

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

SR.21/11
8 April 1964

Limited Distribution

CONTRACTING PARTIES
Twenty-first Session.

Page 157

SUMMARY RECORD OF THE ELEVENTH MEETING

Held at the Palais des Nations, Geneva,
on Friday, 20 March 1964, at 2.30 p.m.

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

	<u>Page</u>
<u>Subjects discussed:</u>	
1. Report by the Working Party on Preferences	157
2. Report by the Committee on the Legal and Institutional Framework of GATT	166
3. Derestriction of documents	182
4. Election of officers	182

1. Report by the Working Party on Preferences (L/2196 and Corr.1*)

The CHAIRMAN recalled that at the meeting of Ministers in May 1963 the Ministers had agreed that the CONTRACTING PARTIES should study the following proposals:

- (a) the granting of preferences on selected products by industrialized countries to less-developed countries as a whole; and
- (b) the granting of preferences on selected products by less-developed countries to all other less-developed countries.

A Working Party had been appointed to carry out this task and its report had been circulated in document L/2196 and Corr.1.

* Reissued on 2 April in L/2196/Rev.1.

Mr. MIYAZAKI (Japan), Chairman of the Working Party on Preferences, said that the Working Party had held three meetings. During the first of these when most members spoke as experts, the Working Party addressed itself in the main to the first of the two proposals with which it was charged and concentrated on drawing up an inventory of points to be taken into account in any scheme for the granting of new preferences. A summary of the points raised at the meeting was contained in document L/2073. During the second meeting a further discussion of technical points connected with the granting of preferences by industrialized countries took place. This discussion revealed that there were considerable divergencies of opinion among members of the Working Party, both among developed and less-developed countries, with regard to the conditions and procedures which might govern any such preferential arrangements. The summary of proposals at present before the Working Party was contained in the Annex to the report and refers both to preferences to be granted by industrialized countries and to preferences between less-developed countries. Included also in the Annex were certain proposals which had been referred to by the Committee on the Legal and Institutional Framework.

It could be noted from paragraph 19 of the report that the Working Party was not in a position to draw up a set of agreed conclusions. It was however the opinion that the large number of suggestions which had been placed before it reflected both the complexity and importance of the problems involved and the large measure of interest in these problems which governments had demonstrated. While many, but not all, delegations were in principle in favour of the granting of preferences there had been divergencies of opinion on the terms, conditions and procedures which might govern any preferential arrangements. There was however a general measure of agreement in favour of further careful consideration being given to matters on which divergencies persisted and of the desirability of holding further meetings at an opportune moment. The Working Party had drawn the attention of the CONTRACTING PARTIES to the fact that certain proposals had been advanced which did not fall precisely within its existing terms of reference but which the CONTRACTING PARTIES might also consider as meriting detailed examination. In submitting its progress report the Working Party felt that it should seek guidance and instructions on its future work.

Mr. LALL (India) said that the problem with which the Working Party had been faced was related to an amendment of one of the basic trading rules of the GATT and it was not surprising that the Working Party had not been able within the short time at its disposal to arrive at agreed conclusions. As far as his delegation could see, there had been a broad measure of agreement on the value of the concept of preferences. Some delegations felt that too much advantage would flow to some countries from an application of this concept, others felt that too many disadvantages would flow from these proposals to some developed countries. The main problem therefore had been how to formalize the concept and introduce it into the General Agreement and yet solve the genuine concern of these two groups of countries. His delegation wished to

draw attention to the statement made by the delegate of one of the industrialized countries regarding the difficulties which his country would have within the framework of its national policy to adopt the concept of preferences. He was grateful to the delegate of this country for recognizing the great trade-creating value of the concept of preferences among less-developed countries. He therefore found it difficult to follow how the concept which would be trade-creating among certain contracting parties ceased to be so when it was applied to the relationship amongst other contracting parties. The reason why he had drawn attention to this fact was that the delegation of another important industrialized country had stated that it would be in favour of this concept provided industrialized countries were able to act in parallel. However, he could not see how the industrialized countries would be able to act in parallel if one country was unable to act at all.

In the Working Party emphasis had been placed on the words "preferences on selected products" to be granted by a certain group of countries to countries in another group, but it had not yet been decided how to select the products or how to determine the groups of countries. A new process of selection had been discovered by the highly industrialized countries and the major trading countries in their search for solutions of the trading problems amongst themselves. In their tariff negotiations each individual country would put forward its "selection" and the "selections" made by different countries would be married and the results brought out through the principle of most-favoured-nation treatment. It had been discovered after considerable experience and much hard work that an easier way of selection was to proceed through the formula of exceptions, that is to say, the reduction in tariff barriers would be applied across-the-board, and wherever difficulties arose in the case of special products then selection was to be made through the basis of exception. Mr. Lall suggested that this approach, which had been arrived at after hard and long experience, might be adopted by the CONTRACTING PARTIES as a guide in the solution of the complex problems which faced the Working Party on Preferences.

The Chairman of the Working Party, in introducing the report, had referred to the terms of reference and had suggested that certain ideas which had been made to the Working Party did not fall within these terms of reference. He hoped that the CONTRACTING PARTIES would be able to indicate to the Chairman and to the Working Party that although he was engaged in a very difficult, complex and legal task he should not be too legalistic in his approach. What the Working Party was to consider was the whole concept of preferences, the procedure, the conditions and the form in which it would appear in a re-shaped GATT.

On the question of timing it was necessary for the Working Party to bend its energies and so to organize its work that it would be in a position to produce for the consideration of the Council the draft and the text of those articles which had been left blank in the report of the Committee on the Legal and Institutional Framework. He felt that the time had come when governments, instead of merely discussing the value of the concept of preferences or instead of studying its technical aspects, would apply their minds to how best the concept could be applied and implemented. While there were differences of opinion, as was brought out in the report, the many different ideas could appear as different ways of solving the problem. He was aware that, despite what his delegation said and despite what might be the wish of the majority of contracting parties, one or two parties might find it extremely difficult to make such a contribution as to make the concept a reality. If this happened he would wish to draw attention to the view expressed by Ministers that "contracting parties should give urgent consideration to the adoption of other appropriate measures which would facilitate the efforts of less-developed countries to diversify their economies, strengthen their export capacity and increase their earnings from overseas sales". If therefore the conclusion was reached that, because of the inability of one or more industrialized countries, it would be impossible for the concept of preferences to be put into practice, he hoped that such countries would realize that the burden of suggesting other equally effective measures would rest with them, and that this burden would have to be discharged in due time.

The CHAIRMAN, referring to the statement by the delegate of India regarding the terms of reference of the Working Party, observed that so far the Working Party had not been narrowly limited in its discussions to the proposals which were specifically put before it. He imagined that the Working Party would have this in mind when it resumed its task.

Mr. AOKI (Japan) said that his country was keenly aware of the problems facing the developing countries and had participated fully in the Working Party discussions. The divergencies of opinion which existed on the subject under discussion was a reflection of the magnitude and importance of the subject. His delegation felt that it would be advisable to give further examination to the details of various proposals so as to be in a better position to pass a judgement on this important issue. The Japanese Government would continue to pay serious attention to this problem and would look forward to the reconvening of the Working Party in due course.

Mr. SKAK-NIELSEN (Denmark) said that the Danish delegation had followed the discussions in the Working Party with great interest. The report clearly demonstrated the difficulty of the problems with which the CONTRACTING PARTIES were faced. For many years contracting parties had lived under the most-favoured-nation principle and it was natural that any proposal which involved a deviation from this principle, on which the General Agreement was based, would have to be studied carefully and that substantial changes in the General Agreement should be made only if they were **justified by compelling reasons**. With this background, it was natural that it had not been possible for the Working Party to make rapid progress towards a solution of the problem. However, the deliberations which had taken place had been extremely useful and had contributed to a clarification of many of the problems connected with the possible granting of preferences to less-developed countries. The Danish Government had not yet reached a final conclusion as to its attitude towards this question. However, it was able to submit its preliminary points of view. Denmark was in principle prepared to abolish customs duties and other trade barriers for all exports from less-developed countries. The abolition of customs duties on industrial goods from less-developed countries would have to take place over several years depending upon the results of the continuing endeavours in the GATT to reduce customs barriers between contracting parties. Denmark would be prepared to consider the granting of tariff preferences for industrial exports from less-developed countries in connexion with these continuing efforts.

In the view of his Government any proposed scheme should be governed by the following principles: First, it should involve the least possible deviation from the principle of most-favoured-nation treatment. This meant that all preferences should be granted to all less-developed countries on a non-discriminatory basis. Secondly, Denmark might agree, according to circumstances, to grant preferences for selected goods, but considered that preferences for more comprehensive categories of goods, if possible for all processed goods, were more adequate. In this way the possibility that the preferences would have de facto discriminatory effects between less-developed countries could be avoided and it would also avoid the industries of these countries being concentrated in an undesirable way on a few products. Thirdly, the preferences should be granted by all developed industrialized countries. The arrangement would in this way obtain a desirable multilateral character and would become an expression of the common responsibility of the developed countries towards the developing countries. Fourthly, the preferences should be subjected to a time-limit, and should be abolished when the less-developed countries had developed a certain export level of the products in question. Those less-developed countries which were most retarded in their economic development should enjoy the preferences for the longest period. Finally, the arrangement should, as far as possible, be implemented by the industrialized countries granting, within certain agreed limits, duty-free treatment for products from the less-developed countries. The CONTRACTING PARTIES were faced with an extremely difficult problem, but in the opinion of the Danish Government it was a very important matter and the work and examination in the GATT of the problem of preferences should therefore be continued.

Mr. STONER (Canada) said that the Working Party had taken this important and complex issue some distance forward at the present session. However, the report and the discussions in the Working Party clearly indicated that there were many questions which still remained unanswered. Canada attached very great importance to its participation in the Working Party and would be prepared to join other contracting parties in its future work. His delegation urged all contracting parties to ensure that whatever decisions were reached should be workable in practice. It appeared that the delegate of India had suggested a universal system of preferences based on exceptions. This formula was shortly to be tested in a major tariff negotiation. Perhaps it would be wise to await the outcome of these negotiations and the success of this formula before applying it to the problem of preferences.

Mr. VALLADAO (Brazil) referred to the fact that during the discussions of the Working Party some countries which might have taken an active part in the work had not done so. It could be seen from the report that most of the interventions during the discussions were made by less-developed countries. It should be realized that the efforts which were being made in the Working Party would be to the benefit of the organizations as a whole. His delegation regretted that once again it was obliged to voice a certain amount of dissatisfaction at the lack of progress on a very important problem.

Mr. RAZAFINDRABE (Madagascar) said that his country had recently acceded to the GATT as a full Member. However, his delegation had participated as an observer at sessions of the CONTRACTING PARTIES since 1960 and had also attended the meetings of various committees and working groups when matters of interest to less-developed countries were discussed. This demonstrated the considerable interest of Madagascar in the work of the GATT. His Government was struck by the adaptation which the GATT had displayed since 1960 when many less-developed countries had acceded. The GATT should now examine the problems facing the less-developed countries in a less restricted framework. His delegation believed that a suppression of trade barriers might constitute the best possibility for increasing the exports of less-developed countries. Free access to markets could be one of the means of achieving the expansion of the trade of less-developed countries, but could be effective only if all the relevant dispositions would have been carried out in all countries. One speaker had stated in a previous meeting that equality of treatment in the trade field was only equitable among equals. In other words allowance should be made for the temporary advantages certain States were enjoying as a result of certain arrangements they had concluded, because in the present circumstances there were certain situations which constituted a minimum for survival and which was an essential element in order for these countries to continue their economic development. The countries in this situation would gladly leave aside all these advantages when other measures were taken. It was hoped that the discussions related to the development of the less-developed countries would be continued in the new spirit which had been demonstrated during the present session.

Mr. BEECROFT (Nigeria) said that when the representative of Nigeria had insisted at the Council meeting in December that the twenty-first session should have before it a report by the Working Party on Preferences, it was not because it had expected that the Working Party would have completed its work in its entirety, rather his delegation had thought that it would have been possible to have some picture, even hazy, of the thinking of contracting parties. This was necessary so that, in discussions of similar issues elsewhere, the GATT approach would be known. Nigeria was one of the less-developed countries which had derived benefits from preferences and was therefore prepared to take part in a continuation of the study on the possibilities for preferences in favour of less-developed countries. Such a study should take due cognizance of the present position of those enjoying preferences as well as any likely consequences to third parties having regard to the most-favoured-nation clause.

The Nigerian delegation believed that no one set of rules could apply in all circumstances to all products and to all countries. For example the granting of preferences by less-developed countries like Nigeria would either have the effect of increasing costs to consumers, or of lowering duties with a consequential reduction of foreign exchange earnings which would endanger Nigeria's economic development and plans. It was, of course, technically possible to have two sets of duties which would take care of these difficulties, but there would immediately be problems of establishing administration controls to avoid smuggling, etc. It was for this reason that Nigeria had suggested that the granting of preferences should be implemented by way of an enabling clause with the proviso that in special circumstances the CONTRACTING PARTIES, by a two-thirds majority, could authorize a contracting party to deviate from the relevant provisions of the General Agreement. Such an enabling clause would of course have a negotiating procedure, the idea being that such a negotiating procedure would be carried out by a committee and would afford opportunity to consider generally the desirability of granting preferences on each product in respect of which a request had been made. It would also allow other less-developed contracting parties interested to state their claim with regard to the preferences envisaged. This was not a new procedure since Article XXVIII had a similar provision. This procedure would also afford opportunity to contracting parties which considered that their interests would be adversely affected to make their points of view known. Another advantage would be that the committee could decide on the duration of the preferences. His delegation would welcome comments on this approach in due course, and would be prepared to co-operate with other delegations in trying to find a suitable solution to the problem.

Mr. BOSCH (Uruguay) said it was realized that the problem involving the question of preferences was very complex, but urgent efforts were required in order to find a solution to this problem. In the study of this question the aspect of urgency had not been sufficiently considered. It was hoped that in its future work the Working Party would find the solutions to which its present report had made reference.

Mr. LERENA (Argentina) stressed the vital importance which his country attached to the question of preferences. His Government would continue to fight with all its strength both in the GATT and elsewhere to have the principle accepted and to find practical ways and means of applying it. His delegation had been somewhat disappointed by the little progress that had been made by the Working Party. In fact his delegation was even more concerned that all contracting parties had not completely understood the urgency of the problem and some even doubted the very validity of the principles which were being discussed. He wished to appeal to all contracting parties, both developed and less-developed, to think of ways and means by which this principle could be introduced in an appropriate manner into the General Agreement. His delegation was not looking for privileges, but was simply seeking ways and means of participating to an ever increasing extent in international trade and it hoped that this objective could be reached with the help and goodwill of all concerned.

Mr. EVANS (United States) said that the views of his delegation on the question of preferences were reflected in summary form in paragraphs 7 and 9 of document L/2196, as well as in the Annex to the report. It could be seen from the final paragraph of that document that the Working Party was not in a position to draw up a set of agreed conclusions. Many, but not all delegations were in favour of the granting of preferences and there were also differences of opinion on the terms, conditions and procedures which might govern any preferential arrangements. There was however a general measure of agreement on the desirability of holding further meetings at an opportune moment. His delegation felt that the Working Party should resume its work when this could most usefully be done.

Mr. HAMDY (United Arab Republic) said that his delegation had been one of the instigators of the idea of granting preferences to products from developing countries, and was therefore disappointed that greater progress had not been achieved, due not only to differences of opinion between developed and developing countries, but between the developing countries themselves.

Mr. AWUY (Indonesia) said that the problem of preferences would be discussed during the forthcoming United Nations Conference on Trade and Development and as it was possible that the conference might make recommendations on the granting of preferences, he would suggest that mention be made in the conclusions of the discussion of this item that the Working Party on Preferences should take into account the results of the discussions during the United Nations Conference.

Mr. PAPIĆ (Yugoslavia) noted that there had not been substantial progress on the question of the granting of preferences by industrialized countries to developing countries. The Working Party had devoted itself to a number of questions of detail, but nearly a year after the ministerial meeting it had not been found possible to obtain agreement in principle. The volume of exports of less-developed countries to industrialized countries of manufactured items amounted to less than 5 per cent of their total imports of these items. The delay in dealing with this problem was difficult to understand since there was the possibility of working out exceptions. It should also be remembered that developed countries would also benefit from measures aimed at increasing the foreign exchange earnings of developing countries. The Kennedy Round it was hoped would make a positive contribution to some of the problems confronting less-developed countries but it would still leave untouched the final problem of the relative competitive position of the less-developed countries vis-à-vis the industrial countries in the export of manufactured goods.

Mr. DE SMET (Belgium) speaking on behalf of the member States of the EEC considered that the report of the Working Party showed the complexity of the problem before it. The Community's views on the value of preferences were well known. Preferences as a means of accelerating developing of poorer nations should take account of development needs if they were to be equitable. They should not be granted without reference to the economic position of the prospective beneficiaries.

Summing up the CHAIRMAN said that the CONTRACTING PARTIES would no doubt wish to take note of the report of the Working Party on Preferences. On the basis of this report it appeared that there was a broad measure of agreement that, following the preliminary examination, in accordance with the ministerial directive of May 1963, of the question of the granting of preferences by industrialized countries for the manufactured and semi-manufactured products of developing countries, and the exchange of preferences by developing countries with each other, there were sufficient possibilities in such arrangements to warrant a more detailed study of the terms and conditions on which such preferences might be envisaged. In this connexion, the CONTRACTING PARTIES, would wish to take note that there were considerable divergencies of opinion between contracting parties as to the terms, conditions and procedures which would be appropriate to govern any such preferential arrangements, and accordingly, in view of the importance of these matters, invite governments to give them early consideration.

The Chairman suggested that the CONTRACTING PARTIES instruct the Council to reconvene the Working Party on Preferences at the earliest date that the Council deemed, in the light of further examination by governments, that its work could be usefully resumed. In this connexion the Council should bear in mind the desirability of so arranging these further discussions that a further report from the Working Party might be submitted to the Council in time to enable the Council to make a submission to a session of the CONTRACTING PARTIES, to be held not later than mid-November 1964.

The summing up by the Chairman was approved.

The delegation of the United States reserved its position on the first paragraph of the Chairman's summation.

2. Report by the Committee on the Legal and Institutional Framework (L/2195)

The CHAIRMAN recalled that at the meeting of Trade Ministers in May 1964 the Ministers had recognized "the need for an adequate legal and institutional framework to enable the CONTRACTING PARTIES to discharge their responsibilities in connexion with the work of expanding the trade of less-developed countries" and had decided that a Committee should be established to examine this question. The Committee on the Legal and Institutional Framework of GATT in Relation to Less-Developed Countries was appointed and had submitted a report in document L/2195.

Mr. SKAK-NIELSEN (Denmark), Chairman of the Committee, said the Committee had held three meetings. At its first meeting in October 1963 a variety of proposals were submitted for the Committee's consideration. The Committee was feeling its way at that time and when one looked at its present report one realized how much progress had been made since the first meeting. At its second meeting in December the Committee had before it a Model Chapter on trade and development prepared by the Executive Secretary. Following its consideration of this Model Chapter the Committee came to the conclusion that the time had come for governments to put forward their own proposals on what such a Chapter should contain. Six governments then submitted proposals - Australia, Brazil, Chile, India, the United Arab Republic and the United States. These proposals were before the Committee at its meeting during the present session of the CONTRACTING PARTIES. The draft Chapter which had emerged from the Committee's deliberations, for which the work done by a drafting group established by the Committee formed a valuable basis, was contained in Annex 1 of the Committee's report. It would be noted that in two places in the Chapter, the heading "preferences" appeared in square brackets. The Committee did not discuss this issue as it was a subject of discussion in another body of the CONTRACTING PARTIES. Certain other proposals put to the Committee were referred to in paragraph 6 of the Committee's report. The Committee was unable to discuss these proposals owing to lack of time.

It would be noticed that square brackets remained in a number of places in the draft Chapter. However, the Committee felt that the draft was significant not because of the square brackets which remained but because of the number which it had been found possible to remove. The constructive approach of members of the Committee had made this possible and even during the last meeting of the Committee progress was still being made. Agreement on a number of difficult issues had been achieved and the Committee considered that, given more time, the remaining issues could be resolved.

Mr. GARCIA OLDINI (Chile) said that his delegation once again wished to stress the necessity of making the work and the results of discussions of the CONTRACTING PARTIES more accessible to the world in general. The GATT had overlooked the necessity of public relations. Doubtlessly the GATT had saved a few dollars and had avoided certain complications but it might have gained more understanding and assistance in the difficult task it had been carrying out for so many years; instead it had lost contact with public opinion thus inducing ignorance of its work. At the ninth session of the CONTRACTING PARTIES in 1955 certain modifications of particular interest to less-developed countries were introduced into the GATT which was the first recognition given to the decisive importance of external trade in economic development. In 1958 there was the Haberler report which shook the international community with its recommendations. This report had advocated a certain number of measures which could be adopted to serve principally the development of the non-industrialized countries to enable them to create continuously expanding markets in the interest of world trade in general. As a consequence partly of the Haberler report, the Ministerial Meeting of 1958 adopted a programme for trade expansion and created three committees to put this programme into practice. The first committee dealt with tariff negotiations, the second committee dealt exhaustively with agricultural trade and the third had been and was still concerned with the trade of the developing countries and the need for increasing their export earnings. The efficiency of these three committees had been unanimously recognized.

The Ministerial Meeting of 1961 had gone one step further. In connexion with proposals made by the developing countries the Ministers had adopted resolutions concerning a more flexible attitude by the industrialized countries on the question of reciprocity in trade negotiations. The ministerial meeting had also taken decisions of a practical character for facilitating the access of agricultural products to world markets and the acceptance of a well thought out series of measures to promote the trade of developing countries. At the Ministerial Meeting in 1963 a programme of action proposed by the developing countries was accepted, and if applied would solve the majority of problems affecting the trade of developing countries. However, in the field of actual implementation it had been possible only to a modest extent to alleviate the conditions of the countries which were in need.

In 1962 the export earnings of Latin America as a whole had increased by only 5 per cent as compared with 1961. The trade balance, not including Venezuela, amounted to a deficit of \$1,160 million. The terms of trade for the same year although not worse than in 1961 were, nevertheless, 23 per cent below the level of 1954, a year in which the trade situation was nearly balanced. In the period 1955-61 there had been a net capital inflow of \$8 million compared to an outflow of \$10 million. The reasons for this situation had not been sought within the framework of GATT, principally because one had to take into account the fact that a certain number of developing countries had not taken part in the work of GATT. Explanations for this were numerous, but if such countries had played their full part and had created a solid front to the problems posed, it would have been possible to arrive at solutions much more quickly. However, since the developing countries now represented the majority of GATT membership the work in GATT had become much more dynamic and much more promising. There was also the increasing participation of the State-trading countries, bringing these countries closer to the problems which world trade involved. Generally the lack of success in these fields were due to the negative position which was adopted by at least a certain number of industrialized countries which had not been able to assimilate the truth that in the international community today, the accumulation of riches in certain sectors generated unavoidable commitments towards the less fortunate sectors. It had not been entirely understood that every concession which the developed countries gave to the developing countries, thus increasing their purchasing power, would normally be translated into an increase in exports from the very industrialized countries which had given the concession.

There could be no longer any delay in giving satisfaction to the needs and requirements of the developing countries. As had been expressed on several occasions the industrialized countries must understand that there was a time and a moment for everything, and that every concession in order to be useful should be given when it still had the appearance of a spontaneous gift. Such opportunities still existed and it was the duty of the CONTRACTING PARTIES not to let such an opportunity pass, or within the very near future it might be too late. In fact, the necessary solutions, whether in the form of a voluntary concession or representing subordination to force which it was not possible to oppose, would have to be found in the GATT or as a result of the circumstances which might be created by the forthcoming United Nations Trade Conference. In any case it was quite certain that things could not continue in the present vague and equivocal situation. The developing countries had given evidence of their co-operative spirit and of their creative imagination in facing up to the reality of the situation. It was now up to the industrialized countries to abandon plans which were insufficient, and which were condemned to sterility. The co-operation of the industrialized countries would enable the finding of new and dynamic formulas which would be sufficiently ample to overcome the present difficulties and to take account of future difficulties.

Mr. HAMDY (United Arab Republic) said that the new Chapter should reflect adequately the progress which the CONTRACTING PARTIES had achieved with respect to trade and development problems. His delegation hoped that governments would give more consideration and thought to what could be achieved when the Committee was reconvened.

Mr. LACARTE (Uruguay) said that his delegation attached great importance to the work carried out by the Committee and was of the view that the report represented something very positive. He recognized that the time factor had prevented detailed consideration of certain aspects, including the proposals by Brazil and Uruguay regarding an amendment of Article XXIII. His delegation considered that the new Chapter should not be limited to formalizing the wishes expressed recently for an improvement in the situation of the less-developed countries but should establish new clauses which would fully meet the requirements of the developing countries. There had to be harmonious solutions to the difficult problems of international trade because unavoidable repercussion in other fields could not be ignored. This would be the approach that his delegation would take in the future. The conclusions which might be adopted by the CONTRACTING PARTIES at the end of the debate should take into account the results of the forthcoming United Nations Conference on Trade and Development in the future work of the Committee. The Committee should also deal with all the factors which would emerge from the discussions during the Kennedy Round of trade negotiations. Finally, Mr. Lacarte stressed the importance of the new Chapter to his delegation and stated that, without positive results in this work, in the Kennedy Round and in the study on preferences, there would be really serious reason for concern.

Miss LOVAT-WILLIAMS (United Kingdom) paid tribute to those countries which had submitted drafts for consideration by the Committee. It was regretted that some countries should cast doubt on the value of what had been done so far. The work done was already substantial and it was hoped that it would soon be successfully completed. It was only lack of time which had prevented further progress during the present session; it was not lack of goodwill or ideas, still less of the need to look for inspiration elsewhere. The United Kingdom delegation would continue to play its part fully in the working out of these new arrangements.

Mr. VON SYDOW (Sweden) said that his delegation would have preferred the problems which the Committee had been dealing with to have been tackled somewhat earlier in the history of GATT. Nevertheless, the report was still timely and the fact that the Committee had not yet been able to present a unanimous report did not in his view detract from its value and importance. It was difficult to see how it could have been otherwise, since the terms of reference given by the Ministers embraced an examination of all aspects of the problem. However, the report seemed to constitute definite proof that the GATT was fully conscious of its responsibilities towards the developing countries and of its firm intention to play its full part in this respect. It was of particular importance that the draft Chapter contained not only legal rules covering what the organization was already doing, a fact which might sometimes be forgotten or overlooked, but also what the GATT intended to do in the future to further even more the objective of facilitating the trade of developing countries. The work of the Committee should be continued with a view to its early conclusion.

Mr. MARTINS (Austria) said that in accordance with its general attitude towards the problems existing in the developing countries, the Austrian Government was in sympathy with the basic philosophy underlying the proposed Chapter. He understood that certain of the provisions in the draft merited still further consideration and that some additional interpretation might be necessary. On page 8 of the Committee's report mention was made in the interpretative note to sub-paragraph (b) of Article XXIV of the General Agreement. His delegation would find it difficult to interpret the reference to Article XXIV in this context as preventing a contracting party from taking action in order to make effective

economic integration as contemplated under Article XXIV. In view of the general importance of the problem of development and of the interest of his country in the matter, the Austrian Government would follow with full attention the future activities of the CONTRACTING PARTIES in this field before reaching a final attitude on all the details of the proposed amendment to the General Agreement.

Mr. SOMMERFELT (Norway) expressed the great interest of the Norwegian Government in the work being undertaken by the Committee.

Mr. LALL (India) said that the Committee had before it a historic task in reconstructing the GATT in a manner which would enable it to deal with the problems posed by the Development Decade. In view of the complexity of this task it was not surprising that the Committee had not done more than prepare the outline. A new image of the GATT had not emerged in the draft Chapter. It had been hoped by the Indian delegation that it would be possible to conclude the Committee's work before the start of the United Nations Conference on Trade and Development and India would, in the absence of an agreed text, find it difficult to formulate its attitude in the discussions of the Conference, particularly as regards institutional matters. However, this attitude would undoubtedly be influenced by past experience of the GATT.

The report of the Committee showed that a broad measure of agreement had been reached on the framework within which the GATT should be modified and on the principles and objectives it should incorporate. He noted that apprehension had been voiced in some quarters that in attempting to translate the Ministerial Conclusions into a concrete text steps had been taken to diminish the scope of these Conclusions. In his view, such judgements were ill-founded, the difficulties experienced in achieving agreement on the text could rather be attributed to the wish of contracting parties for precision when undertaking such legal obligations as were entailed in the new Chapter. This showed that it was the intention of those contracting parties to respect their obligations. However, the objectives should be as far reaching as had been intended by Ministers. He noted that certain reservations had been recorded and he assumed that this was merely in order to take account of developments in the United Nations Conference. He hoped that the work of the Committee would continue and would cover new ideas emerging from the Conference. Once agreement had been reached the Committee should prepare the text of a protocol for the amendment of the General Agreement. In order to avoid any delay in bringing into force any new provisions agreed on it would be desirable to incorporate them in a declaration of provisional application pending the acceptance of the protocol. In finalizing the text of the new Chapter, the Committee might consider the inclusion of the concept of the degree of reciprocity expected by developed countries from less-developed countries; structural changes in the industrialized countries; the scope of the commitments of the industrialized countries; the scope of obligations of the less-developed countries and the procedures to be adopted to bring the new Chapter into force. The Committee could make proposals to the Council at an early date and, if a special session in November could finalize the modifications, an historic task would have been accomplished in a relatively short time.

Mr. HARRAN (Israel) said that the report of the Committee represented the main achievement of the twenty-first session. A first step had been taken in adapting the GATT to meet the present needs of the world trading community and of the less-developed countries in particular. It was a source of regret that no agreed text was yet available but this was perhaps inevitable. The Committee had been meeting immediately prior to the United Nations Conference on Trade and Development and under these circumstances and in the limited time available it was remarkable that so much had been achieved. He noted that the Committee in its report had stated that "given more time, the remaining issues can be resolved".

The GATT reflected the application to international trade of the "rule of law". In the past the law had been equal for all countries irrespective of their economic strength. It might be argued that Article XVIII, as it now stood, represented an attempt to incorporate the principle that it was inequitable to require equality of treatment among non-equals. In his view this Article was inadequate since it was based on the application of the permissive principle to less-developed countries, when what in fact was needed was an undertaking by developed countries to take positive measures to foster the trade of less-developed countries. The draft Chapter recognized that obligations and rights should reflect the fact that countries were not equal. While the Chapter incorporated several important concepts others had not yet been taken into account, such as agricultural protectionism; the maintenance of fiscal charges on products of interest to less-developed countries; the necessity for structural changes in the economies of the developed countries consequent upon the removal of barriers; the issues raised by regional integration movements in industrialized countries; the concept of market disruption; discrimination by industrialized countries in favour of less-developed countries; State trading and arrangements for regulating trade between market and centrally-planned economies. He recognized that the chief reason why such matters had not been dealt with in the draft Chapter was lack of time. The Committee had before it many difficult tasks in resolving existing difficulties. However, these would not prove insurmountable, provided the political will to do so existed.

Mr. Harran noted that certain contracting parties had raised the question of the lack of legal power to enter into certain obligations proposed for the new Chapter. It had, however, been pointed out that the General Agreement itself was being applied on a provisional basis, i.e. to the extent not inconsistent with existing legislation. If a similar arrangement could be made in the case of the new Chapter, contracting parties which could not immediately accept its provisions could withdraw their present reservations and introduce the necessary legislative changes at a later date. He supported the early reconvening of the Committee to complete its work. The Committee's report should be immediately derestricted.

Mr. EVANS (United States) said that before the session the United States had hoped that it might be possible, in the course of the session, to arrive at an agreed draft for a new Chapter to the General Agreement which would, in effect, be a trade charter for the less-developed countries. However, at the outset of the session there had been several different drafts which, in many respects, appeared to be almost diametrically opposed to each other. At the opening meetings of the Committee a number of other proposals, some on totally new subjects, were tabled. In these circumstances, the chances of a successful outcome had seemed remote. Now, however, it was possible to feel optimistic. The Committee had come closer to the completion of an agreed draft than it could have hoped three weeks before.

In the draft Chapter could be found evidence of all the proposals which the Committee had had before it, beginning with the original model Chapter which had been presented by the Executive Secretary before the ministerial meeting. Many disparate proposals had been blended into a harmonious whole without the original proposals being obscured. He believed that with a little more time it would have been possible to have completed the work. There were a number of outstanding differences, as were indicated by the square brackets and by the alternative provisions appearing in the text. Many of these, including some on which the sharpest debate had centered, reflected mere differences as to the best way of expressing more or less identical concepts. Some of the differences were substantive but in the past two weeks the Committee had resolved other substantial differences that had originally looked as intractable.

In outlining the position of the United States Government concerning the draft Chapter and the steps which remained to be taken, Mr. Evans affirmed that he could accept, ad referendum, all the language of the draft Chapter that was not in square brackets and all those bracketed provisions which his delegation had supported in the drafting group and the Committee. However, it would not be worthwhile to send an uncompleted draft to governments for approval and there should first be a broader measure of agreement on the outstanding points of difference. His delegation was of the view that the achievement of that broader agreement would be difficult so long as a major partner in the discussions considered it necessary both to abstain from the effort to arrive at an agreed text and to keep its hand entirely free. In these circumstances, it was only natural that other delegations should continue to maintain their positions on points which they considered to be of special importance to them. He hoped that this situation would soon change and the United States would then be ready to participate in a resumed session of the Committee and would play its part in efforts to find satisfactory compromises on the outstanding issues in the present draft.

Mr. Evans recalled that it was the aim of the United States to achieve agreement on new commitments which could be accepted in 1964. Perhaps experience with the new Chapter, over time, would show that additional commitments and procedures should be added. It was possible that some proposals that today were unrealistic, economically and politically, would become practicable. But it would be shortsighted to sacrifice the gains that could be made now whilst waiting for perfection. The United Nations Conference on Trade and Development would be beginning its important work in the following week and would be attended by many hundreds of delegates, most of whom would be interested in the present stage of the work of the CONTRACTING PARTIES in this field. It would clearly be inappropriate, and worse than useless, for that Conference to attempt to rewrite the draft that had been worked out by contracting parties. But this did not alter the fact that the United Nations Conference would be dealing with similar matters and would need a clear picture of what had been accomplished in the GATT. He suggested therefore that the report be derestricted and that it and any related statements by delegations be made available upon request. This did not mean that the report would be submitted to the United Nations Conference.

In concluding, Mr. Evans stressed that no progress could have been achieved with regard to the draft Chapter if the many representatives on the Committee had not made a sincere effort to understand each other's points of view. This had been a very heartening demonstration that developed and less-developed countries could work together in a spirit of co-operation and that the differences in tradition and in immediate objectives, which sometimes appeared to divide contracting parties, were much weaker than the forces that bound them together; their objectives in the longer run were the same.

Mr. DE SMET (Belgium), speaking on behalf of the member States of the European Economic Community, said that stress was quite correctly given to the importance to the CONTRACTING PARTIES of problems confronting the less-developed countries. Reports had been made by the various committees and sub-committees established after the ministerial meeting to implement the Conclusions of Ministers. In the view of the Community, the main problem before the CONTRACTING PARTIES was to formulate economic and trade policies aimed at helping the less-developed countries to approach the level of development achieved by industrialized countries. The CONTRACTING PARTIES had to find new and realistic means for enabling greater participation of developing countries in the expansion of world trade. An analysis of this particular objective showed the complexity of the task before the contracting parties and the desirability of co-operation between them. In view of the magnitude of this task the Community had hitherto been circumspect in accepting formal commitments and had refrained from making promises which would provide the less-developed countries with an illusory picture of progress. The Community was not adopting a rigid position and was open to new ideas including those which might be voiced in the United Nations Conference.

Mr. De Smet recalled that the Community had suggested the need for the GATT to undergo reorientation in order to take greater account of the problems of the less-developed countries. As developed countries, the member States of the Community had experienced the value of the principles of the GATT and its pragmatic approach in applying these principles. The principles embodied in the General Agreement had been material in preventing the development of protectionism and bilateralism, particularly in the early post-war years. Whilst, the Community was convinced that the General Agreement now had to be adapted to meet present needs it believed also that GATT's principles and working methods should be safeguarded. The report of the Committee represented an important starting point in this direction. The increased efficacy of the GATT depended on the use it made of new proposals not only those generated within the organization but those originating elsewhere. Taking account of such new ideas, governments would be able to select the best and their representatives could continue discussions aimed at finalizing an acceptable text of the new Model Chapter.

The twenty-first session had shown the magnitude of the work before the GATT. It was clear that there was no quick solution to the problems with which contracting parties were dealing. However, the work of the session had been most useful and had demonstrated the ability of GATT to deal with these complex problems. Ideas elucidated during the session and those arising from the United Nations Conference on Trade and Development would enable contracting parties to take the decisions which would become necessary in the future.

Mr. VALLADAO (Brazil) supported the analysis given by the representative of Chile on the evolution of the GATT. It was now essential for the GATT to shed certain of its older attitudes and to look beyond the regulation of tariffs in order to overcome the problems of the less-developed countries. Brazil was not completely happy with certain aspects of the report of the Committee. Some differences had not been resolved and others had had to be accommodated by the inclusion of square brackets. Because of lack of time certain questions, particularly those relating to Articles XVIII and XXIII and regional integration had not been dealt with at all. The work was, therefore, incomplete and could not be regarded as satisfactory. It was the expectation of the Brazilian delegation, however, that better progress would be made in future and it supported the continuation of the work of the Committee.

Mr. ONYIA (Nigeria) said that his delegation would have liked to have seen the completion of the new Chapter before the United Nations Conference. As in the case of preferences, this had not proved possible. The importance attached to the new Chapter by the less-developed countries could not be over emphasized. It represented a test of the often expressed good-will and amity of the industrialized countries towards the developing countries and offered them the opportunity of adopting concrete measures to enable less-developed countries to raise their living standards to levels comparable with those enjoyed by developed countries. The work

of the Committee was incomplete, but there had emerged a great measure of understanding on the principles to be followed in meeting the needs of the less-developed countries. The remaining substantive differences were relatively few in relation to those which had been resolved. It was, however, important that the remaining differences should be removed. Contracting parties should now reflect on the remaining substantive and drafting differences so that more rapid progress could be achieved when the Committee next met. He believed that, given the political will, such differences could be resolved. He agreed with those representatives who had suggested that work being undertaken in other organizations need not deflect the CONTRACTING PARTIES from their task of reformulating the General Agreement. In fact the United Nations Conference on Trade and Development should foster the spirit of compromise and provide better ideas so that the GATT could be rendered more useful to the less-developed countries. He agreed that the provisions of an agreed new Chapter need not await the formal signature of an amendment protocol, but should be brought into effect by a declaration.

Mr. CARMODY (Australia) said that, in general, the Australian delegation supported the new Chapter which it considered a significant step forward in achieving the objectives contained in the Ministerial Resolution of May 1963. He hoped that the work would continue and that, when complete, the Chapter would provide a satisfactory framework for overcoming the problems faced by less-developed countries. He noted that there were still real differences of opinion on certain aspects and he hoped that these could be resolved soon.

Australia had proposed the inclusion of a paragraph, appearing as paragraph 4 on page 9 of the Committee's report, to meet the particular position of Australia. Australia did not claim the status of a less-developed country although in terms of certain of the criteria that had been advanced, it could qualify for this status. Australia had successfully raised income and living standards to a point which excluded it from the category of "less-developed". In view of the fact that Australia did not claim to be a less-developed country, it was not seeking to benefit from special arrangements aimed at assisting countries in this category. On the contrary, Australia was anxious to play its part in helping to overcome the problems of developing countries. However, it had to be stressed that Australia could not be classified as a highly industrialized country. Her economy depended to a very large extent on primary production which represented nearly 90 per cent of total export earnings. Australia, in common with the less-developed countries, had to face prohibitive barriers to its exports, and its terms of trade had declined in recent years at an almost unprecedented rate. To meet this problem Australia was fostering the growth of manufacturing and wished to extend and diversify her industries. In this endeavour she was inhibited by a small population and domestic market. The resultant limitation on economies of scale gave rise to a relatively high cost structure. Thus Australian industry experienced difficulty in competing in the local market with exports from developed countries and had experienced dumping of the particularly sophisticated type which was, unfortunately, becoming prevalent in world trade.

In terms of the paragraph drafted by his delegation, Australia would carry out the commitments outlined to the maximum extent possible, subject only to due regard being paid to Australia's own development needs and policies. In assessing the real significance of the undertaking given by Australia account would have to be taken of Australia's past record in relation to the problems of the less-developed countries. Australia had welcomed the principles of the Action Programme and had taken an active part in its implementation. It was a signatory to the Coffee Agreement and had participated in the Cocoa Conference. Australia maintained no import restrictions on items of interest to less-developed countries and admitted 75 per cent of its imports from these countries free of duty. It would, he considered, be generally agreed that Australia had made a major contribution to the activities of Committee III. As a signatory to the Cotton Textiles Agreement, Australia had removed all quantitative restrictions on textiles and had not invoked any of the escape clauses. Despite the existence of a domestic cotton textile industry, Australia imported about 85 per cent of its requirements of woven cotton textiles.

Another reason for the inclusion of the draft paragraph was the relationship Australia enjoyed with Papua and New Guinea whose development she assisted with very significant financial assistance. Moreover, following the granting of a waiver by the CONTRACTING PARTIES, exports from Papua and New Guinea entered Australia duty free and at the present time 50 per cent of the total exports of the two territories were taken by Australia. On the other hand, Australia did not enjoy any preferences in the two territories and in fact her share of their trade was declining. The special position of Australia had been recognized at the review session of the GATT and in the amended Articles XVIII and XXVIII provision had been made for limited special arrangements for a narrowly-defined small group of countries which were neither highly industrialized nor less-developed. The special position of countries such as Australia had again been formally recognized at the ministerial meeting of May 1963. It was possible that certain of the less-developed countries were apprehensive lest the paragraph drafted by Australia might be invoked by other countries to escape commitments. Such apprehension, he considered, was unjustified, as the Australian draft paragraph maintained the narrow definition provided for in Articles XVIII and XXVIII. Nor did he consider that Australia's qualifications should give rise to any fears on the part of the highly industrialized countries. Mr. Carmody pointed out that Australia's efforts to expand and diversify its economy had not resulted in any decline in imports and that in fact Australia was a very large and constantly expanding market for the products of the industrialized countries. For these reasons, it was his expectation that in the future discussions on these matters contracting parties would agree to the inclusion of the draft paragraph, in the proposed new Chapter.

Mr. MIGONE (Argentina) considered that the Committee had advanced much further than had at one time seemed possible and there was hope that in 1964 a framework would be created for a significant increase in world trade. Argentina shared the views expressed by the representatives of Chile, India and Brazil in this respect. Referring to the document submitted by Argentina (L/2186) on the principles to be incorporated in the new Chapter he noted that these included the acceptance that the economic and social problems of the less-developed countries were the most important confronting the world; the need for international co-operation in both the financial and trade fields if these problems were to be solved; the nature of the institutions necessary to achieving this end; and that GATT, which was at present inadequate to meet the needs of the less-developed countries, should be improved by the application of principles and objectives contained in the draft Chapter. In the view of his delegation, the new Chapter represented a fundamental step forward in meeting the needs of less-developed countries and the necessary revision of the GATT could be based on the Chapter. New ideas emerging in the United Nations Conference on Trade and Development could be given legal form in an amended General Agreement. In this connexion certain new principles being enunciated by the less-developed countries should be translated into concrete measures. In conclusion, Mr. Migone proposed that the work of the Committee should be continued in an effort to find solutions to all the problems falling within its terms of reference whether or not they were presently dealt with in the draft Chapter.

Mr. KAMBE (Senegal) said that the recent admission of his country to the GATT had imposed on it an attitude of circumspection and this had a certain significance for his delegation. His delegation has observed and listened in order to obtain the maximum profit from the stands taken by other delegations. His delegation had followed with the greatest attention the work of the Committee on the Legal and Institutional Framework and although not members of the Drafting Group had participated with the same interest in the attempt to find solutions capable of bringing together the diverging points of view which had become obvious within the Group. While the outcome of the Committee's work was considerable as far as principles were concerned, his delegation had not been satisfied with the substance of what had been achieved. When looking at the report in more detail it could be seen that serious divergencies of views still existed on fundamental points. Even on the more notion of the definition of less-developed countries the CONTRACTING PARTIES had not come to an agreement. Nevertheless the feeling of his delegation was that the key to the dilemma in which the CONTRACTING PARTIES seemed to have found themselves would be found in the practical acceptance which would be given to this concept. By making the definition as elastic as possible and by taking into account all the criteria of under-development, there could be a more general understanding at least with respect to the establishment of preferential systems as far as the less-developed countries are concerned. In Article XVIII:4 of the General Agreement it could be seen that the drafters of that Article had in a practical spirit provided a classification which should be a guide for the implementation of the provisions of that Article. If this part of the Agreement were to be amended it would be quite natural that account should be taken of the basis under which all the provisions of this Article were founded. His delegation would revert again to this question on another occasion.

Mr. PRESS (New Zealand) said that in drawing up a Chapter which placed new emphasis on problems of trade and development in the context of GATT, his delegation believed that the intentions expressed by the Ministers at their last meeting were being truly carried out. He hoped that agreement would be reached quickly on a Chapter which would fill a long criticized gap, and that in the GATT not only would justice be done to the less-developed countries, but that justice would be seen to be done.

He supported the statement made by the Australian delegate regarding the particular situation of countries like New Zealand and Australia. New Zealand was dependent on a very small range of primary products for its export income, was in the very early stages of industrialization and was attempting to diversify its economy. Some of the facts of life as they appeared to his delegation in this particular context, were that 95 per cent of New Zealand's exports were primary products. This was a very narrow basis for an economy, yet in the decade up to 1962 New Zealand's terms of trade had declined at a rate more than twice that of the average decline in the terms of trade of the less-developed countries as a whole. Nevertheless, New Zealand was not a less-developed country in the sense that the term was normally used in the GATT, though, like Australia, New Zealand would certainly qualify under some of the criteria which had recently been suggested. New Zealand was a country with a high standard of living and that was why it had not claimed that it was entitled to benefits which New Zealand supported to be the right and due of the less-developed countries. The particular position of countries like New Zealand and Australia had been recognized both at the 1955 review session and as recently as the meeting of Ministers in May 1963.

While New Zealand was determined to play its part in carrying out, for example, the Action Programme it could not honestly accept to undertake as fully as the industrialized countries the commitments set out in the draft new Chapter. It would be dishonest for New Zealand to agree unreservedly to do something which it was not in a position to do. However New Zealand would do all it could to the best of its ability. Mr. Press said that he suspected that what New Zealand could and would do, would not fall very far behind what industrialized countries would find themselves able to do. New Zealand could not, therefore, accept a new Chapter to the General Agreement which did not take cognizance of the position of countries like New Zealand. Paragraph 4 on page 9 of the Committee's report would meet this position and he hoped it would be retained since it represented no more than a fair and justifiable recognition of the position of New Zealand and like countries.

Mr. STONER (Canada) said that the constructive progress reflected in the Committee's report was a sample of the amount of practical co-operation which could be achieved in the GATT between developing and developed countries. He was confident that before long there would be agreement on a new Chapter which would enable developing countries to measure, and more importantly to realize, the genuine benefits of trade expansion which the GATT was capable of generating. He hoped that it would now be possible to move quickly in resolving the remaining differences some of which would of course require both patience and hard work. He considered that it would be important for the CONTRACTING PARTIES to have before them before the end of the year, recommendations reflecting the true measure of what was both possible and desirable. His delegation hoped that when agreement had been reached on a new Chapter, the provisions would enter into effect immediately without awaiting formal ratification of a protocol. The Committee's report rightly emphasized the importance of trade in primary products. The freeing of the movement of these products would not only expand the immediate export opportunities of the developing countries but would also contribute to a strengthening and expansion of world trade in general. This would yield enormous benefits to the developing countries over the long haul. On the question of preferences it would be vital that discussions in the Working Party on Preferences produce the kind of recommendation which would enable contracting parties to make effective decisions on this most difficult issue where so many questions were still to be answered.

In looking at the totality of the new Chapter it should always be borne in mind that the Ministers had agreed that developing countries would be given full advantage of trade concessions negotiated between contracting parties without having to give full reciprocity. The Canadian delegation believed that the most careful reflection should be given to what this would mean in terms of trade opportunities for the developing countries. The most careful thought should be given to what degree of reciprocity was desired, since this could vary as between developing countries and between various items of trade. It should be recognized that efforts for increasing the trade of the less-developed countries would not terminate with the drafting and acceptance of the new Chapter. All contracting parties both developing and developed must be satisfied that they had created a trading system that would work. It would be only this consideration which would bring to developing countries genuine opportunities to expand their trade. Throughout the discussion there had been reminders regarding the obligations of contracting parties to work together to expand the trade of developing countries. Attention had also been drawn to the contractual relationships which underpinned the trading community within the GATT. Canada strongly supported both these principles and was confident that they could be reconciled.

Mr. SKAK-NIELSEN (Denmark) expressed the satisfaction of his Government with the progress made so far in establishing a new draft Chapter of the General Agreement. His delegation considered it important that the relationship between developed contracting parties and less-developed contracting parties in the field of commercial policy should be very closely defined in a legal text and was convinced that this work, started at the initiative of the Executive Secretary, would be of material assistance to the developing countries in their effort to develop and diversify their economies, and that it would also contribute to the strengthening of co-operation between contracting parties.

Mr. MIYAZAKI (Japan) said that his delegation shared with other delegations the view that sympathetic co-operation on the part of the developed countries was essential for solving the problems before the CONTRACTING PARTIES. It was in this spirit that the Japanese delegation had participated and co-operated in the discussions of the Committee. Every paragraph of the draft Chapter would be examined by his Government most carefully and in a constructive manner. Mr. Miyazaki stressed that in co-operating with other contracting parties his delegation would continue to exert its sincere efforts for the solution of the problems within the framework of the General Agreement.

Mr. RISTIC (Yugoslavia) expressed disappointment that the problems of substance raised in the revision of the GATT as well as other problems had not been solved. Those delegations which had been optimistic in their statements had given his delegation some hope that perhaps within the United Nations Conference on Trade and Development, precise and definitive decisions would be taken. The essential thing which would solve these problems would be the political will of the developed countries. It was on this political will which would depend the successes of GATT as well as the successes of the United Nations Trade Conference. There seemed to be the view in some quarters that the relatively little success of the present session was due to the divergencies between the developing countries. As far as his delegation was concerned if divergencies did exist they were of secondary importance. The determining factor was really the political will of the industrialized countries. The industrialized countries were confronted with a need to change their economic structures in order to allow an increase in imports from the developing countries. It was not known whether they would be willing to make the necessary changes. It would be for the industrialized countries to answer this question. Implementation of the principle of non-reciprocity in the coming trade negotiations would not by itself solve the problems of the developing countries. Positive and concrete measures, whenever they could contribute to the increase of trade of the developing countries, should also find adequate place in the GATT. This would enable the GATT to play the rôle indicated by the Ministers at their last meeting.

The CHAIRMAN in summing up the discussion, said that the CONTRACTING PARTIES would wish to note that there was agreement that it was appropriate and timely to incorporate in the General Agreement provisions which would adequately reflect the activities already undertaken by the CONTRACTING PARTIES with respect to trading problems related to the economic development of the less-developed countries, and would provide the necessary legal and institutional basis for the future functioning of the CONTRACTING PARTIES with respect to these matters; that there was also agreement that such provisions should be incorporated in a separate chapter on trade and development; that on a number of provisions to be incorporated in the chapter there was agreement, on some the outstanding issues appeared to be largely a question of more precise drafting, whilst on others more substantial issues remained; and that the United Nations Conference on Trade and Development would shortly be considering relevant or related matters.

The Chairman suggested that the CONTRACTING PARTIES should agree to pursue through the Committee on the Legal and Institutional Framework, discussions on the proposed draft Chapter with a view to resolving outstanding issues; the Committee should prepare the text of a protocol for amendment of the General Agreement and consider the possibilities of providing for a Declaration for the provisional application of the Chapter pending entry into force of the amendment protocol, and should present a report to the Council not later than 30 September 1964. The CONTRACTING PARTIES should further agree that the Council, in the light of the report submitted to it by the Committee, should submit appropriate recommendations to a session of the CONTRACTING PARTIES to be held not later than mid-November 1964 with the intention that governments of contracting parties should be prepared to reach final agreement.

Mr. VALLADAO (Brazil) suggested that the second paragraph of the Chairman's summing up might be amended to include some wording to the effect that the Committee, in pursuing its work with a view to resolving outstanding issues, be instructed to take into account the results of the United Nations Conference on Trade and Development.

The CHAIRMAN commenting on the point raised by the delegate of Brazil said that his suggestion involved a point of procedure. The draft Chapter towards which the CONTRACTING PARTIES were working implied the assumption of contractual obligations between contracting parties. In the final analysis these contractual obligations would be worked out between them for insertion into the text of the Agreement. It was, therefore, difficult to instruct contracting parties in the process of negotiating, that in any binding agreement between them they would be bound to take into account any particular development, whether it be one arising from the United Nations Conference or otherwise. Nevertheless, one would naturally expect that the Committee, and indeed the CONTRACTING PARTIES, would wish to take into account in their future work in this field all the relevant factors embracing the changes in circumstances that might arise between the present and the time when the work was resumed. He hoped that this would satisfy the Brazilian delegation.

The CONTRACTING PARTIES approved the summary proposed by the Chairman.

The delegation of Brazil reserved its position on the second paragraph.

3. Derestriction of documents

The CHAIRMAN said that several delegations had expressed the desire that the reports by the Working Party on Preferences, the Committee on the Legal and Institutional Framework and Committee III, should be derestricted. It was not normal to derestrict documents of the CONTRACTING PARTIES until sixty days after the close of a session, but it was within the power of the CONTRACTING PARTIES to modify this rule if they so wished.

Mr. ONYIA (Nigeria) said he appreciated that the documents mentioned by the Chairman were particularly important and contained information which might be useful to delegations taking part in the United Nations Conference on Trade and Development. He would have no objection to the derestriction of these reports, providing it was understood that they were not to be submitted to the Conference as working papers nor for discussion of the ideas elaborated in them. He would rather see the United Nations Conference arrive at its own conclusions and draw up its own papers on these matters. In his view the reports should be derestricted merely for the information of delegations.

It was agreed that the three reports would be derestricted on the understanding that they were to be available to delegations attending the United Nations Conference for information only.

4. Election of officers (W.21/10, W.21/12)

The CHAIRMAN said that at a meeting of Heads of delegations it had been decided, in view of the increasing number of contracting parties, to recommend to the CONTRACTING PARTIES that in future there should be three instead of two Vice-Chairmen. It was proposed that one of the Vice-Chairmen should be designated the First Vice-Chairman and that he should be resident either in Geneva or fairly close to the GATT headquarters and should normally preside whenever the Chairman is not available. To give effect to this recommendation the Executive Secretary had drawn up a new text for Rules 10 and 11 of the Rules of Procedure, as set out in document W.21/12.

The proposed amendment of Rules 10 and 11 was approved.

On the recommendation of the Heads of delegations, the CONTRACTING PARTIES elected the following officers to hold office until the close of the twenty-second session:

Chairman:	Mr. J.H. Warren (Canada)
Vice-Chairmen:	Mr. J. Lacarte (Uruguay) - First Vice-Chairman
	Mr. G. Bresson (Upper Volta)
	Mr. N.T. Montan (Sweden)

The CHAIRMAN declared the session closed at 7.30 p.m.