

GENERAL AGREEMENT ON
TARIFFS AND TRADE

RESTRICTED

SR.21/9
31 March 1964

Limited Distribution

CONTRACTING PARTIES
Twenty-first Session

Page 124/125

SUMMARY RECORD OF THE NINTH MEETING

Held at the Palais des Nations, Geneva,
on Thursday, 19 March 1964 at 2.30 p.m.

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

| | <u>Page</u> |
|---|-------------|
| <u>Subjects discussed:</u> 1. Trade Negotiations, 1964 (cont'd) | 124/125 |
| 2. Trade in tropical products - report of the Special Group | 130 |
| 3. Financial assistance - report by Group of Experts | 133 |
| 4. Committee III - reports | 135 |
| 5. Trade information and promotion - report by Committee III | 137 |
| 6. European Economic Community/ Agreement of Association with Turkey | 141 |
| 7. Article XII - Denmark | 142 |
| 8. Postal ballots | 143 |

1. Trade negotiations, 1964 (cont'd)

The CHAIRMAN recalled that at the eighth meeting the Executive Secretary, in his capacity as Chairman of the Trade Negotiations Committee, had reviewed the preparatory work carried out by the Committee and by its various sub-committees and groups. Several delegations had commented.

Mr. STONER (Canada) said that at the last ministerial meeting the Canadian Minister of Trade and Commerce had emphasized Canada's great interest in the coming trade negotiations and its determination to play a full part in the Kennedy Round. Canada hoped for substantial and meaningful negotiations between trading countries. Such negotiations would have significant benefits not only for the industrialized countries, but for the developing countries whose interests

everyone had so much in mind at the present session. He had noted from the statements made by the delegate of the United States and by the Executive Secretary that progress had been made on the question of disparities. There were, of course, other very essential matters, including the position of agriculture in the negotiations, on which his delegation hoped that progress would also be made, so that Canada could look forward to a balanced outcome of the Kennedy Round. The position of countries such as Canada in relation to linear cuts had been recognized by the Ministers in May. The measure of Canada's participation must of course be made in terms of the trade benefits that were made available to it. Canada would match these benefits fully with concessions of equal value to its trading partners.

Mr. MIYAZAKI (Japan) said that his Government looked forward to the forthcoming trade negotiations as offering opportunities for a significant expansion of world trade. He hoped that agreement could be reached as soon as possible with respect to the ground rules so that a start could be made on the substantial part of the negotiations on the date set by the Ministers at their meeting in May 1963. The Japanese Government intended to co-operate fully towards their success.

Mr. MARTINS (Austria) recalled that from the very beginning Austria had declared itself favourable to the Kennedy Round negotiations and had not changed its position. During the deliberations of the sub-committees of the Trade Negotiations Committee very important problems arose including tariff disparities. Austria did not raise the problem of disparities. Nevertheless it recognized the importance of this problem and the need to find the solution thereto. During the debate in the sub-committees mention had been made of the rôle of third countries with respect to the disparity rules. His delegation was pleased at the interest displayed by a number of contracting parties and by the European Economic Community with respect to this problem. The studies made by the various competent services in Austria had shown the importance for Austria of maintaining and developing trade generally, particularly with neighbouring countries.

Mr. FRISZ (New Zealand) expressed the interest of New Zealand in the forthcoming negotiations. He said that New Zealand was among those contracting parties which were most dependent on international trade and had always seen the Kennedy Round as the best chance in many years for a really significant removal of trade barriers. As most other speakers had made clear, progress so far in preparing for these negotiations had been disappointing. It had been nil in the area in which New Zealand had a major interest: in agriculture and the removal of non-tariff barriers. However, his delegation had become a little more hopeful when at a meeting that morning there were indications that the pattern for a major negotiation in these fields was becoming more clearer, but this was only the beginning of a long haul.

Mr. Press said that it was time to correct the unfortunate impression, which was becoming evident both inside and outside the GATT, to regard the negotiations as the concern only of the very large trading countries. His delegation was disturbed by this. While it was obvious that the position of the large countries was crucial it was equally obvious that it was in reality the smaller countries that would have the most to lose if these negotiations did not succeed. While there had been little activity in those aspects of the negotiations which were of most direct concern to New Zealand, all contracting parties were affected by every aspect of the Kennedy Round. He had been pleased to hear that in the tariff field a settlement was now in sight. The New Zealand delegation was hopeful that the momentum of May 1963 would now be regained and that it would be possible to press on with these negotiations which meant so much to the GATT itself and to contracting parties.

Mr. LACARTE (Uruguay) said that the Conclusions of the meeting of Ministers constituted a coherent whole and it was therefore essential that progress should be made on all fronts. A prerequisite of the Kennedy Round was that there should be no imbalance between the various factors composing the negotiations. The attention which had been given to the problem of disparities, for example, was warranted and quite easy to understand, but this attention should not cause sight to be lost of the necessary balance which the negotiations should assume. He was not convinced that across-the-board linear tariff reductions would offer the less-developed countries the best prospects. Nevertheless the negotiations on agriculture and on non-tariff barriers were equally important and these would have to be tackled effectively. As far as his country was concerned, the Kennedy Round would not be useful if it did not incorporate equal progress in the field of non-tariff barriers and agriculture as in the field of tariffs. Finally, he emphasized the basic importance which Uruguay attached to the Kennedy Round, not only as a factor for the liberalization of trade but as an assertion of the validity of the GATT as an instrument of freer trade. This was the importance and the real significance of the forthcoming negotiations.

Mr. LALL (India) said that he was particularly gratified to hear the Executive Secretary state that one of the major objectives of the Kennedy Round would be lost if it did not bring about tariff relief for the products of the less-developed countries. His gratification was reinforced when delegates of the European Economic Community, United States and United Kingdom pledged their support to the achievement of this objective. Similar statements from other industrialized countries would be very welcome. The statements to which he had referred had to some extent offset disappointment that problems relating to less-developed countries had not yet been formally identified by the Trade Negotiations Committee. His Government was keen to participate in the trade negotiations and to contribute to their success. In this connexion the GATT

Ministers had agreed that the developed countries should not expect to receive reciprocity from the less-developed countries. The Sub-Committee on the Participation of Less-Developed Countries had met on 27 December but there had been no meetings since that date. The view had been expressed that the proper time for this Sub-Committee to meet would be after the negotiations were launched. He felt that this approach did not take sufficient account of certain disadvantages suffered by the less-developed countries. The less-developed countries were handicapped in the sense that they had not had sufficient opportunity for participating in the activities of the Trade Negotiations Committee.

A great deal had been said concerning the problem of disparities, but it was not clear to his delegation how this problem or the solution of it would affect the interests of less-developed countries. In this connexion he wished to draw the attention of contracting parties to the chronic "disparity" in the tariff structures of the developed countries. There had been a number of tariff negotiations under GATT auspices and if the results of these negotiations were surveyed it would be found that only marginal benefits had accrued to products of interest to developing countries. It would be further found that, even in cases where the less-developed countries had been given bindings in the course of these negotiations, the beneficial impact of these bindings had been nullified by the maintenance of quantitative restrictions. In any case, the tariff rates on items of interest to developing countries had remained at a substantially higher level than those on products of particular interest to developed countries. The tariffs involved in previous negotiations were constructed at a time when protectionist tendencies were even more dominant than they were today and very great care had been taken to ensure that the producers of raw materials did not find it profitable to process the raw materials before exporting them to the markets of developed countries. As a result it was virtually impossible under present conditions for most developing countries to set up processing industries. If uniform cuts were made, the disparity between the import duty on the raw material, which it was hoped would be zero, and the high import duty on the processed product, would still be considerable and might not be sufficiently narrowed to permit the development of manufacturing and processing industries in the developing countries. His intention in stressing these matters was to draw attention to the basic aspects of the problem so that when the Sub-Committee on the Participation of Less-Developed Countries met, it would apply its mind to formulating its ground rules in such a way that the result of the negotiations would be meaningful for the less-developed countries. Some of the solutions which had been or were being thought of in connexion with the problems of disparities would almost certainly lead to the result that on certain products the cut would not be as deep as on other products.

The developing countries enjoyed a certain advantage in being endowed with larger populations. It was therefore not so necessary for them to employ mechanical equipment in order to increase productivity, and in consequence they had tended to specialize in "hand-made" products. In the tariff structures of the developed countries no distinction had been made between a hand-produced

product and a product produced by machine. It was not his intention to suggest that such a wide distinction should be made as to make it more profitable for developing countries to continue to make all their products by hand, but to suggest that when the Trade Negotiations Committee came to lay down the ground rules they would give special consideration to "labour-intensive" products where the return to the poor worker might be the difference between subsistence living and something slightly better. The time had come when some attention should be paid to these problems and opportunities should be provided for the less-developed countries to familiarize themselves with the techniques which were going to be put under way. Because discussions had not been completed on some of the new concepts which had emerged over the last six months in the tariff field for the improvement of the trade of the less-developed countries, there was risk that if the discussions were completed at too late a date either a request would have to be made to hold up the progress of the negotiations or, if such a request were found to be too unreasonable in the general interest, then these countries would be denied such opportunities as could flow from the application of the new concepts to the forthcoming trade negotiations. The Trade Negotiations Committee should therefore consider to what extent it was practicable to apply the new concepts to the forthcoming round of tariff negotiations.

Mr. LARENA (Argentina) said that his delegation was concerned that practically no progress had been achieved by the Trade Negotiations Committee with regard to the participation of the less-developed countries in the trade negotiations. His delegation was also concerned with the present state of the preparations with regard to agriculture. The agricultural problem should be studied simultaneously with the other problems which would be taken up in the negotiations. A case had been made in favour of keeping to 4 May as the opening date for the negotiations. While his delegation was quite serious in its desire to participate in the negotiations he wished to stress that full participation on the part of Argentina would be conditional upon such conditions as might be decided on in the near future by the Trade Negotiations Committee with respect to the method whereby the less-developed countries would participate in the negotiations. His country would be quite prepared to be adequately represented at the inaugural session of the Kennedy Round, yet it could not forget or overlook the actual facts of the situation.

The CHAIRMAN, summing up, said that the Executive Secretary, in reporting on the preparations for the Kennedy Round of trade negotiations had stated that there were difficult problems ahead, but did not foresee any issues that would stand in the way of the formal inauguration of the negotiations on 4 May 1964. The various trading countries which had participated in the discussions had said nothing that would in any way cast doubt on that statement. All speakers had emphasized from their varying points of view the very great importance they attached to a substantial and successful outcome of the negotiations. The delegation of India had mentioned specific matters of concern to developing countries, which it was hoped would form the subject of early discussions in the Sub-Committee dealing with the participation of the less-developed countries in the negotiations. The industrialized countries had no doubt taken careful note of the points made by the Indian delegation. The Executive Secretary, in his capacity of Chairman of the Trade Negotiations Committee, would also have in mind the suggestion that there should be an early discussion of many of these matters.

2. Trade in tropical products - report of the Special Group (L/2157)

The CHAIRMAN said that on the recommendation of Committee III the Special Group on Trade in Tropical Products had been convened "to examine the problems facing the cocoa industry, following the failure of the United Nations Cocoa Conference to reach an agreement, and to seek solutions to those problems in so far as they come within the purview of the GATT".

In presenting the report of the Special Group the DEPUTY EXECUTIVE SECRETARY said that the Special Group had met on 16-20 February 1964 and its report had been circulated as document L/2157. As could be seen from the report the Special Group expressed disappointment at the outcome of the United Nations Cocoa Conference while noting that it might come together again when the conditions for a resumption existed. The Group, with the abstention of Brazil, had felt that it "should be possible to make concrete progress concerning the problems affecting tropical products during the forthcoming trade negotiations of GATT, aiming at the attainment of the objectives set out in the Conclusions of the ministerial meeting of May 1963, and recommend to governments to seek effective solutions to the fundamental problems affecting trade in tropical products. To this effect the Group, with the abstention of Brazil, recommended that the question be referred to the Trade Negotiations Committee and asked the Chairman of the Special Group on Tropical Products to maintain liaison between the Special Group and the Trade Negotiations Committee with regard to the rôle of tropical products in the forthcoming negotiations". Further, the less-developed countries noted the statement of the Chairman that prices in respect of tropical products could be dealt with by governments in the Trade Negotiations Committee as was being done in the case of other agricultural products. The Group also noted the statement by the representative of Ceylon, supported by the representative of Indonesia, concerning the still existing problems facing trade in tea. Attention was drawn to duties facing trade in instant tea. The Group furthermore took note of the statement by the Chairman that the study on bananas was proceeding according to expectations and that for the purpose of the study the GATT was in close collaboration with the FAO and also maintained a very close contact with the Organization of American States.

Mr. VALLADAO (Brazil) said that his Government was most disappointed at the results achieved by the Special Group on the problem of trade in cocoa. It was realized on reading the report that the expectations which had been placed in more fruitful action for the benefit of producing countries had been frustrated. His delegation had had the opportunity during a number of meetings of working bodies of the GATT to state its views on primary products and these views were also stated during the discussions of the Special Group. There were two sides to the problem; on the one hand there was an increasing number of difficulties in obtaining a reduction of the barriers which hampered the trade of primary products including cocoa, on the other hand there was the

equally significant problem of prices. The Chairman of the Special Group had suggested that the question of prices for tropical products might be studied by the governments in the Trade Negotiations Committee. Once again the problem has been postponed by transferring it to another forum. As the report had indicated his delegation had abstained from taking part in the decision to refer the matter to the Trade Negotiations Committee because it did not consider that this problem should be passed on to the Trade Negotiations Committee with all its ramifications, but should have been discussed and settled within the group specially created for this purpose. Brazil would not abstain from participating in the elaboration of rules to govern the negotiations, nevertheless, in view of the comments made by several producing countries during the discussions of the Special Group, he had no reason to believe that a solution would be reached in the broader framework of the Kennedy Round. His delegation felt that the Special Group should not be reconvened until the GATT had adopted adequate rules in connexion with this particular trade, possibly as a result of the recommendations which would be made by the United Nations Conference on Trade and Development.

Mr. CAMPBELL-SMITH (Canada) supported the recommendation in the report that the Trade Negotiations Committee be requested to give particular attention to the manner in which concrete progress concerning the problems affecting tropical products could be made in the Kennedy Round negotiations aimed at the attainment of objectives set out in the Conclusions of the ministerial meeting of May 1963. Canada fully endorsed these objectives and its Ministers had stated publicly on several occasions that the Government was prepared to join other developed countries in a general world reduction of tariffs and other barriers to trade in tropical products and other primary products. The Canadian import régime in so far as it applied to the major tropical exports of the less-developed countries was among the most liberal in the world. The Canadian tariffs on such items were either negligible or had been removed altogether. It could be recalled that last December, Canada had unilaterally removed the duty on tea. The Canadian market was a free one for tropical products with no quantitative limitations on imports and its internal tax structure did not inhibit the consumption of these important earners of foreign exchange for the less-developed countries. It was suggested in the report that prices of tropical products could also be dealt with by governments in the trade negotiations. The Canadian delegation had expressed its views on the general question of prices during the discussion in the sixth meeting on the impact of commodity problems on international trade. His delegation had serious doubts about discussions on prices outside the context of commodity agreement negotiations involving principal producer and consumer countries.

Mr. DE SMET (Belgium), speaking on behalf of the member States of the European Economic Community, regretted that the United Nations Cocoa Conference had not managed to conclude an agreement which was satisfactory for both producing and consuming countries. He agreed with the representative of Brazil that it would be best not to convene a meeting until it was felt that a possible solution existed. He hoped that all the countries concerned would make the required effort so that useful work on a world cocoa agreement could be resumed.

Mr. NARASIMHAN (India) thanked all the industrially advanced countries who had thought fit to ~~remove~~ completely or reduce considerably their customs duties on tea, but except for action by one country internal taxes still hampered consumption in a number of countries. The conclusion of the Special Group was that the proposals for duty-free access and the elimination of fiscal charges on tropical products, as distinct from other products, should be remitted for further consideration during the Kennedy Round. His delegation was a little concerned at this development as the Kennedy Round would take some time to be concluded. The CONTRACTING PARTIES had decided to give tropical products special consideration even before the Kennedy Round was thought of and this was a specific point in the action programme which had been approved by the Ministers. This was a field in which fruitful unilateral action in both tariff and non-tariff fields could and should be taken on an immediate basis.

The Indian delegation felt that the Special Group should continue to deal with these problems. The exercise should not be confined to the six items so far examined, as there were several other tropical products like spices, coir and coir products, tropical fruits and juices which should also be examined. It should also be made clear that tariff relief should be extended not only to primary tropical products, but also to their manufactures. For example the "zero" duty on tea should be extended to tea essence, "instant tea" etc. Vegetable oils should also be afforded duty-free treatment as in the case of vegetable oilseeds. All this required study and it was the belief of his delegation that by remitting this exercise to the Trade Negotiations Committee momentum would be lost. Therefore the collective wisdom of the CONTRACTING PARTIES should come to the rescue of the producers of tropical products by not remitting their problems to other bodies, but by squarely facing up to them with a view to finding positive and helpful solutions.

The CONTRACTING PARTIES adopted the report of the Special Group on Trade in Tropical Products contained in document L/2157, and noted that the problems of the cocoa industry would be taken up by the Trade Negotiations Committee and that liaison would be maintained between that Committee and the Special Group.

3. Financial assistance report by Group of Experts (COM.III/127)

The CHAIRMAN recalled that at the meeting of Ministers in May 1965 it had been suggested that the work of Committee III should be extended by "studies of trade and aid relations in individual less-developed countries aimed at obtaining a clear analysis of export potential and market prospects". In this connexion many Ministers had considered that the problem of financing the gap between the export proceeds and import requirements of the developing countries needed to be given careful consideration. Taking up this suggestion Committee III had recommended the establishment of an expert group "to study the rôle of GATT in regard to the problems of relationship between trade and financial assistance". The Expert Group had met in January and its report had been distributed in document COM.III/127.

The DEPUTY EXECUTIVE SECRETARY presented the report of the Group of Experts on Financial Assistance. He said that the Group had before it a proposal by the United Arab Republic which essentially envisaged the granting of "soft" long-term loans by the industrialized contracting parties to less-developed countries within the framework of bilateral agreements. The proposal also involved the finding of effective ways and means of co-operation between the CONTRACTING PARTIES and the international lending agencies, in particular through the establishment of a trade insurance fund and through the creation of an aid "club" under the auspices of GATT. It was recognized that a number of points contained in the proposal would require further clarification and elaboration, but the Group did not think that, given the short time at its disposal and the complexity of the problems involved, it would be possible to enter into their details. The experts of the less-developed countries had wished to reserve the right to revert to a discussion of the proposal at an appropriate time in the future.

On considering the basic objectives underlying the proposal of the United Arab Republic, the Group unanimously agreed to concentrate its efforts on the question of the rôle of the GATT in trade-aid relationships and the Committee's report set out its conclusions in this regard. The Group recognized that the responsibilities which the CONTRACTING PARTIES had recently undertaken in the field of studies of development programmes would render an intensified collaboration between GATT and the lending agencies particularly fruitful. As regards financial assistance, the rôle of the GATT should be in providing trade expertise both to assist the developing countries in drawing up their development plans and projects, and to contribute, through a better knowledge of trade problems, to the working of the lending governments and agencies. The Group felt that the collaboration between the GATT and other international organizations should become a regular feature of their studies of plans and policies for economic development of less-developed countries. It further felt that the

lending governments and agencies should and would undoubtedly wish to take into full account in their financial operations the relevant aspects of the studies and discussions of the CONTRACTING PARTIES and their subsidiary bodies on development programmes as well as on trade and aid relationships. The representative of the International Monetary Fund had noted the long-standing collaboration between his organization and the GATT and had referred to the present fruitful working relationship. The representative of the United Nations had also pointed to his organization's regular collaboration with the GATT and expressed the readiness of the United Nations to continue close collaboration in the future. The representative of the other international agencies present at the meeting, including the International Bank for Reconstruction and Development and the Food and Agriculture Organization, declared their readiness to intensify the collaboration already existing in this field between their organizations and the GATT. As regards the question of establishing a legal basis in the General Agreement for the activities of the CONTRACTING PARTIES in this field, the Group recommended that the Committee on the Legal and Institutional Framework should take its report into account. This was actually being done during the course of the present session.

Mr. HAMZA (United Arab Republic) thanked the Chairman of the Expert Group and the representatives of the lending agencies which had participated in the work of the Group for their understanding and co-operation. The question of financial assistance to which the United Arab Republic attached great importance had been emphasized by all less-developed countries. His delegation in submitting its proposal to the Expert Group had stressed that it was not its intention to suggest that the GATT be converted into a lending institution. The aim was to achieve closer co-operation between GATT and the lending institutions and to confer upon GATT the sponsorship of financial assistance to less-developed contracting parties. His delegation had submitted a proposal concerning co-operation between the lending agencies and GATT to the Committee on the Legal and Institutional Framework. Concerning the matter of assistance by way of soft loans, his delegation agreed that the matter required further thought. It was also noticed that the same proposals would be discussed in other forums and it was possible that some guide might be given by them on this question. However, as was mentioned in the report, his delegation reserved the right to revert to the specific proposals in the future and to raise them again if necessary.

Mr. EVANS (United States) said that his Government agreed that the GATT should be concerned with the trade aspects of the trade-aid relationship, and believed that the GATT could and should provide trade expertise to the governments of the less-developed countries and to the international agencies concerned with development planning and financing. His delegation therefore supported the findings of the Group of Experts with respect to the rôle of the GATT in relation to financial assistance, particularly the statements

regarding collaboration with international lending agencies and other international organizations. He was glad that attention had been drawn to the fact that the Committee on the Legal and Institutional Framework had been working on provisions to be included in the General Agreement which would make quite explicit the future rôle of the CONTRACTING PARTIES in this field.

The report by the Group of Experts on Financial Assistance was adopted.

Mr. PURUSHOTTAM (India) looked forward to the successful development of this new activity. His delegation expected that this activity would be of use not only to lending agencies and countries in forming their policies but would also assist the CONTRACTING PARTIES in considering the problems of trade expansion in the perspective of the possibilities of developing the cash purchasing capacity and the credit worthiness of poorer economies.

Mr. BALENSI (France) said that although France was not one of the countries mentioned in paragraph 12 this did not mean that France was not interested in financial assistance. The efforts by France in this field were wellknown. Its contribution amounted to almost 3 per cent of its gross national product.

4. Committee III - reports (L/2080; L/2181, Part B)

Mr. DONOVAN (Australia), Chairman of Committee III, said that the Committee's work had been considerably expanded in accordance with the directives given at the ministerial meeting. The reports contained in documents L/2080 and L/2181 showed that the work being undertaken by the Committee with a view to reducing and eliminating barriers on items of interest to less-developed countries was continuing. In this connexion, the number of commodities under examination by the Committee had been considerably enlarged at its meeting in October 1963. Review was also being kept of progress in relation to the first three lists of products and some progress had been noted at each of the meetings of the Committee. The Committee had ensured that in its work it did not duplicate the activities of the Action Committee and its Sub-Committee I.

In implementation of the mandate given by Ministers to Committee III, that its work with respect to development plans and trade and aid studies should be expanded, the Committee had drawn up a programme and time schedule for a first series of such studies, twelve less-developed countries having been selected on a priority basis. Mr. Donovan noted that the question of the rôle of GATT in the field of financial assistance, the establishment of trade information services, market and production techniques and export promotion schemes, which had been dealt with by the Committee fell under other items on the agenda of the CONTRACTING PARTIES. As the examination of the use of export subsidies by less-developed countries under the provisions of the General Agreement had been taken up by the Committee on the Legal and Institutional Framework, the Committee had concluded that there was no need for it to deal further with the matter.

Mr. NARASIMHAN (India) said that in the five years of its existence Committee III had done most useful work in attempting to find solutions to the problems confronting the trade of less-developed countries. However, much work remained to be done. He noted that developed countries continued to maintain barriers to the importation of items of interest to less-developed countries and that certain of these barriers were maintained contrary to the provisions of the General Agreement. He reiterated the past appeals of his Government for the immediate removal of such illegal barriers, and expressed its preparedness to co-operate fully in the work of Committee III.

Mr. AWUY (Indonesia) observed that the work of Committee III had, in the past, been concentrated on attempting to find means of eliminating both tariff and non-tariff barriers obstructing the exports of developing countries. Indonesia was disappointed that progress had been slow. However, less-developed countries were beset by another problem, even in cases where no barriers existed, namely that of primary commodity prices which had declined in recent years. Referring specifically to natural rubber, he stressed the problems raised by substitute and synthetic products produced largely in industrialized countries. The less-developed countries required above all else stable and remunerative prices for their primary produce and, Mr. Awuy suggested the GATT should pay more attention to this particular problem. He therefore suggested that the CONTRACTING PARTIES seriously consider whether Committee III should expand its activities to seek ways and means of increasing the export earnings of developing countries by ensuring stable and satisfactory commodity prices.

Mr. GARCIA OLDINI (Chile) felt that Committee III had not acted on a wide enough front in the past and that consideration should now be given to the means of making the Committee more effective. It remained an essential task of the Committee to accelerate the pace of removal of barriers hampering the expansion of the trade of the less-developed countries. Past progress in this field had not been outstanding. Progress had been particularly slow in the reduction of tariff barriers and it was regrettable that certain industrialized countries continued to maintain illegal quantitative restrictions despite the repeated appeals of less-developed countries for their removal. The time might have arrived when the less-developed countries should resort to the relevant provisions of the General Agreement in an attempt to obtain the removal of illegal restrictions. He pointed out in this connexion that the ability of developing countries to take compensatory action against developed countries was limited, and that the CONTRACTING PARTIES might consider whether a collective approach by the less-developed countries in the adoption of compensatory measures could be introduced.

Mr. Garcia Oldini supported the Indonesian proposal that the GATT should study commodity prices and the effects of competition of substitutes and synthetics on primary products. He pointed out, in this connexion, that some United Nations bodies had already considered the threat of synthetics and substitutes to primary products, but had not apparently analyzed the subject fully. It might be possible for the GATT to go further and devise means of

enabling the less-developed countries to face the treat of substitutes and synthetics. The GATT should of course seek to co-operate with the other interested international bodies, but if necessary it should proceed alone in finding a solution to this vital problem.

Inche Abdul Rahman Bin HAMIDON (Malaysia) said that his delegation had read with interest the report of Committee III on its meeting of October 1963, and welcomed the extended programme of development plan studies. His Government was grateful for Malaysia's inclusion in the list of countries put forward for study on a priority basis. It was however with regret that it had noted in paragraph 24 of the Committee's report, L/2080, a reference to a statement by one delegation which questioned the status of Malaysia as a contracting party to the General Agreement. Although it was not the intention of the Malaysian delegation to inject a political issue into the deliberations of the GATT which was an essentially economic forum designed to achieve expansion of world trade, specially that of the less-developed countries, the Malaysian delegation, which had not previously had an opportunity to clarify its position in this regard, had to state categorically that for all intents and purposes Malaysia was a full contracting party to the General Agreement. The Government of Malaysia had informed the CONTRACTING PARTIES that, with effect from 16 September 1963, the former Federation of Malaya was known as Malaysia, with the incorporation of the former United Kingdom dependent territories of Singapore, North Borneo and Sarawak.

Mr. AMARATUNGA (Ceylon) observed that barriers of a tariff and non-tariff nature still remained on items of interest to less-developed countries. He pointed out that an item of considerable export interest to his country, namely rubber, was threatened in its export markets by the growth of the synthetic rubber industry. He would therefore support the suggestion that the GATT should study at an early date the effects of substitutes and synthetics on primary commodity exports.

The CHAIRMAN noted that representatives had proposed a number of items for future study by Committee III including the question of prices of primary commodities. It appeared that the existing terms of reference of Committee III could accommodate the type of study which had been proposed.

The reports of Committee III (L/2080 and L/2181, Part B) were adopted.

5. Trade information and promotion - report by Committee III (L/2181, Part A and Annex; L/2184)

The CHAIRMAN recalled that, at the suggestion of the Action Committee, an Expert Group had been appointed by Committee III "to advise on the most efficient means of establishing and operating an international trade information centre within the framework of GATT". A report of the Expert Group had been submitted to the meeting of Committee III held during the session. Committee III had now submitted recommendations on this matter for consideration by the CONTRACTING PARTIES. The Committee's report in respect of trade information and promotion was contained in Part A and the Annex of L/2181. Committee III had recommended

that the CONTRACTING PARTIES should establish "trade information and trade promotion advisory services" and this recommendation should be considered by the CONTRACTING PARTIES together with the note by the Executive Secretary on the budgetary implications of the recommendation (L/2184).

The CHAIRMAN pointed out that Committee III believed that the provision of trade information services and trade promotion advisory services, if operated effectively, could made an important contribution to the efforts of the developing countries to expand their export earnings. In endorsing the recommendations of the Expert Group the Committee unanimously recommended that such services should be established within the framework of GATT at an early date.

Mr. DONOVAN (Australia), Chairman of Committee III recalled that the Committee had considered the question of establishing a trade information centre within the framework of GATT following a proposal by the delegation of Brazil. After the completion of preliminary work the Committee had recommended that the question should be examined by an Expert Group and that the Group should also address itself to the related question of export promotion methods which might be taken up within the framework of GATT. The report of the Expert Group which had met in February 1964 had been distributed in COM.III/128. On the basis of the recommendations of the Expert Group and taking account of the further discussion in the Committee itself, Committee III had formulated its recommendations to the CONTRACTING PARTIES. The Committee had further recommended procedural steps for ensuring that the services would in effect serve a useful purpose, and to avoid a misdirection of effort and resources. It would be noted from paragraph 11 of L/2181 that it was the view of the Expert Group that it would be necessary for the efficient operation of the services to implement more effectively, and in some instances extend the present procedures for the notification of commercial policy measures. The Committee had agreed that it was necessary for the services to be supplied by governments with laws, regulations and decisions of interest to the international trading community, preferably in one of the working languages of the GATT, and to be kept informed of all changes pertaining thereto.

Mr. PORTELLA (Brazil) expressed the pleasure of his delegation in supporting the proposals and recommendations of Committee III in relation to the trade information and trade promotion advisory services. The Brazilian delegation had been the first to propose the trade information service, and Committee III, conducting its work in a pragmatic manner, had agreed on practical measures aimed at expanding the trade of the less-developed countries. He expressed the hope that the less-developed countries, which would be the chief beneficiaries of the proposed services, would participate actively in the second meeting of the Expert Group when it met to solve the remaining technical problems, later in the year. He pointed out that the services had to be used if they were to be useful, and hoped that the service would soon be operative.

It was the belief of the Brazilian delegation that the creation of trade information and trade promotion services within the GATT would lead to the expansion of exports of the less-developed countries, both to industrialized countries and to other less-developed countries. He pointed out, in this connexion, that there was often a lack of information concerning trading opportunities in less-developed countries. The document service and clearing house facilities should be of interest to all contracting parties not only the less-developed ones. The correspondence-answering service, in which replies would be made to specific requests from less-developed countries, would be most valuable. The register of sources of trade information would be useful too in avoiding duplication of information by both governments and private interests.

Brazil attached particular importance to the publications of the proposed services and hoped that at the next meeting of the Group of Experts it would be possible to expand the publications to meet the needs of the less-developed countries and to eventually render the services self-financing. Brazil also hoped that the training in trade promotion would have the same excellent results as the in-service training programme and that facilities would be provided for courses, not only in the GATT, but in the developed countries as well. With regard to the provision of trade information as proposed in the draft recommendation attached to L/2181, Mr. Portella underlined the importance of the co-operation of contracting parties. Where possible countries, not using one of the official languages of the GATT, should undertake the necessary translation themselves. It was essential that legislation pertaining to trade matters should be supplied quickly so that the correspondence-answering service and later the publications could draw upon the material thus provided.

Mr. Portella expressed the view that the cost of establishing the services was moderate in relation to the results which he hoped they would achieve. A decision of the CONTRACTING PARTIES to proceed with the setting up of the services would represent an important milestone in international co-operation and would be of general benefit to all contracting parties.

Mr. DE SMET (Belgium), speaking on behalf of the European Economic Community, said that the Community welcomed the conclusions and recommendations of the Group of Experts. The proposed services would facilitate the efforts of less-developed countries to expand their exports. Certain of the difficulties confronting less-developed countries in the field of exports would be overcome by the provision of information on outlets available in developed countries which would enable the establishment of efficient sales networks. The Community supported the conclusions of the Group of Experts concerning the financing of the services and wished to assure the CONTRACTING PARTIES of its full co-operation in this venture.

Mr. CARMODY (Australia) said that the interest of his country in the proposed services was exemplified by its membership of the Expert Group. Australia had herself benefited from the establishment of an export promotion structure on a national basis. In supporting the conclusions Australia wished particularly to

emphasize the desirability of a step-by-step approach to enable the best use of the available resources. It was important that there should be no duplication of work being undertaken in other bodies and that the contracting parties should use and support the services. Australia was prepared to co-operate in the provision of documentation and training material and would examine carefully requests for facilities in the field of trade promotion. As regards proposals before the United Nations for action in this field he suggested that the contracting parties might wish to let their representatives to the United Nations know what GATT was doing in this regard. Australia supported the financial proposals set out in document L/2184.

Mr. EVANS (United States) congratulated the Brazilian delegation for the helpful and pragmatic way in which they had pursued their aim of establishing a trade information centre within the framework of GATT. Remarks by representatives of less-developed countries had confirmed him in the view that the proposed services, developing gradually, could afford practical assistance to less-developed countries in expanding their exports. The United States was prepared to co-operate fully in the establishment of the services and supported the proposals relating to the financing which represented a sound and practical basis for the early establishment of the services, which he hoped would commence operations by 1 July. If results seemed to justify it, then it might be necessary to make provision for an increase of expenditure on the services in 1965. The Committee on Budget, Finance and Administration or some other appropriate body should give consideration in the near future to the question of future financing of the services including consideration of the revenue that could be expected from its operation.

Mr. NARASIMHAN (India) said that India supported the idea that the services should adopt the step-by-step approach to its work and felt that it should avoid duplicating the activities of other institutions. India would welcome the recall of the Expert Group in the autumn of 1964 and hoped that less-developed countries would participate fully in this work.

Mr. CAMPBELL SMITH (Canada) said that Canada supported the proposals and considered that the first few months of the centre's operation would be an important trial period. It was the hope of Canada that in this period, the centre would produce concrete results, or at least the promise of such results, and that this should be the measure used by the Group of Experts when it met to consider the extension or maintenance of the services.

Mr. VON SYDOW (Sweden) said the Swedish Government fully supported the creation of trade promotion and trade information services and attached particular importance to the trade promotion aspect. Experience had shown that where less-developed countries had been prepared to adapt their production and selling techniques to the requirements of individual markets their export receipts had benefited. It was sensible for the services to commence operations on a modest scale.

Miss LOVAT-WILLIAMS (United Kingdom) expressed the support of her delegation for the proposals relating to the establishment of the services and associated the United Kingdom with the remarks of the United States delegation.

Mr. BOSCH (Uruguay) said that Uruguay supported the Brazilian proposal and the conclusions of the Group of Experts. It was pleasing to note that contracting parties had been unanimous in their support for the project.

The CHAIRMAN noted that the support for the creation of trade information and trade promotion services appeared to be unanimous. Hopes had been expressed that good use would be made of the services and there had been support for the step-by-step approach to these new activities.

The recommendations contained in the report of Committee III (L/2181 Part A) for the establishment and operation of a trade information service and trade promotion advisory service were adopted together with the recommendation calling for the co-operation of contracting parties in providing information about governmental laws and regulations and market opportunities (L/2181 Annex). The budget proposals by the Executive Secretary set out in paragraphs 5 and 6 of document L/2184 were approved to permit the services to come into operation.

6. European Economic Community/Agreement of Association with Turkey

The CHAIRMAN said that the Council of the European Economic Community had advised that the member States of the Community and the Government of Turkey had signed an Agreement on the 12 September 1963 creating an Association between the Community and Turkey. Copies of the Agreement had been distributed since the opening of the session. He suggested that contracting parties would wish to examine the Agreement in detail and no doubt would have questions to ask concerning its provisions and implementation. The detailed examination might best be entrusted to a working party.

Mr. EMRE (Turkey) said that the Agreement of Association provided for the progressive establishment of a customs union between Turkey and the Community. The Agreement conformed to the principles of Article XXIV:4 of the General Agreement in which the CONTRACTING PARTIES recognized the desirability of increasing freedom of trade by developing closer economic integration. For a fuller understanding of the Agreement it was necessary to take into account that its aim was to strengthen the economic and commercial relations between the signatories to the Agreement and to assure the more rapid growth of the Turkish economy in a manner which would reduce the gap between that economy and those of the member States of the Community.

The Community and Turkey were thus determined to integrate progressively their economies in order to facilitate the ultimate accession of Turkey to the Community. In seeking the most effective means of realizing this objective, the signatories to the Ankara Agreement had had to take into account a number of factors including the Five-Year Turkish Development Plan. It was against

this background that the three-phase integration operation should be seen. Turkey considered the Agreement as a most important economic instrument and was convinced that it would provide for a more rapid development of its economy and allow it to play a more active rôle in international trade. In the opinion of the Turkish Government the Ankara Agreement was in conformity with the principles and objectives of the General Agreement. It was hoped that the CONTRACTING PARTIES would see it in the same light.

Mr. DE SMET (Belgium), speaking on behalf of the European Economic Community, stressed that the Community attached great importance to the Association Agreement with Turkey and pointed out that both parties wished to comply with the provisions of Article XXIV of the GATT. The Community supported the establishment of a working party in which it would be possible to clarify matters and exchange information.

The representatives of India, Greece, the United States and Israel expressed the desire of their Governments to participate in the working party.

The CHAIRMAN proposed that contracting parties wishing to put forward questions concerning the provisions and implementation of the Association Agreement should submit these to the Executive Secretary not later than 30 April 1964 and that the Council should establish a working party to examine the Convention in the light of the relevant provisions of the GATT.

These proposals were adopted.

7. Article XII - Denmark (L/2206)

Mr. SKAK-NIELSEN (Denmark) read a communication addressed to the Executive Secretary on 17 March to the effect that the Danish Government was no longer invoking Article XII of the General Agreement and would be undertaking an examination of all remaining import restrictions. In due course, Denmark would notify the CONTRACTING PARTIES of any residual "restrictions". (The text of the communication from the Government of Denmark has been circulated as document L/2206.)

The CHAIRMAN speaking on behalf of the CONTRACTING PARTIES, congratulated the representative of Denmark on the fact that his country's balance-of-payments position had improved to an extent sufficient to enable it to cease to invoke Article XII and expressed the hope that the list of residual restrictions would be a short one.

8. Postal ballots (L/2154, W.21/9)

The CHAIRMAN noted that in document L/2154 the Executive Secretary had drawn attention to a point of uncertainty which might arise in counting the votes cast by contracting parties when a postal ballot was taken. It was suggested that the CONTRACTING PARTIES might decide that the governments eligible to vote on a postal ballot were those which were contracting parties on the day it was decided to take the vote. A draft paragraph which might be added to the rules of procedures for airmail and telegraphic ballots was proposed in document W.21/9.

The paragraph proposed in document W.21/9 was approved.

The meeting adjourned at 5.30 p.m.