

SERVICE LINGUISTIQUE

**GENERAL AGREEMENT ON
TARIFFS AND TRADE**

RESTRICTED

L/1166
13 April 1960

Limited Distribution

THE PARIS ECONOMIC MEETINGS
(January-March 1960)

Note by the Executive Secretary

Contracting parties will have had information from various sources of the economic meetings held in Paris on 12 and 13 January 1960 and subsequently thereto. As these meetings related to matters which are of close concern to the CONTRACTING PARTIES, and the Executive Secretary has been associated with some aspects of these discussions, it is thought appropriate and useful to present a report to the CONTRACTING PARTIES for their information.

At the conclusion of the meetings held in January three resolutions were adopted of which two are relevant to the present report. They are reproduced as Annex A.

1. Resolution on the Study of the Reorganization of the OEEC

It will be noted that the Group of Four which was constituted to report to a meeting of senior officials of the twenty governments, members or associated members of the OEEC, was instructed to consult with "appropriate international organizations during the preparation of their report". On 28 January 1960 the Executive Secretary was advised by the Chairman of the Group that it was beginning consultations with governments and appropriate international organizations, and invited the Executive Secretary to "communicate your views about these questions to us in Paris either in writing or through representatives, or both". In response to this invitation the Executive Secretary met with the Group of Four and expressed views which he subsequently communicated in writing. These are set out in a memorandum annexed to this report (Annex B). Before making this statement to the Group of Four, and again subsequently when submitting his written statement, the Executive Secretary pointed out that the views expressed by him were necessarily personal and should not be taken as representing the views of the CONTRACTING PARTIES. He added that if it was the desire of the Group of Four to obtain such views it would be necessary for the Executive Secretary to arrange for the CONTRACTING PARTIES to meet and discuss the matter. This position was duly noted by the Group of Four who confirmed that in the case of all consultations with international organizations they had limited themselves to consultations with the executive officers of the organizations concerned.

2. Resolution on Certain Trade Problems

The Executive Secretary has already informed the CONTRACTING PARTIES of the invitation extended to him to participate in the Committee on Trade Problems, and of his acceptance of that invitation. The Executive Secretary was also invited to place a member of the GATT secretariat at the disposal of the Committee to direct the work of its secretariat. In response to this invitation the Executive Secretary agreed to make Monsieur Jean Royor, Deputy Executive Secretary, available for this purpose.

The Committee held its first meeting in Paris on 29 and 30 March 1960. The work of the Committee at this first session was centred upon various possible changes in the levels of European tariffs which might come about on 1 July 1960. The secretariat was instructed to collect data relating to three alternative assumptions, including such indications as might be furnished to it by governments members of the Committee as to the impact of possible changes in European tariff levels on their trade. A copy of the decision taken at the close of the first meeting of the Committee is annexed to this report (Annex C). In view of the preliminary and procedural nature of the proceedings at this first meeting of the Committee, the Executive Secretary did not find it necessary to take an active part in the discussions.

ANNEX A

SPECIAL ECONOMIC COMMITTEE

JANUARY 12, 13, 1960

I

Resolution on certain Trade Problems

THE SPECIAL ECONOMIC COMMITTEE

Recognizing that there are problems of commercial policy of particular concern to the twenty governments who are members of, or associated with the OEEC;

Taking note of the existence of the EEC of the convention for an EFTA;

Bearing in mind the relationship between the provisions of these agreements and general international commercial policy;

Considering the need to examine, as a matter of priority, the relationship between the EEC and the EFTA with due regard to the commercial interests of third countries and the principles and obligations of the GATT;

DECIDES

to propose to the twenty governments that they constitute themselves, together with the EEC, a committee with power to:

1. establish one or more informal working groups for the consideration of these problems without infringing the competence of the existing international institutions such as the GATT or the OEEC; these groups should report back to the Committee;
2. transmit an invitation to the Executive Secretary of the GATT to participate in these discussions.

II

Resolution on Study of Reorganization of OEEC

The representatives of the Governments of Belgium, Canada, France, Denmark, the Federal Republic of Germany, Greece, Italy, the Netherlands, Switzerland, Sweden, Portugal, the United Kingdom and the United States, and the representative of the Commission of the European Economic Community:

- (a) fully appreciating the co-operative work accomplished by the OEEC;
- (b) wishing to ensure continuity of co-operation in fields where no change is called for;
- (c) determined to pursue economic policies which will contribute to stability and growth in world economy, including trade policies directed to the sound use of economic resources and maintenance of harmonious international relations;
- (d) conscious of the need to devote increased efforts towards furthering the development of less-developed countries;
- (e) recognizing the importance of continued co-operation to ensure the achievement of these objectives;
- (f) noting the desirability of arrangements which would enable full participation not only by the present eighteen members of the Organization for European Economic Cooperation but also by the two associate members, the United States and Canada;
- (g) desiring to proceed with an examination of improved organizational arrangements which could best accomplish these purposes;
- (h) recognizing the equal interest of all members and associate member governments of the Organization for European Economic Cooperation in this matter;

DECIDE TO PROPOSE

1. that a meeting of senior officials of the twenty governments, members or associate members of the OEEC be convened in Paris on 19 April 1960 to which the European Communities might also be invited, to consider the question of appropriate arrangements to achieve the objectives stated above;
2. that, in order to facilitate the work of such meeting, a group of three persons consisting of and should be appointed to prepare a report which would:
 - (a) examine the most effective methods for achieving the objectives referred to above and make appropriate recommendations with respect thereto;

- (b) submit a draft of articles of agreement, should their examination of this question indicate the desirability of bringing about an appropriately reconstituted organization for economic cooperation;
 - (c) identify those functions at present performed by the OEEC which should continue to be subject of international economic cooperation under the aegis of the proposed organization, including appropriate organizational arrangements with respect thereto;
3. that the group named above should consult with all twenty governments and European Communities and appropriate international organizations during the preparation of their report without, however, committing any government as to the content of the report which would be submitted by them in their personal capacities and which would be open for discussion and negotiation at the meeting envisaged in paragraph 1 above.

ANNEX B

GROUP OF FOUR ON ECONOMIC ORGANIZATION

MEMORANDUM

by Mr. Eric Wyndham White

Executive Secretary of the CONTRACTING PARTIES
to the General Agreement on Tariffs and Trade

Consultations on Economic Policy

The problem of establishing an appropriate forum for high level discussion of economic policies is not a new one; on the contrary, it is a question which has engaged the attention of governments throughout the post-war period. Even though, when the matter was discussed in 1947-48, very wide functions were envisaged for the International Trade Organization, there was still a consciousness of the desirability of having a forum for discussion of economic policy outside of and separate from that Organization. At that time thinking was directed towards the possibility of utilizing for this purpose an economic policy commission of the Economic and Social Council. This line of thought came to nothing, however, when it became clear that, for well known political reasons, the United Nations Organization would not be in a position to function as effectively as had been hoped.

An awareness of the need for economic policy consultations was also apparent in the discussions on the establishment of the Bretton Woods Institutions and particularly of the International Monetary Fund. There was a strong school of thought which opposed the setting up of a permanent executive board for the International Monetary Fund and proposed to substitute therefor periodical meetings of high level officials responsible in their own governments for the conduct of financial and economic policy. This idea also failed to come to fruition when it was decided to have a permanent executive board of resident directors.

The idea came to the fore again in 1953 when the United Kingdom and Commonwealth Governments advocated the "collective approach" for the restoration of sterling convertibility. At that time the United Kingdom canvassed the possibility of what was described as a "bridge group" to operate at a high policy level in the fields covered by the International Monetary Fund and the General Agreement on Tariffs and Trade and to provide a forum for high level consultation on matters of economic policy. It was hoped that, through such consultations, effective guidance could be given to the work of the International Monetary Fund and of the GATT. This initiative also failed for various reasons, amongst which, it is interesting to note, there was the difficulty of determining the appropriate composition of such a restricted group.

Perhaps the nearest approach to this type of consultation which has been achieved is to be seen in the CEEC consultations about economic policies of member and associated governments based upon the Organization's reports on economic conditions in these countries. These consultations have been impressive in their quality and scope. It may be in this direction that there lies the greatest possibilities for the development of the Organization and for filling what has long been recognized as lacuna in the framework of international organization. Nevertheless, it must be recognized that the

composition of the suggested new Organization, i.e., the present Members of the OEEC plus Canada and the United States, is very much open to question, since it would include a number of governments whose contributions to such consultations would be relatively insignificant and it would exclude others of much greater economic importance and who could therefore make a much greater contribution. From the political point of view it would clearly be somewhat difficult for these governments to explain why they were not participating in such consultations while other governments with less apparent claim were so participating. In other words, as a forum for the type of consultations proposed, the membership of the OEEC including the associates is either too broad or too narrow. This is a factor which should be seriously considered when deciding upon the terms of reference and the techniques which should be followed if the new Organization is to fulfil such an important rôle. It might be possible to associate some other non-European governments in these consultations without these governments becoming full members of the Organization.

It is perhaps unnecessary to emphasize that what is discussed here is a purely consultative process. It would appear to be both dangerous and confusing for a revised OEEC to move beyond consultation into the field of operation. On the contrary, the main value of consultations of the type envisaged would be that they would serve as an inducement to governments to coordinate their policies so as to render more effective the work of the operating agencies which have already been established in the fields of financial and trade policy.

Economic Development

Here again, at a very early stage of post-war international negotiation there was a consciousness of the need for coordination of policies relating to economic development of the less-developed areas. At the Havana conference there was considerable pressure for a development commission within the International Trade Organization. This was rejected largely on the ground that governments were looking to the Economic and Social Council to provide this overall coordination of policy through an economic development commission. In practice, it is in the field of economic development that there has been the greatest fragmentation of international and national effort. Few, I think, would deny that there is great need for some mechanism for coordination of governmental policies in this field; but it is a field which is extremely sensitive politically and consequently the question of the composition of any international organization undertaking such activities is an extremely delicate one and the particular grouping represented by an augmented OEEC would undoubtedly raise serious problems. A number of countries not included in the group would have considerable difficulty in justifying their exclusion to their own public opinion, particularly as the group would include some whose claims would appear comparatively very weak. It would also clearly be of capital importance to avoid any suggestion of a "rich man's club" devoted to discussing the distribution of its largesse to "the poor". In the important work of GATT on the under-developed countries and the promotion of their export earnings, there has from time to time been a danger of such division of the contracting parties into opposing groups. This danger has largely been avoided by friendly discussions at Tokyo and it would indeed be regrettable if any steps taken to establish new institutions were to encourage the emergence of such divisions.

All this being said, there would nevertheless appear to be a fruitful area of work in relation to economic development in a revised OEEC. In the first place, there still remain important problems of development within the OEEC area for which the Organization might usefully assume primary responsibility. Secondly, much would be gained if the principal Western European countries and the United States and Canada, through consultations in the Organization, were able to coordinate their policies so that they could play a constructive and leading rôle in the organizations which have direct responsibilities in the field of economic development.

Trade Questions

No one could question the major contribution which has been made by the OEEC to the liberalization of trade from quantitative import restrictions. Whilst some non-European countries from time to time entertained doubts about some of the discriminatory aspects of the OEEC liberalization programme, they did not insist on these points because generally they recognized that the total effort of the OEEC was favourable to international trade as a whole and to the ultimate attainment of the objectives in the trade field of the GATT and the International Monetary Fund.

The restoration of currency convertibility in many countries, however, created a new situation in which trade liberalization had to be dealt with on a world-wide basis. This view was very strongly held by the non-European countries who had even expressed some initial reservations about the proposals by the OEEC countries for co-operative action on further trade liberalization in their Organization. These hesitations gave way before the obvious constructive intent of the OEEC proposal and they are mentioned here only as an instance of the strength of feeling on this subject outside Europe. This situation clearly presents a somewhat difficult problem in the OEEC since naturally the trade activities of the Organization have been a very important part of its work for many years. It is, however, clear that in conditions of convertibility, having in mind the obligations of the most-favoured-nation clause, the trade activities of the OEEC will inevitably be considerably curtailed or at least will be of a different character. For instance, it may well be that there is a case now for giving greater priority to regional problems of a structural character, such as the rational use of electric power resources, fuel production and utilization policies, coordination and rationalization of transport, and so on. If one of the principal objectives of the OEEC is to keep alive and develop the unity and reality of the Western European region it is perhaps in these fields that a significant contribution could be made in the future. But it does not follow that there are not certain trade problems, with special significance for the OEEC area, on which discussions in the Organization would be intrinsically valuable as well as helpful from the point of view of wider economic co-operation. For example, one of the major problems confronting the GATT is to arrive at a modus vivendi regarding trade in agriculture and food products. A series of consultations is proceeding in the GATT on this subject. In the course of these consultations the examination of agricultural policies in the OEEC has been of the utmost value as a source of information and has greatly facilitated the task of the GATT in concentrating on those aspects of the problem which are its primary concern, i.e. the effects of agricultural policies on international trade.

Returning to the subject of the broad responsibilities which the Organization might assume in relation to trade, a question has been raised as to the value and relevance of the liberalization code in present circumstances. I find it difficult to escape the conclusion that, insofar as the code was the expression of special monetary relationships between member countries, it has little or no relevance in current circumstances. Nor can I entirely follow the suggestions which have sometimes been made that the code could provide a useful second line of defence in case there should be a setback in the general economic situation. I do not think that the situation in which such a setback might take place would necessarily reproduce the conditions of the nineteen-fifties nor that the proper reaction to such a setback would necessarily be a reversion to arrangements based upon regional discrimination. It seems to me that each situation will have to be dealt with on its merits.

The recent arrangements for a collective action in the OEEC - in close liaison with GATT - aiming at the elimination of the remaining discriminatory element in import controls suggest a possible direction towards which the techniques and machinery of the OEEC might, at least in the near future, be directed. Instead of these being focussed on a code relating only to Member countries they might well be adapted so as to foster a collective effort by the Member countries for the strict application of the GATT code and the avoidance of relapses from the high level of general trade liberalization which that would imply.

There remains the question whether there would be scope in a revised OEEC for discussions of trade policies similar to the discussions I have suggested for economic policy generally and for economic development policies. This poses a most delicate question and I have some hesitation in formulating a clear opinion. However, assuming that the Organization would have consultative functions in the field of economic policy and development, it seems to me it would be somewhat unrealistic to expect that broad questions of trade policy could or should be excluded from such consultations. Provided that the line were drawn there, I would see some advantage in such high level consultation from the point of view of the agencies with operative responsibilities in this field. It is certain that, through such consultations, the leading Western European governments together with those of the United States and Canada could agree on broad and constructive initiatives in the GATT and that this could not but favour substantial progress in the attainment of the objectives of the General Agreement.

ANNEX C

COMMITTEE ON TRADE PROBLEMS

INTERSESSIONAL PROCEDURES

I.

1. The secretariat is charged with the task of collecting factual data concerning the level of individual tariffs which would be applied after 1 July 1960 on the basis of the measures provided for in the Rome Treaty and the Stockholm Convention, respectively, and on the basis of other proposals which are under consideration, as follows:

- (a) the proposal of the EFTA referred to in the Vienna communiqué of 12 March 1960;
- (b) the proposal of the Commission of the EEC.

2. Any member of the Committee is free to request the secretariat to arrange for the provision of relevant data concerning particular items of interest to its export trade.

Any member of the Committee is also free to communicate to the secretariat any factual data or analyses of the measures referred to above which they would like to bring to the attention of the members of the Committee.

3. These data will be consolidated by the secretariat and communicated to all the members of the Committee before 30 April 1960.

II.

The Chairman of the Committee (or his alternate) will maintain contacts with representatives of the various delegations in order to arrange consultations with countries or groups of countries which might wish to exchange views on a purely informal basis.

III.

The Committee shall hold its second session on 24 May 1960 on the understanding that the Chairman, after consultation with the members of the Committee, might convene the meeting at an earlier date.