

# GENERAL AGREEMENT ON TARIFFS AND TRADE

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## SUMMARY RECORD OF THE EIGHTH MEETING

Held at the Palais des Nations, Geneva,  
on Tuesday, 17 March 1964 at 2.30 p.m.

Chairman: Mr. J.H. WARREN (Canada)

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1. <u>European Economic Community - Information to be furnished by the representative of the Commission (continued) (L/2179 and L/2185)</u>	

The CHAIRMAN recalled that the representative of the European Economic Community had made a statement at the sixth meeting on the implementation of the Rome Treaty which had been distributed in document L/2179. A statement had also been made by the representative of Greece on the implementation of the Association Agreement between Greece and the Community (L/2185).

Mr. NARASIMHAN (India) said that his delegation had heard the statement of the representative of the European Economic Community with interest. The Community was to be congratulated on entering the second half of its twelve years' transitional period. The Indian delegation hoped that it would now become easier for the Community to formulate its policies to accommodate the interests of less-developed countries such as India, which were confronted with foreign exchange and development problems. He recalled that when the Community had last reported to the CONTRACTING PARTIES, at their twentieth session, it was

then negotiating with the United Kingdom with a view to the latter's accession. The Indian delegation had proposed the introduction by all industrialized countries of certain features in the trade relationships between countries such as his own, on the one hand, and the United Kingdom, on the other. Such features included duty and restriction free entry for virtually all products. Prior to the breakdown of the Community/United Kingdom discussions, a number of arrangements had been worked out concerning the trade of countries such as India in the event of the United Kingdom's accession. It had been heartening to note from statements by spokesmen of the Community that there was no intention of allowing these arrangements to be completely forgotten. It was also gratifying to note that Ministers at the GATT Ministerial meeting had pledged themselves to finding solutions to the problems confronting the less-developed countries. It was the hope of the Indian delegation that action would be taken in this regard without too much delay.

Mr. Narasimhan expressed the hope that it would be possible for the Community to make greater than 50 per cent tariff cuts, whether within or outside the Kennedy Round, on items of interest to less-developed countries, including India; and, moreover, that member countries would eliminate non-tariff barriers as quickly as possible. In this connexion, the long-term damage done to the economic development of less-developed countries by the maintenance of such barriers was far greater than the adjustment difficulties encountered by advanced economies in their removal.

Less-developed countries would follow with interest the measures taken by the Community to deal with the problem of under-development in Southern Italy, since it was felt that the experience gained here would be useful in helping these countries to overcome their own development problems. In this connexion Mr. Narasimhan drew attention to the desirability of correlating separate development plans. The Indian delegation appreciated the importance attached by the European Economic Community to the maintenance of its own agricultural production, particularly of major food grains. However, in the case of items such as sugar, vegetable oils and animal feedstuffs, the Community should take into account the interests of less-developed countries which enjoyed natural advantages in their production.

Referring to the trade statistics quoted in document L/2179, Mr. Narasimhan underlined the fact that between 1958 and 1963 EEC imports generally had increased by 53 per cent, whilst those from non-specified "third countries", a category which included India, had risen by only 19 per cent. Moreover, whereas imports from industrialized countries in the EFTA and North America had increased by 13 per cent in the first eight months of 1963 as compared with the same period in 1962, the corresponding figure for India was only 3 per cent. It had to be noted, moreover, that even this 3 per cent increase was attributable to price increases resulting from general world conditions rather than to liberalization in the Community on all items of interest to India. There had been a decline in the share of the European Economic Community in India's exports

from 7.6 per cent in 1962 to 7.2 per cent in 1963, whilst exports to the United States, the ECAFE region and East European countries had increased substantially. India remained concerned over the structural imbalance in her trade with the Community. In 1962/63 the deficit in India's trade with the EEC amounted to US\$20 million and India still imported about three times as much from the Community as she exported to it. It was a source of regret to the Indian Government that it had not yet proved possible to hold detailed discussions with the Community in which the problem could be analyzed and solutions found.

Mr. Narasimhan expressed the hope that in the preparatory discussion for the Kennedy Round the interests of developing countries not represented, would not be overlooked, and that in the course of the negotiations industrialized countries would, in respect of products of interest to the developing countries, make significant tariff cuts. However, as it was possible that the Kennedy Round negotiations might take some considerable time to complete, he would invite industrialized countries, in accordance with recent statements of their Ministers, to take action in advance of the Kennedy Round to give immediate relief to the difficulties confronting the poorer countries.

India was grateful for the decision taken by the Community to suspend duties on tea and tropical timber from 1 January 1964 for an initial period of two years. He noted that the full suspension applied in respect of bulk tea and that tea in bags of five kilogrammes or less now bore a duty of 5 per cent ad valorem. He pointed out in this regard that India had simultaneously foregone its preference in the United Kingdom market of twopence per pound. It was too early to judge whether India would be a net beneficiary from these moves but it was to be hoped that they would be to the general benefit of less-developed countries. India also welcomed the decision of the EEC Council of Ministers to suspend, with effect from 1 January 1964, the common external tariff on a number of items of interest to India. Although the practical effect of the suspensions would only be marginal, they represented a step towards zero tariffs for tropical products. It was the hope of the Indian delegation that further unilateral tariff action of this nature would be taken in the near future.

In conclusion, Mr. Narasimhan noted with satisfaction the growing interest of the Community in the affairs of the less-developed countries which was exemplified by the declaration of the representative of the Community in which it was stated that the Community wished actively to contribute to the international organization of trade with a view to finding solutions favourable to the developing countries as a whole.

Mr. HOO TJING SAN (Indonesia) observed that Indonesia had, on many occasions in the past, made known its views on the various aspects of integration within the EEC. These views had not changed. Indonesia noted the prosperity of the European Economic Community and the growth in its industrial output, gross national product and trade, which had however been accompanied

by a deterioration in the Community's trade balance. It could be argued that the Community represented a growing market for the primary products of developed countries but it was at least possible that this market would have grown without the establishment of the Community. In any event the Community was erecting a tariff wall and had introduced a system of preferences for certain less-developed countries. These measures were harmful to the exporters of tropical products such as Indonesia. As an illustration, Mr. Hoo Tjing San mentioned palm oil which prior to 1958 had enjoyed duty-free entry into a number of member States but which would by 1970, with the coming into force of the common external tariff, bear a duty of 9 per cent. Palm oil from countries such as Indonesia would either be completely eliminated from the Community by duty-free imports from associated States or would receive an inferior price. Such developments were contrary to the modern trend for the provision of the freest possible access for the primary products of less-developed countries. The EEC should therefore show its goodwill toward the less-developed countries by introducing duty-free entry on all primary products irrespective of origin.

Indonesia recognized that the States associated with the EEC required economic ties with developed countries, but he considered that the present arrangements would be detrimental rather than advantageous to them in the long run. It was for the EEC and the associated States to find a means to replacing the present preferences by other forms of co-operation. With the removal of such preferences it would be possible to introduce free entry for primary products in respect of all less-developed countries.

Mr. VALLADAO (Brazil) said that his delegation had listened with interest to the statement by the representative of the Community. Brazil had in the past criticized certain of the developments in the Community, but recognized the problems inherent in the achievement of some of its objectives. On the question of the Community's relation with third countries he noted that there remained barriers which posed problems for the exports of countries such as Brazil. In particular there were the very high internal charges still maintained and which curbed consumption. It had to be understood that the problems of the less-developed countries with regard to their trade were not restricted to the maintenance of barriers, but extended to other matters including prices. He noted however that the European Economic Community was apparently planning measures outside the framework of GATT in order to overcome the problems confronting world trade. In this connexion he recalled that, in recording their reservations on the Programme of Action at the ministerial meeting, the Ministers of the Community had referred to the overriding objective of increasing the export earnings of the less-developed countries by market organization. He noted also that the representatives of the Community had suggested that the review of the GATT should take into account the results of the United Nations Conference on Trade and Development. The representatives of the EEC had announced their intention to make proposals in the United Nations Trade Conference which went beyond the terms of reference

of the GATT's Committee on Legal and Institutional Framework. These proposals would be awaited with considerable interest by the less-developed countries, not only in the context of the conference, but also because of their possible implications for the GATT.

Mr. PAPIĆ (Yugoslavia) thanked the representative of the Community for his statement and hoped that the Community would succeed in achieving a balance between its internal organization and the trade interests of third countries. Yugoslavia was a traditional trade partner of the member countries of the Community and was watching the movements towards integration in Western Europe to judge their long-term effects on her trade. Clearly integration would lead to an intensification of intra-trade, but this intensification should not be out of all proportion to the development of the trade of third countries. In this connexion the representative of the Community had said that between 1958 and the end of June 1963, trade between the members of the Community had risen by 130 per cent whilst imports from the rest of the world had risen by 53 per cent. However, the bulk of this increase was attributable to imports from developed countries rather than less-developed countries.

About 30 per cent of Yugoslavia's total exports were taken by the Community and 45 per cent of her exports to the EEC comprised agricultural products. The bulk of Yugoslavia's agricultural exports comprised items which were or would be covered by the common agricultural policy. Yugoslavia had it was true increased her exports of agricultural produce generally to the EEC in the past year. However, items to which the levy system applied had not shared in this increase and Yugoslavia's apprehension over the long-term effects of the Community's agricultural policy remained. Agricultural production had increased in the Community and as a result traditional exporters to the member countries would not be able to increase their trade. It was the hope of the Yugoslav delegation that the Kennedy Round and the United Nations Conference on Trade and Development would lead to a reduction in the barriers confronting trade in agricultural products, especially those maintained by industrialized countries. Yugoslavia was most interested in the EEC proposal relating to commodity market organization. It was not, however, clear whether this proposal would lead to the growth of imports of agricultural products by the EEC or by what means such a growth could be achieved. If the proposals envisaged the maintenance of Community imports at their present levels, they could not be considered a positive approach to the solution of the problem. Yugoslavia considered it essential that the widest possible access should be provided in the markets of the developed countries for agricultural exports.

Mr. MIGONE (Argentina) said that his delegation had given close attention to the concise statement presented by the representative of the Community and had taken particular cognizance of the figures which showed that the Community's imports from the United States and from EFTA countries in the period 1958/62 had increased by 58 per cent and 51 per cent respectively, whilst those from Latin American countries in the same period had grown by 35 per cent. A comparison

of the Community's imports in the first eight months of 1963 with the same period in 1962 showed that imports from EFTA countries and North America had increased by 13 per cent whilst those from Latin America had risen by 6 per cent. In the context of these figures, Mr. Migone recalled the statement of the representative of the Community to the twentieth session of the CONTRACTING PARTIES to the effect that whilst the Community had particular responsibilities to those less-developed countries associated with it, it had never lost sight of the question of under-development as a whole. This attitude had again been reflected in the statement by the representative of the Community at the present session. Argentina interpreted the recognition of the Community's responsibilities towards less-developed countries as implying the existence of the will to mitigate any unfavourable impact, developments in the EEC might have on the trade of developing third countries, particularly traditional suppliers. He would thus deduce that the Community would without delay take action to compensate for the differences revealed in the growth of imports from less-developed countries as compared with those from industrialized countries. In this connexion the new Regulation governing importation into the Community of beef was perhaps more liberal than that relating to cereals but, particularly in view of internal prices, it was likely to favour production in the Community to the detriment of third country supplies. He noted, however, that contracting parties would have the opportunity to analyze the new Regulation in Committee II.

Reverting to the general balance between the internal and external responsibilities of the Community, Mr. Migone expressed the view that the latter were not being given sufficient attention. The Community had argued that internal consolidation had to precede measures taken in relation to the trade of under-developed countries not associated with the Community. In his view it would be perfectly consistent for the Community to take action on internal integration and external trade simultaneously, and in fact if such a contemporaneous approach were not adopted, the economies of non-associated developing countries could suffer irreparable damage. As regards countries such as his own, which were food-producing, the Community should take immediate remedial measures through modifications in their pricing policies and in the field of import restrictions. These proposals were, however, to be regarded as being without prejudice to other procedures which might be mutually agreed upon and which were of interest to all the countries concerned.

In conclusion, Mr. Migone stressed that it would shortly be possible in the United Nations Conference on Trade and the Kennedy Round to verify whether there existed any real interest in overcoming the world trade problems in a manner which would take into account the interests of less-developed countries.

Mr. CARMODY (Australia) expressed the interest of his delegation in the statement of the representative of the Community. Australia was interested in many facets of the development of the European Economic Community but in the context of this discussion would restrict its remarks to repeating a request already made by the representative of Uruguay concerning clarification of a point on page 4 of L/2179, relating to the possibility of a review for the protection of animal products. He asked whether it would be legitimate to assume that the "review" would lead to a reduction of protection and he said that such a step would be welcome to Australia.

Mr. GRANT (Ghana) said that he had listened with close attention to the statement of the Community representative. Ghana could have no objection to the economic integration of European countries but it was a source of regret that this integration movement in the Community had been extended to embrace certain countries in Africa.

Referring to the Community's policy in relation to cocoa, Mr. Grant pointed out that cocoa constituted 60 per cent of Ghana's exports and that 56 per cent of its total cocoa exports went to the Community. Ghana's cocoa production had increased from 264,000 tons in 1956/57 to 450,000 tons in 1962/63. At the same time, Ghana's share of the world production had increased from 29.6 per cent to over 38 per cent. However, despite the growth in production, earnings from cocoa exported had since 1959 remained static at about £70 million as the result of declining prices. The preferences enjoyed by the African States associated with the Community in the Community's market had stimulated production in these countries and it could be expected that if these increases in production were maintained non-preferential producers would be in jeopardy. His remarks on cocoa applied with equal force to other tropical products. In conclusion Mr. Grant expressed pleasure at the fact that the Community seemed to be aware of the problems concerning less-developed countries and wished to find solutions to these problems.

Mr. NIOPIN (Ivory Coast) pointed out that in his country at least the preferences enjoyed in the Community had not given rise to any increased production and that, on the contrary, his Government was limiting the planting of coffee and cocoa.

Mr. LACARTE (Uruguay) thanked the representative of the EEC for his full statement on developments within the Community. Uruguay welcomed the progress made by the Community in achieving integration on a broad front. Uruguay, whose support of the letter and spirit of the GATT was well known, could contemplate developments in the Community which went beyond the provisions of the GATT, should they result in as good as or better access to the EEC market for imports from countries such as his own. Uruguay was, however, experiencing anxiety concerning new developments in the Community particularly in the agricultural

field. Uruguay had therefore to reserve its position in regard to these new developments which it considered could be detrimental to Uruguayan meat exports. The Kennedy Round and the outcome of the discussions of the Committee on Legal and Institutional Framework would reveal the real intention of the Community in regard to the trade of third countries.

Referring to document L/2179, Mr. Lacarte noted that the Community had established a "contact group" with Latin American countries to ensure the exchange of information and greater mutual understanding. Uruguay had already utilized the liaison established. In conclusion Mr. Lacarte asked the representative of the Community for clarification on the statement contained on page 4 of L/2179, concerning animal products, to the effect that the slight decline in the share of third countries in total imports of member States "might call for a review of the question of protection".

Mr. EVANS (United States) said that his delegation had also followed with considerable interest the statement of the representative of the Community, and had welcomed measures adopted by the EEC in the interest of more liberal trade. He had mentioned in this connexion, the decision in taking a second step towards the alignment of national tariffs with the common external tariff, to introduce a 20 per cent suspension of these common duties. The Community had agreed to submit to the CONTRACTING PARTIES its new agricultural regulations and had undertaken to take into account its external as well as its internal responsibilities in the agricultural sector. The Community had also completely suspended duties on tea and tropical timber and had suspended duties on certain other items of interest to less-developed countries. Most member States of the Community had liberalized their trade with Japan and India. On the other hand, Mr. Evans expressed his surprise that no mention had been made, of the Kennedy Round, in the statement of the representative of the Community. He hoped that there was no significance in this omission and that the Community continued to share the wish of the United States to see a successful conclusion to the negotiations under the Kennedy Round. Whilst it was noted that the Commission's study of a year's operation of the Common Agricultural Policy indicated that there had been no overall decrease in third country imports, it had to be recognized that it would be premature to judge the effects of the policies adopted and the measures applied. Further, figures available showed that the effects of the Policy had not been uniform either as regards the volume of imports or the relative shares of imports in growing total consumption. The United States Government continued to attach great importance to preventing the erection of new barriers to trade in agricultural produce through artificially fostered self-sufficiency, and looked forward to the full implementation of the May 1963 Ministerial Decision which had stated that significant liberalization of world trade, including that in agriculture and primary products, was essential. The United States was prepared to enter



negotiations aimed at reconciling national agricultural policies with the liberalization and expansion of international trade. In conclusion Mr. Evans expressed the view that the internal economic expansion of the Community was fully consistent with the development of its relations with third countries through liberal trade policies and expanding trade. It was especially important for industrialized countries, utilizing existing institutions for international economic co-operation, to continue to contribute to an expansion of the world economy to the benefit of economic development, and the United States was encouraged by the fact that the Community whilst seeking solutions for its internal problems was not limiting its world rôle which, it was to be hoped, would be increasingly liberal and constructive. The United States hoped that the Community and the States associated with it would continue to co-operate in endeavours to lower tariffs and other barriers to trade.

Mr. HIJZEN (Commission of the European Economic Community) thanked those representatives who had spoken for having given so much attention to his statement and for having conveyed their views and comments so frankly. It was a source of some disappointment to the Community that on the occasions it had reported to the CONTRACTING PARTIES on progress achieved, representatives of contracting parties had expressed their fears as to their future trade with the Community whilst in fact actual trade had continued to increase. He pointed out that in all probability imports by the Community from third countries were growing at a rate at least as fast as that of any other country or group of countries. Moreover, the Community had consistently expressed its intention to co-operate in efforts to overcome world trading problems. These positive aspects of the Community's policy often seemed to be overlooked.

Concerning the Community's trade relations with the Associated African and Malagasy States, Mr. Hijzen said that he found it difficult to understand criticisms of these relations in view of the fact that a number of other developing countries had similar arrangements with industrialized countries. Concerning the assurance requested by the representative of India that the interests of the less-developed countries would be taken into account by the Community in the course of the Kennedy Round, Mr. Hijzen stated that he could give such an assurance and pointed out that the Community was continuously giving attention to ways and means of improving its trade links with the less-developed countries. The representative of Indonesia had raised the question of palm oil and, although he was not in a position to verify the data provided, Mr. Hijzen suggested that if there were 9 per cent duty in the common external tariff for palm oil this would merely reflect the fact that higher duties had existed in certain member States prior to 1957. On a point raised by the representative of Brazil, Mr. Hijzen said that the Community had expressed reservations concerning the Programme of Action solely because it considered that there were other more suitable means of attaining the objectives of the Action Programme. He observed that the representatives of Argentina and Yugoslavia had expressed apprehension concerning developments in the agricultural policy of the Community. He suggested that it was still too early to judge what effects the recently introduced regulations or those not yet introduced would

have on the trade of third countries. On a further point raised by the representative of Argentina, he pointed out that the growth of Latin American exports by over a third in four years should in fact be a source of satisfaction.

Mr. Hijzen said that his failure to mention the Kennedy Round in his statement could be attributed to the fact that it would not have been possible to mention all aspects of trading relations between the Community and other countries. It was well known that the Community was co-operating fully in the preparations for the Kennedy Round. He noted that the representative of the Ivory Coast had dealt with a point raised by the representative of Ghana concerning cocoa. On the specific query raised by the representatives of Uruguay and Australia as to the possibility of a review on the question of protection of animal products (L/2179, page 4), Mr. Hijzen suggested that the meaning of the statement was clear. The Community would review the present position and draw relevant conclusions.

Mr. Hijzen continued that certain representatives had implied that protection afforded by the EEC was greater in the case of imports from less-developed countries than from developed countries. In his view this represented an oversimplification of the position. He pointed out that exporting necessitated a certain amount of endeavour and as Yugoslavia had shown in increasing her exports of meat, such efforts tended to be rewarded by higher export figures. In many cases the Community's imports from the less-developed countries had shown no or little increase despite the existence of zero tariffs. He suggested, in conclusion, that if certain developing countries were to devote more of their energies to fostering the growth of exports, statistics would show a more favourable trend.

The CHAIRMAN, in summing up, noted that a number of representatives had thanked the representative of the Community for his comprehensive report. Representatives had referred to internal development in the Community and their relationship to the Community's imports from third countries. Reference had been made to liberalization measures adopted by the Community. Some representatives expressed fears concerning the trade effects of certain measures adopted by the Community. Mention had also been made of the preferential position enjoyed in the Community's market by Associated African and Malagasy States. Hope had been expressed that the Community would take into account the needs of third countries in enlarging access to its market for agricultural products. In this connexion, he noted that the Community was prepared to communicate the new regulations to contracting parties for examination and this would be carried out in Committee II. A number of representatives had referred to the Kennedy Round as a means of reducing or removing the barriers maintained by the Community affecting their trade. Reference had also been made to the possibilities presented by the United Nations Conference on Trade and Development.

The statements of the representatives of the European Economic Community and of Greece and the comments on these reports were noted.

2. Convention of Association between the European Economic Community and the associated African and Malagasy States

The CHAIRMAN said that the Council of the European Economic Community had advised that a Convention was signed at Yaoundé on 20 July 1963, continuing the association of African and Malagasy States with the European Economic Community. The text of the Convention had been transmitted by the member States pursuant to their undertaking to notify any modification in the plan and schedule for the implementation of the Rome Treaty.

The Chairman suggested that since the text of the Convention was distributed only a few days ago and since its provisions were rather complicated it might be best to follow the procedure adopted on similar occasions in the past. Undoubtedly contracting parties would wish to examine the Convention in detail and would welcome an opportunity to put forward questions concerning its provisions and implementation. After the questions had been answered and when these had been distributed to contracting parties, a working party might proceed with the examination of the Convention in the light of the relevant provisions of the GATT. If this procedure were adopted delegations might not feel compelled to put forward at the present meeting all the questions they would like to ask or to make the definitive comments of their governments.

Mr. DE SMET (Belgium) speaking on behalf of the member States of the European Economic Community said that the Convention of Association between the European Economic Community and the African and Malagasy States associated with the Community was signed at Yaoundé on 20 July 1963. The Rome Treaty had already established association links between the Community and the overseas countries or territories which had enjoyed special relationships with some of the member States. The implementation of this system had been ensured through a Convention concluded for five years. Most of the overseas associated countries and territories had acceded to independence before the Convention had expired and it was as fully sovereign States that eighteen independent African and Malagasy States had negotiated with the Community, the new Convention of Yaoundé. This Convention defined for a further period of five years the association links between the States in question and the European Economic Community.

The major objective of the Convention remained the increase of the economic potential of the associated States through the development of their infra-structures and the diversification of their industrialization and cultures. The Community contributed towards these objectives through a sizeable financial and technical effort. Furthermore, the Convention of Yaoundé was being implemented progressively through a lowering of the customs duties and through the elimination of quantitative restrictions over the entire field of trade between the signatory countries. Nevertheless in order to enable the associated States to carry out an orderly development of their agriculture

and industries, and in order to take into account the imbalance of their budget and of their balance of payments they were free according to the spirit of the Association Convention to have resort to customs duties and quantitative restrictions subject to certain conditions. The complete entry into force of the Convention would entail the immediate and total elimination of customs duties of the member States on certain primary tropical products originating from the African and Malagasy States. At the same time there would take place a programme of reductions, suspensions and adjustments of the common customs tariff in respect to these products; some of these measures had already been implemented. These provisions were likely to be of particular interest to third countries. They had been supplemented by a number of clauses which enabled the associated States to maintain or establish customs unions or free-trade areas with third countries. What the signatories had had in mind, was particularly, the development of inter-African relations in pursuing, through the method described, the strengthening of the economies of the African and Malagasy States. In stimulating the diversification of their industrialization the Community was fully convinced that the Yaoundé Convention would make it possible to ensure the economic, social and cultural development of these countries and thereby reinforce their equilibrium and their economic dependence. In this connexion the Community also believed that the Yaoundé Convention was in line with the principles and objectives of the General Agreement, particularly sub-paragraphs 5-9 of Article XXIV. Concluding Mr. De Smet said that the Community did not object to the procedures outlined by the Chairman, which was traditional procedure and the Community would be pleased to provide contracting parties with any clarification and explanations they might require in studying the Convention.

Mr. BRESSON (Upper Volta) speaking on behalf of the African and Malagasy States associated with the Community, reiterated that the association between the Community and the African and Malagasy States as the result of the Convention signed at Yaoundé was not a new one. The Rome Treaty had already established a similar association between the Community and the overseas countries and territories at a time when these were dependent upon certain member States. The first Convention signed for a period of five years had just expired. The political process which had led the African and Malagasy States to independence between 1960 and 1961 had led them to negotiate in full sovereignty a new Association Convention with the European Economic Community. The major objective of this Convention was defined thus in Article 1 of the Convention:

"With a view to promoting an increase of trade between the associated States and the member States strengthening their economic relations and the economic independence of the associated States thereby contributing to the development of international trade..."

Mr. Bresson said that the associated States believed that the provisions contained in the Yaoundé Convention were in conformity with the General Agreement and that they would contribute to the improvement of world trade. In fact the Convention was quite in line with the encouraging trend which had appeared for some time within the GATT in favour of action aimed at helping and facilitating the development of less-developed countries. The Yaoundé Convention found its proper place of course in the framework of sub-paragraphs 5-9 of Article XXIV of the General Agreement.

Mr. ONYIA (Nigeria) said that it was nearly six years since the CONTRACTING PARTIES had had before them the first Association Agreement between the six member States of the Community and the associated overseas territories entered into under Part 4 of the Treaty of Rome. Once again a new Convention of Association between the six member States and eighteen African and Malagasy States had been submitted to the CONTRACTING PARTIES. This new Convention was signed at Yaoundé in July 1963. Between the signature of the old Convention and that of the new one, the countries referred to in 1957 as associated overseas territories had become independent. He hoped that he was correct in saying that the new Convention was not a mere renewal of the one old but having been negotiated by the eighteen African and Malagasy States as equal partners to the Six, the Convention did not fall within the provisions of Article 136 but of Article 238 of the Treaty of Rome. If his interpretation was correct the task of the GATT would seem to be narrowed to considering the compatibility of the new arrangements with the provisions of Article XXIV:5 of the General Agreement when the Convention was ratified and entered into force. This would be essentially a legal issue and in this regard it was perhaps pertinent to recall that during the discussions of the report of the Working Party on the original Association Convention, it was agreed that the legal issues should be put aside in favour of finding practical solutions. That was six years ago and no practical solutions had been put forward or seemed to be forthcoming in the foreseeable future. Meanwhile the problems which the conclusion of the original Convention were expected to pose for the non-associated countries still remained; as did also those economic conditions and considerations that had made it necessary for the eighteen African and Malagasy States to seek to maintain their special links with the Community. It would not be necessary for him to list these problems since they were well-known to contracting parties and were dealt with in the report of the Working Party (L/805). The transition from the old to the new Convention of Association had in no way disposed of these problems.

Mr. Onyia went on to say that had the CONTRACTING PARTIES tackled the issues more vigorously and come out with acceptable general solutions to the problems facing developing countries he was sure that there would have been less urgent need on the part of the European Economic Community and some or all

of the associated States to establish the type of special arrangements that were now before the CONTRACTING PARTIES. It was in this light that his delegation viewed their having thrown open the new Convention to all countries whose economic situation was comparable to that of the developing countries which had signed the new Convention Agreement. Faced with the realities of today the present non-associated countries which depended mainly on primary products for their economic development were also seeking their own solutions not only to the threat to their export trade particularly in those areas which were likely to bear the brunt of the impact of the coming into force of the new Association Convention but to urgently required increases in their foreign exchange earnings. Consequently his delegation did not think that the GATT should approach these issues purely on a formal or legalistic basis. An empirical approach would appear to be indicated so that there would be further progress towards the solution of the problems that both the eighteen African and Malagasy States and other countries with similar economic structure were facing. In conclusion the Nigerian delegation wished to record its appreciation to the European Economic Community and the United Kingdom in bringing about suspension of the duty on tea and timber and to the European Economic Community on its intention to reduce duties on other commodities with the coming into force of the new Convention.

Mr. NARASIMHAN (India) said that he assumed that the impact of the Convention on the interests of other contracting parties as well as its legality would be dealt with in some detail at a later stage. India was pleased that the associated States had been able to secure for their products duty-free and quota-free entry into the Community. It was nevertheless a source of regret to India that in return these States had granted preferences to members of the Community. Such preferences granted to technically advanced countries ran counter to recent trends in thinking on world trade. It was the hope of his delegation that there would be scope for amending such provisions in the interests of other developing countries. His delegation was ready to co-operate fully with the procedures the Chairman had suggested for dealing with the present item.

Mr. EVANS (United States) said that his delegation favoured the establishment of a working party. It would wish to participate and had questions which it would pose at that time.

Mr. GARCIA OLDINI (Chile) said that although the text of the Convention differed on some points from the text which was studied six years ago, and although from a strictly technical point of view, it might be maintained that the situation had changed in the meantime the fact remained that the problem was essentially the same as it was six years ago. At that time the developing countries had made a number of objections to this Convention and if discussions were reopened on this subject the same countries might probably want to make

the same criticisms and the same objections as they had done when the text of the first Convention was discussed. The problem from the pragmatic standpoint, was that the present Association Convention as that of six years ago, gave rise or created a number of protected and privileged markets which were set aside for certain less-developed countries, which lead to the application of discriminatory measures against other less-developed countries. This was the very essence and substance of the problem; and whatever arguments were put forward, if a proper solution was not found to this aspect of the problem, his delegation would maintain its position of six years ago that the present Convention was unacceptable as was the previous one. However, circumstances had changed and there were new possibilities and prospects within the GATT itself. He hoped that these new possibilities would enable the finding of instruments for hammering out suitable solutions.

Mr. VALLADAO (Brazil) endorsed the procedures suggested by the Chairman for dealing with the items under discussion. Like the delegate of Chile, he hoped that the GATT would through the revision of its rules, be able to take account of the various problems, including the problem now before the CONTRACTING PARTIES. However, until the GATT had undergone a complete revision, the United Nations Conference on Trade and Development was probably the appropriate forum for dealing with this matter.

The CHAIRMAN suggested that the Council be instructed to appoint a working party to examine the Convention in the light of the relevant provisions of the General Agreement.

This was agreed.

The CHAIRMAN said that contracting parties wishing to put forward questions concerning the provisions and the implementation of the Convention should submit these to the Executive Secretary, not later than 30 April 1964.

### 3. Trade Negotiations, 1964

The CHAIRMAN said that at the meeting of Trade Ministers in May 1963 it was agreed that comprehensive trade negotiations should be undertaken and that these should begin on 4 May 1964. A Trade Negotiations Committee composed of representatives of all the governments proposing to participate had been established and preparations for the negotiations were in hand.

The EXECUTIVE SECRETARY in his capacity as Chairman of the Trade Negotiations Committee reported on the preparatory work which had been carried out by the Committee and its various Sub-Committees. He said that the somewhat laborious manner in which the preparatory stage of the negotiations had been proceeding, should not occasion too much surprise or concern to contracting parties. It should always be borne in mind that in the operation under consideration, the sights were set very high and that the objectives to be obtained in these negotiations could be of decisive

importance for the future of international trade and for the economic relationships between contracting parties. Despite these lengthy and laborious preparations, he felt that, in the light of developments over the past few months, contracting parties could now look forward with some degree of confidence that the negotiations could in fact be formally initiated on 4 May 1964, the date which the Ministers had had in mind. It was unlikely that a number of the problems which had been exercising the Trade Negotiations Committee over the past few months would be completely resolved by that time. However, he thought that a position in the consideration and discussion of these problems would be reached which would justify proceeding from the pre-negotiating stage to the stage of the negotiations proper.

The principal points of difficulty were well-known to contracting parties and he would therefore not dwell upon them in detail. As regards the Tariff Negotiating Plan, there was now a fairly clear outline of the general basis for tariff negotiations on industrial products. However, one major element in the Tariff Negotiating Plan remained i.e. the means for identifying, and the treatment to be afforded to, those cases where there was a significant disparity in the levels of tariffs in the major trading countries and with respect to which the Ministers had agreed that special treatment would be appropriate where these differences were meaningful in trade terms. The endeavour to translate into specific principles or rules the concept of "meaningful in trade terms", and thereafter to work out rules for the treatment to be afforded to disparities identified in accordance with such principles and rules, had proved an unexpectedly difficult problem and the solution was not yet at hand. On the other hand he felt confident that as a result of the many months of careful and detailed study of the technical aspects of this problem, the differences which had hitherto made agreement seem remote and at times improbable, were narrowed to such a point that there was every reason to believe that a practical basis could be found before 4 May for the passage from the present stage to that of the negotiations proper.

The other major question which had hung over preparations for the negotiations and still hung over them, was the question of finding a basis for negotiations with respect to agricultural products which would be consistent with the objectives laid down by Ministers in their meeting last May. The essential difficulty here was the difficulty of reconciling the generally accepted objective of liberalizing the conditions of world trade, with arrangements which certain countries found it necessary to adopt for the support of the incomes of their agricultural producers. The difficulty of reconciling these two factors in national agricultural policies necessarily created major problems in determining the procedures and methods which should govern the negotiations on agricultural products. In some areas this difficulty appeared to be manageable in the sense that, for certain products, the major producing and major importing countries had agreed that the appropriate basis for negotiation was to seek world-wide arrangements which would go beyond the traditional area of trade negotiations properly so-called, and indeed in a number of respects would go beyond the scope which had



hitherto been given to conventional commodity arrangements. What was contemplated, were negotiations which would deal not only with the conditions of access for these products in international trade but also extend to national support levels, national production policies, the control of supply and guarantees of supply and the level of international and national prices. It was contemplated that these arrangements would be the subject of negotiations in respect of the whole range of cereals products, and the Cereals Group which in a sense was acting as a pilot group for negotiations on cereal products, had begun discussions on a procedure which would enable the Group to proceed forthwith from the stage of the consideration of the elements which would enter into negotiation, into the stage of the negotiation itself. The Cereals Group would attempt to define in terms of a draft agreement the manner in which the various elements to which he had referred could be combined in a world-wide agreement. As that work proceeded, naturally enough the scope of the work of the Cereals Group would perhaps be broadened to bring in other participants in the negotiation which, while not having the major interests and responsibilities of the participants in the present Cereals Group, nevertheless had important national concerns at stake in these negotiations.

There was also the feeling that a similar approach would be appropriate for meat products and that in the near future the Meat Group which had in the past been trying to define the elements which should enter into a negotiation on meat, should have a further meeting to carry its work beyond the stage of the defining of elements to the elaboration of a prospective basis for agreement. The other large category of products to which this approach was at present generally thought to be applicable was that of dairy products; and for this purpose a pilot group had been established and had begun work in collecting data and material. This pilot group would shortly resume discussion on preliminaries leading towards the formulation of elements which would enter into consideration in negotiating a world-wide arrangement on dairy products. As regards the rest of agricultural trade, there remained still unresolved the basic difficulty of the method or approach to the negotiation. As was generally known to contracting parties, the European Economic Community had elaborated and presented to the Trade Negotiations Committee certain suggestions for a technique or method of negotiation which the Community considered would be appropriate over the whole range of agricultural products. This attempt by the Community to apply an overall uniform method of negotiation over the whole range of agricultural products had given rise to considerable difficulties for other participants in the negotiations, and in the next few days the Agricultural Committee would be considering how far the elements in the Community's approach to the negotiations taken together with the desiderata and ideas of other participants, would at least enable the establishment of practical and pragmatic rules which could be applied in the various ranges of agricultural produce other than the broad categories of products to which he had referred. Here again, it would not be realistic to expect that entirely systematic and complete procedures and rules would be defined before the actual negotiating stage, but with the necessary amount of effort and goodwill on both sides, as had been demonstrated in the discussions so far, a negotiating basis could be found in time for the whole operation to begin in May as had been contemplated.

On the negotiation of non-tariff barriers, the EXECUTIVE SECRETARY said that the Trade Negotiations Committee had concerted itself as he had described, on attacking the most important and fundamental problems which stood in the way of movement from the pre-negotiating to the negotiating stage and had therefore accorded a somewhat lesser priority to the question of non-tariff barriers. However, between the present time and the opening date of the negotiations it was clear that some further consideration would have to be given to these matters. In dealing with this question the purpose of the discussions would not be to search for formulae on negotiating rules, but to define the types of problems requiring negotiation in the non-tariff field as an essential accompaniment to the general liberalization of trade which would result from the tariff negotiations and from the negotiations with respect to agriculture.

There was lastly the question of the participation of less-developed countries in the negotiations. He could understand that a number of representatives from the developing countries might have felt that in the work carried out so far, so much attention was being concentrated on the problems which were of primary concern to the larger countries, that the basic interest of the developing countries in the successful outcome of these negotiations had tended to be overlooked. There was no warrant for this anxiety. As far as he was concerned, as Chairman of the Trade Negotiations Committee, he had been constantly conscious of this very important aspect of the negotiations. One of the major objectives of the trade negotiations would in fact be lost if the negotiations failed to yield an important and significant contribution to easing the trade problems of the developing countries. To mark the Committee's recognition of this point, a Sub-Committee on the Participation of the Less-Developed Countries had been established by the Trade Negotiations Committee and this Sub-Committee had already met. In that meeting the Sub-Committee was concerned that both developed and less-developed countries should have a full recognition of the major opportunity which the negotiations presented for solving some of the important trade problems of the developing countries. In this respect, it was encouraging to find a genuine desire on the part of the less-developed countries to participate fully in the discussions. This Sub-Committee had recognized that its main task, and one which was one of the most important tasks of the Trade Negotiations Committee and its subsidiaries, was to consider how to ensure in practice that effect was given to the decision of Ministers that every effort should be made to reduce barriers to exports of the less-developed countries. It might be asked in these circumstances why it was that this Sub-Committee appeared to have received less attention from the Trade Negotiations Committee than the others. He hoped that the answer to this question would afford some relief to the anxieties of the developing countries. The Tariff Negotiations Committee had felt that the most important consideration was to ensure that the negotiations as a whole would be formally initiated in good time. Once the negotiations were formally initiated then it would be possible to devote much more attention to the participation of the less-developed countries in the negotiations.

As the programme for the negotiations was envisaged, the meeting on 4 May would mark the formal initiating of the trade negotiations and this in itself would be an event of some very considerable importance, because it would mean that at that stage governments would have formally committed themselves to the negotiations and therefore formally dedicated themselves to bringing them to a successful and constructive conclusion. Thereafter, however, there would necessarily be a certain time lag in which participating governments would be studying such exceptions as he was afraid, would undoubtedly, be made to the general formula for tariff reductions in particular countries. The participating governments would also be studying the consequences and implications of such limitations on the effects of the formula for tariff reductions as resulted from the application of the disparities formula. It followed therefore that detailed discussions on specific aspects of the tariff negotiations would not really be engaged for some time after the formal initiating of the negotiations on 4 May. It appeared therefore that the immediate following period would be one in which it would be particularly propitious to take up in an active way the particular aspects of special concern to the developing countries and to subject them to the same close scrutiny and discussion as had hitherto been given to questions such as agriculture and tariff disparities. It had been his own advice to the Trade Negotiations Committee that they should concentrate in the first instance on the essential task of launching the negotiations with the full consciousness that important aspects of the negotiations remained for the time being on one side, but should be actively pursued as soon as the move had been made from the present stage to the stage of formal negotiation.

In conclusion the Executive Secretary said that there were still important and difficult problems ahead but he saw no issues or differences which, given the amount of energy, imagination and understanding which the subject matter justified, would not yield between now and 4 May to an extent sufficient for the negotiations to be formally inaugurated on 4 May. Secondly, assuming that this objective could be attained, immediately thereafter attention should be devoted more particularly and in great detail to some of the broader, and in the sense of the whole trading community, perhaps more important aspects of the negotiations, which necessary concentration on more narrow issues had hitherto precluded. He hoped that with this understanding, representatives particularly of the less-developed countries, would find that their problems would then receive in an appropriate atmosphere the very careful and positive attention which they so obviously merited.

Mr. VALLADAO (Brazil) thanked the Executive Secretary for his report. He regretted that the work which had so far been carried out had not included consideration of the rules which would govern the negotiations in so far as the less-developed countries are concerned, since the governments of such countries were being required to commit themselves to enter the negotiations

without even knowing beforehand the kind of rules which would prevail. This situation was linked quite closely to the position taken so far by some of the countries with whom the less-developed countries would negotiate. For instance, it was not known whether or not internal taxes would be included in these negotiations. He had heard statements to the effect that the time was not yet right for removal of internal taxes by the countries which were applying them. There was also the question of linking the programme on preference to the opportunities promoted by the Kennedy Round. Again the countries concerned had stated that they were not in a position to offer any preference whatever. He would be grateful if he could have from the developed countries concerned the prospects for the less-developed countries and what they considered they would be in a position to offer to the less-developed countries in the framework of the Kennedy Round of trade negotiations. If some information were given on this point, the less-developed countries would begin to regard the forthcoming negotiations with some enthusiasm and confidence, and would be more able to clarify their position with respect to the Kennedy Round.

Mr. EVANS (United States) said that the Executive Secretary had covered most of the points on which he had wished to comment. However, he had been asked by his Government to stress certain aspects dealing with the preparations for the Kennedy Round. It was well known that during the past year a great deal of effort had gone into what might appear to have been a rather narrow aspect of the preparatory work for the Kennedy Round, such as the discussions which had taken place in the Sub-Committee dealing with the elaboration of the Tariff Negotiation Plan over the past nine months. On the question of tariff disparities he was happy to say that there seemed to be movement towards a solution of this issue. By the opening of the Kennedy Round on 4 May he was very hopeful that there would be an agreed disparity rule. In this connexion, the delegate of India in the debate on a previous agenda had hoped that the United States and the European Economic Community would not lose sight of the interest of the developing countries in their discussions concerning this negotiating rule. On this point he wished to assure him, that if there had been no awareness of the problem of the effect of the disparity rule on third countries, agreement would probably have been reached a long time ago. It had been largely because of the desire to be sure that any rule adopted to deal with the disparity problem would not have adverse effects on the interest of third countries that it had been so difficult to reach agreement. His delegation had had this very much in mind, and would continue to be aware of this question in adopting a final rule for dealing with disparities.

Unfortunately, less progress had been made up to now in the field of agricultural trade. It was very clear there would be long and arduous negotiations before a satisfactory settlement could be worked out to provide access for agricultural products, but his Government did not doubt that there could be a

mutually acceptable outcome to this important phase of the negotiations. In the field of non-tariff barriers, work still lay ahead but this did not mean that there was not a deep concern with regard to this problem. As the Executive Secretary had indicated this had had to take second place chronologically, but this did not mean that there was no interest in what could be done in the way of the reduction or elimination of non-tariff barriers.

With respect to the relationship between the negotiations and the export interests of less-developed countries, he was convinced that the general tariff reductions contemplated in the Kennedy Round represented at least in the foreseeable future, the most important and the most effective means of stimulating the exports of the less-developed countries that was available to the CONTRACTING PARTIES. It was well-known that the results of the Dillon Round were unsatisfactory not only to developed contracting parties, but also to developing contracting parties in that it did not go far enough in providing substantial reductions in tariffs. It was because of the disappointment not only of the developed countries but of the less-developed countries, that the United States Administration had sought a more sweeping negotiating power than before. This wider authority had now been obtained and the specific legislation granting it contained special provisions dealing with exports of less-developed countries. In spite of these special provisions, however, he considered that by far the greatest benefit that the less-developed countries could look forward to from the Kennedy Round was from the general provisions i.e. the authority which enabled the Administration to make broad multilateral reductions in trade barriers. At the outset it might appear to the less-developed countries that they had less to gain than developed countries because they exported fewer of the goods on which the tariffs would be reduced in the Kennedy Round. He believed that this was an optical illusion. In terms of the total export trade of less-developed countries, most had at least as much to gain if not more to gain, than the average developed country in terms of their present exports. Because they were expanding into other fields and because they are diversifying their production and their exports, the less-developed countries would continue if the trade negotiations were successful, for years to come, to obtain new benefits from the Kennedy Round. The less-developed countries would of course not be expected to give full reciprocity in the trade negotiations.

The form of the participation of the less-developed countries as had been pointed out by the Executive Secretary was a matter of utmost importance and one which must be considered soon by the Trade Negotiations Committee or its subsidiary bodies. It was not expected that the Kennedy Round would solve all the problems of the less-developed countries but the CONTRACTING PARTIES would miss the greatest opportunity they have had to liberalize trade, if they did not concentrate at this time on making the Kennedy Round a success.

Miss LACKEY (United Kingdom) said that the Executive Secretary had given a picture of a rather cumbersome machine which had been moving forward rather clumsily and slowly, and to that extent, some countries might have felt somewhat depressed. It would of course have been possible to move faster if a number of basic principles were jettisoned but whether that would be possible was wholly another matter. The United Kingdom considered that the negotiations should be comprehensive and wished the linear cut to be applied with the fewest possible distinctions and with the bare minimum of exceptions from that cut. Where barriers to expansion of trade were not of a tariff nature the United Kingdom did not wish nor could it afford that such barriers should frustrate the benefits which might accrue from tariff cuts. The United Kingdom recognized that in some fields these were the real obstacles to overcome before world trade could be opened up to the benefit of all. The United Kingdom was very conscious of the fact that this was not only the moment when an exciting door might be opened to the major trading nations of the world, but that the Ministers saw the Kennedy Round as the opening of world trade for all contracting parties, both developed and developing countries. Indeed it would have been odd had they thought that a round of tariff negotiations bearing the name of the man who initiated the development decade should be otherwise dedicated. The Ministers of the United Kingdom or other Ministers were not wholly altruistic in this matter; prosperous customers were the best customers and for that reason alone, it would be the United Kingdom delegation's effort and conscious endeavour to search for all the possible means of expanding the prosperity of all contracting parties.

Mr. HIJZEN (Commission of the European Economic Community) said that the Community attached the greatest importance to the forthcoming negotiations and had already declared officially that these negotiations ought to be based on a reduction of 50 per cent. The Community had accepted this figure under the proviso that the general framework of the negotiations should be adequate, adding at the same time that it would be prepared to participate, and that it would do its best to collaborate in seeking a system of negotiation which would meet the criteria set down by the Ministers. He believed that the Community had already made a useful contribution by making an overall proposal at the last meeting of the Committee on Agriculture. As regards the question of the participation of the less-developed countries, from the very beginning and even on the occasion of the ministerial meeting, the Community did express and underline the importance for these countries to participate in the discussions. The Community did not expect reciprocity from these countries, but hoped that these countries would be in a position to contribute themselves in more ways than one to the success of these negotiations. He wished to reiterate that the Community together with its trade partners would do its utmost for the discussions to achieve results. The Community was not fearful of the lengthy preparations necessary for these negotiations, the procedures had already been changed several times but the problems themselves had not changed. This meant

that the Community would perhaps tackle these problems in a different way at a different time. Despite the difficulties which had been encountered, he felt that the Community had shown its determination that the negotiations should reach a satisfactory result.

It was agreed that discussion on this item would be resumed at the next meeting.

The meeting adjourned at 5.30 p.m.