

# GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

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COUNCIL  
21 June 1968

## MINUTES OF MEETING

Held at the International Labour Office, Geneva  
on 21 June 1968

Chairman: Mr. Carlos BESA (Chile)

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The Chairman of the CONTRACTING PARTIES welcomed the Director-General, Mr. Olivier Long, who was attending his first meeting of the Council of Representatives, and wished him success in carrying out his task.

The Director-General thanked the Chairman and expressed his determination to do all in his power to pursue the important work of the GATT along the lines drawn by his eminent predecessor, Sir Eric Wyndham White, while taking into account the developments of a world in evolution.

## 1. Membership of Council

The Chairman announced that the Government of Ireland had written to the Director-General requesting membership in the Council. On behalf of the Council, the Chairman welcomed Ireland as a member and Mr. Kennan as its representative.

The representative of Ireland said he was aware of the important responsibilities of Council membership and that his delegation would endeavour to fulfil them in every way.

## 2. Geneva (1967) Protocol

- (a) Request of Canada for authority to enter into negotiations under Article XXVIII:4 and for authority to continue the negotiations, if necessary, after 1 July (L/3016 and C/W/126)

The Chairman said that the Government of Canada had accepted the Geneva (1967) Protocol and would implement most of its tariff concessions on 1 July. The contracting parties had now been informed, in L/3016, that some of the concessions, relating to chemicals and plastics, which could not be implemented by executive action, would have to be postponed owing to the dissolution of the Canadian Parliament. Canada was requesting authority under paragraph 4 of Article XXVIII to enter into negotiations with a view to securing agreement that the implementation of these concessions could be delayed until 1 January 1969.

The representative of Canada said that the Kennedy Round concessions in question involved reductions in duties on chemicals and plastics, which were to have been implemented in full on 1 July 1968. Other Kennedy Round tariff concessions were not at issue and were being implemented, some of them in stages, beginning 1 January 1968. He explained that chemical tariff concessions were to be made in the context of a complete restructuring of the Canadian tariff schedule for these products. The changes were so extensive that legislation by the Canadian Parliament was required. Because of the dissolution of Parliament, and the holding of a general election, this legislation could not be passed before 1 July 1968. The operative date now proposed for these concessions would be 1 January 1969, although his Government would make every effort to bring these concessions into effect at an earlier date. His Government had not foreseen this development at the time it had given authority to its representative to sign the Kennedy Round Protocol, and the normal practice had been followed of accepting without reservation as to the timing of necessary legislative action.

Accordingly, his Government requested the CONTRACTING PARTIES, through the Council, to recognize that these events constituted special circumstances in the sense of Article XXVIII, and to give authority under the provisions of paragraph 4 of that Article for his Government to enter into renegotiations.

His Government fully accepted that if its request were granted it would be under an obligation to offer tariff concessions equal to the trade value of the concessions which were to be delayed for the period during which they were delayed. His delegation was already in informal consultation with the major supplying country, but it was unlikely these consultations and negotiations and those with other countries with supplying interests could be concluded before 1 July. Accordingly his Government requested that, if Council gave authority to conduct renegotiations under Article XXVIII:4, the CONTRACTING PARTIES be asked to grant a waiver of obligations under Article II so that negotiations could continue if necessary, after 1 July 1968, without Canada being in breach of the GATT.

Several representatives expressed their support for the Canadian request.

The Chairman noted that no opposition had been expressed, and that the request to enter into negotiations under Article XXVIII:4 was thus granted. He 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 Canadian Government, and at the same time inform the Director-General. Any such claim recognized by the Canadian Government would be deemed to be a determination by the CONTRACTING PARTIES within the terms of paragraph 1 of Article XXVIII.

He drew the Council's attention to the draft decision (C/W/126) for a waiver to permit the Canadian Government to continue negotiations beyond 1 July 1968, and pointed out that it could not be expected that the negotiations authorized could be concluded within ten days.

The Council approved the draft Decision in C/W/126 and agreed to recommend to contracting parties that the waiver be granted. The Chairman requested the secretariat to distribute ballot papers and to send ballots by post to contracting parties not represented at the meeting.

(b) Requests for extension of the time-limit for acceptances

The Chairman recalled that the Geneva (1967) Protocol was open for acceptance until 30 June 1968. A number of participants had advised that it would not be possible for them to accept it by that date. However, since they had already implemented their concessions, or had undertaken to do so on 1 July, no more than a formal problem was presented by this delay. The communications received from the contracting parties concerned had been distributed in the following documents: Brazil, L/3028; Chile, L/3022; Federal Republic of Germany, L/3014; and Netherlands, L/3025. These four Governments were requesting the Council to grant an extension of the time-limit established in paragraph 5(a) of the Protocol. Under paragraph 5(b) the period during which the Protocol might be accepted by a participant could be extended up to 31 December 1968 by a decision of the Council.

The Council agreed to meet these requests and adopted the decision prepared by the secretariat (C/W/127).

### 3. Balance-of-payments import restrictions - reports on consultations

Mr. Petrie (Canada), the Acting Chairman of the Committee on Balance-of-Payments Import Restrictions, reported that the Committee had carried out five consultations concerning restrictions maintained by countries invoking Article XII or XVIII:B. These reports were before the Council for appropriate action:

Israel (BOP/R/21)  
Peru (BOP/R/24)  
United Arab Republic (BOP/R/22)  
Uruguay (BOP/R/20)  
Yugoslavia (BOP/R/23)

In the case of Uruguay, a devaluation of the Uruguayan currency had occurred in April, just after the consultation, and was therefore not taken into account in the report, but members of the Committee had wanted to express through him their hope that inflationary forces would be curbed effectively so that there would be no further need for such measures. In the case of Peru an extension of certain import restrictions had occurred shortly after the consultation; he assumed that Peru would notify these import measures to the CONTRACTING PARTIES in accordance with standing procedures and would wish to continue its invocation of Article XVIII:B.

The Council approved the reports and agreed to recommend to the CONTRACTING PARTIES that they be adopted at their next regular session.

### 4. Extension of waiver to Uruguay on import surcharges (L/3006)

A request of the Government of Uruguay for a further extension of the waiver first granted in 1961 had been examined by the Committee on Balance-of-Payments Import Restrictions. The Committee's report had been distributed in document L/3006.

Mr. Petrie (Canada), the Acting Chairman of the Committee on Balance-of-Payments Restrictions, recalled that by the Decision of 8 May 1961 the CONTRACTING PARTIES had waived the provisions of Article II of GATT in order to allow Uruguay to impose import surcharges on certain bound items in Schedule XXXI. This waiver had been successively renewed and extended by a number of later Decisions. The most recent Decision was taken on 17 November 1967 when the CONTRACTING PARTIES had decided to authorize Uruguay to maintain the surcharges until 30 June 1968. When granting Uruguay this temporary extension of the waiver, the CONTRACTING PARTIES had considered that a careful and detailed examination of the surcharges and the balance-of-payments reasons was essential, but could most conveniently be carried out in conjunction with Uruguay's balance-of-payments consultation early in 1968.

In accordance with these instructions the Committee, in the course of its consultation with Uruguay, had examined the balance-of-payments aspects of Uruguay's request for a further extension of the waiver. For reasons which were explained in its report, the Committee had agreed that an extension until the end of the last regular session of the CONTRACTING PARTIES in 1969 would be reasonable. The Committee had accordingly prepared the text of a draft decision, contained in Annex I of the report, which it recommended for the approval of the Council.

The representative of Denmark speaking on behalf of the Nordic countries; Finland, Norway, Sweden and Denmark, stated that this was not the first time that they had individually or collectively requested the elimination of the flag discrimination element in Uruguayan legislation. As long as these elements were retained the Nordic delegation would not be in a position to support the waiver and would therefore abstain. The representatives of Belgium, the Federal Republic of Germany and the Netherlands also stated that they would abstain from the vote.

Some representatives expressed the hope that the future would yield a solution to end all flag discrimination. The representative of Chile said that his Government had full understanding for the problems of Uruguay and would therefore support the waiver. He hoped that the CONTRACTING PARTIES would, in the future, be able to examine the problems of flag discrimination in maritime transport from the point of view of less-developed countries. Several delegations expressed their Government's understanding for the problems facing Uruguay and said they would support the waiver; they also expressed the hope that this measure would contribute to improve the balance-of-payments situation in Uruguay.

The representative of Uruguay said that in view of certain statements that had been made he felt compelled to recall that in the debate in the balance-of-payments consultation with Uruguay he had denied all accusations of flag discrimination.

The Council approved the text of the draft decision recommended by the Committee and adopted the report. The secretariat was requested to distribute ballot papers and to send ballots by post to contracting parties not represented at the meeting.

5. United States waiver on automotive products (L/3020)

The Chairman recalled that the Decision of 20 December 1965 authorizing the United States to eliminate customs duties on automotive products from Canada required the United States Government to submit an annual report. The report for 1967 had been distributed in document L/3020. The Decision further required the CONTRACTING PARTIES to review the operation of the waiver and to consider "how far, in the circumstances then prevailing, the United States would continue to need cover to implement the agreement with Canada, having regard to the provisions of paragraph 1 of Article I of the GATT." The Council had decided last year that it would conduct this review early in 1968.

The representative of the United States, in presenting the second annual report on imports into the United States of automotive products (L/3020), explained how the Agreement had continued to contribute to a rationalization of the automotive industries in Canada and the United States. As a consequence automotive trade between the two countries had expanded greatly, while traditional automotive exporters to the United States had not experienced any significant trade divergence.

Trade between the United States and Canada in automotive products during 1967 had continued its upward trend. It had reached a total two-way level of more than 3.3 billion dollars compared with the 730 million dollars in 1964. This reflected the increased specialization with longer and more efficient production runs which the Agreement had encouraged. Some Canadian assembled vehicles were exported to the United States, while Canada imported other models no longer manufactured in Canada.

There was no evidence that this expanded trade between the two countries had damaged the interests of any other trading partners. No requests for consultations under paragraph 2 of the Decision of 20 December 1965 had been received. His delegation remained prepared however to enter promptly into such consultations should they be requested. In fact, United States imports of motor vehicles and parts from third countries had steadily increased since the Agreement had gone into effect, from about 670 million dollars in 1965 to about 1 billion dollars in 1967. It appeared that since Canada and the United States produced similar car models which were significantly different from cars produced outside North America, consumer preferences still exerted a strong pull on imports of automotive products from third countries. He concluded with the hope that the Council would concur with his delegation's opinion that the Decision should continue to apply for an indefinite period.

The representative of the United Kingdom said that his Government had had time to examine the report and would be prepared generally to accept it. He asked whether the United States would consider it necessary to maintain its small import duty on motor vehicles - which would be about 3 per cent ad valorem after the Kennedy Round cuts were all put into effect - and how long would the United States maintain its margin of preference to Canada in order to implement the Agreement? He raised this question because it seemed to be the intention and effect of the Agreement to bring about integration and rationalization of the industry between the two countries, and also because the implication of paragraph 6 of the Decision of 20 December 1965 that this preference would in due course be unnecessary. He had some doubts as to the sense that the representative of the United States had given to the word "indefinitely", but he felt that it would be proper for a review to take place in two years time.

The representative of the United States confirmed that he had in mind, when using the word "indefinitely", the extension of the waiver Decision for an indefinite period. The waiver would be extended integrally and, of course, the portion of the Decision providing for a bi-annual review would also be applicable. He pointed out that the intent of the waiver was to enable his Government to carry out the provisions of the agreement which provided for duty-free entry into the United States. His Government would need the waiver as long as it maintained a duty applicable to imports from other countries; how long this would be he could not answer in any definitive way.

The representative of Japan said that his delegation had read with interest the reports submitted by the United States. At the time of the conclusion of the Agreement they had expressed some concern as to its conformity with the General Agreement and the effects that it could have. According to the report, imports into the United States from Canada had increased six-fold during two years, while those from third countries had increased only one and a half times on average. This fact was significant and called for further observation of the implications of this Agreement. He remarked that paragraph 4 of the report referred to possible future measures, and wished to ask whether such measures would be desirable or necessary and, if so, what they would consist of.

The spokesman for the European Economic Community said he was in favour of postponing a decision until the next Council meeting.

The Council agreed to postpone the examination of the report until a future meeting.

#### 6. Rectifications and modifications (L/3021)

The Chairman recalled that at the last session the CONTRACTING PARTIES had decided to abandon the Protocol amending Part I and Articles XXIX and XXX, that had been drawn up in 1955 but had not entered into force, and had requested the Director-General to prepare proposals for consideration by the Council for implementing by other means the more important provisions of the Protocol.

The Director-General said that in examining the provisions of the Protocol amending Part I and Articles XXIX and XXX, which had been abandoned, it had been found that it was the loss of the proposed amendment to Article XXX which had to be made good by other means. The Protocol would have added to Article XXX a new paragraph establishing a procedure of certification for the rectification and modification of schedules in substitution for the practice previously followed of introducing such amendments by means of protocols requiring the signatures of all contracting parties.

In view of the delay in the entry into force of the Protocol, the CONTRACTING PARTIES had decided in 1959 to introduce the certification procedure, but the certifications which had been issued were themselves made subject to the eventual entry into force of the amendment of Article XXX. Now that the amendment had been abandoned, it would be necessary for the CONTRACTING PARTIES to take a further decision for dealing with these matters.

The secretariat had given careful consideration to this question. However, before putting forward proposals for dealing with the modification of concessions in schedules to the GATT (which result from action under specific GATT provisions, particularly as a result of renegotiations in accordance with the rules and procedures of Article XXVIII) he hoped to arrange for a few of the contracting parties to send experts in treaty law to Geneva to examine thoroughly with the secretariat all aspects of the question. He hoped this could be done during the summer and that he would be able to submit his proposals to the Council in

September. Concerning the rectification of errors in the GATT he had suggested, in document L/3021, that the CONTRACTING PARTIES should follow the accepted international practice of rectifying errors by an instrument issued by the Director-General. There could be no doubt that this was an appropriate and acceptable procedure for the correction of unquestioned errors which might appear in the authentic texts. He had suggested that, possibly, this procedure might be broadened sufficiently to cover rectifications of a purely formal character and that the rectifications set out in the Annex to document L/3021 might be considered as falling in this category.

As it was only ten days since document L/3021 had been issued, the Council was not asked to take any decision or action at this meeting. However, if some representatives had already obtained the views of their governments it would be helpful to hear their comments.

The representative of the United Kingdom said that he was in a position to accept the proposal of the Director-General.

The representative of the United States said that his Government had examined with considerable interest the proposal contained in L/3021 but was not in favour of the proposed procedure. The status of tariff concessions as embodied in GATT schedules was a matter of considerable importance for the contracting parties, both internationally and domestically. A formal procedure of certification by CONTRACTING PARTIES, as had been proposed in L/2975, was essential to maintain the status of schedules. It was highly desirable that certifications which modified the formal language of GATT schedules should be printed in the United Nations treaty collections and he was not sure that the procedures suggested would result in complete publication of all certifications. Further, numerous communications circulated to the contracting parties for comment and subject to time limitation were more likely to be overlooked than longer, but less frequent communications. Finally, numerous small rectifications would be less suitable for inclusion in treaty collections than annual or semi-annual certifications.

The representative of Japan expressed interest in the work of the group of legal experts to be convened by the Director-General. With regard to rectifications of unquestioned errors, his delegation agreed with the procedure of procès-verbaux proposed by the Director-General. They reserved their position, for the time being, on the question of rectifications of a purely formal character and this, for legal reasons.

The representative of Canada was in favour of the new procedure on the assumption that it was intended to validate rectifications only.

The representatives of France and of Austria also expressed interest in the work of the legal experts on this problem.

The representative of Norway supported the proposal in L/3021 while the representative of New Zealand said that a simplification of procedures was desirable, provided they were legally sound.

The Chairman thanked the representatives for their comments and said that the Director-General would submit his proposals for dealing with modifications and rectifications at a later meeting.

7. Financial and administrative questions

(a) Appointment of Committee on Budget, Finance and Administration

The Council adopted the following terms of reference for the Committee on Budget, Finance and Administration for 1968:

- "(i) to examine any question arising in connexion with the audited accounts for 1967, the financing of the 1968 Budget, and proposals for the Budget for 1969;
- "(ii) to examine the proposals for the 1969 Budget for the International Trade Centre UNCTAD/GATT;
- "(iii) to study any financial and administrative questions which may be referred to it by the Council or submitted to it by the Director-General, and undertake such other duties as may be assigned to it by the Council."

The following membership was approved:

Australia	Israel	Peru
Canada	Italy	United Kingdom
Finland	Japan	United States
France	Netherlands	Yugoslavia
F.R. Germany	Nigeria	
India	Pakistan	

It was agreed to re-elect Mr. A. Schnebli (Switzerland) as Chairman of the Committee.

(b) General Service Category salary scales (L/2979)

The Chairman said that the Director-General had distributed a note in document L/2979 in which he reported on decisions by the Executive Heads of Geneva-based agencies concerning adjustments in the salary scales for staff members in the General Service Category. These decisions would involve for the GATT an additional cost in 1968 of about \$18,000 and the Director-General proposed this expenditure be financed from savings within the appropriate sections of the Budget, by transfer from other sections or, if necessary, by transfer from the item "Unforeseen Expenditure".

The Council approved the proposals set out in paragraph 5 of document L/2979.

(c) Reclassification of certain posts in the International Trade Centre (L/3013)

The Chairman said that in document L/3013 the Director-General had announced certain decisions concerning the grading of the post of Director of the UNCTAD/GATT Centre, and of two General Service posts. The additional cost of \$2,250 would be absorbed within the 1968 Budget.

The Council took note of the decision announced in L/3013.

8. Article XXVIII renegotiation (C/W/125)

The Chairman said that the Director-General had informed the Council in document C/W/125 that some of the negotiations undertaken in 1966 pursuant to paragraph 1 of Article XXVIII would not be completed by the closing date of 30 June. Therefore it was proposed that the time-limit should be extended until the twenty-fifth session in November.

The Council agreed to the extension of the time-limit as proposed in C/W/125.

9. Programme of meetings (L/3023)

(a) June-October

The Chairman drew the Council's attention to document L/3023 in which the Director-General proposed a programme for meetings to be held in the period June to October 1968, including a number of meetings for which dates would be decided upon in consultation with the Chairman and members of the bodies concerned.

Mr. Lewis (Assistant Director-General) said that regarding the work of the Committee on Industrial Products, it should be recalled that the CONTRACTING PARTIES had directed the Committee to start its work by drawing up, (a) an objective analysis of the tariff situation as it would be when all Kennedy Round concessions would have been fully implemented; and (b) an inventory of non-tariff and para-tariff barriers affecting international trade. Contracting parties had been invited to notify the secretariat of the non-tariff and para-tariff barriers, both governmental and non-governmental, which they wished to be included in the inventory; the secretariat had been instructed to consolidate the notifications received and to transmit the consolidated list to the Committee for analysis.

The deadline proposed by the CONTRACTING PARTIES for the submission of notifications of non-tariff barriers had been 30 April. The suggestion in L/3023 that the Committee should meet on 15 July was based on the assumption that the consolidated list of non-tariff barriers would be made available to the members of the Committee for study some time before the meeting. The secretariat had not, however, received a sufficiently large number of notifications to enable it to start the preparation of the consolidated list. Contracting parties which had not yet submitted notifications were urged to do so as soon as possible. These notifications should list non-tariff and para-tariff barriers which affect the trade of the country making the notification in each of its export markets. It was to be hoped that all contracting parties would make such notification and that this would not be an exercise confined mainly to developed contracting parties.

The secretariat was continuing the work of preparing documentation to serve as a basis for the analysis of the post Kennedy Round tariff situation. Reports on this work had been made at previous meetings of the Council. The secretariat was not yet in a position to present the results of its work although work had started on computer tapes supplied by certain delegations.

It seemed clear that the preparatory work was not advanced sufficiently to enable the secretariat to foresee a useful meeting of the Committee during the month of July. He suggested that it would now be realistic to aim at the distribution of the consolidated list of non-tariff and para-tariff barriers by the end of July, and a meeting of the Committee in the autumn, after countries had had an opportunity to study the document. At that meeting the Committee would also study the work that had been done on the second of the tasks before it: the analysis of the post Kennedy Round tariff situation. He added that the secretariat would seek the advice of the Chairman of the Committee regarding all aspects of its preparatory work and regarding the scheduling of the Committee's meetings.

Concerning the Agriculture Committee, Mr. Lewis said that, at its meeting in January 1968, the Committee had determined a programme of work and established a questionnaire on the basis of which governments, members of the Committee, would supply the data necessary for the Committee's future work. It had been agreed that these data would be examined by the Committee at its next meeting which would be timed so as to provide a sufficient interval for the assembling and distribution of documentation by the secretariat and for its examination by governments. The minimum interval necessary between the receipt by the secretariat of all data from all governments concerned and the reconvening of the Committee was judged to be two months. It had been originally envisaged that the Committee would meet this month. However, in view of the apparent difficulties encountered by governments in collecting the data, and of the ensuing delays, it seemed necessary to postpone the date of the meeting until the autumn. Therefore no meeting had been proposed in the schedule now before the Council. Mr. Lewis pointed out that submissions, or complete submissions, had not yet been received from several governments, members of the Committee. These were urged to submit the data as soon as possible bearing in mind that other governments should have sufficient time to examine the documentation in order to allow a useful meeting to be held.

The representative of Peru pointed out that as regards the projected meeting of the Cotton Textiles Committee in September or October, this should be fixed preferably not before October in order that it would not conflict with the two-week UNCTAD Trade and Development Board meeting starting at the beginning of September. The representative of Pakistan supported the views of the representative of Peru concerning the meeting of the Cotton Textiles Committee. He also drew the Council's attention to a decision taken by the CONTRACTING PARTIES at the twenty-fourth session, that contracting parties which maintained quantitative restrictions under the Cotton Textiles Arrangement should report to the Committee on action taken to facilitate adjustments so that the need for the Arrangement would no longer exist. It was his understanding that the secretariat had already asked the governments concerned to send their notifications and he hoped that these would not consist merely of statistics, but of significant data which would permit an assessment of the possibilities of future exports. He also hoped that such data would come in time for the secretariat to compile a report for presentation to the Committee so that less-developed countries would be in a position to make meaningful comments on them. The representative of India supported the views expressed by the representative of Pakistan.

(b) Twenty-fifth session of the CONTRACTING PARTIES

The representative of the United Kingdom pointed out that there would be an EFTA Ministerial Meeting from 21 to 22 November in Vienna, and that this would conflict with the dates proposed for the twenty-fifth session.

It was agreed that the twenty-fifth session of the CONTRACTING PARTIES would be held from 12 November to 29 November, but that no plenary meetings would be held during the period 21 to 22 November.

