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GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

IC/SR.41

8 October 1958

Limited Distribution

Intersessional Committee

SUMMARY RECORD

of the meetings held at the Palais des Nations, Geneva
from 24 to 26 September 1958

Chairman: Mr. Emanuel TREU (Austria)

- Subjects discussed:
1. Adoption of Agenda
 2. Provisional Agenda for the Thirteenth Session
 3. Meeting of Trade Ministers
 4. Treaty establishing the European Economic Community
 5. European Free-Trade Area Proposals
 6. Restrictive Business Practices
 7. Status of Protocols
 8. Acceptance of the Agreement pursuant to Article XXVI
 9. Article XVIII: Operation of Sections C and D
 10. Request by Sweden for Authority to enter into Re-negotiations
 11. Request by Australia for Authority to enter into Re-negotiations
 12. Italian Assistance to Exports of Flour
 13. Article XIX: United States Action on Lead and Zinc
 14. Administrative Questions
 15. Seating Arrangements for Thirteenth Session
 16. Next Meeting of the Committee

1. Adoption of Agenda

The Chairman introduced the Agenda as distributed in IC/W/74 for approval.

The Agenda was adopted.

2. Provisional Agenda for the Thirteenth Session (L/854)

The Committee considered the items included in the Provisional Agenda with a view to clarifying and defining the issues involved and examining the adequacy of the documentation available. To assist the Committee in its task, the Executive Secretary had distributed Explanatory Notes to the Provisional Agenda in IC/W/79. Apart from the questions specifically referred to the Committee, which were listed separately on its Agenda, the following items were the subject of special comment:

(a) Election of Officers

Under Rule 10 of the Rules of Procedure, a Chairman and two Vice-Chairmen are to be elected not later than seven days after the opening of the Session. The Committee agreed that at its next meeting it would decide upon a date for a meeting of Heads of Delegations to consider this question.

(b) Admission of Laos and Cambodia as Contracting Parties

The DEPUTY EXECUTIVE SECRETARY reported that contact had been made with the relevant authorities of both Governments. No official communication had yet been received from the Government of Laos, but the Government of Cambodia had indicated that it was at present seriously examining the possibility of adhering to the General Agreement and would be represented by an observer at the Thirteenth Session.

(c) Franco-Tunisia Customs Union

The Committee observed that no members had proposals to put forward for action by the CONTRACTING PARTIES and accordingly agreed that this item be removed from the Agenda for the Thirteenth Session. The Committee noted, however, that any contracting party wishing to raise any points concerning this item could do so pursuant to the procedures of Article XXIII, and, failing satisfactory adjustment, the matter could be referred to the CONTRACTING PARTIES.

(d) Trends and Developments in International Trade

The Committee noted that the final text of the Report by the Panel of Experts would be available in printed form early in October. In view of the fact that the report had raised considerable interest, both among the general public and in other international organizations in the economic field, the Committee approved a suggestion by the Executive Secretary that the Report, when available, be released simultaneously to the public as well as to contracting parties. It was understood, however, that in communicating the report formally to the United Nations the Executive Secretary would attach the summary records of the discussions that took place on this subject at the Twelfth Session.

(e) Article XVI

(1) Review and "Standstill"

The CHAIRMAN pointed out that the Declaration Extending the "Standstill" had been accepted by Belgium, Federal Republic of Germany and Japan. However, the acceptances of Canada, France, Italy, the Netherlands, the United Kingdom and the United States were still required to bring the Declaration into force.

The Committee recommended that delegations to the Thirteenth Session should be prepared to enter into discussions for the implementation of paragraph 4 of Article XVI.

(ii) Adequacy of Notifications

At the request of the representative of Australia the Committee agreed that this sub-item be added to the Agenda. The Committee noted that a document would be issued shortly consolidating the most recent notifications, submitted pursuant to Article XVI, describing the nature and extent of subsidies maintained by contracting parties.

(f) First Annual Review under paragraph 6 of Article XVIII

(g) Request by Ceylon for Releases under Article XVIII

In the absence of a representative for Ceylon the CHAIRMAN informed the Committee that a Report in respect of the former item and supporting statements relating to the latter were expected from the Government of Ceylon in the near future.

(h) Plans for Tariff Reduction

The Committee was informed of the intention of the United States delegation to submit proposals for consideration at the Thirteenth Session on the possibility of arranging for a new round of tariff negotiations.

(i) Accession of Switzerland

The Committee took note of a suggestion by the EXECUTIVE SECRETARY (Spec/247/58) that in view of the important questions to be discussed it might wish to consider a recommendation to the CONTRACTING PARTIES that, at the opening of the Thirteenth Session, a Decision be adopted inviting Switzerland to participate fully in the work of the Session. Such a Decision would be in anticipation of a successful outcome of the current tariff negotiations and consequent signature of an instrument of provisional accession. The Committee agreed to take up this matter at its next meeting.

(j) Cuban Tariff Reform

The EXECUTIVE SECRETARY reported to the Committee that documentation, based on an analysis of this problem by the secretariat in conjunction with the Cuban authorities, would be submitted to contracting parties with a view to facilitating consideration of this question at the Thirteenth Session.

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(k) Italy/Libya Waiver

This waiver expires on 31 December 1958. The Committee noted the intention of the Italian delegation to propose a prolongation of the waiver and to submit supporting documentation in connexion therewith.

(l) French Stamp Tax

(m) French Discrimination against Imported Agricultural Machinery

The representative of France informed the Committee that his Government would report on these items prior to the Session.

(n) Application of Article XXIV to Japan

The representative of Japan stated that his Government continued to attach great importance to the item and desired that it be fully discussed at the Thirteenth Session.

(o) Intersessional Administration of the Agreement

The EXECUTIVE SECRETARY informed the Committee of a suggestion on intersessional procedures which he intended to submit for consideration by the CONTRACTING PARTIES at the Thirteenth Session. He referred to the principle, clearly contemplated in Article XXIV, that the CONTRACTING PARTIES should be in a position to give effect to the provisions of the General Agreement as and when the need arose and he pointed out that under the present arrangements such effective action could take place only during the annual sessions. The Intersessional Committee performed this function only in part since the CONTRACTING PARTIES had persistently made it clear that they were not prepared to delegate powers to a Committee of limited composition or even when the Committee was constituted as a plenary body as it was this year. Moreover, there were administrative problems both for the contracting parties themselves and for the secretariat in the convening of the Committee irregularly and at short notice.

He had refrained from raising a question of this nature at the Twelfth Session partly in expectation of the entry into force of the Organization for Trade Cooperation. Since it now appeared, however, that there was little prospect of any rapid progress in the latter direction in the near future and in view of important developments in the field of international trade the CONTRACTING PARTIES might wish to consider equipping themselves to deal rapidly and effectively with matters as they arose or, alternatively, might face some abdication of their responsibilities in this field. Accordingly they might see advantage in spreading their business over four meetings annually. The first three meetings could each be of about ten days duration and be held, say, in March, June and September, and the annual general meeting in November could then be

restricted to three weeks. Such procedures would not entail any overall increase in meeting time during the year and should largely eliminate the need for ad hoc meetings. Moreover, they would provide for flexible and effective administration of the Agreement and as such would facilitate its operation and further its objectives.

The Committee took note of the Executive Secretary's statement and of the fact that he would circulate a document on this matter for discussion at the Session.

(p) Date and Place of Fourteenth Session

The representative of Japan informed the Committee that his Government wished to extend to the CONTRACTING PARTIES an invitation, similar to that which it had made last year, for the holding of the Fourteenth Session in Tokyo. He expressed the hope that the CONTRACTING PARTIES would avail themselves of this invitation and adopt a decision to that effect at the Session.

(q) Other Items

The Committee agreed to add the following items to the Provisional Agenda:

"Italian Measures in favour of domestic Production of Ships' Plates"
Proposed by the Government of Austria

"State-Trading Notifications submitted pursuant to Article XVII:4(a)"
Proposed by the Government of Australia

"Facilities for temporary admission of Professional Equipment
and Packing Materials"
Proposed by the Executive Secretary

3. Meeting of Trade Ministers (GATT/AIR/137 and 141)

By document GATT/AIR/137, dated 12 August 1958, contracting parties were advised that several governments had expressed the opinion that a meeting of Trade Ministers should be held during the Thirteenth Session. The airgram invited contracting parties to inform the Executive Secretary whether it would be possible for them to be represented by a Minister if it should be decided to convene a meeting at Ministerial level during the session. Further to this suggestion in document GATT/AIR/141, the Executive Secretary had submitted proposals for an agenda for such a meeting. In response to the enquiry, ten contracting parties indicated that they would expect to be represented by a Minister. Most governments had expressed the desire that this meeting be held on 16-18 October.

In the discussion of this proposal the view was generally expressed that such a meeting was highly desirable, although several members of the Committee qualified their view by making the participation of their Minister conditional upon a substantial and geographically representative attendance of Ministers. The representatives of Canada, Finland, India and the United States informed the Committee that their Governments would be represented by Ministers if a Ministerial meeting were held. The representatives of Austria, Belgium, Czechoslovakia, France, the Federal Republic of Germany, Italy, the Netherlands, the Union of South Africa and the United Kingdom indicated that their Ministers would be present provided attendance of Ministers was representative, numerically and geographically. The delegates of Denmark, Norway and Sweden said that there might be difficulties for their Ministers to participate in a Ministerial meeting if it were held at the dates which had been suggested. The Committee was also informed that New Zealand would probably send a Minister, that the Cuban, Indonesian and Pakistan Governments had not yet taken decisions on the subject, and that the participation of Ministers from Australia, Brazil, Ghana and Turkey was doubtful. The representatives of Chile, Greece, Japan, the Federation of Malaya, Peru and the Federation of Rhodesia and Nyasaland regretted that their Ministers would be prevented from attending owing to domestic and other commitments.

In the light of this discussion, the Committee adopted the following decision:

1. A meeting at Ministerial level shall be held during the Thirteenth Session on 16-18 October.
2. This decision, however, is conditional on a representative attendance of Ministers, numerically and geographically, i.e. about twenty Ministers drawn from all the important geographical areas represented in the GATT.
3. If these criteria are not fulfilled by 5 October 1958, no formal Ministerial meeting shall be held, and the Executive Secretary shall promptly so inform the contracting parties.
4. Even if no formal Ministerial meeting is held, the CONTRACTING PARTIES would warmly welcome individual Ministers who might wish to lay their views before the CONTRACTING PARTIES at the Thirteenth Session.

The Committee agreed that by "Minister" it meant a member of the Government having political responsibility in whole or in part for the matters covered by the GATT.

The meeting discussed the contents of a message which the Executive Secretary would send to governments in transmitting this decision to the contracting parties.

The Committee recommended the Agenda proposed by the Executive Secretary as follows:

I. TRENDS IN INTERNATIONAL TRADE

For this topic the background documents would be the experts' report. This discussion would afford Ministers the opportunity of commenting upon the major problems dealt with in the report, viz., the conditions of trade in agricultural products, commodity problems, and special problems affecting the trade of the less developed countries.

II. FUTURE ACTIVITIES OF THE CONTRACTING PARTIES DIRECTED TOWARDS THE CONTINUED EXPANSION OF INTERNATIONAL TRADE

In this connexion Ministers might like to examine:

- A. Action directed towards further tariff reduction.
- B. Action directed towards the elimination of quantitative restrictions, and in particular of the remaining elements of discrimination. Here, Ministers might like to lay down directives or guiding lines for the conduct of the consultations which will take place in 1959.
- C. Other international measures directed towards the expansion of world trade, including the harmonization of regional and broader programmes.
- D. Means of improving the effectiveness of the General Agreement in contributing towards its objectives.

4. Treaty establishing the European Economic Community

At its April meeting (IC/SR.38) the Committee agreed upon procedures to be followed in dealing with specific and procedural problems which might arise from the institution of the European Economic Community. These procedures had since been approved by the Council and by the Commission of the Community.

The CHAIRMAN reported that a number of contracting parties had approached the Member States of the Community requesting consultations under Article XXII on the effects of the provisions of the Rome Treaty relating to the association of overseas territories. In the case of each of these consultations, one or more contracting parties had submitted claims of substantial interest and had requested to participate in the consultations. The secretariat had been informed of the following requests:

	<u>Consultations requested by:</u>	<u>Claims to be joined:</u>
Cocoa	United Kingdom	Ghana, United States, Indonesia
Coffee	United Kingdom	India, United States, Indonesia
Bananas	United Kingdom	United States
Tea	India	Ceylon, Indonesia, United Kingdom
Sugar	Dominican Republic	United States
Tobacco	Rhodesia and Nyasaland	Canada, India, United States, Indonesia

The representatives of Czechoslovakia and Pakistan informed the Committee that their Governments intended to request participation in the consultations on sugar and tea respectively. The representatives of Greece, Turkey, Brazil and Cuba reserved the right of their Governments to ask to be joined in the consultations on tobacco. The Brazilian representative made similar reservations for the consultations on cocoa and coffee and the Cuban representative did likewise with respect to sugar.

The representatives of India and the Federation of Rhodesia and Nyasaland said that their Governments desired that a date be fixed for the initiation of the consultations which they had requested and suggested that they be held during the Thirteenth Session. The representative of the United Kingdom, while regretting that no consultation had yet taken place and that no date had been fixed, hoped that consultations could take place before or at the beginning of the Session. The representatives of the Federation of Rhodesia and Nyasaland and the United Kingdom said that their Governments would not object to the participation of other contracting parties in their consultations.

The representative of the Federal Republic of Germany, speaking on behalf of the six Member States, said that certain problems had arisen in the implementation of the procedures for consultations. It was uncertain whether further requests to join in the consultations would be forthcoming and whether, under the established procedures, such requests required the approval of the contracting party which had made the initial request. As to the timing of the consultation requested by the United Kingdom, the Council of Ministers was meeting that same day and would take a decision. The German representative thought that the six Member States would find it convenient to hold consultations during the Session.

The EXECUTIVE SECRETARY, referring to paragraph (c) of the procedures for consultations (IC/SR.38), considered that the provisions dealing with the consent of consulting countries to be joined by other contracting parties were ambiguous and did perhaps not entirely reflect the intention of the Committee which had proceeded by analogy with other consultations provided by the General Agreement. For example, in the case of consultations under Article XXVIII, the only consent required was that of the contracting party proposing to withdraw or modify a concession. Paragraph (c) might accordingly be re-worded to read: "such contracting party shall be joined in the consultations provided the contracting party to which the request for consultations is addressed agrees that the claim of substantial interest is well-founded".

The representative of the Federal Republic of Germany supported a proposal made by the Indian representative to set a time-limit for requests to participate in consultations and welcomed the suggestion to revise the procedures at the Thirteenth Session with a view to conducting the consultations as expeditiously as possible.

In the light of this debate, the Committee recommended that proposals to amend the procedures for consultations should be submitted in advance of the meeting of the Committee on 15 October. These proposals, together with slight amendments of a mechanical nature, could then be inserted in the Committee's report to the CONTRACTING PARTIES. No proposals dealing with matters of substance should be submitted. Consulting countries were invited to inform the Executive Secretary of any arrangements that might be made for the conduct of consultations.

At the request of the representative of the Federal Republic of Germany the Committee examined the question whether the procedures were intended to permit only contracting parties with an exporting or a producing interest to participate in consultations, or whether contracting parties with an importing interest could also be joined. The procedures for consultations had been elaborated to deal with the concrete effects on trade of the economic and political measures taken by the Community. The German representative submitted that if all countries which had a marginal or only an indirect interest were to participate in the consultations, these would not serve their purpose.

The representative of the United Kingdom said that the formulation of paragraph (b) of the procedures "any other contracting party asserting a substantial trade interest in the matter" was intended to cover a case which took the form of an importing interest. If the interest of an importing country were rather trivial then the claim of substantial interest would not be founded and the provisions of paragraph (c) would apply. The representative of the United States stated that it was the understanding of her Government - and statements had been made to that effect - that a substantial consumer interest carried equal weight with a substantial producer interest.

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The Committee did not enter into a discussion on the principle of this point; the question would be mentioned in the Committee's report to the CONTRACTING PARTIES and the matter could be discussed at the Session if contracting parties so wished. Further, if a case arose in any particular consultation where claims of substantial interest were disputed the matter could be referred to the CONTRACTING PARTIES.

5. European Free-Trade Area Proposals

The CHAIRMAN recalled that at the Twelfth Session the CONTRACTING PARTIES noted the proposals under consideration in the Organisation for European Economic Co-operation which envisaged the formation of a free-trade area embracing the six Member States of the European Economic Community and the other members of the OEEC. It was thought desirable that the CONTRACTING PARTIES should be kept informed of developments in the negotiations for such a free-trade area and that any formal instrument that might be drawn up should be made available to the CONTRACTING PARTIES immediately after its signature. Accordingly, the Committee was instructed to maintain contact with the negotiations and to report to the next Session. At the meeting of the Committee in April a representative of the Secretary-General of the OEEC described the progress made in the negotiations (L/812).

Miss COPPERILL (OEEC) referred to the statement made to the Committee in April by the representative of the OEEC when the hope was expressed that broad lines of agreement could be reached by the end of July 1958. In the event, this had not been achieved. Nevertheless, it was hoped that such aims would in fact be realized before the end of 1958. An important, and perhaps decisive, meeting of the Inter-Governmental Committee at Ministerial level, which is charged with the conduct of the negotiations and is under the Chairmanship of Mr. Maudling, is scheduled for the end of October. At the next Session a representative of the OEEC would make a statement on the progress of the negotiations. In view of the foregoing it would be preferable, however, if this statement could be made during the second half of the Session when the negotiations would be further advanced and when more definitive information could be given to the CONTRACTING PARTIES.

6. Restrictive Business Practices (MDE/75/58)

The CHAIRMAN informed the Committee that, in conformity with instructions given by the CONTRACTING PARTIES at their Thirteenth Session, the Executive Secretary had arranged for the collection and analysis of documentation on the subject of restrictive business practices. A memorandum had been distributed in document L/82/75/59.

The Committee decided to refer the matter to the CONTRACTING PARTIES and, at the suggestion of the representative of Norway, instructed the Executive Secretary to reproduce in a document the provisions of the Rome Treaty dealing with rules governing competition (Articles 85 to 90); this document should also contain references to documentation already circulated on this subject, such as the Norwegian Memorandum and Draft Agreement (L/653) and the records of the discussion on this item at the Twelfth Session (SR.12/14).

7. Status of Protocols and other Instruments (IC/W/76)

In accordance with its instructions the Committee reviewed the status of the Protocols of Amendment and of the Agreement on the Organization for Trade Cooperation. In order to expedite consideration of this item at the Thirteenth Session, the Executive Secretary had asked each contracting party whose acceptance of one or more of these instruments was still awaited whether the required action would be taken before the Session. The status of these various instruments, with the comments by those governments which had replied to the enquiry, was set out in document IC/W/76.

The CHAIRMAN asked the representatives of the contracting parties concerned to bring the Executive Secretary's report to the notice of their governments; it was hoped that further progress towards the full acceptance of these various instruments could be reported at the Session. He also drew attention to the protocols of rectifications and modifications of schedules for some of which only one or two signatures were still required for their entry into force.

8. Acceptance of the Agreement pursuant to Article XXVI (IC/W/77)

At its meeting in April (IC/SR.38) the Intersessional Committee decided to review in September the status of the definitive acceptance of the General Agreement pursuant to Article XXVI. The Executive Secretary had since asked governments to advise him as to their intentions concerning definitive acceptance, and his report on the replies received had been distributed in IC/W/77. The report showed that Haiti was the only government having already accepted the Agreement; Finland, Ghana and Malaya had indicated their intention to accept in the near future; the views and intentions of a number of other governments in this respect were also contained in the report.

The representative of Turkey informed the Committee that the Turkish Parliament had ratified, at the time it approved the amendment protocols, the relevant legislation authorizing the acceptance of the Agreement; the Government was now studying the question of attaching a reservation to its acceptance before taking final action.

The Committee noted that the question of definitive acceptance of the Agreement would be taken up at the Thirteenth Session.

9. Operation of Sections C and D of Article XVIII (IC/W/73/Rev.1)

At the Twelfth Session, in view of the entry into force of the amended provisions of Article XVIII, the CONTRACTING PARTIES instructed the Executive Secretary to prepare a new questionnaire for use by contracting parties in notifying measures under Article XVIII:C and D, and to submit it to the Intersessional Committee for approval. A draft questionnaire, prepared by the secretariat and circulated to contracting parties on 19 August 1958 as IC/W/73, had subsequently been revised with a view to making it more concise and to relate more closely to the provisions of the Article. This was circulated in IC/W/73/Rev.1.

The representative of Chile considered the questionnaire too detailed and burdensome to governments taking action under Article XVIII. Under-developed countries were unlikely to possess adequate mechanism for collecting the information requested and might therefore be discouraged from making use of the Article XVIII procedures. In the field of measures for development of particular industries, as in the application of import restrictions for balance-of-payments reasons, under-developed countries should be accorded more favourable treatment, and all the more so as some of these measures were at least partly called for by the policies pursued by industrial countries.

The representatives of Canada and the United Kingdom stressed the importance for the CONTRACTING PARTIES to have full information when a notification is submitted to them. Under the amended provisions it was incumbent on the CONTRACTING PARTIES to decide when a consultation should be initiated, a decision they clearly could not take without adequate cognizance of the measure in question. Further, as experience had shown, the lack of adequate documentation would hamper and delay the conduct of any consultations initiated. Such delays were certainly not to be in the interest of the notifying country.

The Committee agreed that the text in IC/W/73/Rev.1 should be further revised, with a view to making it clear that the question was intended to serve as a guidance and made no mandatory demand as to the information which should be supplied. The opportunity should also be taken further to simplify the text of the questionnaire. The revised draft should be considered by the Committee at its meeting on 15 October 1958. In the meantime, the Ceylon Government, which was preparing a notification under Section C of the Article, could make use of the questionnaire contained in document IC/W/73/Rev.1.

10. Request by Sweden for Authority to enter into Re-negotiations

The Committee considered a request by the Swedish Government for authority under Article XXVIII:4 to re-negotiate certain items bound in Schedule XXX and enumerated in the Annex to document L/848.

The representative of Sweden in presenting his Government's request recalled that, in a communication dated 5 August 1957 and circulated to contracting parties in document L/663, the Swedish Government had pointed out that, although it then did not intend to notify any concessions in its schedule for modification or withdrawal under Article XXVIII, certain changes would eventually have to be made to concessions in Swedish Schedule XXX after the review of the customs tariff which was then in progress. At the time the Swedish Government expressed the hope that when requests for such changes were made they would be met with sympathy and understanding by the CONTRACTING PARTIES. Contracting parties had now been informed, in document L/849, that the review had been completed and the new tariff would enter into force on 1 January 1959. The principal changes which had been carried out were the introduction of the Brussels Nomenclature and a change from specific duties to a system based generally on ad valorem duties. The overall incidence of the new tariff was no higher than that previously in force, indeed as a consequence of the depreciated value of the currency it was approximately 50 per cent that of its pre-war level. For some items, however, the new rates exceeded the level bound in Schedule XXX and it was for the re-negotiation of these items that the necessary authority was sought.

The Committee, in the light of the facts set out in documents L/663, L/848 and L/849 and after having heard the statement by the representative of Sweden agreed that special circumstances existed in the sense of Article XXVIII:4 and decided to authorize the Government of Sweden to re-negotiate the bound items listed in the Annex to document L/848.

The CHAIRMAN suggested that, in view of the numerous items involved, procedures would be simplified if contracting parties which considered that they had a "principal supplying interest" or "substantial interest" in any of the items were to communicate their claims directly, and without delay, to the Swedish Government while at the same time informing the Executive Secretary. Any such claims recognized by Sweden would be deemed to be determinations by the CONTRACTING PARTIES, while claims not recognized by Sweden would be referred to the Committee for consideration at its next meeting on 15 October.

The Committee agreed to these procedures and the representatives of Canada, Denmark, the Federal Republic of Germany, Italy, the United Kingdom and the United States announced the intention of their Governments to act accordingly.

11. Request by Australia for Authority to enter into Re-negotiations

The CHAIRMAN drew the Committee's attention to the requests by the Australian Government for authority, under the provisions of Article XXVIII:4, to re-negotiate items in Schedule I, details of which were set out in SECRET/99 and Addendum 1.

Before presenting his Government's request the representative of Australia informed the Committee that the first two items in SECRET/99/Add.1 were to be withdrawn therefrom. The requests submitted arose from recommendations by the Australian Tariff Board, an independent tribunal which makes recommendations to the Government as part of a process of keeping the Australian tariff up to date. In spite of the efforts of the Board in recent years many tariff items had not yet been the subject of a review in the light of more recent developments in international trade. Only gradually was the Board covering the field but, having dealt with different items, it was important that their recommendations, if approved, be put into effect with the least possible delay. This was particularly so since, as was the case with one of the items in the request, the Board's recommendations frequently involve reductions as well as increases in the protection afforded to Australian industry. Recently several contracting parties, with the approval of the CONTRACTING PARTIES, had undertaken revisions of their entire tariffs to take into account changed conditions. It would seem, therefore, that such special circumstances were equally evident in the Australian Government's approach towards sectional tariff reconstruction. The Australian economy, moreover, was dependent in large measure on a relatively small number of primary commodities and 50 per cent of its external income was derived from exports of wool alone. The tariff, therefore, was relied upon as an important aid for furthering the diversification of the economy and as such there was need for continued surveillance to ensure that it was realistic and effective.

After hearing the statement by the representative of Australia, the Committee agreed to authorize the Government of Australia to re-negotiate the bound items set out in SECRET/99 and Addendum 1 (as modified).

The Australian representative informed the Committee that because of the urgency his Government attached to an early completion of the negotiations it was their desire that the negotiations should be carried out during the course of the Thirteenth Session and possibly be initiated through diplomatic channels beforehand. The items in question were initially negotiated with India, the United Kingdom, Czechoslovakia and Italy,

The United States delegation, pending receipt of instructions, reserved its position both with respect to the finding of "special circumstances" and to any claims of interest it might have. The representative of Austria also reserved the position of his Government regarding any claims of interest.

On a suggestion by the Chairman, the Committee agreed that the same procedures be followed as with the authority granted to Sweden. Accordingly, contracting parties which considered themselves to have a "principal supplying interest" or a "substantial interest" in any of the items set

out in SECRET/99 and Addendum 1 (as modified) should communicate their claims directly, and without delay, to the Australian Government at the same time informing the Executive Secretary. Any such claims recognized by Australia would be deemed to be determinations by the CONTRACTING PARTIES. Claims not recognized by Australia would be referred to the Committee for consideration at its next meeting.

12. Italian Assistance to Exports of Flour (L/853)

Details of this item, which was proposed by the Government of Australia, were circulated in document L/853 and the representative of Australia referred to and elaborated the salient points set out therein. The Australian Government had requested the Committee to give consideration to this question because it was seriously concerned at the recent sharp increases in sales of Italian flour to traditional Australian markets in Asia and Indian Ocean ports. The Australian position in these markets had been achieved on the basis of fair commercial competition and the Australian Government believed that the recent incursion into these markets by Italian exporters had only been made possible through the operation of the Italian wheat/flour scheme which gave an element of assistance in a manner contrary to the provisions of the General Agreement. The scheme permitted the Italian miller to purchase wheat for export as flour at a price substantially lower than that prevailing on the domestic market. This element of subsidy enabled Italian millers to quote prices for export well below that obtaining on the home market. The results of the operation of this scheme were reflected in trade statistics which showed that exports of flour from Italy had increased from 11,000 tons in 1955 to 204,000 tons in 1957. Italian sales of flour to traditional Australian markets in Aden, Sudan and Malaya had increased from 3,000 tons in 1956 to over 20,000 tons in 1957 and more recently it had been reported that sales were being negotiated with Ceylon and Indonesia. Clearly, the operation of the scheme was causing serious prejudice to the interests of Australian flour exporters in their traditional markets. Bilateral consultations had been initiated with the Italian Government in Rome in July 1958, but no satisfactory solution had been reached. The Australian representative reported that further bilateral consultations were taking place, but his Government requested that the Committee refer the matter to a panel so that, if necessary, it could be examined without delay.

The representative of Italy stated that during the course of the consultations the Italian authorities had given full details of the operation of the scheme under reference and had underlined that the regulations thereof had a purely temporary character. The Italian Government hoped to revise the operation of the system in the near future. While he would concur with the request that the matter be referred to a panel he thought it would be more appropriate if the Committee were to defer consideration of this item pending the outcome of the current bilateral discussions.

The representatives of Denmark, India and the United Kingdom supported the proposal that the matter be referred to a panel.

The Committee agreed that this matter be referred to the Panel it established in April (IC/SR.38) to deal with "French Assistance to Exports of Wheat and Flour" which was to be reconvened early in the Thirteenth Session. Should the two parties in the meantime reach agreement in the course of the current bilateral discussions, the Chairman of that Panel should be so notified and the Panel would no longer be charged with this matter. Should no such communication be addressed to the Chairman then that Panel would automatically take up consideration of this question.

13. Article XIX: United States Action on Lead and Zinc

The representative of Australia referred to a decision by the President of the United States on 22 September 1958 invoking the provisions of Article XIX to modify, for such time as necessary, the import treatment of lead and zinc by the imposition of country-allocated quarterly quotas effective 1 October 1958 (L/859). Australia claimed a principal supplier status for lead in the United States market and the Australian Government assumed that, in accordance with the provisions of Article XIX, the United States Government would be submitting proposals for consultations. It further assumed that in doing so the United States Government would furnish rather more specific information than that contained in document L/859 on the action taken, the reasons for such action and the estimated effects on trade. In particular, it was expected that such information would explain the basis on which the quotas had been established.

The representative of Peru associated himself with the statement by the Australian representative and at the same time reserved the right of his Government to raise this matter at the Thirteenth Session.

The representative of the United States stated that her delegation had taken note of the points raised by the representatives of Australia and Peru. While it was not possible to reply in detail to these questions at this stage, some clarification of a few points might be desirable. The United States Government had not invoked the emergency provisions of the last sentence of paragraph 2 of Article XIX in taking action on lead and zinc. The Tariff Commission report under which action had now been taken was issued on 24 April 1958, and on 25 April the Department of State had invited representatives of contracting parties to a meeting in order to notify them of possible action that might be taken as a result of the Tariff Commission recommendation. The United States representatives at that meeting had specifically made the point that notification to the countries concerned was considered initiation of consultations under the provisions of Article XIX. The governments concerned were at that time invited to present their views, and Australia did so in a note submitted on 19 May 1958.

The Committee's attention was invited to the fact that the President deferred action on this matter pending Congressional approval of the minerals stabilization plan and possible successful completion of international arrangements. Inability to obtain legislation or to successfully conclude international arrangements made final steps to invoke the escape clause action necessary. The United States was prepared to continue consultations with contracting parties including requests for compensation. In this connexion it should be noted that the import quotas were subject to review by the President whenever circumstances might warrant, as, for example, if there should be established multilateral arrangements to correct the imbalance between production and consumption of lead and zinc. It was a firm resolve of the United States Government to continue to explore these possibilities.

In the absence of instructions the representative of Rhodesia and Nyasaland reserved his Government's rights on this subject.

The representatives of Canada and Australia recorded their Governments understanding that the consultations conducted in April 1958 were not an initiation of those consultations required pursuant to the provisions of Article XIX.

The Committee noted the statements made and agreed that this question could be added to the provisional agenda for the Thirteenth Session, should that be considered desirable.

14. Administrative Questions

With reference to the proposals placed before the Committee at its meeting in April 1958 (IC/SR.38), based upon the recommendations formulated by the Review Board on the grading of posts in the manning table for 1958, the Executive Secretary submitted two further recommendations by the Board, the consideration of which had been deferred.

The proposals were approved.

15. Seating Arrangements for Thirteenth Session

The CHAIRMAN introduced a proposal by the Executive Secretary (IC/W/78) that before the opening of each session lots should be drawn to determine which contracting party, while preserving the alphabetical order, should occupy the first seat at the head of the conference table.

The Committee approved the procedure and agreed that such a draw would be made at its next meeting.

16. Next Meeting of the Committee

The Committee agreed to meet again at 2.30 p.m., Wednesday, 15 October, the day before the opening of the Thirteenth Session.