

# GENERAL AGREEMENT ON TARIFFS AND TRADE

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COUNCIL  
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## MINUTES OF MEETING

Held at the Palais des Nations, Geneva,  
on 24 January 1966

Chairman: Mr. N.V. SKAK-NIELSEN (Denmark)

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1. Australian request for a waiver to grant tariff preferences to less-developed countries (L/2527)

The Chairman recalled that in May 1965 the Council had set up a Working Party to consider the request from Australia for a waiver to introduce tariff preferences to imports of manufactures and semi-manufactured products produced in less-developed countries. The report of the Working Party had been distributed in document L/2527.

The Chairman of the Working Party, introducing its report, drew attention to paragraphs 9 and 10 which contained a summary of the concluding phase of the Working Party's deliberations and of the general positions taken by various delegations in respect of the waiver application. Annex A of the report comprised a draft waiver decision which was acceptable to the Australian delegation and the record of the discussion on this draft appeared in paragraphs 11-50 of the report.

The representative of Australia stated that his Government recognized the importance attached by the governments concerned to the points of view recorded in the Working Party's report on various passages in the draft waiver and has been giving very careful consideration to them. Moreover, since the report had been prepared, a number of countries had made bilateral representations requesting Australia to accept modifications to the draft text of the waiver. These representations had also received careful consideration. As a result of this examination, the Australian Government had concluded that on two of the issues raised, namely the procedures in paragraph 3 of the draft text and the provision relating to the review of the waiver, it would be possible for it to accept modifications which, it believed, would go far towards meeting the points of view to which other contracting parties obviously attached importance. As bilateral consultations on these two points were continuing the Australian Government had concluded that voting on the waiver should be left until the twenty-third session of the CONTRACTING PARTIES and that in the meantime the Working Party's report should be retained on the Council's agenda. Should the bilateral discussions produce agreement on modifications to the draft waiver text these modifications would be circulated to contracting parties. The Australian Government had, he reiterated, made a most careful examination of the points of view recorded in the Working Party report and the bilateral representations made to it and it must be emphasized that whether or not amendments to the present draft waiver were, in fact, put forward was contingent upon whether the countries concerned agreed that the changes Australia was willing to accept were helpful.

The representative of Jamaica pointed out that in February 1965 the Australian Government had accepted the new Part IV of the GATT "with the understanding that ... the provisions of ... Article XXXVII will be applied to the fullest extent consistent with Australia's development needs and policies and responsibilities". In presenting the request for a waiver the Australian representative had asked contracting parties to regard it as a contribution to the solution of the problems facing less-developed countries in the trade field consistent with Australia's own stage of economic development. In the view of the Jamaican representative such an interpretation of the Australian request could not be justified. As was manifested by the relatively short list of items suggested for preferential treatment, the proposed scheme was very limited in scope and undoubtedly regional in character. The Australian Government had adduced as a reason for not extending the list that the tariff was necessary to foster Australia's own development, but in fact Australia had, for a considerable period, been granting preferences throughout her tariff to developed Commonwealth countries. The preferences offered were subject to stringent tariff quota ceilings, some as low as £10,000. It was unrealistic to expect exporters even in a single developing country to feel attracted by such a low quota, much less those in seventy-seven developing countries. Although the Australian delegation had been agreeable to

the inclusion in the draft waiver of a clause to enable Australia to add to the list of items for which preferences would be granted, it had opposed the inclusion in the Preamble of any mention of the willingness of Australia to enlarge the list of preferential items. The Australian claim that reciprocity was not being sought for the preferences offered had to be viewed in the light of the fact that Jamaica, for example, already afforded preferential treatment throughout her tariff for Australian goods. Another point over which the Jamaican delegation had experienced disappointment was the unwillingness of Australia to include in consultations, with countries likely to be adversely affected by the addition of new items in the preferential list, those less-developed countries which would stand to benefit from such additions.

CONTRACTING PARTIES had been considering the Australian request for over eight months and, as no general consensus had been reached, the draft decision for a waiver was, in its entirety, only acceptable to Australia. Developing countries, both individually and as a group, had made a number of proposals for amendment of the draft waiver text which the Australian Government had apparently felt unable to accept despite five weeks of consideration of the Working Party's report. The Jamaican delegation was not satisfied that the willingness of the Australian Government to pursue further the possibilities of amending the text on two points was sufficient justification for deferring a vote on the waiver decision.

The representative of the United States said that his delegation could accept a deferment of the discussion of the Working Party report so as to allow further study of the concerns of individual contracting parties with the text of the waiver. Whilst it was possible that some changes in the text might be made, he wished to take the opportunity to set forth the views of the United States Government on the present text. After very careful consideration of the effects of the Australian proposal, the United States Government had concluded that, on balance, its undesirable features more than outweighed the negligible trade benefits likely to accrue to the developing countries. The number of products included in the scheme was small and they did not appear to have been chosen with regard to their export potentialities for developing countries. Certain of the products in the proposed list were exported almost entirely by developing countries so that the benefits of the proposed preferences could equally well have been achieved by most-favoured-nation tariff cuts. Tariff quotas, most of them small, had been established for all items except handicrafts. Moreover, under the competitive need principle, these preferences could be withdrawn from individual developing countries, when, in the judgment of the Australian Government, they had become competitive in the Australian market; a fact which would introduce a considerable element of uncertainty. The preferential tariff rates would at best be only slightly less than those enjoyed by developed Commonwealth countries (which

would not, moreover, be subject to quota limitations). It could be deduced from the items included in the list that the benefits of the scheme would accrue largely to a small number of producers. The limitations on the trade benefits to developing countries of the scheme arose not merely because of the relative smallness of the Australian market but were inherent in the nature of the scheme as such. To the extent that developing countries did benefit from the proposal this would be because of trade diversion rather than trade creation. Further complications would be added to the Australian tariff structure. The United States Government considered it unwise to grant a waiver without a time-limit when the whole subject of preferences was being actively studied in various international fora. It had also to be noted that the preferential scheme was open-ended as regards geographical coverage and that the draft waiver decision lacked adequate provision for dealing with the problem of compensation to third countries which suffered significant trade injury.

The representative of India stated that his Government recognized the limitations in the preferential scheme proposed by Australia and, in fact, agreed with those criticisms of it made by the representative of the United States. He hoped that developed countries, when they themselves came to consider the granting of preferences to the products of developing countries, would attempt, in the schemes they devised, to overcome the limitations inherent in the Australian proposal. India supported the request by Australia for a deferment of the consideration by the Council of the Working Party's report in the hope that present bilateral discussions would give rise to a more acceptable waiver text.

The representatives of Luxemburg, speaking on behalf of the European Economic Community, Argentina, Brazil, Indonesia, Pakistan and the United Kingdom, some of whose delegations had held bilateral discussions with the Australian delegation, stressed the importance of attempts to render the present draft waiver text more acceptable and their willingness to have discussion of the Working Party's report deferred until March.

The representative of Israel suggested that the bilateral discussions presently being held between the Australian delegation and certain other delegations were, in fact, in conflict with the multilateral approach to the problem originally adopted by the CONTRACTING PARTIES in establishing a Working Party. The Chairman pointed out that representatives at the Council would be afforded the opportunity of discussing proposals made in the course of these bilateral discussions at its meeting in March.

The Council agreed that substantive discussion of the report of the Working Party (L/2527) should await the meeting of the Council on 14 March and that, in the meantime, bilateral discussions should continue on the two points, on which Australia had indicated it felt able to consider amendments to the text of the draft waiver, and on any other points delegations might wish to raise. At the

meeting in March the Australian representative would have the opportunity of indicating the reactions of his Government to the suggestions contained in the report or made in the course of the bilateral discussions and the representatives of other contracting parties would be able to give their views on these suggestions. The Council would, after these discussions, remit the matter to the CONTRACTING PARTIES on whose agenda it would appear.

2. Request by Indonesia for a waiver from the provisions of Article XV:6 (L/2529 and C/W/98)

The Chairman referred to document L/2529 in which it was reported that the Government of Indonesia had withdrawn from the International Monetary Fund. In these circumstances the Government of Indonesia, in conformity with the provisions of paragraph 6 of Article XV, should enter into a special exchange agreement with the CONTRACTING PARTIES. However, the Government of Indonesia had requested a waiver from this obligation.

The representative of Indonesia expressed the desire of his Government to regularize its relations with the CONTRACTING PARTIES following its withdrawal from the International Monetary Fund. The acceptance of a special exchange agreement, as provided for in Article XV:6, would, however, give rise to a number of difficulties of a legal and practical nature and, in these circumstances, Indonesia hoped that, as had been done for other countries in a similar situation, Indonesia would be granted a waiver from this obligation. Indonesia was prepared to act in a manner fully consistent with the principles set out in the model special exchange agreement, i.e. she would not, by exchange action, frustrate the objectives of the General Agreement and, upon request, would consult with the CONTRACTING PARTIES concerning any exchange restrictions on payments and transfers in connexion with imports.

A number of representatives expressed the support of their governments for the Indonesian request.

The Council approved the text of a decision (annexed to C/W/98) and agreed that it be submitted to a vote under paragraph 5 of Article XXV. Ballot papers were distributed to the representatives present and the secretariat was requested to send ballots to other contracting parties.

3. Arrangements for the twenty-third session (C/W/99)

The Chairman reminded representatives that the timing and arrangements for the twenty-third session had been discussed briefly at the previous meeting of the Council. The Director-General had made certain proposals in document C/W/99.

The Council agreed that the twenty-third session should take place between 24 March and 6 April.

The Chairman noted that, in document C/W/99, the Director-General provided a preliminary list of items for the session agenda, together with brief notes on the matters involved. It was indicated in this document that some of the items must necessarily be left for consideration by the CONTRACTING PARTIES, but that on many others the Council, meeting in March, should be able to carry out important preparatory work on which it would submit a report to the CONTRACTING PARTIES together with any recommendations for formal approval by the CONTRACTING PARTIES. In some cases the documentation before the Council at its March meeting might be inadequate but, in general, representatives at that meeting should be prepared to carry the work as far forward as possible.

The Council approved these proposals and agreed that the Council should meet to prepare for the session on 14 March, the meeting to continue as long as necessary, but probably not beyond 18 March.

The representative of Japan requested the inclusion in the provisional agenda for the session of an item relating to the application of Article XXXV to Japan.

The representative of Australia requested that the secretariat circulate documents well in advance of the meeting of the Council so as to allow preparatory consideration of them otherwise little would be achieved by the proposed division of work between the CONTRACTING PARTIES and the Council.

4. Programme of meetings, January-March 1966 (C/W/100)<sup>1</sup>

The representative of Australia indicated that his country, to allow adequate representation and briefing to be planned, required firm dates for all meetings for at least a three-month period ahead. He thought this meeting of the Council could determine the GATT programme until the end of March and also give some idea of the likely programme in subsequent months.

The Council discussed the proposals of the Director-General as contained in document C/W/100. A number of amendments were agreed and a revised list of meetings has been circulated in document L/2554.

5. The Free-Trade Area Agreement between the United Kingdom and Ireland

The United Kingdom had submitted the text of the Agreement recently concluded between the Governments of the United Kingdom and Ireland for the establishment of a free-trade area. A copy of the printed text in English had been sent by the secretariat to each contracting party. The GATT document, to contain the text in both English and French, was being prepared.

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<sup>1</sup>See also items 3, 5 and 6.

The representative of the United Kingdom stated that her Government had submitted the Agreement pursuant to the provisions of paragraph 7(a) of Article XXIV. The United Kingdom delegation would welcome the early establishment of a working party to examine the Agreement.

The observer for Ireland recalled that his Government had applied for accession to the General Agreement and looked forward to participating actively in the work of the CONTRACTING PARTIES and furthering the objectives of GATT. The General Agreement had been taken into consideration by those involved in the negotiation of the Free-Trade Area Agreement which, in the view of the Irish Government, complied with the provisions of Article XXIV. The Government of Ireland stood ready to provide all possible information and assistance to the Working Party.

The Council agreed:

- (i) Contracting parties wishing to put forward questions to the United Kingdom concerning the provisions or implementation of the Agreement should submit these to the secretariat by 21 February.
- (ii) That a working party be established with the following terms of reference:

"To examine, in the light of the relevant provisions of the General Agreement, the United Kingdom/Ireland Free-Trade Area Agreement of 14 December 1965 and to report to the CONTRACTING PARTIES."

- (iii) Contracting parties wishing to be members of the working party should notify the secretariat by 21 February.
- (iv) The Director-General would convene a meeting of the working party as soon as answers to the questions were available which, it was hoped, would be early in March. The Working Party would in this event be in a position to submit its report to the twenty-third session of the CONTRACTING PARTIES.

6. Request of Australia for authority under paragraph 4 of Article XXVIII to enter into negotiations for the withdrawal of certain concessions  
(GATT/AIR/529 (SECRET))

The Chairman drew attention to the communication, reproduced in GATT/AIR/529 (SECRET), received from the Australian Government, requesting authority under paragraph 4 of Article XXVIII to negotiate the withdrawal of several concessions from the Australian schedule.

The representative of Australia drew attention to the salient features of his Government's request. He emphasized that his Government would wish to see this matter dealt with promptly. He referred to the provisions of paragraph 2 of the Notes on paragraph 4 of Article XXVIII as set out in Annex I to the General Agreement and pointed out that Australia was one of those contracting parties falling within the scope of the Note. He observed that unless it was considered that the proposed withdrawals "would result in or would contribute substantially towards such an increase in tariff levels as to threaten the stability of the schedules of this Agreement or lead to undue disturbance of international trade" the permission for withdrawal of concessions should be considered as automatic.

A number of representatives pointed out that the airgram containing the Australian request had only just been received in national capitals so that their Governments had not had time to study the request in detail and to provide briefings for their delegations in Geneva. It was further observed by some delegations that the items in question were of considerable importance in their countries' trade with Australia.

The Council agreed to postpone consideration of the Australian request until a meeting to be held at 11 a.m. on 4 February.

7. Derestriction of documents

The Chairman advised that a request had been received for the derestriction of the document containing the Decision of the CONTRACTING PARTIES on United States Imports of Automotive Products (L/2528).

The Council agreed that this document should be derestricted forthwith.