

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

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CONTRACTING PARTIES
Tenth Session

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SUMMARY RECORD OF THE FIFTH MEETING

Held at the Palais des Nations, Geneva
on Tuesday, 1 November 1955, at 10.00 a.m.

Chairman: Mr. L. Dana WILGRESS (Canada)

Subjects discussed:

1. 1956 Negotiations
2. French Stamp Tax
3. Italian Turnover Tax
4. Rhodesia - Nyasaland Tariff and South Africa -
Southern Rhodesia Customs Union

1. 1956 Negotiations (L/408) (continued)

Mr. STANDENAT (Austria) said that he would like to put some questions on the report of the Working Party. (1) Was it intended that the consolidated list of offers (paragraph 10 (ii)) must be maintained as presented if a country's request were met, and should it reflect the requests of other countries? The equilibrium of overall concessions, referred to in paragraph 13, would be difficult to maintain unless these lists could be modified in the course of the negotiations. (2) The date of 1 October for the submission of lists (paragraph 15) had not been observed by most countries and he would suggest that a new date be fixed, perhaps 1 December, after which further lists of requests would no longer be considered. (3) Did rule 3 of the Annex mean that a country could not invoke the principal supplier rule if the principal supplier was taking part in the negotiations? (4) His delegation agreed with the appointment of a Tariff Negotiations Working Party (rule 9 of the Annex) and fixing of its terms of reference by the Tariff Negotiations Committee, but were of the opinion that the delegation of powers to it should not go so far that the Working Party had authority to give views or recommendations without submitting them, through the Tariff Negotiations Committee, for consideration to the CONTRACTING PARTIES.

Mr. KOHT (Norway), the Chairman of the Working Party, said that the consolidated lists of offers were intended to contain the total concessions a country would be willing to give on the assumption that its requests were granted in full. This, however, should not be taken to mean that a requesting country could not improve on its consolidated list of offers and was intended rather to avoid purely bilateral balancing of concessions. With regard to the time-limit, it was for the CONTRACTING PARTIES to decide whether they wanted to establish a new date; he preferred merely asking contracting parties to hand

in their requests without delay. The rule concerning the principal supplier (rule 3 of the Annex) covered negotiating countries and, in his view, a participating country would be justified in invoking the principal supplier rule, if the principal supplier, made no request on an item. Concerning the subsidiary bodies, he felt that the CONTRACTING PARTIES should not try to lay down too rigid rules for the Tariff Negotiations Committee on which all the negotiating governments would be represented.

Mr. de BESCHE (Sweden) said that the substantial reduction of tariffs and other barriers to trade were two of the main objectives of the General Agreement. In the review Session time had been devoted to creating procedures aimed at the elimination of quantitative restrictions. In the view of the Swedish Government the reduction of rates of duty and removal of existing differences in tariff levels was an objective of equal importance. Elimination of quota restrictions was useless if they were only to be replaced by high tariffs and a reasonable balance ought to exist between the elimination of quantitative restrictions and the reduction of tariffs. The Swedish delegation associated itself with the disappointment of the Danish and Belgian delegations at the fact that agreement could not be reached on a plan for automatic tariff reduction which, in their view, constituted the only way at present of definitely solving the tariff reduction problem. The Swedish delegation noted however, with satisfaction that although the new rules were largely based on the procedures of previous conferences, the desire for increased multilateralism was to some extent met in that any participating country could raise with the Tariff Negotiations Committee any problem pertaining to the negotiations. He hoped that this instrument would be used for the purpose intended.

To a member of the low tariff group the rule that a reduction of a high duty was equal to the binding of a low one, was fundamental and Mr. de Besche was glad to note that in Rule 11(c) for the Conference account had also been taken of the special position of the low tariff countries. While stressing the disappointment of his Government that a definite solution of the tariff reduction problem had not been found, they were prepared to accept the procedures proposed for the present efforts in this field. He drew particular attention to paragraph 14 of the report which stated that the fact that the negotiating powers of the United States were limited should not preclude other governments from negotiating for greater reductions among themselves. It would be regrettable if all the large trading nations of the world did not take part in this Conference.

Mr. KLEIN (Germany) said that the German Government would have preferred the new Tariff Conference to take place on the basis of a general and automatic tariff reduction along the line of the French or GATT plans. However, it believed that any step, however small, in this field was useful, and agreed both to the technical arrangements for the Conference, and to the Rules and Procedures.

With regard to the limitation of negotiations by France to those with the United States, the German delegation still hoped that France would reconsider its attitude, as in its absence the scope of the negotiations would be restricted. The limited negotiating powers of the United States (paragraph 14) should not preclude other governments from negotiating for greater reductions among themselves. In this connexion, Germany since the last Torquay Conference had continued to reduce the rather moderate level of its customs tariff both autonomously and bilaterally and after 1 January 1955 had held tariff negotiations with Japan, Sweden, Norway and Denmark in which tariff reductions for a number of commodities had been granted. He hoped these factors would be taken into account. The Federal Government had suspended, or transitionally reduced, many legal duties and started from the supposition that in the case of rates which, in individual cases, had been suspended in whole or in part, concessions could be made only on the basis of the legal rates of duty. Referring to the selective method outlined in Rule 11(a), his Government stressed the necessity of certain exceptions, such as for fiscal duties and duties levied on certain commodities or groups of commodities.

Baron BENTINCK (Netherlands Kingdom) supported the statement made by the Danish delegate. After four years of discussing tariff reductions, these rules and procedures provided an infinitesimal improvement over the Torquay rules. The point of greatest concern to his Government was the lack of any assurance in the new Rules that tariff disparities would be modified to a substantial degree. When they had notified their willingness to participate in the Conference, it had been in the expectation that the CONTRACTING PARTIES would find it possible to agree before January 1956 upon satisfactory multilateral rules and procedures, taking into full account the particular position of the low tariff countries at such a Conference. This has not been realized. Nevertheless, his Government, despite its disappointment had decided that the insufficiency of the rules would not prevent it from taking part in the negotiations and hoped that the few new elements in the rules would be exploited as far as possible. Some shifts from the bilateral emphasis could be discerned in Rule 11(c), recognizing the binding of a low duty as equivalent to the reduction of a high one; in Rule 5, underlining the multilateral character by stating that participating countries should make over-all concessions commensurate with the overall concessions received, and in the terms of reference of the Tariff Negotiations Committee (Rule 7), particularly the paragraph providing that negotiations might be arranged on a triangular or multilateral basis. Apart from the rules there was also the problem of the scope and he regretted that the French Government had concluded, with the abandonment of the GATT plan, not to participate, as its absence would considerably limit the scope of negotiations. The new Article XXIX, apart from its positive elements with regard to the particular position of low tariff countries, also recognized the special position of less developed countries in such a way as to limit the scope of a tariff conference. In the view of his Government this was a reasonable and realistic limitation and in fact the overseas parts of the Netherlands would not be in a position to take part in the Conference. In the case of Surinam the revenue derived from import duties was an indispensable element of the budget where a decrease would be detrimental to the general economic situation, and it was the intention of the Government of Surinam to modernize its obsolete customs tariff which

would involve as well as some decreases, a number of increased rates. As an under-developed country, Surinam would also avail itself of tariff protection to assist economic development within the framework of its Ten-Year Plan. Reverting to Article XXIX, there was one clause therein stating that negotiations should offer adequate opportunity to take account of the needs of individual industries, which appeared to his Government dangerous. The Netherlands would enter the Conference with moderate expectations, but hoped that a growing understanding of their problems together with a positive willingness to subordinate sectional interests would make possible a satisfactory round of negotiations.

Mr. HAGUIWARA (Japan) said that his delegation was, in principle, in agreement with the Working Party Report which gave a practical and useful basis for the manner in which the forthcoming Tariff Conference should be conducted. He would stress, however, that Japan found itself in special circumstances with regard to the scope of the negotiations which would, in their case, be less extensive than would have been hoped, firstly because of the very recent negotiations with seventeen contracting parties; secondly because the countries which had invoked Article XXXV did not wish to enter into tariff negotiations with Japan, although trade with these countries amounted to 40 per cent of Japan's total external trade, and thirdly because the authority of the United States Government to reduce its tariff by 15 per cent did not extend to products where concessions of more than 15 per cent had been negotiated since 1 January 1955 and in the recent negotiations Japan had received a number of such concessions. In spite of these special circumstances the Japanese Government wished to participate in the negotiations in order to contribute to the objectives of the Agreement.

Mr. IBSEN (Norway) said that his Government had hoped that the next general round of negotiations would have led to substantial reductions in tariff barriers and agreed with the disappointment and criticism expressed by several delegates. However, Norway would accept the report, considering that a better solution was not possible at present and would participate in the Conference with the hope of achieving the best possible result.

Mr. SANDERS (United Kingdom) suggested that when adopting the Working Party's Report, the practical importance of countries exchanging their request lists as soon as possible should be emphasized.

The CHAIRMAN summed up the discussion on the report and expressed thanks to the Chairman of the Working Party. The position of low tariff countries had been set out, and disappointment expressed that the automatic plan for tariff reduction had not been followed. The Danish delegate had reserved the right to revive the GATT plan after the Conference had ended. The representative of India had commented on the unrequited benefits received by those countries not participating in the Conference, and on the position of countries exporting a few raw materials and importing a wide range of goods. With regard to the time limit for exchanging lists of requests, the Chairman of the Working Party had thought it would be best not to fix a limit; it was clear that any contracting party which failed to submit its lists risked not having its requests considered.

The discussion showed no disagreement with the report.

Mr. KRISTIANSEN (Denmark) raised the question of continued work on the GATT plan, and proposed that the item should be included on the agenda for the next session. Although he would prefer to retain the Working Party specifically charged with this task, perhaps the Intersessional Committee could consider how best to make progress in the study of the technical details and whether further progress in this sphere might not be made before waiting for the end of the Tariff Conference.

Mr. SANDERS (United Kingdom) appreciated that a number of countries might wish to give consideration to the question of further progress in tariff reduction, but presumably not before the end of the Conference. If it were the general feeling that this matter should be studied it should be put on the agenda in general terms and not limited to the particular proposals discussed in the past.

Mr. LEDDY (United States) would not question the inclusion of a general item including consideration of ways to improve the GATT plan on the agenda of the Eleventh Session. It was however unlikely that the United States could contribute to any technical discussion that took place during the Tariff Conference and it would be undesirable to complicate these negotiations by attempting to pursue such matters while they were going on.

Mr. GARCIA OLDINI (Chile) wondered whether a meeting having the same object would succeed where there had been no success in the past. He suggested that the secretariat be instructed to consult with governments about this matter with a view to possible formulae which might be acceptable. Otherwise surely past discussions would only be repeated. If it were decided to include the matter on the agenda, it should be clear that there was no commitment either as to the objective desired or the means to reach it.

The CHAIRMAN said that it was the Intersessional Committee's function to consider how to proceed with all matters on the agenda of a session and it would therefore, when it met, decide how the item should be dealt with and when any study should take place. The Committee could at that time also give attention to the suggestion by the Chilean delegate.

Mr. JHA (India) had no wish to stand in the way of the adoption of the Working Party report since there appeared to be general agreement. He had not, however, found any opposition to the point he had made, that in interpreting the provisions of Rule 11 there might be situations necessitating special consideration. While agreeing with the rule regarding the equivalence of the binding of low duties and the reduction of high ones, nevertheless duties on basic raw materials were low in most countries and if it were argued that a concession on such items must therefore rank with a concession on manufactured goods then that rule would be serving a purpose for which it was not intended. Concerning the rule that indirect benefits should be taken into consideration, it was unquestionably desirable to weigh all the advantages but this rule should not be interpreted in such a manner as to induce a country to think that it had greater interest

in not participating in the Conference when it would still obtain the indirect benefits without having to pay for them. He suggested that perhaps the opening phrase of Rule 11 might be reworded so as to read: "The negotiations shall be conducted having due regard to the following principles" and that the record of the present debate might be transmitted to the Tariff Negotiations Committee as general guidance.

Mr. LEDDY (United States), while having no objection to these points being brought to the attention of the Tariff Negotiations Committee to bear in mind in considering the course of negotiations, wished to comment on some difficulties which they had with the points raised by the Indian representative. In their view, "low" duties could not be regarded as a purely arithmetical concept as the scale of duties must be weighed in relation to the item as to whether undue restriction or protection was provided. Secondly, if too much attention were paid only to the direct benefits the effect must inevitably be to reduce what might be accomplished in overall reductions. The decision as to participation in the Conference had already been taken and it was best now to keep the negotiations on as broad a basis as possible.

Mr. MACHADO (Brazil) said that although his Country was not participating in the negotiations the rules adopted were, nevertheless, important to them. It was essential that the technical difference in the structure of various countries and the lack of equivalence in the exchanges of concessions be in some way recognized. His delegation had suggested at the review a formula for the measurement of concessions. The relevance and importance of these aspects should be conveyed to the Tariff Negotiations Committee in the terms of that report, that countries should be free to adopt the formula if they chose.

Mr. OLDINI (Chile) shared the views expressed by India and Brazil. There was, however, the risk of re-opening the debate which had occurred in the Working Party and he suggested that perhaps if the Indian representative's suggestion was adopted as to the first sentence of Rule 11 there might be a little more flexibility so as to permit the Committee to study the situation and the points raised in this discussion without being closely bound by the CONTRACTING PARTIES' acceptance of the present text.

Mr. JHA (India) wished to say that he was in agreement with the point made by the United States delegate as to the way of determining the height of a particular duty and that account must be taken of the nature of the product and the purpose served by it. A purely arithmetical evaluation was to be avoided.

Mr. KOHT (Norway) said that this point had been discussed in the Working Party in connexion with a proposal of the United Kingdom which would have established a fixed limit to what was considered to be a low tariff. The reasons adduced by the United States and Indian representatives had been among the reasons for the rejection of the proposal by the Working Party.

Mr. AMERASINGHE (Ceylon) supported the delegate of India.

The CHAIRMAN suggested that, as this was a point of importance to many contracting parties it might be best now to agree that the report was generally acceptable and to postpone its formal adoption until there had been time to discuss the particular proposal of the Indian delegation.

With regard to the venue of the Conference the DEPUTY EXECUTIVE SECRETARY stated that, if the Foreign Ministers' Conference was prolonged 67 offices (comprising 77 units) would be available in the Palais des Nations and approximately 40 offices in a new building in Place des Eaux Vives. If the Foreign Ministers' Conference finished as expected, however, 87 offices would be available in the Palais (comprising 97 units) and the Geneva authorities would be able to provide the bâtiment electoral. Both alternatives made it possible to meet the requests thus far received, on the understanding that the United States provided its own office accommodation. There appeared to be no great difficulty about hotel rooms except during the Salon d'Automobile in March and it would, perhaps, be advisable for delegations to be in touch as soon as possible with their prospective hoteliers in order to assure themselves of accommodation at that time.

The CONTRACTING PARTIES agreed to Geneva as the site of the Conference.

The CONTRACTING PARTIES agreed to the inclusion on the agenda for the Eleventh Session of an item on further progress in the field of tariff reduction. Adoption of the report was deferred.

2. French Stamp Tax (L/410)

The CHAIRMAN referred to the complaint at the last Session about the increase in this tax, which had been withdrawn following a statement by the French representative that the tax was not higher than required to cover the costs of services rendered. The stamp tax had again been increased, and the United States had complained that this was a violation of the provisions of Article II and contrary to Article VIII if the proceeds of the tax exceeded the cost of services rendered.

Mr. PHILIP (France) referred to the discussion at the Ninth Session (SR.9/28, page 4) when he had explained that the increase was justified by the need to ensure that receipts covered the costs of services rendered at the time of importation. This requirement justified fixing the tax at a rate of 2 per cent. The French delegation did not deny that the new increase, which raised the tax to 3 per cent, was in contradiction to the undertakings under the Agreement, all the more so in that the receipts of the increase were used not to pay for services but were applied to the budget for agricultural family allowances. This increase was decided upon in exceptional circumstances when it had been necessary to find a means of financing the budget for agricultural family allowances and no possibility was seen in the normal methods. The increase was thus provisional and exceptional. Mr. Philip did wish to add that, although a contravention of the Agreement was involved, the scope was relatively restricted. The tax was assessed not on the value of the imported merchandise but on the customs receipt for the import and export duties and taxes. If the general

level of tariff protection in France was of the order of 20 per cent, the tax increase would amount, therefore, to raising the general level by approximately 0.2 per cent, which did not seem to be of a nature seriously to damage the interests of contracting parties nor alter the channels of trade. It was the intention of his Government to resume as soon as possible normal financial methods for the agricultural family allowances, but he could not in the present circumstances indicate when this would occur. The 1955 budget having been adopted so late, it had been decided simply to repeat it for 1956. However, the French Government had declared to the Assembly that a draft revision of the whole method of financing agricultural family allowances would be submitted for the approval of Parliament. In these conditions he could only assure the CONTRACTING PARTIES that his Government was aware of the urgency and importance of this problem and would resolve it as soon as it was possible to do so.

Mr. LEDDY (United States) said that the statement of the French representative confirmed their impressions as to the status of the tax under the Agreement. He would ask that the inconsistency of this measure with the Agreement be recorded and that the CONTRACTING PARTIES note the statement of the French intention to remove the inconsistency. He assumed that they would also request the French Government to report on progress.

The CHAIRMAN said that the French representative had given the reasons leading his Government to increase the stamp duty to 3 per cent and had stated their awareness that the measure was inconsistent with their obligations under the General Agreement, pointing out at the same time that the increase amounted to a small addition to customs protection of the magnitude of about 0.2 per cent, which would not appear to affect substantially the interests of contracting parties.

The CONTRACTING PARTIES took note of the undertaking of the French Government to cancel the measure as soon as practicable and invited the French Government to submit a report before the next Session regarding action taken to remove the measure which was inconsistent with the obligation of the French Government under the General Agreement.

3. Italian turnover tax (L/421)

The CHAIRMAN referred to the United Kingdom complaint that the Italian general turnover tax was levied on imported pharmaceutical products at 6 per cent but on Italian products at only 4 per cent, which appeared to be a violation of Article III.

Mr. SANDERS (United Kingdom) said that since this item had been placed on the agenda they had held further direct consultations with the Italian Government which they were hopeful would lead to a satisfactory solution. They would request, therefore, that the item be retained on the agenda pending their ability to report.

Mr. PARBONI (Italy) also requested that the discussion be deferred, since consultations were under way in Rome.

It was agreed to defer this item.

4. Rhodesia - Nyasaland Tariff: Replacement of Schedule XVI (Southern Rhodesia); New Federal Tariff; South Africa - Southern Rhodesia Customs Union. (L/376, 407, 293, 381 and Add.1, 394, 345, 426)

The CHAIRMAN recalled that the Federation of Rhodesia and Nyasaland had been accepted as a contracting party by virtue of the Declaration of 29 October 1954. The Federation had announced (L/407) that it was prepared to accept as schedules for the Federation the existing Schedule XVI of Southern Rhodesia, with the exception of five items for which the rates of duty had been increased above the bound rates in that Schedule (L/376). The Federation had entered into negotiations with the Governments of the United States and Italy in connexion with the increases in these items, and envisaged the insertion of new concessions and/or the inclusion of those five items at higher rates of duty as a result of the negotiations in progress.

Turning to the new Federal tariff which had been adopted on 1 July 1955, and had been submitted for consideration by the CONTRACTING PARTIES (with L/381/Add.1), the Chairman said that it should be examined in relation to the report adopted at the Ninth Session (L/293) in which the Federation indicated that in framing its new tariff it would have due regard to the principles of Article XXIV. This new tariff had been modified in respect of certain duties applicable to imports from South Africa and Australia by new trade agreements with those two countries, which had also entered into force on 1 July 1955 (L/381/Add.1 and L/394).

The secretariat had examined the new tariff in consultation with a representative of the Government of the Federation, and had distributed a memorandum (L/426) describing the structure of the new tariff and comparing the level of the tariff with that of the tariffs previously applied by Southern Rhodesia, Northern Rhodesia and Nyasaland. It also compared the preferential margins provided for in the new tariff with those previously provided for in the tariffs of the three territories.

The South Africa--Southern Rhodesia Customs Union should be considered in conjunction with this new tariff. The Governments of South Africa and the Federation had reported (L/381) that the Interim Customs Union Agreement of 1949 had been terminated on 1 July. Therefore the Declaration of the CONTRACTING PARTIES of 18 May 1949 concerning the Customs Union was no longer valid. The Customs Union Agreement had been replaced by the new trade agreement between the Federation and the Union, mentioned above.

The EXECUTIVE SECRETARY referred to the note by the secretariat (L/426) which could only have been drawn up with the co-operation of the Government of the Federation to whom he wished to express his gratitude. The Government had agreed that their representative should remain in Geneva after the Intersessional Committee to consult with the secretariat and it was through this consultation that it had been possible to prepare the document in such detail. The secretariat could only make an effective contribution when it enjoyed such co-operation from the government concerned.

Mr. RUSHMERE (Rhodesia and Nyasaland) referred to the Federation's new tariff and to the Trade Agreements entered into by the Federation (L/381 and Add.1, L/394). In 1952 the first firm plans were made for the closer political integration of Southern Rhodesia, Northern Rhodesia and Nyasaland. The Federation became an accomplished fact in 1953, and the Central Government, which was then formed, began at once to take over the appropriate functions of administration. It took immediate steps to clarify its relationship to the General Agreement, and was accepted as a contracting party by virtue of the Declaration of 29 October 1954. The situation demanded the creation of a uniform tariff in one single operation to replace the three separate tariffs of territories which were at different stages of political and economic development, and whose fiscal systems, patterns of trade and even contractual obligations varied greatly. The tariffs were divergent in structure, in form and with regard to rates of preference. In reconciling these problems, the Federal Government had had to bear in mind not only the overall needs of the new and developing State, and the necessity to rationalize rates, but to take account of the existing preferential obligations of the constituent territories and the obligation of the new State to pay due regard to the principles of the General Agreement.

The new tariff satisfied his Government's undertaking to the CONTRACTING PARTIES to have due regard to the principles of Article XXIV. Regarding duty incidences and preferential margins, it would be found that the tariff as a whole was in accord with the spirit and objectives of the Agreement. In fact the most-favoured-nation level of duty and overall preferences had been reduced. His Government had not overlooked the effects of the two Trade Agreements with the Union of South Africa and Australia. The preferential margins accorded in these Agreements would be found to fall within the framework of those permitted to the territories now forming the Federation in terms of the General Agreement. These two Agreements should be regarded as extensions and modifications of the Federal tariff. The position of the Australian Agreement was, in the view of his Government, fairly set out in the note by the secretariat (L/426) and he would only add that under the Northern Rhodesian tariff, Australian goods enjoyed the lowest normal tariff rates throughout, whereas such preferences would now be enjoyed only on a limited number of items. At the Ninth Session his delegation had made clear that the new tariff should not be regarded as definite and final and the need for experience in its working. His Government felt certain that the CONTRACTING PARTIES, recognizing these problems, would not wish to record their acceptance of the tariff and modifications to it by the Trade Agreements in terms which would necessitate seeking formal authority for any minor tariff change that might in the future be found to be necessary. Any such changes would continue to be within the overall level of preferences existing prior to the formation of the Federation.

Mr. Rushmere referred also to the reference to Southern Rhodesia in Annexes A and G concerning the margins of preferences permitted under Article I:4. He suggested that a suitable amendment of these annexes be considered.

Turning to the South Africa-Southern Rhodesia Customs Union, Mr. Rushmere recalled the joint statement made by the Union and the Federal Governments (L/345) regarding the Federal Government's formal notice of its intention to terminate on 30 June 1955 the Customs Union (Interim) Agreement between South Africa and Southern Rhodesia. Negotiations had resulted in the conclusion of a Trade Agreement between South Africa and the Federation which came into force on 1 July 1955. Prior to this, the Rhodesias had with only temporary intervals, more or less free trading relationships with South Africa. The 1930 Union/Northern Rhodesia Agreement had remained unaltered for twenty-five years, and it was therefore a permanent arrangement and its free trade provisions were permitted under GATT. With regard to Southern Rhodesia, the 1935 Agreement included the GATT base rates both of Southern Rhodesia and the Union. The new Agreement was, like the 1935 Agreement, a departure from free trading arrangements. Looked at as a whole, the general level of preferences for which it provided was well within those permitted by the GATT.

Mr. LEDDY (United States) expressed the appreciation of his delegation to the Government of the Federation for the careful way in which they had proceeded in the light of the principles of the General Agreement. There were some points which he would wish to raise, preferably in a working party set up for the purpose.

Baron BENTINCK (Netherlands Kingdom) said that these matters required time and he would hope that a Working Party would be established where more detailed information would be supplied. A study should be made of the new preferences as compared with the old ones and his delegation had been impressed for one thing, by the substantial degree of preference which United Kingdom exports received over Netherlands exports.

Mr. NAUDE (South Africa) said that the question of the Federal tariff and the customs union arrangement between the Federation and the Union were linked. In the view of his Government the development of the Federation was a natural one, as was its wish to create an economic basis for the political changes effected. The new tariff has been a shock to the Union's exporters as trade between the two countries was substantial. His Government was satisfied that the new tariff of the Federation was in accordance with its commitments under the Agreement and accepted it. They also accepted the need for time to become accustomed to its workings and he hoped that the CONTRACTING PARTIES would recognize that there might be unexpected developments in the next few years in the Federation which might require a certain flexibility in the tariff.

The issue was a simple one, and in the view of his Government the application of the new tariff and the trade agreement should be considered as a whole rather than by isolated items. With regard to the preferential arrangements between the Federation and the Union, he pointed out that these arrangements were traditional having existed in some cases for fifty years. He emphasized that in view of the exceptional relationship of the two Governments, the pattern of trade which had developed would be seriously disturbed unless it were continued on the basis of a reasonable preference. The very existence of industries in both countries would be threatened. His Government considered that the preferences now accorded by the Union to the Federation did not, on the whole, exceed the preferences previously accorded to Southern and Northern Rhodesia and contained in the Annexes to the General Agreement. No material reduction of imports from other contracting parties was likely to result.

It was agreed that transfer of Schedule XVI from Southern Rhodesia to the Federation and its rectification be referred to the Working Party on Schedules.

Discussion on the new tariff and the trade agreements was deferred to the subsequent meeting.

The meeting adjourned at 12.30 p.m.

