the purposes of Sections I and II of the Arrangements regarding Trade in Cotton Textiles, the text of which was annexed to the report (L/1535). He said he had received acceptances of the short-term arrangement contained in Section I from the United States and Canada and expected to receive similar acceptances from a substantial number of other participating governments within the following few days. It would be noted that the meeting had requested the CONTRACTING PARTIES, at the nineteenth session, to establish a Cotton Textile Committee and that, in the meanwhile, the meeting had set up a Provisional Committee which would meet on 23 October. The Council was not required to take formal action on the report on the meeting and he would suggest that it would be appropriate for the Council to report to the CONTRACTING PARTIES on its decision to convene the July meeting on cotton textiles and on the outcome and consequences of that decision.

Continuing, the Executive Secretary said he was aware that the question referred to in paragraph 56 of the record of the meeting (L/1535) was a matter of some concern to individual contracting parties. He said that, in the course of the discussion during the meeting, the question was raised as to how far the proposed arrangement, which represented an arrangement between a limited number of contracting parties with a special interest in trade in cotton textiles, could affect the basic rights and obligations of contracting parties under the GATT. In reply to that question, he had ruled that nothing in the proposed arrangement could derogate from these rights and obligations. Nevertheless, he had indicated that it was clearly within the rights of individual contracting parties to make a mutually acceptable arrangement involving some restraint on the extent to which GATT rights and obligations were applied. He would repeat, however, that this could in no way change the basic GATT rights and obligations of contracting parties. These, of course, could only be changed through action by the CONTRACTING PARTIES or by an amendment to the GATT pursuant to the relevant GATT provisions.

The representative of the United States expressed his Government's appreciation of the spirit of co-operation shown by the other participating governments. Having referred to the urgent reasons behind his Government's request for the July meeting, he stressed that an equally important function of the short-term arrangement was to allow sufficient time to permit the development of a more permanent mechanism which would assure an orderly increase in the access to important cotton textile markets of exports in particular from those less-developed countries whose development of manufacturing industries tended in its early stages to concentrate heavily on the production of cotton textiles. Even the emergency short-term arrangement contained, as an important element, the expansion of access to the markets

of those countries now maintaining restrictions against cotton textile imports. The unique nature of the circumstances surrounding trade in cotton textiles permitted a co-operative solution without establishing precedents for dealing with problems in other fields. Stressing that the United States attached even greater importance to the long-term than to the short-term arrangement, the representative of the United States said his Government would have specific proposals to put before the forthcoming meeting of the Provisional Cotton Textile Committee. It very much hoped that other governments would also submit proposals so that the outcome would be the result of the joint thinking and ingenuity of all the participating governments.

In reply to a question, the Executive Secretary confirmed that contracting parties which had not participated in the July meeting were free to accept the short-term arrangement if they so wished. It followed that such contracting parties would also be able to participate in the further work looking toward a long-term solution which the Cotton Textile Committee would be undertaking.

In reply to a question about the participation in the work of the Cotton Textile Committee of contracting parties which did not accept the short-term arrangements, the Executive Secretary said that at the meeting in July, which was looked upon as a consultation under Article XXII, the participating governments had welcomed the presence of observers. He was sure that these governments would take a similar view about the attendance of observers at the meeting of the Provisional Textile Committee on 23 October.

The representative of Sweden asked whether the promised indication of the volume and value of increased imports could now be provided by certain European countries. This information would be of value in the consideration of this question.

In connexion with this enquiry, the Executive Secretary explained that it was agreed at the July meeting that he would, at the request of any participating government, convene a meeting of participating countries to discuss technical details relating to the implementation of the short-term arrangement. Although no such request had been made, he was sure that the representatives participating in the meeting of the Provisional Cotton Textile Committee on 23 October would take advantage of their presence in Geneva to discuss among themselves any questions relating to the implementation of the short-term arrangement of concern to their governments.

The Council agreed to draw the attention of the CONTRACTING PARTIES to its decision, at the Council's meeting on 16 June 1961, to convene a meeting on arrangements regarding international trade in cotton textiles and to the report on that meeting given to the Council by the Executive Secretary.

The Council noted that the CONTRACTING PARTIES had been requested to establish the Cotton Textile Committee at the nineteenth session.

9. Impact of commodity problems on international trade

Under the Resolution of 17 November 1956 the CONTRACTING PARTIES annually review the trends and developments in international commodity trade. Preparations for the review are made by the Commodities Working Party. This item was included in the Council's agenda, not with a view to having a substantive discussion of commodity problems or of their impact on international trade, but simply to carry out the task assigned to the Council, by the CONTRACTING PARTIES at the seventeenth session, namely, to make arrangements for the next meeting of the Commodities Working Party early in the nineteenth session and for the consideration of this item by the CONTRACTING PARTIES. The Council was informed that a paper for the use of the Working Party, which will include an analysis of trends in commodity trade and an account of developments in intergovernmental action relating to commodity problems over the past year, was being prepared by the secretariat.

The Executive Secretary pointed out that, while the CONTRACTING PARTIES had agreed to review annually the impact of commodity problems on international trade, they recognized that any action by the CATT should be concentrated on those aspects of commodity problems which were not being dealt with in other competent international organizations. This item was on the agenda to enable contracting parties to express their views on any special problems in this field which they might feel were not being adequately dealt with elsewhere.

The view was expressed that it would be desirable for the Working Party on Commodities to give special attention to the effects on the economies of exporting countries of variations in the volume and value of commodities exported. Emphasis should be laid on the close relationship between fluctuations in export earnings and the impact on the national income and economic development of the countries concerned. While it would be difficult for the Working Party to study this question in depth, it was to be hoped that it could give attention to the extent to which the closing of markets through the use of special measures adversely affected the volume and value of products entering into international trade.

The hope was also expressed that the Working Party would study trends in the international meat market.

The Council agreed that the points which had been raised should be brought to the attention of the Working Party on Commodities which would meet early in the nineteenth session.

10. Disposal of commodity surpluses (L/1550)

At the seventeenth session, certain suggestions were made regarding a new procedure for the CONTRACTING PARTIES' consideration of this question under the Resolution of 4 March 1955. These suggestions were referred to the Council which decided, at its meeting in February-March (C/M/4), to invite contracting parties which had disposed of commodity surpluses since the seventeenth session to submit reports prior to the present meeting of the Council. At the same time, it was agreed that the scope of this item should be widened to cover action under a second Resolution of 4 March 1955 on the liquidation of strategic stocks. Reports received from four contracting parties were distributed in document L/1550. The Council was requested by the CONTRACTING PARTIES to recommend whether this question should be discussed by the CONTRACTING PARTIES at the nineteenth session.

The representative of Rhodesia and Nyasaland, whose delegation had expressed concern when the United States' report was under discussion at the seventeenth session (SF.17/6) said that, from his delegation's point of view, there was no need for this item to be included on the agenda for the nineteenth session in the light of developments since the seventeenth session.

Certain other representatives, however, requested the item's inclusion on the agenda for the nineteenth session. Attention was also drawn to the absence of reports from countries where governmental or similar agencies acquired agricultural products in excess of domestic requirements and, as a result of subsidies or other forms of governmental intervention, exported these products to the detriment of other suppliers selling on commercial terms; the recent consultations on butter had afforded examples of this kind of practice. These practices which were not reported were subject to no consultation procedures and did not conform with such principles as were laid down by the FAO Consultative Sub-Committee on Surplus Disposal. It was suggested that, until the root causes of agricultural surpluses had been dealt with, the CONTRACTING PARTIES should attempt to work out procedures whereby there should be reporting, consultation as possible, and the formulation of agreed principles, or compliance with established principles, not only for the surplus disposals already reported on to the CONTRACTING PARTIES but also for the parallel practices just referred to. The hope was also expressed that reports would be forthcoming from more contracting parties before the nineteenth session.

The representative of Peru said that, on the assumption that this question would be discussed at the nineteenth session, his delegation in the meanwhile reserved their Government's position with respect to the manner in which United States' policies were applied in connexion with agricultural commodities.

The Council agreed that, in the light of the new procedures adopted at the seventeenth session and in view of the recent circulation of the relevant reports, this item should be included on the agenda for

the nineteenth session and the suggestions made during the Council's discussion of this item should be brought to the attention of the CONTRACTING PARTIES.

11. Progress in tariff negotiations

This item was included in the agenda at the request of the representative of Brazil.

The Executive Secretary, as Chairman of the Tariff Negotiations Committee, outlined developments in the negotiations. He stressed, inter alia, that while a lot of work had been done, serious difficulties remained, particularly in the negotiations between the European Economic Community and the United States and other countries. The Tariff Negotiations Committee had recently met and had agreed that a serious effort should be made to bring the bulk of the negotiations to an end by 31 October 1961. The major participating countries should make a special effort to tackle the main difficulties energetically. It would be most unfortunate if Ministers met in November against the background of tariff negotiations which had drifted into inertia. Instead, Ministers should desirably be looking to the future in this field.

The representative of Brazil made the point that there would be advantage if there was still time when Ministers meet in November for them to be able to bring their influence to bear on the tariff negotiations. Brazil would wish Ministers to look a little at the past, as well as into the future, so as to find some compromise and a better understanding of reciprocal needs. At the eighteenth session, the Commission of the EEC had expressed the view that, during the Dillon round, some of the difficulties would be solved. Brazil very much regretted that this hope had not materialized. As far as Brazil was concerned there had been no progress.

The Council noted the comments of the Executive Secretary as Chairman of the Tariff Negotiations Committee and the other views expressed in the Council.

12. Relations with Yugoslavia

At a meeting of the Council earlier in 1961 (C/M/4), it was agreed that the second review under the Declaration of 25 May 1959 on relations between contracting parties and Yugoslavia should be carried out at the present meeting of the Council. In June a document (L/1494) was distributed containing a memorandum by the Government of Yugoslavia describing measures taken recently in the field of customs tariffs and export controls. In the near future the secretariat would distribute to the contracting parties information on the commercial treatment afforded to Yugoslavia by other parties to the Declaration. Furthermore, it was understood that the Government of Yugoslavia would be making available certain data on the operation of the trade measures at present in force.

In the circumstances, the Chairman proposed that the review could more appropriately be carried out later in 1961.

The Council agreed that the second review of relations with Yugoslavia under the Declaration of 25 May/should be carried out during the nineteenth session.

13. South African import restrictions (L/1553, L/1571)

Changes introduced in May 1961 in the import restrictions maintained by the Government of South Africa for balance-of-payments reasons were reported to the contracting parties in document L/1502. The Government of Sweden subsequently requested the Council to examine those changes under paragraph 4 of the procedures adopted at the seventeenth session. The Government of Sweden enquired (L/1553) whether these changes did not in fact constitute "a substantial intensification" of the restrictions such as to require a consultation with the CONTRACTING PARTIES under Article XII:4(a).

The representative of Sweden said that a study of the South African regulations had caused Swedish exporters to wonder whether, both as regards the level of restrictions and the procedures for import permits, the measures constituted "a substantial intensification" of restrictions. Some of the items affected figured prominently in Sweden's exports to South Africa. The impact of the new regulations would depend largely on how restrictively they were applied.

The representative of South Africa gave an explanation of the reasons for the changes in South Africa's import restrictions in May and an assessment of the effects the restrictions would have. The full statement of the representative of South Africa has been distributed in document L/1571.

The representative of Sweden said that, in the light of the statement of the representative of South Africa, Sweden did not feel that a new consultation was necessary at the present time.

The Council agreed that, in the light of the statements of the representatives of Sweden and of South Africa, including the latter's willingness to consider representations from any country on specific difficulties or problems relating to South Africa's import restrictions, this item required no further action by the Council.

14. Central American Free Trade Area (L/1425 and Add.1 and 2; L/1564)

At the eleventh session, the CONTRACTING PARTIES examined the Central American Free Trade and Economic Integration Treaty which constituted an interim agreement leading to the formation of a free trade area. The CONTRACTING PARTIES agreed, by the Decision of 13 November 1956, that the Government of Nicaragua was entitled to claim the benefits of the provisions of Article XXIV relating to the formation of free trade areas. The Treaty entered into force in 1959 between four of the Central American States, including Nicaragua, and the Government of Nicaragua had now submitted a report which was distributed in document L/1564. In connexion with the implementation of a separate instrument called the General Treaty for Central American Integration dated 13 December 1960, the Government of Nicaragua had requested release from certain obligations of Article II. The relevant statements by Nicaragua are contained in L/1425 and Add.1-2.

The representative of Nicaragua stressed the reasons which had prompted the Central American countries to seek economic integration. Their populations were small and integration offered the best chance for agricultural and, in particular, industrial development. Inter alia a Central American bank had been established which would make available finance for economic development. Nicaragua was the only Central American country which was a contracting party to GATT and, in connexion with the implementation of the Central Treaty for Central American Economic Integration, it was requesting a waiver from certain obligations of Article II of the GATT. His delegation would be happy to co-operate in any working party that might be established to examine this matter.

The Council agreed that a working party¹ should be established with instructions to report to the nineteenth session. (The Working Party will also deal with the question of Nicaraguan import duties.)

15. Italian special customs treatment for Libyan products (L/1556, L/1558)

The annual reports by Italy and Libya required by the Decision of 9 October 1952 were distributed in documents L/1556, L/1558. When the waiver was renewed in 1958 it was provided that the situation would be reviewed before the end of 1961, the date of expiry of the waiver. In its ninth annual report, now before the Council, Italy requested a three-year extension of the waiver.

The representative of Italy stressed the importance of the waiver to Libya's economy. The representative of Libya also stressed the importance of the waiver and explained that his Government was making serious efforts to find additional markets for Libyan exports.

In reply to a question as to whether the Libyan products imported into Italy would, if re-exported to other countries of the European Economic Community, likewise enjoy duty-free entry, the representative of Italy explained that, according to his information, these products were intended for internal consumption in Italy and would not be re-exported to other countries of the European Economic Community.

The Council agreed to recommend to the CONTRACTING PARTIES that, at the nineteenth session, they grant the request of the Government of Italy for a further extension of the waiver under the Decision of 9 October 1952 until 31 December 1964. The Executive Secretary will submit a draft decision for consideration by the CONTRACTING PARTIES at the nineteenth session.

¹The composition and terms of reference of the Working Party are set out in document L/1573.

16. Reports and consultations under waivers

(a) Ceylon - temporary duty increases (L/1551)

By the Decision of 10 April 1961, the Government of Ceylon was granted a waiver from the obligations of Article II to apply certain increases in customs duties "as an emergency measure designed to overcome the existing threat to its monetary reserves, while certain corrective fiscal and monetary measures are being pursued". The Government of Ceylon is required to submit an annual report "on the action taken to reduce or eliminate the increases in duties maintained under this Decision and on the circumstances which in its view still justify the application of the increases in duties not yet eliminated". The first annual report was distributed in document L/1551.

The Government of Ceylon is also required to enter into consultation each year with the CONTRACTING PARTIES "as to the nature of its balance-of-payments difficulties, alternative corrective measures which may be available and the possible effects of the increase of customs duties on the economies of other contracting parties" and in this connexion the CONTRACTING PARTIES are required to consult with the IMF under Article XV.

The representative of Ceylon, in presenting his Government's report, gave the reasons for his Government's view that the basic circumstances necessitating the duty increases had not changed. He also referred to far-reaching financial measures which Ceylon had taken in its new budget and which, it was hoped, would help to stop the decline in monetary reserves.

The representative of the International Monetary Fund said that, in the first six months of 1961, the external assets of the Central Bank of Ceylon increased by \$11 million to \$51 million; in the first five months the assets had risen by about \$17 million, largely on account of the Fund drawing of \$11.3 million, and to a smaller extent the improvement in the current payments position as a result of the reduction in imports. In June, however, the reserves suffered a setback once again; over the six months' period, the increase in reserves was almost exactly equal to the drawing from the Fund. In these circumstances, the Fund continued to be of the opinion that the various restrictive and temporary tariff measures undertaken did not go beyond the extent necessary to stop a serious decline in Ceylon's monetary reserves.

The Council agreed that the minutes of the Council should constitute the report on the consultation with Ceylon. The Council also agreed to recommend to the CONTRACTING PARTIES that they take note of the report of the Government of Ceylon and that they approve the report on the consultation.

(b) France and Germany - trade relations with the Saar (L/1534, L/1552)

The reports submitted by France and the Federal Republic of Germany under the Decision of 22 November 1957 were distributed in documents L/1534 and L/1552.

The Council agreed to recommend to the CONTRACTING PARTIES that they take note of the reports submitted by France and the Federal Republic of Germany.

(c) Indonesia - renegotiation of Schedule (L/1555)

The waiver granted to Indonesia under the Decision of 10 April 1961, as amended by the Decision of 25 July, 1961, in connexion with the renegotiation of certain concessions specified in Schedule XXI called upon Indonesia to report on the outcome of the renegotiations to the autumn session of the CONTRACTING PARTIES in 1961. The report submitted by Indonesia (L/1555) indicated that most of the renegotiations were not yet completed.

The Council agreed that, as many of the renegotiations were still in progress, discussion of this question should be referred to the nineteenth session. In the meantime, the Council invited the Government of Indonesia to submit a supplementary report prior to the opening of the nineteenth session.

(d) Federation of Rhodesia and Nyasaland - United Kingdom territories
(L/1542)

At the seventeenth session, the Government of Rhodesia and Nyasaland was granted a waiver from the obligations of Article I in connexion with the customs treatment that might be accorded to imports from dependent overseas territories of the United Kingdom in order to assist their economic development. The waiver requires the Government of Rhodesia and Nyasaland to report annually on measures taken under this waiver. The first report, which was distributed in document L/1542, states that thus far no action has been taken under the waiver.

The representative of Rhodesia and Nyasaland stated that any action taken under the Decision would probably be of a minor character from the trade point of view.

The Council agreed to recommend to the CONTRACTING PARTIES that they take note of the report submitted by the Federation of Rhodesia and Nyasaland.

(e) Nicaragua - import duties (L/1565)

The Council agreed that this item be referred to the Working Party appointed to deal with the question of the Central American Free Trade Area.

(f) Peru - import charges

The Council agreed, at the request of the Government of Peru, that the consideration of this item should be referred to the nineteenth session.

(g) United Kingdom - Article I (L/1543)

The Council agreed to recommend to the CONTRACTING PARTIES that they take note of the report submitted by the United Kingdom.

(h) United Kingdom - dependent territories (L/1544)

The Council agreed to recommend to the CONTRACTING PARTIES that they take note of the report submitted by the United Kingdom

(i) Uruguay - import charges (L/1569)

By the Decision of 8 May 1961, the Government of Uruguay was accorded authority to apply certain import charges as a temporary measure in conjunction with its stabilization and development programme. Under this waiver, Uruguay is required to submit an annual report "on action taken to reduce or eliminate the surcharges maintained and on the circumstances which in its view still justify the application of the surcharges not yet eliminated". The Government of Uruguay's report has been distributed in document L/1569. Uruguay is also required to enter into consultation each year with the CONTRACTING PARTIES "as to the nature of its balance-of-payments difficulties, alternative corrective measures which may be available and the possible effect of the surcharges on the economies of other contracting parties" and in this connexion the CONTRACTING PARTIES are required to consult with the IMF under Article XV.

The representative of Uruguay said that adverse economic factors continued to oblige his Government to apply the import charges. This view was supported by the Decision of the Executive Board of the IMF of 2 August 1961 (Spec(61)290). Further, reference should be made to the Uruguayan statement to the Council on 27 September 1961 (L/1572). Uruguay still hoped that, within the period of the waiver, it would be possible to eliminate the import charges. The health of a country's economy, however, was dependent on its balance-of-payments situation and many factors affecting this situation were dependent on the policies and actions of other countries.

The representative of the International Monetary Fund said that there had recently been an improvement in Uruguay's payments position and the international reserves had increased following a loss in 1960. In the first six months of 1961 the net reserves of the Bank of the Republic increased by almost \$40 million. Also, certain of the causes of **inflationary** pressure during 1960 had now disappeared and were being felt with less force. Thus, there had been a significant improvement in the internal and external financial position of Uruguay, due to the measures which were taken by the Government, but also to certain favourable non-recurrent factors. A harder

test of the Government's stabilization policies would come in the next six months and thereafter. If the programme continued to be successful, it could be expected that the balance-of-payments and fiscal need for import surcharges in the magnitudes now maintained would be considerably diminished.

One representative expressed the hope that, in the light of the statement of the representative of the IIF, there was now some prospect of at least a reduction of the import charges to a more reasonable level and that, as the situation improved, the charges would be removed.

The Council agreed that the minutes of the Council's discussion should constitute the report on the consultation with Uruguay. The Council also agreed to recommend to the CONTRACTING PARTIES that they take note of the report of the Government of Uruguay and that they approve the report on the consultation.

17. Consular formalities (C/W/26, C/I/29)

In 1952 the CONTRACTING PARTIES, having in mind the provisions of Article VIII, recommended that contracting parties should abolish any consular formalities they maintained in connexion with importation. This question had been examined on a number of occasions and, at the sixteenth session, the CONTRACTING PARTIES agreed that the action taken in the implementation of this recommendation should be reviewed. Accordingly, contracting parties which still maintained such formalities were invited to submit reports on action they might have taken towards their abolition. A report by the secretariat on the information received from governments was distributed in document C/W/26 and a note by Denmark, Finland, Norway and Sweden proposing the appointment of a panel of experts was issued in document C/I/29.

There was general support for the establishment of a panel or working party and for the suggestion that the co-operation of the International Chamber of Commerce should be sought in this matter. The panel or working party would examine existing consular formalities and would, in the light of experience gained by those contracting parties which had already taken action in this field, recommend procedures for the simplification and elimination of these formalities. While one representative doubted whether the establishment of a panel or working party was the best way of dealing with this matter and while the progress that had been made, including recent action by Argentina, was welcomed, it was generally felt that some new action within the framework of GATT was desirable. Stress was put on the fact that the terms of reference of any panel or working party established should provide the opportunity for those contracting parties which had not simplified or removed consular formalities to benefit from the experience of those contracting parties which had done so. One representative expressed the hope that those countries in the process of acceding to the GATT, and which required consular formalities, would find it possible to participate in the new work contemplated in this field.

The Council agreed that, in consultation with interested governments, the Executive Secretary should convene a panel of experts which would be given the following terms of reference:

"In the light of the Recommendation of the CONTRACTING PARTIES of 7 November 1952, to make a survey of existing consular formalities and, in the light of the experience of those contracting parties which have already taken steps to abolish such formalities, to recommend ways and means of ensuring their simplification and elimination."

The panel would seek the co-operation of the International Chamber of Commerce and would report to the twentieth session of the CONTRACTING PARTIES.

The representative of Cuba reserved the position of his Government in regard to the outcome of the consideration of this matter.

18. Financial and administrative questions (L/1562)

The report of the Working Party, which was appointed at the eighteenth session, was distributed in document L/1562.

The Chairman of the Working Party presented the report. He explained that this was the first time the new procedure had been followed whereby the Working Party would meet prior to the Council meeting preceding the session at which the budget would be considered by the CONTRACTING PARTIES.

Several representatives endorsed the report of the Working Party and welcomed in particular the provision for the further introduction of Spanish.

In connexion with paragraph 9 of the report, concern was expressed about the rising expenditure on GATT publications and the need for the situation to be kept under close review was emphasized. The Executive Secretary said it was his intention to circulate before the next Council meeting a brief questionnaire listing GATT publications and asking contracting parties to express their views on the usefulness and the need to continue the individual publications so listed.

The Council approved the Working Party's report, including the recommendations contained in it, for submission to the CONTRACTING PARTIES at the nineteenth session.

19. Haitian tariff reform (L/1568)

The Government of Haiti requested authority under paragraph 4 of Article XXVIII to renegotiate certain items in Schedule XXVI. The request from Haiti is set out in document L/1568.

The representative of Haiti said it was the first time his Government, since its accession to the GATT in 1949, had sought renegotiations. In accordance with its GATT obligations, it had submitted the draft tariff

before it was put into force. The representative of Haiti went on to explain that, in addition to the adoption of the Brussels Nomenclature by his Government, the economic and industrial development that had taken place in Haiti since 1949 gave rise to economic factors which also made renegotiations necessary.

The Council found that there were "special circumstances" in the sense of paragraph 4 of Article XXVIII and agreed to grant the authority requested by the Government of Haiti. The Chairman requested that any contracting party which considered that it had a "principal supplying interest" or a "substantial interest", as provided in paragraph 1 of Article XXVIII, should communicate such claim in writing and without delay to the Government of Haiti, and at the same time inform the Executive Secretary. Any such claim recognized by the Government of Haiti would be deemed to be a determination by the CONTRACTING PARTIES within the terms of paragraph 1 of Article XXVIII.

20. Preparations for nineteenth session: review of provisional agenda
(L/1525 and Add.1)

An advance agenda for the nineteenth session was distributed in document L/1525. A number of other items to be added to the agenda were listed in document L/1525/Add.1. The task before the Council was to review the items on the session agenda with a view to undertaking, or making arrangements for, such preparations as would expedite the work of the session.

The Council reviewed those items listed in documents L/1525 and Add.1, which had not been discussed during its present meeting. During the discussion of the preparatory work which was in hand in connexion with certain items the following points, inter alia, were made:

(1) Subsidies

Status of the declarations relating to paragraph 4 of Article XVI

The Chairman reported that the Declaration Giving Effect to the Provisions of Article XVI:4 had been accepted by ten countries but that six contracting parties whose acceptances were required before the Declaration could enter into force had not yet accepted. The Declaration on the Standstill Provisions had not yet been accepted by five countries whose acceptances were required for the Declaration to enter into force.

(2) Relations with Poland

The representative of Poland put forward a request from his Government that the first review of relations with Poland under the Declaration of 9 November 1959 should be deferred until the early part of 1962. At that time statistical data for 1961 would be available. In addition, Poland would have completed negotiations with some contracting parties. It would thus be possible to have a clearer picture of the situation and this would facilitate the review.

The Council agreed that the review, by the Council or by the CONTRACTING PARTIES, of relations with Poland under the Declaration of 9 November 1959 should be deferred until sometime in the first half of 1962.

(3) Programme for Expansion of Trade

The Chairman reminded the Council in connexion with this item that the meeting of Ministers at which questions relating to the Programme for Expansion of Trade would be discussed did not take the place of the work of the session and that the CONTRACTING PARTIES would have certain Committee reports to deal with.

(4) Status of Protocols

The Executive Secretary recalled that, at the eighteenth session (SR.18/1), he had drawn attention to the fact that amendments to certain basic provisions of Part I of the General Agreement had still not entered into force; they required unanimity and had not yet been accepted by three contracting parties. Moreover, other amendments to the Agreement had entered into force only for those contracting parties which had accepted them with the result that, as regards these amendments, different provisions were in force for different contracting parties. He would propose therefore that, in line with his suggestion at the eighteenth session (SR.18/1), consideration should be given at the nineteenth session as to whether those amendments requiring unanimity should be abandoned, unless the present situation regarding acceptance of the amendments by the three contracting parties concerned changed in the meantime.

The Chairman stressed the importance of this question and expressed the hope that the contracting parties concerned would report on the situation to the CONTRACTING PARTIES at the nineteenth session so that a determination could be made in this matter.

In reply to a question, the Executive Secretary said that, when the proposals for GATT technical assistance were approved (SR.18/3), it was agreed that he would maintain close contact with the Council in the implementation of these proposals. His intention was to keep the Council informed of any significant developments. There had so far been no such developments, but it was his intention to report to the Council at its next meeting.

At the conclusion of the discussion the Chairman recalled that, at an earlier meeting (C/M/4), the Council decided that, at its present meeting, it would draw up a time-table for the first week of the nineteenth session as a recommendation to the CONTRACTING PARTIES. In this connexion the Chairman pointed out that, in view of the fact that the session would be interrupted in the third week for the meeting of Ministers, it would be necessary to take up virtually all items on the agenda in the first fortnight and that, therefore, delegations should be prepared to initiate discussion of all items in the first week.

21. Organisation for Economic Co-operation and Development

The Executive Secretary reported to the Council that he had recently had a discussion with the Secretary-General of the OECD and would, as in the past, submit a report to the CONTRACTING PARTIES at the nineteenth session. The Executive Secretary said that he had invited the Secretary-General to address the nineteenth session and he had accepted this invitation.

22. Review of the work of the Council

The Council agreed that, at a later meeting, it would review its past work and, in the light of experience gained since the establishment of the Council, consider whether any steps were desirable to improve the effectiveness of the Council's work and procedures.

23. Question of holding twenty-first session in Uruguay

Mr. Lacarte (Uruguay) said that the Uruguayan National Council had authorized his delegation to study the possibility of the autumn session of the CONTRACTING PARTIES in 1962 being held in Montevideo. Mr. Lacarte referred to a document (Spec(61)302) which had been distributed to representatives and which contained a rough estimate by the Executive Secretary of the external costs payable in foreign currency that would be involved.

Mr. Lacarte said that this question was not on the Council's agenda and he expected no immediate reaction from the Council. He was, however, drawing the attention of representatives to this matter at the present Council meeting so that delegations could report to their governments and, he hoped, receive instructions enabling them to give their views on this possibility at the nineteenth session. At the present stage, of course, there was no commitment either on the part of the Government of Uruguay or of contracting parties.